DAIMLER

# Interim Report Q2 2018

# Contents



**Cover photo: the new Sprinter.**

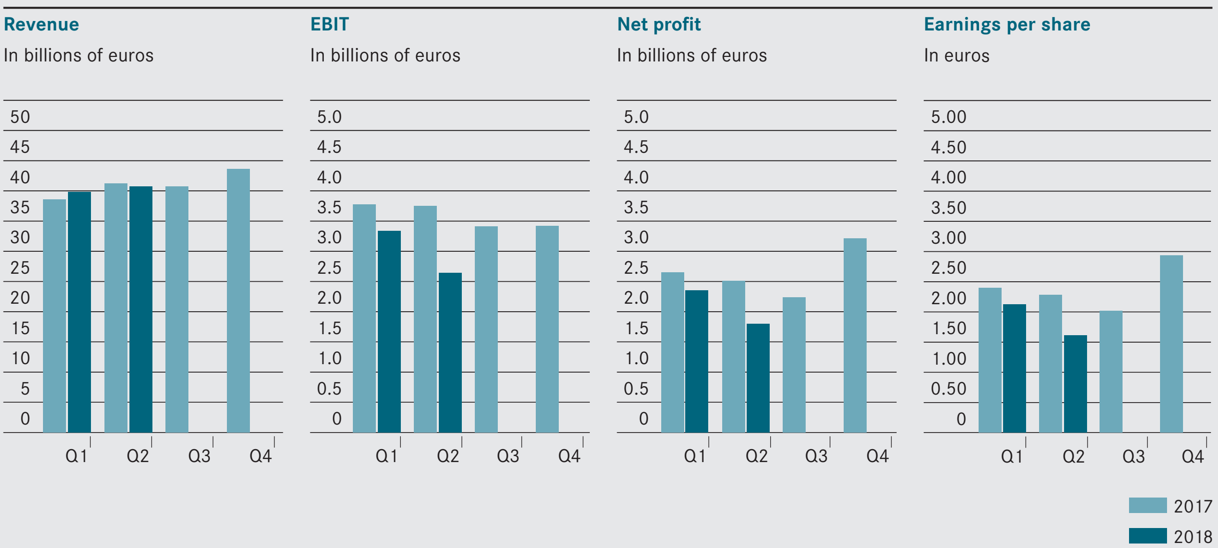
**The third generation of the Sprinter redefines the premium class of large vans. The traditional strengths of the segment's founder have been further enhanced and supplemented with intelligent products and services. The new Sprinter constitutes a fully connected complete-system solution. Its outstanding new features include full connectivity, the new multimedia system MBUX (Mercedes-Benz User Experience) and innovative assistance systems. It has been available on the European market since June.**

# Q2

**Key Figures Daimler Group**

| € amounts in millions | Q2 2018 | Q2 2017 | % change |
|---|---|---|---|
| Revenue | 40,756 | 41,214 [2] | -1 [1] |
| Europe | 17,293 | 17,142 | +1 |
| thereof Germany | 6,194 | 6,158 | +1 |
| NAFTA | 11,482 | 11,759 | -2 |
| thereof United States | 9,727 | 10,096 | -4 |
| Asia | 9,505 | 9,703 | -2 |
| thereof China | 4,482 | 4,764 | -6 |
| Other markets | 2,476 | 2,610 | -5 |
| Investment in property, plant, equipment | 1,550 | 1,404 | +10 |
| Research and development expenditure | 2,290 | 2,132 | +7 |
| thereof capitalized development costs | 670 | 718 | -7 |
| Free cash flow of the industrial business | -18 | 1,093 | . |
| EBIT | 2,640 | 3,747 [2] | -30 |
| Net profit | 1,825 | 2,512 [2] | -27 |
| Earnings per share (in euros) | 1.61 | 2.28 [2] | -29 |
| Employees | 300,777 | 289,321 [3] | +4 |

1 Adjusted for the effects of currency translation, increase in revenue of 2%.
2 The amounts have been adjusted due to first-time adoption of IFRS 15 and IFRS 9. Further information is provided in Note 1 of the Notes to the Interim Consolidated Financial Statements.
3 As of December 31, 2017.



# Q1-2

**Key Figures Daimler Group**

| € amounts in millions | Q1-2 2018 | Q1-2 2017 | % change |
|---|---|---|---|
| Revenue | 80,541 | 79,796 [2] | +1 [1] |
| Western Europe | 33,727 | 33,280 | +1 |
| thereof Germany | 12,149 | 11,966 | +2 |
| NAFTA | 22,083 | 22,573 | -2 |
| thereof United States | 18,801 | 19,524 | -4 |
| Asia | 19,843 | 18,938 | +5 |
| thereof China | 9,653 | 9,096 | +6 |
| Other markets | 4,888 | 5,005 | -2 |
| Investment in property, plant, equipment | 2,893 | 2,704 | +7 |
| Research and development expenditure | 4,611 | 4,265 | +8 |
| thereof capitalized development costs | 1,279 | 1,403 | -9 |
| Free cash flow of the industrial business | 1,804 | 3,038 | -41 |
| EBIT | 5,975 | 7,518 [2] | -21 |
| Net profit | 4,179 | 5,164 [2] | -19 |
| Earnings per share (in euros) | 3.74 | 4.67 [2] | -20 |
| Employees | 300,777 | 289,321 [3] | +4 |

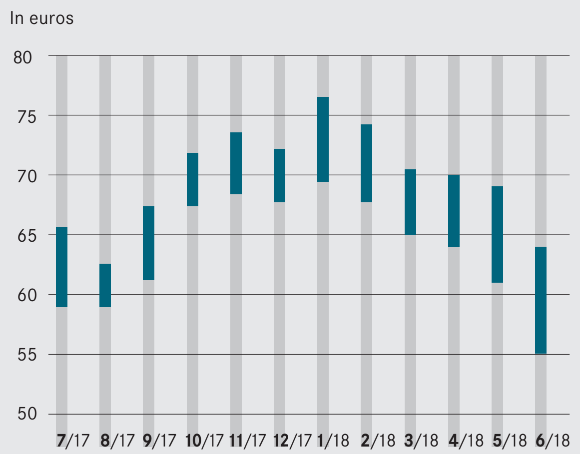
1 Adjusted for the effects of currency translation, increase in revenue of 5%.
2 The amounts have been adjusted due to first-time adoption of IFRS 15 and IFRS 9. Further information is provided in Note 1 of the Notes to the Interim Consolidated Financial Statements.
3 As of December 31, 2017.

# Daimler and the Capital Market

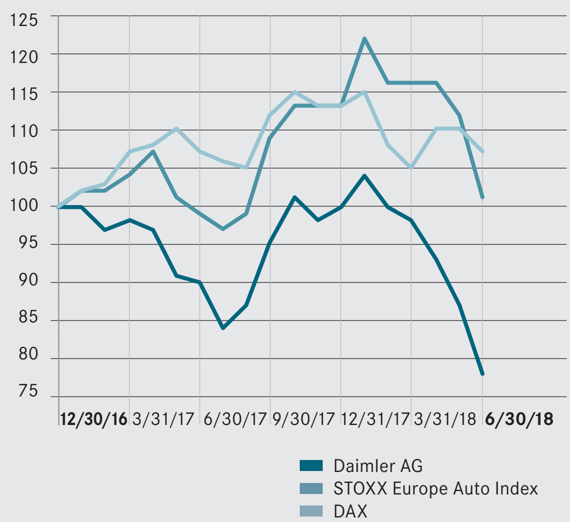
## Key figures

| | June 30, 2018 | June 30, 2017 | % change |
|---|---|---|---|
| Earnings per share in Q2 (in €) | **1.61** | 2.28 | -29 |
| Outstanding shares (in millions) | **1,069.8** | 1,069.8 | 0 |
| Market capitalization (€ billion) | **58.98** | 67.80 | -13 |
| Xetra closing price (in €) | **55.13** | 63.37 | -13 |

## Daimler share price (high/low), 2017/2018




## Share-price development (indexed)




## Automotive stocks under pressure in second quarter of 2018

The intensifying trade dispute about possible punitive tariffs and corresponding countermeasures had a negative impact on the development of global stock markets in the second quarter. The discussion here focused in particular on customs duties on cars imported into the United States and China, which will have a negative impact on the profitability of the automotive industry with its globally distributed supply and production networks. An interest rate increase by the US Federal Reserve in June had an additional adverse impact on the markets. While investors recognize the long-term opportunities arising from high investments in the technologies of the future, automotive stocks remain favorably priced compared with other sectors.

The ongoing positive development of unit sales at Mercedes-Benz Cars and of new orders for trucks in the United States did not provide any sustained impetus for the Daimler share price in the second quarter. The ongoing discussion about diesel vehicles had a negative effect on the share-price development. Against the backdrop of anticipated higher import tariffs on US vehicles in China and the burdens of the certification process according to the new WLTP standard, Daimler adjusted its earnings forecast for the 2018 financial year at the end of June. This led to a further negative impact on the share price. At the end of the second quarter, Daimler shares were priced at €55.13 and thus about 20% lower than at the end of the first quarter 2018. Taking into consideration the dividend of €3.65, our stock's value development amounted to minus 17% in the first half of 2018, while the DAX fell by 5% and the STOXX Europe Auto Index fell by 11% during the same period.

## Favorable interest environment used for refinancing

In the first half of the year 2018, the Daimler Group once again undertook refinancing at attractive conditions in the international money and capital markets. At the beginning of May, Daimler Finance North America LLC issued bonds in the US capital market with maturities of two, three, five and nearly ten years and a total volume of $4.0 billion. Furthermore, Daimler AG issued a dual-tranche bond with a volume of €2.25 billion in the European capital market. In July 2018, Daimler has successfully concluded negotiations with a consortium of international banks for a new credit line with a volume of €11 billion.

# Interim Management Report

**Unit sales increased to 833,000 vehicles (+1%)**
**Revenue of €40.8 billion (Q2 2017: €41.2 billion)**
**Group EBIT of €2.6 billion (Q2 2017: €3.7 billion)**
**Net profit of €1.8 billion (Q2 2017: €2.5 billion)**
**Free cash flow of the industrial business of €1.8 billion in first half of year (Q1-2 2017: €3.0 billion)**
**Slight growth in unit sales and revenue anticipated for full-year 2018**
**Group EBIT expected to be slightly lower than in 2017**

## Business development

**Ongoing expansion of the world economy**
The **world economy** exhibited resilience to increasing geopolitical tension in the second quarter and is likely to have grown once again by more than 3% compared with the prior-year period. Although key economic indicators have weakened on average, they are still at a high level in a long-term comparison. Fluctuations in global stock markets and trade-policy tension resulting from protectionist measures taken by the US government have dampened global sentiment indicators, but have so far not had a significant impact on real economic growth. In the United States, the tax reform passed in late 2017 continued to boost optimism at companies, and private consumption also developed significantly more dynamically than at the beginning of the year. In line with these developments, the US Federal Reserve continued its course of increasing interest rates and raised its benchmark rates by another 25 basis points in June. In the European Monetary Union, economic dynamism weakened somewhat, but growth is likely to have continued at a rate similar to that of the first quarter, due not least to the ongoing expansive monetary policy of the ECB. On the basis of continuingly favorable economic conditions, the ECB announced that it would discontinue its bond-buying program at the end of 2018. The Chinese economy continued its stable development with only slightly less dynamism in the second quarter, following the surprisingly strong growth at the beginning of the year. Oil prices of between 65 and 80 US dollars per barrel were significantly higher than in the same period of last year, and prices of industrial raw materials also continued rising during the second quarter. This was to the benefit of emerging markets with significant levels of raw-material exports. However, as a result of higher US interest rates and the strength of the dollar, the currencies of some larger emerging economies came under substantial pressure and fell significantly against the US dollar.

**Worldwide demand for cars** continued to develop favorably and increased slightly also in the second quarter. The European market was slightly larger than in the prior-year period. Sales in Western Europe developed somewhat more dynamically again and also increased slightly compared with the second quarter of last year. The British market expanded slightly following its significant contraction in the first quarter. Demand in Germany also increased slightly and the French car market grew significantly. Sales in Eastern Europe increased slightly on the whole, with significant expansion of the Russian market once again. After tax incentives for buyers of small cars were discontinued at the beginning of the year in China, demand has now normalized faster than expected and the Chinese car market actually grew significantly in the second quarter. The US market for cars and light trucks was slightly larger than in the second quarter of last year and remained at a very high level. Car sales in Japan decreased slightly.

Demand for **medium- and heavy-duty trucks** generally developed positively, with some regional differences. The market in the NAFTA region continued its buoyant recovery and surpassed the prior-year level by just over 20% once again. Demand in the EU30 region (European Union, Switzerland and Norway), continued at a very solid level and actually increased again slightly compared with the prior-year period. The Brazilian market recovered significantly from a very low level despite the broad-based strikes in the transport sector in May. The Turkish market weakened perceptibly and was significantly below the already weak prior-year level. Demand for trucks in Russia continued to recover in the second quarter, according to recent estimates.

The most important Asian markets from Daimler's perspective developed favorably on the whole. In Japan, demand for light-, medium- and heavy-duty trucks remained solid and increased significantly compared with the second quarter of 2017. In India, the strong recovery continued in the medium- and heavy-duty segment. This partially reflects the release of demand in the market that had been pent up due to regulatory burdens in the previous year. The Chinese market developed better than expected in the second quarter and was significantly larger than in the prior-year period.

**Demand for vans** in the EU30 region continued to grow in the second quarter of 2018 with a 10% increase in the market volume for mid-size and large vans. Demand for small vans increased by 2%. In the segment of mid-size pickups, the market grew by 14% compared with the prior-year period. The US market for large vans was slightly larger than in the prior-year period. In Latin America, the market for large vans continued to develop positively compared with the second quarter of last year.

The market volume for **buses** in the EU30 region was significantly above the prior-year level. Demand for bus chassis in Brazil decreased significantly (-8%).

**Increase in second-quarter unit sales by 1%**
In the second quarter of 2018, Daimler sold 833,000 cars and commercial vehicles worldwide, surpassing the number sold in the prior-year period (Q2 2017: 822,500). ↗ C.01

Sales of 590,700 units by **Mercedes-Benz Cars** in the second quarter of 2018 were at the high prior-year level (-1%). In Europe, 250,200 vehicles of the Mercedes-Benz and smart brands were sold in the months of April through June (-7%), of which 81,900 were sold in Germany (-4%). In China, the division's biggest market, a new record was set of 166,900 units sold, surpassing the previous record in the second quarter of last year by 11%. Best-ever unit sales were achieved also in South Korea (+9%) and in India, with growth of 34%. Sales of 78,000 units in the United States were at the prior-year level.

**Daimler Trucks** increased its second-quarter unit sales by 6% to 123,900 vehicles. Sales of 44,300 units in the NAFTA region were slightly higher than in the second quarter of last year (Q2 2017: 42,300). In Latin America, our sales of 7,900 vehicles significantly surpassed the prior-year volume (Q2 2017: 7,000), with sales of 4,400 units in Brazil (Q2 2017: 2,900). In the EU30 region, we slightly increased our sales to 21,100 (Q2 2017: 20,400) units. We sold 1,700 trucks in Turkey (Q2 2017: 2,900). In Asia, we increased our sales by 13% to 40,300 vehicles. In addition to significant increase by 67% in Indonesia to 16,400 units, we achieved growth also in India with sales of 5,800 vehicles (Q2 2017: 3,600). Sales of 10,400 trucks in Japan were slightly higher than in the prior-year period (Q2 2017: 10,200). Our sales of 2,000 units in the Middle East were significantly lower than in the second quarter of last year (Q2 2017: 6,400).

**In the second quarter of 2018, Mercedes-Benz Vans** increased its unit sales by 7% to a new record of 110,900 vehicles. In the EU30 region, sales of 71,300 units were at the prior-year level (Q2 2017: 70,400). We achieved growth for example in France (+9%) and Sweden (+79%). In the German market, the van division posted a new record in the second quarter with sales of 28,100 vehicles (Q2 2017: 27,400). The development in the NAFTA region was very positive. Unit sales in the United States increased by 10% to a new high of 9,900 vehicles in the second quarter. In Latin America, second-quarter sales reached the prior-year level of 4,000 units. In China, Mercedes-Benz Vans further improved its position and achieved its best quarter so far with an increase of 18% to 7,500 units.

Second-quarter sales by **Daimler Buses** of 7,500 units were at the level of the prior-year period. In the EU30 region, sales of 2,200 units of the Mercedes-Benz and Setra brands were also in the magnitude of the second quarter of last year. In Latin America (excluding Mexico), our sales of 3,400 bus chassis were slightly below the prior-year level. Sales in Mexico in the second quarter of 2018 decreased significantly to 800 units (Q2 2017: 1,000). In India, however, we achieved a significant increase to 500 units (Q2 2017: 250).

At **Daimler Financial Services**, new business increased compared with the prior-year period by 2% to €18.3 billion. Daimler Financial Services' portfolio included more than five million vehicles at the end of June; this is equivalent to a contract volume of €146.7 billion and thus growth of 5% compared with the end of 2017. The insurance business also developed very positively. Worldwide, 579,000 insurance contracts were brokered by Daimler Financial Services in the second quarter (Q2 2017: 519,000).

The Daimler Group's **revenue** amounted to €40.8 billion in the second quarter (Q2 2017: €41.2 billion). Adjusted for exchange-rate effects, revenue grew by 2%. ↗ C.02

Mercedes-Benz Cars' revenue decreased by 4% to €22.6 billion, primarily caused by the slight fall in unit sales and the weaker US dollar against the euro. Revenue at Daimler Trucks increased by 2% to €9.2 billion. Due in particular to adverse exchange-rate effects, the division's revenue increased at a lower rate than unit sales. Mercedes-Benz Vans increased its revenue by 6% to €3.5 billion. At Daimler Buses, revenue decreased by 12% to €1.1 billion, mainly because of a weaker global product mix and negative exchange-rate effects. Daimler Financial Services' revenue increased by 6% to €6.3 billion.

**C.01**
**Unit sales by division**

| | Q2 2018 | Q2 2017 | % change |
|---|---|---|---|
| Daimler Group | **833,005** | 822,504 | +1 |
| Mercedes-Benz Cars | **590,690** | 595,178 | -1 |
| Daimler Trucks | **123,910** | 116,429 | +6 |
| Mercedes-Benz Vans | **110,883** | 103,393 | +7 |
| Daimler Buses | **7,522** | 7,504 | +0 |

**C.02**
**Revenue by division**

| In millions of euros | Q2 2018 | Q2 2017[1] | % change |
|---|---|---|---|
| Daimler Group | **40,756** | 41,214 | -1 |
| Mercedes-Benz Cars | **22,575** | 23,570 | -4 |
| Daimler Trucks | **9,185** | 9,030 | +2 |
| Mercedes-Benz Vans | **3,511** | 3,325 | +6 |
| Daimler Buses | **1,075** | 1,217 | -12 |
| Daimler Financial Services | **6,307** | 5,930 | +6 |

1 The comparative figures have been adjusted due to the effects of first-time adoption of IFRS 15 and IFRS 9. Information on adjustments to prior-year figures is provided in Note 1 of the Notes to the Interim Consolidated Financial Statements.

## Profitability

The **Daimler Group** achieved second-quarter EBIT of €2,640 million in 2018, which is significantly below its prior-year earnings (Q2 2017: €3,747 million). ↗ C.03

The Mercedes-Benz Cars division was not able to achieve its earnings of the prior-year quarter. Temporarily weaker pricing resulted in a sharp decrease in earnings. Daimler Trucks' earnings were at the level of the prior-year quarter. The Mercedes-Benz Vans and Daimler Buses divisions posted significantly lower earnings than in the prior-year quarter. At Daimler Financial Services, earnings decreased substantially due to the settlement agreement on concluding the Toll Collect arbitration proceedings. Exchange-rate effects had an overall negative impact on earnings.

The reconciliation of segment earnings to Group EBIT in the second quarter of the year 2018 had a smaller negative impact than in the prior-year quarter.

**C.03**

**EBIT by segment**

| In millions of euros | Q2 2018 | Q2 2017[1] | % change | Q1-2 2018 | Q1-2 2017[1] | % change |
|---|---|---|---|---|---|---|
| Mercedes-Benz Cars | **1,901** | 2,365 | -20 | **3,961** | 4,363 | -9 |
| Daimler Trucks | **546** | 548 | -0 | **1,193** | 1,210 | -1 |
| Mercedes-Benz Vans | **152** | 349 | -56 | **324** | 686 | -53 |
| Daimler Buses | **66** | 78 | -15 | **103** | 150 | -31 |
| Daimler Financial Services | **66** | 522 | -87 | **614** | 1,046 | -41 |
| Reconciliation | **-91** | -115 | - | **-220** | 63 | . |
| Daimler Group[2] | **2,640** | 3,747 | -30 | **5,975** | 7,518 | -21 |

1 The prior-year figures have been adjusted due to the effects of the first-time adoption of IFRS 15 and IFRS 9. Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Interim Consolidated Financial Statements.
2 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 second quarter of 2018, the EBIT of the **Mercedes-Benz Cars** division was €1,901 million, which is significantly below the prior-year figure of €2,365 million. The division's return on sales was 8.4% (Q2 2017: 10.0%). ↗ C.03

One of the main reasons for the decline in earnings was a temporarily weaker pricing policy. Furthermore, a fire at a supplier's facility in the Unites States and the resulting production shortfall had a negative impact on EBIT. In addition, advance expenditure for new technologies and future products as well as unfavorable exchange-rate effects also affected earnings negatively. Expenses incurred in connection with service activities initiated for diesel vehicles had a negative impact on earnings. Due to the further technical development of components, it was possible to reduce provisions for warranty measures.

The **Daimler Trucks** division's EBIT of €546 million was at the level of the prior-year (Q2 2017: €548 million). Its return on sales was 5.9% (Q2 2017: 6.1%). ↗ C.03

In the second quarter of the year 2018, increasing unit sales especially in the NAFTA region and further efficiency enhancements had a positive effect on earnings. Expenses for customer service measures at Mercedes-Benz Trucks were included in the same quarter of the previous year. However, earnings were reduced by higher expenses for raw materials, negative exchange-rate effects and additional costs, mainly resulting from supply-chain constraints.

In the second quarter of 2018, **Mercedes-Benz Vans'** EBIT of €152 million was significantly below the prior-year level (Q2 2017: €349 million). The division's return on sales decreased to 4.3% (Q2 2017: 10.5%) ↗ C.03

The positive development of unit sales, especially in Europe, Asia and Australia, had a positive effect on earnings. On the other hand, EBIT was reduced by advance expenditure for new technologies and products and the Sprinter model change. Expenses incurred in connection with service activities initiated for diesel vehicles and delivery delays also had a negative impact on earnings.

The **Daimler Buses** division posted earnings of €66 million in the second quarter of 2018, thus significantly below the prior-year period (Q2 2017: €78 million). The division's return on sales was 6.1% (Q2 2017: 6.4%). ↗ C.03

Further efficiency enhancements and positive exchange-rate effects only partially offset the negative impact on earnings from an unfavorable product mix and higher inflation-related costs.

In the second quarter of 2018, the **Daimler Financial Services** division achieved earnings of €66 million, which is significantly below the prior-year quarter (Q2 2017: €522 million). ↗ C.03

The determining factor was the agreement reached to conclude the Toll Collect arbitration proceedings with the Federal Republic of Germany. This had a negative impact on income from the equity-method investment in Toll Collect of €418 million. Furthermore, the higher level of interest rates and exchange-rate effects had a negative impact on EBIT. However, increasing contract volume had a positive impact on EBIT.

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 expenses of €95 million in the second quarter of 2018 (Q2 2017: €122 million).

The elimination of intra-group transactions resulted in income of €4 million in the second quarter of 2018 (Q2 2017: €7 million).

**Net interest expense** in the second quarter of 2018 amounted to €106 million (Q2 2017: €93 million).

The **income-tax expense** recognized in the second quarter of 2018 amounts to €705 million (Q2 2017: €1,139 million) and developed largely in line with the change in profit before income taxes. The effective tax rate was 27.9% (Q2 2017: 31.2%). In 2018, the lower nationwide federal corporate income tax rate for US companies had a positive impact on the effective tax rate.

**Net profit** for the second quarter of 2018 of €1,825 million was significantly below the prior-year figure (Q2 2017: €2,512 million). Net profit of €99 million is attributable to **non-controlling interests** (Q2 2017: €68 million). Net profit **attributable to the shareholders of Daimler AG** amounts to €1,726 million (Q2 2017: €2,444 million), representing a decrease in **earnings per share** to €1.61 (Q2 2017: €2.28).

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

**C.04**

| Consolidated statement of income for the three-month periods ended June 30[1] | Consolidated | | Industrial Business[2] | | Daimler Financial Services | |
|---|---|---|---|---|---|---|
| | Q2 2018 | Q2 2017[3] | Q2 2018 | Q2 2017[3] | Q2 2018 | Q2 2017[3] |
| In millions of euros | | | | | | |
| Revenue | 40,756 | 41,214 | 34,449 | 35,284 | 6,307 | 5,930 |
| Cost of sales | -32,506 | -32,420 | -27,116 | -27,378 | -5,390 | -5,042 |
| **Gross profit** | 8,250 | 8,794 | 7,333 | 7,906 | 917 | 888 |
| Selling expenses | -3,253 | -3,213 | -3,045 | -3,038 | -208 | -175 |
| General administrative expenses | -965 | -924 | -700 | -707 | -265 | -217 |
| Research and non-capitalized development costs | -1,620 | -1,414 | -1,620 | -1,414 | - | - |
| Other operating income | 452 | 432 | 384 | 388 | 68 | 44 |
| Other operating expense | -188 | -218 | -174 | -198 | -14 | -20 |
| Profit/loss on equity-method investments, net | -14 | 310 | 410 | 311 | -424 | -1 |
| Other financial income/expense, net | -26 | -23 | -18 | -26 | -8 | 3 |
| Interest income | 70 | 46 | 70 | 46 | - | - |
| Interest expense | -176 | -139 | -175 | -138 | -1 | -1 |
| **Profit before income taxes** | 2,530 | 3,651 | 2,465 | 3,130 | 65 | 521 |
| Income taxes | -705 | -1,139 | -723 | -996 | 18 | -143 |
| **Net profit** | 1,825 | 2,512 | 1,742 | 2,134 | 83 | 378 |
| thereof profit attributable to non-controlling interests | 99 | 68 | | | | |
| thereof profit attributable to shareholders of Daimler AG | 1,726 | 2,444 | | | | |
| | | | | | | |
| **Earnings per share (in euros)** | | | | | | |
| for profit attributable to shareholders of Daimler AG | | | | | | |
| **Basic** | 1.61 | 2.28 | | | | |
| **Diluted** | 1.61 | 2.28 | | | | |

1 The columns "Industrial business" and "Daimler Financial Services" represent a business point of view.
2 The industrial business comprises the vehicle segments Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans and Daimler Buses. Intra-group eliminations between the industrial business and Daimler Financial Services are generally allocated to the industrial business.
3 The prior-year figures have been adjusted due to the effects of the first-time adoption of IFRS 15 and IFRS 9. Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Interim Consolidated Financial Statements.

In the first six months of the year 2018, the **Daimler Group** achieved EBIT of €5,975 million, which is significantly below its prior-year earnings (Q1-2 2017: €7,518 million). ↗ C.03

Primarily due to temporarily weaker pricing, the EBIT of the Mercedes-Benz Cars division was slightly lower than in the first half of last year. Daimler Trucks' earnings were at the level of the prior-year period. However, the Mercedes-Benz Vans and Daimler Buses division posted significantly lower earnings than in the first half of the previous year. At Daimler Financial Services, first-half year earnings decreased significantly due to the agreement concluding the Toll Collect arbitration proceedings. Exchange-rate effects had an overall negative impact on the Daimler Group's earnings.

The reconciliation of segment earnings to Group EBIT had a negative impact in the first six months of the year 2018. The slightly positive impact in the first half of 2017 was primarily due to the reversal of an impairment of Daimler's equity investment in BAIC Motor Corporation Ltd. (BAIC Motor).

**Mercedes-Benz Cars** division achieved EBIT of €3,961 million in the first half of this year, slightly below the prior-year level (Q1-2 2017: €4,363 million). The division's return on sales was 8.7% (Q1-2 2017: 9.5%). ↗ C.03

Positive effects on earnings mainly resulted from the positive sales trend of the S-Class and the SUVs in the first six months of the year. One of the main reasons for the decline in earnings was a temporarily weaker pricing policy. Furthermore, a fire at a supplier's facility in the Unites States and the resulting production shortfall had a negative impact on EBIT. In addition, advance expenditure for new technologies and future products, higher expenses for raw materials and unfavorable exchange-rate effects also affected earnings negatively. Expenses incurred in connection with service activities initiated for diesel vehicles had a negative impact on earnings. Due to the further technical development of components, it was possible to reduce provisions for warranty measures. The earnings of the first half year of the prior year were reduced by a non-recurring effect connected with the first-time adoption to IFRS 15 (€275 million). On the other hand, income of €183 million in connection with a new investor in HERE boosted EBIT in the first quarter of the previous year.

**Daimler Trucks'** earnings of €1,193 million were at the level of the prior-year period (Q1-2 2017: €1,210 million). Its return on sales was 6.7% (Q1-2 2017: 7.1%). ↗ C.03

In the first six months of the year 2018, increasing unit sales especially in the NAFTA region and further efficiency enhancements had a positive effect on earnings. Expenses for customer service measures at Mercedes-Benz Trucks were included in the first six months of the previous year. Earnings were reduced by higher expenses for raw materials, negative exchange-rate effects and additional costs resulting mainly from supply-chain constraints. The EBIT of the prior-year period was positively influenced by a gain of €267 million on the sale of real estate by Mitsubishi Fuso Truck and Bus Corporation in Japan.

In the first six months of the year 2018, **Mercedes-Benz Vans'** EBIT of €324 million was significantly below the prior-year level (Q1-2 2017: €686 million). The division's return on sales decreased to 4.9% (Q1-2 2017: 10.9%) ↗ C.03

The positive development of unit sales, especially in Europe, the NAFTA region and China, had a positive effect on earnings. On the other hand, EBIT was reduced by advance expenditure for new technologies and products and the Sprinter model change. Expenses incurred in connection with service activities initiated for diesel vehicles and delivery delays also had a negative impact on earnings.

**Daimler Buses** achieved earnings of €103 million in the first half of this year, which is significantly lower than in the prior-year period (Q1-2 2017: €150 million). The division's return on sales was 5.4% (Q1-2 2017: 7.0%). ↗ C.03

Further efficiency enhancements and positive exchange-rate effects only partially offset the negative impact on earnings from an unfavorable product mix and an inflation-related increase in costs.

In the first half of 2018, the **Daimler Financial Services** division posted EBIT of €614 million, which was significantly below the prior-year figure (Q1-2 2017: €1,046 million). ↗ C.03

The main cause of the decrease was the agreement reached to conclude the Toll Collect arbitration proceedings. This had a significant impact on the result from the equity-method investment in Toll Collect of €418 million. In addition, the higher level of interest rates and negative exchange-rate effects had negative effects on earnings. However, increasing contract volume had a positive impact on EBIT.

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 expenses of €214 million in the first six months of the year 2018 (Q1-2 2017: income of €65 million). In the year 2017, the reversal of an impairment of Daimler's equity investment in BAIC Motor by an amount of €240 million had a positive effect on EBIT.

The elimination of intra-group transactions resulted in expenses of €6 million in the first half of 2018 (Q1-2 2017: €2 million).

**Net interest expense** in the first six months of the year 2018 amounted to €190 million (Q1-2 2017: €170 million).

The **income-tax expense** recognized in the first half of 2018 amounts to €1,598 million (Q1-2 2017: €2,178 million) and developed in line with the change in profit before income taxes. The effective tax rate was 27.7% (Q1-2 2017: 29.7%). In 2018, the lower nationwide federal corporate income tax rate for US companies had a positive impact on the effective tax rate.

**Net profit** for the first half of 2018 of €4,179 million (Q1-2 2017: €5,164 million) was significantly below the prior-year figure. Net profit of €180 million is attributable to **non-controlling interests** (Q1-2 2017: €163 million). Net profit **attributable to the shareholders of Daimler AG** amounts to €3,999 million (Q1-2 2017: €5,001 million), representing a decrease in **earnings per share** to €3.74 (Q1-2 2017: €4.67).

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

**C.05**

| Consolidated statement of income for the six-month periods ended June 30[1] | Consolidated | | Industrial Business[2] | | Daimler Financial Services | |
|---|---|---|---|---|---|---|
| | Q1-2 2018 | Q1-2 2017[3] | Q1-2 2018 | Q1-2 2017[3] | Q1-2 2018 | Q1-2 2017[3] |
| In millions of euros | | | | | | |
| Revenue | 80,541 | 79,796 | 68,214 | 67,955 | 12,327 | 11,841 |
| Cost of sales | -63,666 | -62,999 | -53,184 | -52,908 | -10,482 | -10,091 |
| **Gross profit** | 16,875 | 16,797 | 15,030 | 15,047 | 1,845 | 1,750 |
| Selling expenses | -6,350 | -6,284 | -5,954 | -5,950 | -396 | -334 |
| General administrative expenses | -1,936 | -1,821 | -1,441 | -1,387 | -495 | -434 |
| Research and non-capitalized development costs | -3,332 | -2,862 | -3,332 | -2,862 | - | - |
| Other operating income | 783 | 1,103 | 671 | 1,010 | 112 | 93 |
| Other operating expense | -481 | -390 | -456 | -362 | -25 | -28 |
| Profit/loss on equity-method investments, net | 329 | 1,029 | 758 | 1,032 | -429 | -3 |
| Other financial income/expense, net | 79 | -60 | 77 | -62 | 2 | 2 |
| Interest income | 125 | 104 | 125 | 104 | - | - |
| Interest expense | -315 | -274 | -313 | -271 | -2 | -3 |
| **Profit before income taxes** | 5,777 | 7,342 | 5,165 | 6,299 | 612 | 1,043 |
| Income taxes | -1,598 | -2,178 | -1,452 | -1,881 | -146 | -297 |
| **Net profit** | 4,179 | 5,164 | 3,713 | 4,418 | 466 | 746 |
| thereof profit attributable to non-controlling interests | 180 | 163 | | | | |
| thereof profit attributable to shareholders of Daimler AG | 3,999 | 5,001 | | | | |
| **Earnings per share (in euros)** | | | | | | |
| for profit attributable to shareholders of Daimler AG | | | | | | |
| **Basic** | 3.74 | 4.67 | | | | |
| **Diluted** | 3.74 | 4.67 | | | | |

1 The columns “Industrial business” and “Daimler Financial Services” represent a business point of view.
2 The industrial business comprises the vehicle segments Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans and Daimler Buses. Intra-group eliminations between the industrial business and Daimler Financial Services are generally allocated to the industrial business.
3 The prior-year figures have been adjusted due to the effects of the first-time adoption of IFRS 15 and IFRS 9. Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Interim Consolidated Financial Statements.

## Cash flows

In the first six months of 2018, **cash provided by operating activities ↗ C.06** amounted to €1.0 billion (Q1-2 2017: €2.5 billion). The decrease was primarily due to the development of working capital and the general business performance. Opposing effects resulted from the development of the leasing and sales-financing business.

**C.06**

| Condensed statement of cash flows[1] | Consolidated | | Industrial Business[2] | | Daimler Financial Services | |
|---|---|---|---|---|---|---|
| | Q1-2 2018 | Q1-2 2017[3] | Q1-2 2018 | Q1-2 2017[3] | Q1-2 2018 | Q1-2 2017[3] |
| In millions of euros | | | | | | |
| **Cash and cash equivalents at beginning of period** | 12,072 | 10,981 | 9,515 | 8,751 | 2,557 | 2,230 |
| Profit before income taxes | 5,777 | 7,342 | 5,165 | 6,299 | 612 | 1,043 |
| Depreciation and amortization/impairments | 2,973 | 2,774 | 2,913 | 2,725 | 60 | 49 |
| Other non-cash expense and income and gains/losses on disposals of assets | -364 | -1,293 | -821 | -1,340 | 457 | 47 |
| Change in operating assets and liabilities | | | | | | |
| Inventories | -3,560 | -1,588 | -3,707 | -1,684 | 147 | 96 |
| Trade receivables | 285 | 199 | 235 | 211 | 50 | -12 |
| Trade payables | 3,230 | 2,621 | 2,976 | 2,421 | 254 | 200 |
| Receivables from financial services | -4,514 | -4,755 | -34 | -111 | -4,480 | -4,644 |
| Vehicles on operating leases | -1,293 | -1,782 | 635 | 428 | -1,928 | -2,210 |
| Other operating assets and liabilities | -386 | 372 | -900 | -347 | 514 | 719 |
| Dividends received from equity-method investments | 431 | 448 | 356 | 448 | 75 | - |
| Income taxes paid | -1,619 | -1,821 | -1,021 | -1,701 | -598 | -120 |
| **Cash used for/provided by operating activities** | 960 | 2,517 | 5,797 | 7,349 | -4,837 | -4,832 |
| Additions to property, plant and equipment and intangible assets | -4,436 | -4,425 | -4,379 | -4,367 | -57 | -58 |
| Investments in and disposals of shareholdings | -76 | -403 | 81 | -360 | -157 | -43 |
| Acquisitions and sales of marketable debt securities and similar investments | -278 | 1,853 | -270 | 1,767 | -8 | 86 |
| Other | 254 | 599 | 260 | 583 | -6 | 16 |
| **Cash used for/provided by investing activities** | -4,536 | -2,376 | -4,308 | -2,377 | -228 | 1 |
| Change in financing liabilities | 9,905 | 6,134 | 6,747 | 3,169 | 3,158 | 2,965 |
| Dividends paid | -4,170 | -3,720 | -4,169 | -3,717 | -1 | -3 |
| Other transactions with shareholders | -44 | 14 | -21 | -9 | -23 | 23 |
| Internal equity and financing transactions | - | - | -1,651 | -1,633 | 1,651 | 1,633 |
| **Cash used for/provided by financing activities** | 5,691 | 2,428 | 906 | -2,190 | 4,785 | 4,618 |
| Effect of foreign exchange rate changes on cash and cash equivalents | 147 | -555 | 154 | -503 | -7 | -52 |
| **Cash and cash equivalents at end of period** | 14,334 | 12,995 | 12,064 | 11,030 | 2,270 | 1,965 |

1 The columns “Industrial business” and “Daimler Financial Services” represent a business point of view.
2 The industrial business comprises the vehicle segments Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans and Daimler Buses. Intra-group eliminations between the industrial business and Daimler Financial Services are generally allocated to the industrial business.
3 The prior-year figures have been restated due to the effects of first-time adoption of IFRS 15 and IFRS 9. Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Interim Consolidated Financial Statements.

**C.07**

**Free cash flow of the industrial business**

| In millions of euros | Q1-2 2018 | Q1-2 2017 | Change |
|---|---|---|---|
| Cash provided by operating activities | **5,797** | 7,349 | -1,552 |
| Cash used for investing activities | **-4,308** | -2,377 | -1,931 |
| Change in marketable debt securities and similar investments | **270** | -1,767 | +2,037 |
| Other adjustments | **45** | -167 | +212 |
| **Free cash flow of the industrial business** | **1,804** | 3,038 | -1,234 |

**C.08**

**Net liquidity of the industrial business**

| In millions of euros | June 30, 2018 | Dec. 31, 2017 | Change |
|---|---|---|---|
| Cash and cash equivalents | **12,064** | 9,515 | +2,549 |
| Marketable debt securities and similar investments | **9,185** | 8,894 | +291 |
| **Liquidity** | **21,249** | 18,409 | +2,840 |
| Financing liabilities | **-6,520** | -1,600 | -4,920 |
| Market valuation and curren-cy hedges for financing liabilities | **-257** | -212 | -45 |
| **Financing liabilities (nominal)** | **-6,777** | -1,812 | -4,965 |
| **Net liquidity** | **14,472** | 16,597 | -2,125 |

**Cash used for/provided by investing activities ↗ C.06** amounted to a cash outflow of €4.5 billion (Q1-2 2017: €2.4 billion). The change compared with the first half of last year primarily reflects acquisitions and disposals of securities and similar investments in the context of liquidity management. Those transactions resulted in a net cash outflow in the first half of 2018, whereas disposals of securities significantly exceeded acquisitions in the prior-year period. In the first half of 2017, the sale of real estate in Japan led to a cash inflow of €0.3 billion.

**Cash used for/provided by financing activities ↗ C.06** resulted in a cash inflow of €5.7 billion (Q1-2 2017: €2.4 billion). The increase was primarily caused by a higher net cash inflow from financing liabilities in the context of refinancing the leasing and sales-financing business. Opposing effects resulted from the increased dividend payment to shareholders of Daimler AG.

Cash and cash equivalents increased compared with December 31, 2017 by €2.3 billion, after taking currency translation into account. Total liquidity, which also includes marketable debt securities and similar investments, increased by €2.5 billion to €24.7 billion.

The parameter used by Daimler to measure the financial capability of the Group's industrial business is the **free cash flow of the industrial business ↗ C.07**, 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 and similar investments included in cash flows from investing activities are deducted, as those securities are allocated to liquidity and changes in them are thus not a part of the free cash flow.

Other adjustments relate to non-cash additions to property, plant and equipment that are allocated to the Group as their beneficial owner due to the form of their underlying lease contracts. Furthermore, effects from the financing of internal dealerships and effects from internal deposits 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 six months of 2018, the **free cash flow of the industrial business** amounted to €1.8 billion (Q1-2 2017: €3.0 billion). This decrease resulted primarily from the development of working capital and the general business performance. The prior year period was influenced by the sale of real estate in Japan. On the other hand, lower tax payments had a positive impact on the free cash flow of the industrial business.

In the first six months 2018, the **free cash flow of the Daimler Group** led to a cash outflow of €3.4 billion (Q1-2 2017: €1.9 billion). Besides the effects of the free cash flow of the industrial business, the free cash flow of the Daimler Group is mainly affected by the leasing and sales-financing business of Daimler Financial Services.

The **net liquidity of the industrial business ↗ C.08** is calculated as the total amount as shown in the statement of financial position of cash, cash equivalents and marketable debt securities and similar investments included in liquidity management, less the currency-hedged nominal amounts of financing liabilities.

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

Compared with December 31, 2017, the net liquidity of the industrial business decreased by €2.1 billion to €14.5 billion. The dividend payment to shareholders of Daimler AG led to a decrease in net liquidity that was only partially offset by the positive free cash flow and positive exchange rate effects.

Net debt at Group level, which primarily results from refinancing the leasing and sales-financing business, increased compared with December 31, 2017 by €7.5 billion to €112.7 billion. ↗ C.09

**C.09**

**Net debt of the Daimler Group**

| In millions of euros | June 30, 2018 | Dec. 31, 2017 | Change |
|---|---|---|---|
| Cash and cash equivalents | 14,334 | 12,072 | +2,262 |
| Marketable debt securities and similar investments | 10,348 | 10,063 | +285 |
| **Liquidity** | 24,682 | 22,135 | +2,547 |
| Financing liabilities | -137,130 | -127,124 | -10,006 |
| Market valuation and currency hedges for financing liabilities | -268 | -229 | -39 |
| **Financing liabilities (nominal)** | -137,398 | -127,353 | -10,045 |
| **Net debt** | -112,716 | -105,218 | -7,498 |

**C.10**

**Benchmark issuances**

| Issuer | Volume | Month of issue | Maturity |
|---|---|---|---|
| Daimler Finance North America | $1,700 million | Feb. 2018 | Feb. 2021 |
| Daimler Finance North America | $675 million | Feb. 2018 | Feb. 2023 |
| Daimler Finance North America | $625 million | Feb. 2018 | Feb. 2028 |
| Daimler Finance North America | $1,000 million | May 2018 | May 2020 |
| Daimler Finance North America | $1,700 million | May 2018 | May 2021 |
| Daimler Finance North America | $1,000 million | May 2018 | May 2023 |
| Daimler Finance North America | $300 million | May 2018 | Feb. 2028 |
| Daimler AG | €1,000 million | May 2018 | May 2022 |
| Daimler AG | €1,250 million | May 2018 | Nov. 2025 |

The Daimler Group once again utilized attractive conditions in the international money and capital markets for **refinancing** in the first half of 2018.

In the first half of 2018, Daimler had a cash inflow of €13.6 billion from the **issuance** of bonds (Q1-2 2017: €10.7 billion). The redemption of bonds resulted in cash outflows of €8.0 billion (Q1-2 2017: €7.5 billion). A large proportion of the issuance volume was carried out in the form of so-called benchmark bonds (bonds with high nominal values). ↗ C.10

In the second quarter of 2018, particular use was made of the favorable conditions for benchmark issues in Europe and the United States. At the beginning of May, Daimler Finance North America LLC issued two-, three-, five- and nearly ten-year bonds with a total volume of $4.0 billion in the US capital market. In addition, Daimler AG issued a dual-tranche bond in the European capital market with a volume of €2.25 billion.

In addition to the issuances shown in the table, multiple smaller issuances were undertaken in various countries. In May 2018, Daimler AG issued a so-called panda-bond with a volume of RMB 5.0 billion in the Chinese capital market.

Furthermore, two **asset-backed securities (ABS) transactions** were conducted in the second quarter of 2018. In Canada, an ABS transaction with a volume of CAD 0.5 billion was successfully placed. A further issuance in the United States generated a refinancing volume of $0.75 billion.

In July 2018, Daimler successfully concluded negotiations with a consortium of international banks for a new **credit line** with a volume of €11 billion. With a term of five years, it grants Daimler additional financial flexibility until 2023. If the agreed extension options are exercised, the term would be extended into the year 2025. Daimler does not intend to utilize the credit line.

## Financial position

The **balance sheet total** increased compared with December 31, 2017 from €255.3 billion to €270.1 billion; adjusted for the effects of currency translation, the increase amounts to €14.1 billion. Daimler Financial Services accounts for €156.9 billion of the balance sheet total (December 31, 2017: €150.0 billion), equivalent to 58% of the Daimler Group's total assets (December 31, 2017: 59%).

The increase in total assets is primarily due to the increased volume of the financial services business, higher inventories and cash and cash equivalents. On the liabilities side of the balance sheet, there were increases primarily in financing liabilities and trade liabilities. Current assets account for 43% of the balance sheet total, which is higher than at the end of last year (December 31, 2017: 42%). Current liabilities amount unchanged to 34% of total equity and liabilities.

**C.11**

| Condensed statement of financial position[1] | Consolidated | | Industrial Business[2] | | Daimler Financial Services | |
|---|---|---|---|---|---|---|
| | At June 30, 2018 | At Dec. 31, 2017[3] | At June 30, 2018 | At Dec. 31, 2017[3] | At June 30, 2018 | At Dec. 31, 2017[3] |
| In millions of euros | | | | | | |
| | | | | | | |
| **Assets** | | | | | | |
| Intangible assets | 14,264 | 13,735 | 13,370 | 12,789 | 894 | 946 |
| Property, plant and equipment | 28,714 | 27,981 | 28,650 | 27,914 | 64 | 67 |
| Equipment on operating leases | 48,781 | 47,074 | 18,418 | 18,071 | 30,363 | 29,003 |
| Receivables from financial services | 91,084 | 86,054 | -102 | -109 | 91,186 | 86,163 |
| Equity-method investments | 4,580 | 4,818 | 4,336 | 4,670 | 244 | 148 |
| Inventories | 29,152 | 25,686 | 28,098 | 24,492 | 1,054 | 1,194 |
| Trade receivables | 11,409 | 11,995 | 9,519 | 9,742 | 1,890 | 2,253 |
| Cash and cash equivalents | 14,334 | 12,072 | 12,064 | 9,515 | 2,270 | 2,557 |
| Marketable debt securities and similar investments | 10,348 | 10,063 | 9,185 | 8,894 | 1,163 | 1,169 |
| thereof current | 9,493 | 9,073 | 9,183 | 8,893 | 310 | 180 |
| thereof non-current | 855 | 990 | 2 | 1 | 853 | 989 |
| Other financial assets | 7,138 | 6,806 | -10,710 | -10,661 | 17,848 | 17,467 |
| Other assets | 9,793 | 9,061 | 319 | 39 | 9,474 | 9,022 |
| Assets held for sale | 470 | - | - | - | 470 | - |
| **Total assets** | 270,067 | 255,345 | 113,147 | 105,356 | 156,920 | 149,989 |
| | | | | | | |
| **Equity and liabilities** | | | | | | |
| Total equity | 64,196 | 65,159 | 51,583 | 52,780 | 12,613 | 12,379 |
| Provisions | 22,036 | 22,136 | 20,883 | 21,110 | 1,153 | 1,026 |
| Financing liabilities | 137,130 | 127,124 | 6,520 | 1,600 | 130,610 | 125,524 |
| thereof current | 50,524 | 48,746 | -21,969 | -19,435 | 72,493 | 68,181 |
| thereof non-current | 86,606 | 78,378 | 28,489 | 21,035 | 58,117 | 57,343 |
| Trade payables | 15,716 | 12,451 | 14,651 | 11,632 | 1,065 | 819 |
| Other financial liabilities | 10,716 | 9,275 | 6,050 | 5,375 | 4,666 | 3,900 |
| Contract liabilities | 11,432 | 11,208 | 11,070 | 10,862 | 362 | 346 |
| Other liabilities | 8,627 | 7,992 | 2,390 | 1,997 | 6,237 | 5,995 |
| Liabilities held for sale | 214 | - | - | - | 214 | - |
| **Total equity and liabilities** | 270,067 | 255,345 | 113,147 | 105,356 | 156,920 | 149,989 |

1 The columns "Industrial business" and "Daimler Financial Services" represent a business point of view.
2 The industrial business comprises the vehicle segments Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans and Daimler Buses. Intra-group eliminations between the industrial business and Daimler Financial Services are generally allocated to the industrial business.
3 The prior-year figures have been restated due to the effects of first-time adoption of IFRS 15 and IFRS 9. Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Interim Consolidated Financial Statements.

**Intangible assets** of €14.3 billion (December 31, 2017: €13.7 billion) include €10.8 billion of capitalized development costs (December 31, 2017: €10.3 billion), €2.0 billion of franchises, industrial property rights and similar rights (December 31, 2017: €2.0 billion) and €1.1 billion of goodwill (December 31, 2017: €1.1 billion). The Mercedes-Benz Cars division accounts for 80% of the development costs (December 31, 2017: 79%) while the Mercedes-Benz Vans division accounts for 10% (December 31, 2017: 10%) and the Daimler Trucks division accounts for 9% (December 31, 2017: 10%).

**Property, plant and equipment** increased to €28.7 billion (December 31, 2017: €28.0 billion). In the first six months of 2018, €2.9 billion was invested worldwide, primarily at our production and assembly sites for new products and technologies and for the expansion and modernization of the production facilities. The sites in Germany accounted for €2.1 billion of capital expenditure (Q1-2 2017: €1.8 billion).

**Equipment on operating leases and receivables from financial services** increased to €139.9 billion (December 31, 2017: €133.1 billion). The increase adjusted for exchange-rate effects of €6.2 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 Germany. The leasing and sales-financing business as a proportion of 52% of total assets was at the prior year-level.

**Equity-method investments** of €4.6 billion (December 31, 2017: €4.8 billion) mainly comprise the carrying amounts of our equity interests in Beijing Benz Automotive Co., Ltd., BAIC Motor Corporation Ltd. and There Holding B.V.

**Inventories** increased from €25.7 billion to €29.2 billion, equivalent to 11% of total assets and thus above the level at the end of 2017 (10%). The increase was due to business growth in all automotive divisions, and mainly applied to finished goods and work in process. In addition, there was an increase at Daimler Trucks due to supply-chain constraints, and at Mercedes-Benz Vans resulting amongst others from delivery delays caused by the service activities for diesel vehicles.

**Trade receivables** were below the prior-year level at €11.4 billion (December 31, 2017: €12.0 billion). The Mercedes-Benz Cars division accounts for 44% of these receivables and the Daimler Trucks division accounts for 21%.

**Cash and cash equivalents** increased compared with the end of the year 2017 by €2.3 billion to €14.3 billion.

**Marketable debt securities and similar investments** increased compared with December 31, 2017 from €10.1 billion to €10.3 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 €0.3 billion to €7.1 billion. They primarily consist of derivative financial instruments, equity instruments in non-consolidated subsidiaries and other investments, as well as loans and other receivables due from third parties.

**Other assets** of €9.8 billion (December 31, 2017: €9.1 billion) primarily comprise deferred tax assets and tax refund claims.

**Assets held for sale** of €0.5 billion and **liabilities held for sale** of €0.2 billion result from an agreement signed between the Daimler Group and the BMW Group in March 2018 to merge their business units for mobility services. See Note 2 of the Notes to the Interim Consolidated Financial Statements for further information.

The Group's **equity** decreased compared with December 31, 2017 from €65.2 billion to €64.2 billion. The net profit of €4.2 billion and positive effects from currency translation of €0.2 billion were offset by the dividend payout of €3.9 billion, losses on the remeasurement of derivative financial instruments of €0.8 billion recognized in other comprehensive income, and actuarial losses of €0.3 billion from defined-benefit pension plans that are recognized in retained earnings. Equity attributable to the shareholders of Daimler AG therefore decreased to €63.0 billion (December 31, 2017: €63.9 billion).

Equity adjusted for the dividend increased at a lower rate than the increase in the balance sheet total of 6%. The Group's **equity ratio** of 23.8% was therefore slightly below the level of year-end 2017 (24.0%); the equity ratio for the industrial business was 45.6% (December 31, 2017: 46.4%).

**Provisions** of €22.0 billion were slightly below the level of December 31, 2017 (€22.1 billion ); as a proportion of the balance sheet total, they amount to 8%, which is below the prior-year level (9%). They primarily comprise provisions for pensions and similar obligations of €6.5 billion (December 31, 2017: €5.8 billion), which mainly consist of the difference between the present value of defined-benefit pension obligations of €31.7 billion (December 31, 2017: €31.7 billion) and the fair value of the pension plan assets applied to finance those obligations of €26.5 billion (December 31, 2017: €27.2 billion). Provisions also relate to liabilities from income taxes of €1.5 billion (December 31, 2017: €1.6 billion), from product warranties of €6.5 billion (December 31, 2017: €6.7 billion) and from personnel and social costs of €3.8 billion (December 31, 2017: €4.4 billion), as well as other provisions of €3.8 billion (December 31, 2017: €3.6 billion).

**Financing liabilities** of €137.1 billion were above the level of December 31, 2017 (€127.1 billion). Adjusted for exchange-rate effects, the increase amounts to €9.7 billion, and mainly reflects the refinancing of the growing leasing and sales financing business. 53% of the financing liabilities are accounted for by notes and bonds, 27% by liabilities to financial institutions, 8% by deposits in the direct banking business and 7% by liabilities from ABS transactions.

**Trade payables** increased to €15.7 billion (December 31, 2017: €12.5 billion), primarily due to the higher volume of business. The Mercedes-Benz Cars division accounts for 63% of those payables and the Daimler Trucks division accounts for 27%.

**Other financial liabilities** of €10.7 billion (December 31, 2017: €9.3 billion) mainly consist of liabilities from derivative financial instruments, residual-value guarantees, accrued interest on financing liabilities, deposits received and liabilities from salaries and wages. The increase is partially due to obligations resulting from the conclusion of the Toll Collect arbitration proceedings.

**Contract liabilities** remained nearly unchanged at €11.4 billion (December 31, 2017: €11.2 billion). They mainly comprise deferred revenue from service and maintenance contracts and extended warranties, as well as obligations from sales in the scope of IFRS 15.

**Other liabilities** of €8.6 billion (December 31, 2017: €8.0 billion) primarily comprise deferred income, tax liabilities, and deferred taxes. The increase is 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.

## Capital expenditure and research activities

The Daimler Group invested €2.9 billion in property, plant and equipment in the first half of this year (Q1-2 2017: €2.7 billion). Most of that investment, €2.3 billion, was at the Mercedes-Benz Cars division (Q1-2 2017: €1.9 billion). The main focus of capital expenditure was on production preparations for the new SUV models, further derivatives of the new generation of compact-class cars, and the C-Class upgrade. Another area of capital expenditure was for the ongoing expansion of our global production network. At Daimler Trucks, the main investments were for new products and successor generations of existing products, global component projects and the optimization of our worldwide production network.

The Daimler Group's research and development spending in the first half of the year amounted to €4.6 billion (Q1-2 2017: €4.3 billion), of which €1.3 billion was capitalized (Q1-2 2017: €1.4 billion). More than three quarters, €3.5 billion, of the research and development spending was at the Mercedes-Benz Cars segment (Q1-2 2017: €3.3 billion). This already includes a substantial amount of advance expenditure for the mobility of the future. The other main areas were new vehicle models, fuel-efficient drive systems and the intensification of the modular strategy. Major investments at Daimler Trucks were in the areas of emission standards and fuel efficiency, tailored products and technologies for important growth markets and successor generations of existing products. In addition, an increasingly important role was played by new technologies such as electric mobility, connectivity and automated driving.

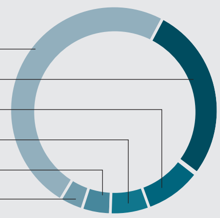
## Workforce

At the end of the second quarter of 2018, the Daimler Group employed 300,777 people worldwide (end of 2017: 289,321). Of that total, 177,082 were employed in Germany (end of 2017: 172,089), 25,959 in the United States (end of 2017: 23,513), 10,401 in Brazil (end of 2017: 9,800) and 9,985 in Japan (end of 2017: 10,016). Our consolidated companies in China had 4,332 employees at the end of June 2018 (end of 2017: 4,099). ↗ C.12

**C.12**

**Employees by division (as of June 30, 2018)**

| | |
|---|---|
| Daimler Group | 300,777 |
| Mercedes-Benz Cars | 147,607 |
| Daimler Trucks | 84,062 |
| Mercedes-Benz Vans | 26,484 |
| Daimler Buses | 18,279 |
| Daimler Financial Services | 13,742 |
| Group Functions & Services | 10,603 |



## Important events

**Daimler AG and Deutsche Telekom AG reach agreement with German government on conclusion of Toll Collect arbitration proceedings**

In May 2018, Daimler AG reached an agreement through its subsidiary Daimler Financial Services AG with Deutsche Telekom AG (the consortium partner) and the German Federal Government on concluding the arbitration proceedings relating to Toll Collect. All the relevant boards and the court of arbitration have meanwhile granted their approval. We refer to Note 17 of the Notes to the Interim Consolidated Financial Statements for further details of the settlement agreement.

## 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 155 to 169 of our Annual Report 2017. In addition, we refer to the notes on forward-looking statements provided at the end of this Interim Management Report.

The assessment of risks and opportunities has changed as described below since publication of Annual Report 2017.

The risks for the world economy arising from the geopolitical environment and in particular from the latest trade-policy developments increased in the first half of the year. Above all, the risks arising from the increasingly trade-restrictive course of the US administration have exacerbated. The recent protectionist measures taken by the United States and countermeasures by China and the EU involve a substantial risk that could lead to a dangerous spiral of protectionist actions. This could have considerable negative consequences for global sentiment indicators and investment decisions, and ultimately also for the growth of the world economy. The protectionist measures and changed difficult certification requirements increase the probability of occurrence of risks from legal and political conditions from low to medium. Their possible impact continues to be high.

Due in particular to the changed risk situation with regard to cybercrime and hacker attacks, the possible impact of information-technology risks has increased from medium to high compared with the situation described in Annual Report 2017.

As reported in Annual Report 2017, insufficient availability of vehicle components, interruptions in the supply chain and possible interruptions in supply by energy providers can lead to bottlenecks. This can affect the Mercedes-Benz Cars and the Daimler Trucks divisions. Compared with the situation described in Annual Report 2017, the probability of occurrence and possible impact of production and technology risks are unchanged.

Furthermore, in April 2018, the U.S. Department of the Treasury's Office of Foreign Assets Control announced sanctions against various persons and companies. Daimler is examining the extent to which its business activities – in particular with sanctioned business partners in Russia – might be affected.

Currently, Daimler is subject to governmental information requests, inquiries, investigations, administrative orders and proceedings as well as litigation relating to environmental, securities, criminal, antitrust and other laws and regulations in connection with diesel exhaust emissions. Several federal and state authorities and institutions worldwide have inquired about, and/or are investigating, and/or have issued administrative orders particularly in connection with, test results, the emission control systems used in Mercedes-Benz diesel vehicles and/or Daimler's interaction with the relevant federal and state authorities as well as related legal issues and implications, including, but not limited to, under applicable environmental, securities, criminal and antitrust laws. These authorities include, 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 US state authorities, the U.S. Securities and Exchange Commission ("SEC"), the European Commission, with which Daimler has filed a leniency application, as well as national antitrust authorities and other authorities of various foreign states as well as the German Federal Financial Supervisory Authority ("BaFin"), the German Federal Ministry of Transport and Digital Infrastructure ("BMVI") and the German Federal Motor Transport Authority ("KBA"). The Stuttgart district attorney's office is conducting criminal investigation proceedings against Daimler employees on the suspicion of fraud and criminal advertising, and searched the premises of Daimler at several locations in Germany. Further, Daimler comprehensively responded to the diesel emissions committee of inquiry of the German Parliament. Daimler continues to fully cooperate with the authorities and institutions. Irrespective of such cooperation, it is possible that further civil, criminal and administrative investigative and enforcement actions and measures relating to Daimler and/or its employees will be taken or administrative orders will be issued, such as subpoenas, i.e. legal instructions issued under penalty of law in the process of taking evidence, or other requests for documentation, testimony or other information, further search warrants, a notice of violation or an increased formalization of the governmental proceedings. Additionally, delays in obtaining regulatory approvals necessary to introduce new or recertify existing vehicle models could occur.

In the second quarter of 2018, KBA issued an administrative order holding that certain calibrations or specified functionalities in a Mercedes-Benz Diesel vehicle are impermissible and ordered subsequent auxiliary provisions for the EU type approval in this respect, including a stop of the first registration and mandatory recall. Daimler has filed an objection against such administrative order in order to have the open legal issues resolved, if necessary also by a court of law. Daimler, the BMVI and KBA have agreed that the administrative order will be extended to also include other Diesel vehicles to be subject to the mandatory recall. Irrespective of such agreement, for the purpose of having the open legal issues resolved Daimler will also file an objection against the extension of the administrative order. Daimler has furthermore implemented a temporary delivery and registration stop with respect to certain models. It cannot be ruled out that further delivery and registration stops will be implemented. Daimler has initiated further investigations and otherwise continues to fully cooperate with the authorities.

Further, in 2017, US environmental authorities issued notices of violation to another vehicle manufacturer, and the United States filed a related complaint against such manufacturer. In such notices of violation and court complaint, functionalities were identified, apparently including functionalities that are common in diesel vehicles, as undisclosed Auxiliary Emission Control Devices (AECDs) and, in some unspecified cases, as impermissible.

In light of these matters and in light of the ongoing governmental information requests, inquiries, investigations, administrative orders and proceedings, and our own internal investigations, as well as the technical Compliance Management System (tCMS), which is and continues to be implemented to address the specific risks associated with the product development process throughout the Group and is designed particularly to also provide guidance – taking into account technical and legal aspects – with regard to the complex interpretation of regulations, it cannot be ruled out that authorities will reach the conclusion that other passenger cars and/or commercial vehicles with the brand name Mercedes-Benz or other brand names of the Group also have impermissible functionalities and/or calibrations. Furthermore, the authorities have increased scrutiny of Daimler's running change, field fix, and defect reporting processes and compliance processes. The inquiries, investigations, legal actions and proceedings as well as the replies to the governmental information requests, the objection proceeding against KBA's administrative order and our internal investigations are still ongoing and open; hence, Daimler cannot predict the outcome at this time. If these or other inquiries, investigations, legal actions and/or proceed-ings result in unfavorable findings, an unfavorable outcome or otherwise develop unfavorably, Daimler could be subject to significant monetary penalties, remediation requirements, further vehicle recalls, further registration and delivery stops, process improvements, mitigation measures and the early termination of promotional loans, and/or other sanctions, measures and actions, including further investigations and/or administrative orders 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. Further, due to negative determi-nations or findings with respect to technical or legal issues by one of the various governmental agencies, other agencies could also adopt such determinations or findings, even if such determinations or findings are not within the scope of such authority's responsibility or jurisdiction. Thus, a negative de-termination or finding in one proceeding carries the risk of having an adverse effect on other proceedings, also potentially leading to new or expanded investigations or proceedings.

In addition, Daimler's ability to defend itself in litigations could be impaired by unfavorable findings, results or developments in any of the information requests, inquiries, investigations, administrative orders, legal actions and/or proceedings discussed above. Therefore, it cannot be ruled out that the risks discussed above may materially adversely impact our profitability, cash flows and financial position.

Following the settlement decision by the European Commission adopted on July 19, 2016 concluding the trucks antitrust proceedings, Daimler AG faces customers' claims for damages to a considerable degree. Respective legal actions, class actions and other forms of legal redress have been initiated in various states in and outside of Europe and should further be expected. Daimler takes appropriate legal remedies to defend itself.

With regard to the agreement that Daimler Financial Services AG and Deutsche Telekom AG have reached with the German Federal Government on concluding the court of arbitration proceeding relating to Toll Collect, we refer to Note 17 of the Notes to the Interim Consolidated Financial Statements.

## Outlook

The economic outlook for the world economy continues to be robust at the beginning of the third quarter of 2018, so growth should continue as the year progresses, although with somewhat less dynamism. As before, current forecasts for full-year 2018 are above the 3% mark. The US economy should continue its upswing and accelerate its growth to nearly 3% thanks to stable domestic demand and impetus from the tax reform passed in late 2017. Although the peak has been passed and growth should continue to slow down, most indicators for the economy of the European Monetary Union (EMU) signal a generally above-average development also for the year 2018. On the basis of robust domestic demand and a positive contribution from foreign trade, economic growth of approximately 2% should be achieved. In view of ongoing uncertainty in connection with the impending exit from the EU by the United Kingdom, the growth of the British economy is likely to be rather moderate at less than 1.5%. The Chinese economy is continuing its very solid development. Due to a reduction in state stimuli and somewhat more restrictive lending, however, most analysts expect a slight slowdown in growth to about 6.5%. Prospects for the economies of South America have deteriorated noticeably since the beginning of the year; the recent economic problems in Brazil and Argentina are likely to preclude the expected growth acceleration compared with 2017. In Eastern Europe, economic expansion is likely to weaken somewhat overall following the extremely dynamic development in 2017, largely due to the growth slowdown in Turkey. However, in Russia, the largest market, slight acceleration is to be expected after the so-far moderate recovery. The greatest risk for the positive outlook for the global economy at present is the exacerbation of the current trade-policy conflict between the United States and the EU and China.

Worldwide **demand for cars** remains at a high level and should grow further in full-year 2018. Slight growth of approximately 2% is currently expected. In Europe, we anticipate a slight increase in overall car sales. As the market volume in Western Europe is now above average again, demand should remain fairly stable. In Eastern Europe, a significant increase in sales is expected, primarily due to the ongoing recovery of the Russian market. The US market for cars and light trucks should maintain its high level of approximately 17 million units. The Chinese car market is normalizing after the end of special effects caused in previous years by tax breaks on purchases of small cars. Slight growth in market volume is expected this year. In Japan, we assume that demand for cars will remain fairly constant, while the Indian market should continue to grow significantly.

**Demand for medium- and heavy-duty trucks** should increase significantly in most of the regions relevant to us. In the NAFTA region, the strong recovery of the truck market should continue as the year progresses. We anticipate significant sales growth in weight classes 6-8 in the full year.

For the EU30 region, we assume that demand will maintain the robust market volume of last year. In Brazil, it is to be expected that the moderate economic recovery will bring about significant growth of the truck market, although from a very low level. The Turkish market should only remain around the weak level of the previous year. In Russia, we expect further significant growth in demand fur trucks.

The most important Asian markets from Daimler's perspective are likely to present a varied picture in 2018. In the Japanese market for light-, medium- and heavy-duty trucks, we expect a slight decrease in demand at an ongoing solid level. We assume that the Indonesian truck market will develop positively. In India, demand for medium- and heavy-duty trucks should recover significantly. In the Chinese market, a significant correction is to be expected following the extremely high volume of the previous year.

For the year 2018, in the EU30 region, we expect slight growth in the market for small **vans**, in the combined segment of mid-size and large vans, and in the segment of mid-size pickups. In the United States and in Latin America, demand for large vans should be slightly higher than in the previous year. In China, we anticipate significant growth in the market we address there.

We expect the market volume for **buses** in the EU30 region to be slightly larger than in the previous year. The market situation in Latin America should be positively influenced by the upward trend of the Brazilian economy, but the recovery has generally become significantly less dynamic. We anticipate a significant revival of demand in India.

On the basis of the assumptions presented above on the development of the markets important for us and of the divisions' current assessments, Daimler expects to slightly increase its **total unit sales** in the year 2018.

Due to challenges in the supply chain as well as a longer certification process than usual for a number of models in some international markets it will come to temporary suspensions in the availability of vehicles. Compared with 2017, **Mercedes-Benz Cars** therefore now plans to achieve unit sales around the prior-year level. We expect further growth in the Chinese market. The sales outlook is supported by our attractive and innovative model portfolio, which is more diverse than ever before this year. We anticipate sales impetus from our SUVs. During the course of the year, the main sales drivers will also include the new A-Class as the forerunner of our new generation of compact cars, our upgraded C-Class and the E-Class family, along with the SUVs – above all the GLC. The four-door sedan model of the A-Class will provide new stimulus as of late 2018. Our battery-electric smart models have been the first fully electric EQ models on the roads since May, and are perfect for urban mobility with the optional 22-kilowatt onboard charger with a fast-charging function. Furthermore, we will launch new, attractive Mercedes-Benz models worldwide. They will include – from our high-performance brand Mercedes-AMG – the new CLS 53 models as well as the AMG models of the C- and E-Class series. The AMG sports-car family will be expanded this year with the Mercedes-AMG GT four-door.

**Daimler Trucks** assumes that its total unit sales in the year 2018 will be significantly higher than in the previous year. This is largely due to the significant recovery of some important markets. In the NAFTA region, we expect a significant sales increase compared with 2017 as a result of the ongoing market recovery. In the EU30 region, we anticipate unit sales in the magnitude of the previous year. In Brazil, we expect our unit sales in 2018 to be significantly higher than the low level of 2017. We anticipate significant sales growth also in India. Our unit sales should grow again significantly also in Indonesia. In Japan, we assume that our unit sales will be at about the prior-year level.

**Mercedes-Benz Vans** plans to increase its unit sales significantly in the year 2018. Growth is expected to be particularly strong in China and the United States. We anticipate slight growth in the EU30 region, due not least to the new X-Class. In the context of our "Mercedes-Benz Vans goes global" strategy for the division, we have expanded our portfolio with the Mercedes-Benz X-Class, a premium pickup for markets in Europe, South Africa, Australia and New Zealand. Market launch in Latin America is planned for the year 2019. We expect additional growth in 2018 from the new Sprinter, which we will produce also in North America in the future.

**Daimler Buses** continues to expect total unit sales in 2018 to be significantly above the prior-year level. We assume that unit sales in the EU30 region will increase perceptibly. After the significant growth in unit sales in Latin America last year, we anticipate a further increase in that region in 2018, although with significantly less dynamism. A positive development of unit sales is expected also in India.

**Daimler Financial Services** anticipates further growth in contract volume in the year 2018. New business is expected to be in the magnitude of the previous year. In China, new business continues to grow very dynamically. We will utilize new market potential through new and digital possibilities for customer contacts – in particular by systematically further developing our online sales channels.

Based on the generally positive development of unit sales, we assume that **Group revenue** will increase slightly in the year 2018. We anticipate significant revenue growth in the Mercedes-Benz Vans, Daimler Trucks and Daimler Financial Services divisions. At Mercedes-Benz Cars, the expected exchange-rate developments and lifecycle effects will dampen the development of revenue, so we expect the division to post full-year revenue at the high level of 2017. We now anticipate revenue in the magnitude of the previous year also for the Daimler Buses division.

In late March 2018, Daimler and the BMW Group announced their intention, subject to review and approval by the relevant competition authorities, to combine and strategically expand their existing services for on-demand mobility in the areas of car sharing, ride hailing, parking, charging and multimodality. To those ends, the two companies signed an agreement on the merger of their business units for mobility services. Each company will hold 50% of the shares in the planned joint ventures for the mobility services of both companies. The establishment of the joint ventures will lead to significant positive changes to net assets and earnings at Daimler Financial Services, which are taken into consideration in the following EBIT outlook.

As reported in our ad-hoc-announcement of June 20, current developments have caused us to reassess the earnings potential for financial year 2018. This was mainly because increased import tariffs for US vehicles exported to the Chinese market mean that Mercedes-Benz Cars anticipates lower SUV sales as well as higher costs (which cannot be fully passed on to customers) than previously expected. This effect cannot be fully offset by the reallocation of vehicles to other markets. It is also important to note that the certification process according to the new WLTP (Worldwide Harmonized Light Vehicles Test Procedure) standard is expected to cause expenses in the second half of the year. Furthermore, Mercedes-Benz Vans' earnings will be reduced as a result of the recall of diesel vehicles. In addition, the earnings of the Daimler Buses division will be negatively impacted by weaker demand than expected in Latin America.

Due to several factors, some temporary restrictions in the availability of vehicles of Mercedes-Benz Cars will occur as the year progresses. This also means that some of Daimler's customers have to switch to vehicles with lower margins. Among others, these factors include the known delivery hold for some diesel models and challenges in the supply chain. Furthermore, certification of vehicles in some international markets currently require longer preparation than usual. For a longer time period, Daimler has been working intensively on software updates, the changeover to the new European test standard WLTP, as well as technical and legal clarification of open questions. Therefore, the certification of new models has, in part, not yet advanced as expected.

From today's perspective, Daimler therefore assumes that Mercedes-Benz Cars' third-quarter EBIT will be significantly below the level of Q2 2018 and Q3 2017, and that inventories will increase temporarily. Based on unchanged high demand for Mercedes-Benz vehicles, Daimler expects however, that the situation will return to normal in the fourth quarter and that inventories could be reduced again by the end of the year.

Correspondingly, the described factors, also apply for Mercedes-Benz Vans. Therefore, the company has to assume that the business of Mercedes-Benz Vans will be affected.

On the basis of these effects as well as expected market developments and the current assessments of our divisions, we now assume that **Group EBIT** in 2018 will be slightly lower than in the previous year.

The individual divisions now have the following expectations for EBIT in the year 2018:
– Mercedes-Benz Cars: slightly below the prior-year level,
– Daimler Trucks: significantly above the prior-year level,
– Mercedes-Benz Vans: significantly below the prior-year level,
– Daimler Buses: in the prior-year magnitude and
– Daimler Financial Services: in the prior-year magnitude.

Despite a further increase in advance expenditure for new products and technologies, the **free cash flow of the industrial business** should be significantly higher than in 2017 and also higher than the dividend distribution in 2018. It must be taken into consideration, however, that the free cash flow of the industrial business in 2017 was reduced by an extraordinary contribution of €3 billion to the German pension plan assets of Daimler AG.

In order to achieve our ambitious growth targets, we will slightly increase our already very high **investment in property, plant and equipment** in the year 2018 (2017: €6.7 billion). Capital expenditure in 2018 at both Mercedes-Benz Cars and Daimler Trucks will be primarily for successor generations for existing products, new products, global component projects, the expansion of production capacities and the optimization of the international production network, as well as for the worldwide production network for electric mobility.

With our **research and development activities**, we anticipate a total volume slightly above last year's spending of €8.7 billion. Key projects at Mercedes-Benz Cars include successor models for the current S-Class and C-Class. In addition, we are investing in new, more efficient engines, alternative drive systems and vehicles, autonomous driving and connectivity. At Daimler Trucks, the main areas of investment are for improved fuel efficiency and emission reductions, as well as for tailored products and technologies for important growth markets. In addition, the future technologies of electric mobility, connectivity and automated driving continue to gain importance.

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**.

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

# Mercedes-Benz Cars

**Unit sales of 590,700 vehicles in the second quarter (Q2 2017: 595,200)**
**Record unit sales of SUVs and E-Class**
**World premieres in Beijing**
**EBIT significantly below prior-year level at €1,901 million (Q2 2017: €2,365 million)**

**D.01** Q2

| € amounts in millions | Q2 2018 | Q2 2017 | % change |
|---|---|---|---|
| Revenue | 22,575 | 23,570 [1] | -4 |
| EBIT | 1,901 | 2,365 [1] | -20 |
| Unit sales | 590,690 | 595,178 | -1 |
| Production | 601,343 | 600,358 | +0 |
| Employees | 147,607 | 142,666 [2] | +3 |

1 Amounts adjusted due to first-time adoption of IFRS 15 and IFRS 9
2 As of December 31, 2017

**D.02** Q2

| Unit sales | Q2 2018 | Q2 2017 | % change |
|---|---|---|---|
| Total | 590,690 | 595,178 | -1 |
| Europe | 250,180 | 270,433 | -7 |
| thereof Germany | 81,931 | 85,369 | -4 |
| United States | 78,042 | 77,605 | +1 |
| China | 166,915 | 150,146 | +11 |
| Other markets | 95,553 | 96,994 | -1 |

**High level of unit sales at Mercedes-Benz Cars**
Unit sales of 590,700 vehicles by Mercedes-Benz Cars in the second quarter of 2018 were at the high level of the prior-year quarter and just slightly below the record numbers sold in that period (-1%). Revenue decreased by 4% to €22.6 billion and EBIT amounted to €1,901 million (Q2 2017: €2,365 million).

In Europe, 250,200 vehicles of the Mercedes-Benz and smart brands were sold in the months of April through June (-7%), of which 81,900 were sold in Germany (-4%). In China, the division's biggest market, a new record was set of 166,900 units sold, surpassing the previous record in the second quarter of last year by 11%. Best-ever unit sales were achieved also in South Korea (+9%) and in India, with growth of 34%. Sales of 78,000 units in the United States were at the prior-year level (+1%).

**Record unit sales for SUVs and E-Class**
Demand for the SUVs from Mercedes-Benz was particularly strong in the second quarter, with a new record of 207,800 units sold in that period (+3%). More units were sold than ever before also of the E-Class sedan and wagon with a total of 90,600 cars (+2%). The S-Class achieved strong growth of 16% once again with second-quarter sales of 17,500 luxury sedans. Shortly before the model change of the C-Class sedan and wagon, sales of 100,800 units of the two models were 1% above the prior-year level. Of the A-Class, whose new generation is being launched in the various markets, and of the other compact cars – the B-Class, the CLA and the CLA Shooting Brake – a total of 97,400 units were sold (-13%). Sales of the smart fortwo and smart forfour totaled 35,500 units (-3%).

**Expansion of the compact-car family**
At the trade fair in Beijing in April, the sixth model of the compact-car family was presented: the long-wheelbase version of the A-Class sedan. With its extended wheelbase, this model is tailored to the needs of Chinese customers – like the long-wheelbase version of the C-Class sedan. That model was presented together with the Mercedes-Maybach Ultimate Luxury vision car as another world premiere in Beijing. The new A-Class compact sedan has been available at dealerships in Europe since May.

**Mercedes-Benz Cars expands its worldwide production network**
At the Mercedes-Benz plant in Rastatt, production of the new generation of compact cars began with the A-Class, which will drive off the assembly lines of five plants on three continents. With the laying of the foundation stone for a second plant at the Kecskemét site in Hungary, Mercedes-Benz Cars is systematically progressing towards smart production: At the first full-flex plant in the global production network, various vehicle architectures from compact models to rear-wheel-drive sedans with various drive systems including electric vehicles will be flexibly produced on one line. The company is thus further developing the Factory 56 production concept and using the latest production technologies in line with Industry 4.0.

**D.03** Q1-2

| € amounts in millions | Q1-2 2018 | Q1-2 2017 | % change |
|---|---|---|---|
| Revenue | 45,573 | 46,091 [1] | -1 |
| EBIT | 3,961 | 4,363 [1] | -9 |
| Unit sales | 1,184,989 | 1,163,248 | +2 |
| Production | 1,209,414 | 1,185,300 | +2 |
| Employees | 147,607 | 142,666 [2] | +3 |

1 Amounts adjusted due to first-time adoption of IFRS 15 and IFRS 9
2 As of December 31, 2017

**D.04** Q1-2

| Unit sales | Q1-2 2018 | Q1-2 2017 | % change |
|---|---|---|---|
| Total | 1,184,989 | 1,163,248 | +2 |
| Europe | 494,358 | 511,836 | -3 |
| thereof Germany | 160,478 | 159,441 | +1 |
| United States | 148,532 | 156,030 | -5 |
| China | 345,732 | 304,709 | +13 |
| Other markets | 196,367 | 190,673 | +3 |

# Daimler Trucks

**Unit sales significantly above prior-year level at 123,900 vehicles (Q2 2017: 116,400)**
**Presentation of Freightliner eCascadia and eM2 for the NAFTA region**
**New research and development center for automated trucks**
**EBIT of €546 million (Q2 2017: €548 million)**

**D.05** Q2

| € amounts in millions | Q2 2018 | Q2 2017 | % change |
|---|---|---|---|
| Revenue | 9,185 | 9,030 [1] | +2 |
| EBIT | 546 | 548 [1] | -0 |
| Unit sales | 123,910 | 116,429 | +6 |
| Production | 128,255 | 119,522 | +7 |
| Employees | 84,062 | 79,483 [2] | +6 |

1 Amounts adjusted due to first-time adoption of IFRS 15 and IFRS 9
2 As of December 31, 2017

**D.06** Q2

| Unit sales | Q2 2018 | Q2 2017 | % change |
|---|---|---|---|
| Total | 123,910 | 116,429 | +6 |
| EU30 [1] | 21,069 | 20,431 | +3 |
| NAFTA | 44,347 | 42,293 | +5 |
| Latin America (excl. Mexico) | 7,913 | 7,028 | +13 |
| Asia | 40,271 | 35,682 | +13 |
| Other markets | 10,310 | 10,995 | -6 |
| BFDA (Auman Trucks) | 32,580 | 28,623 | +14 |
| Total (incl. BFDA) | 156,490 | 145,052 | +8 |

1 European Union, Switzerland and Norway

### Unit sales above prior-year level

Daimler Trucks posted second-quarter unit sales of 123,900 vehicles, which is by 6% higher than the number sold in the prior-year period (Q2 2017: 116,400). Revenue amounted to €9.2 billion (Q2 2017: €9.0 billion). The Daimler Trucks division's EBIT of €546 million was at the prior-year figure of €548 million.

### Significant increase in unit sales overall

In the NAFTA region, we increased our sales volume to the number of 44,300 units (Q2 2017: 42,300). We were once again the market leader in weight classes 6-8 with a market share of 38.1% (Q2 2017: 40.2%). Sales of 7,900 units in Latin America were significantly higher than in the prior-year quarter (Q2 2017: 7,000). With sales of 4,400 vehicles in Brazil, we sold over 50% more trucks than in the prior-year period. We achieved a market share in the medium- and heavy-duty segment in Brazil of 27.2% with our Mercedes-Benz trucks (Q2 2017: 28.7%). In the EU30 region, we slightly increased our sales to 21,100 (Q2 2017: 20,400) units. Mercedes-Benz defended its market leadership here in the segment of medium- and heavy-duty trucks with a share of 19.8% (Q2 2017: 20.9%). Our sales of 7,800 units in Germany were slightly below the prior-year level (Q2 2017: 8,100). In Turkey, we sold 1,700 trucks (Q2 2017: 2,900). Our unit sales in Asia increased by 13% to 40,300 vehicles. In addition to a significant increase in Indonesia to 16,400 units (Q2 2017: 9,800), we achieved growth also in India with sales of 5,800 vehicles (Q2 2017: 3,600). Sales of 10,400 trucks in Japan were slightly above the prior-year level (Q2 2017:10,200). We achieved a share of 20.4% of the overall Japanese truck market with trucks of the FUSO brand (Q2 2017: 18.8%). Our sales of 2,000 units in the Middle East were significantly lower than in the second quarter of last year (Q2 2017: 6,400). Sales of Auman trucks by BFDA, our joint venture in China, increased by 14% to 32,600 units.

### Global E-Mobility Group and new electric trucks for the USA

In the future, the new E-Mobility Group will define the strategy for electric components and complete e-vehicles – across all brands and divisions – and will decide on a globally uniform architecture. We have presented two new e-trucks for the United States: the Freightliner eCascadia, a heavy-duty electric truck for long-distance haulage, and the eM2 106 as a fully electric variant in the medium-duty segment. The first customers, Penske Truck Leasing and NFI Industries, will likely test 30 electric Freightliner models as of late 2018.

### New R&D center for automated driving

For the further expansion of activities for automated trucks and buses, a new research and development center for automated driving has been established in Portland, Oregon. This innovation facility will cooperate closely with existing development departments for automated driving in Stuttgart and India.

**D.07** Q1-2

| € amounts in millions | Q1-2 2018 | Q1-2 2017 | % change |
|---|---|---|---|
| Revenue | 17,804 | 16,981 [1] | +5 |
| EBIT | 1,193 | 1,210 [1] | -1 |
| Unit sales | 237,756 | 210,436 | +13 |
| Production | 249,025 | 224,321 | +11 |
| Employees | 84,062 | 79,483 [2] | +6 |

1 Amounts adjusted due to first-time adoption of IFRS 15 and IFRS 9
2 As of December 31, 2017

**D.08** Q1-2

| Unit sales | Q1-2 2018 | Q1-2 2017 | % change |
|---|---|---|---|
| Total | 237,756 | 210,436 | +13 |
| EU30 [1] | 38,319 | 37,825 | +1 |
| NAFTA | 85,169 | 75,199 | +13 |
| Latin America (excl. Mexico) | 17,283 | 13,352 | +29 |
| Asia | 77,946 | 65,682 | +19 |
| Other markets | 19,039 | 18,378 | +4 |
| BFDA (Auman Trucks) | 56,589 | 55,056 | +3 |
| Total (incl. BFDA) | 294,345 | 265,492 | +11 |

1 European Union, Switzerland and Norway

# Mercedes-Benz Vans

**Best unit sales in a second quarter with 110,900 vehicles sold (Q2 2017: 103,400)**
**Strong growth for the V-Class (+19%)**
**Market launch of the new Sprinter in Europe**
**EBIT significantly below prior-year level at €152 million (Q2 2017: €349 million)**

**D.09** Q2

| € amounts in millions | Q2 2018 | Q2 2017 | % change |
|---|---|---|---|
| Revenue | 3,511 | 3,325 [1] | +6 |
| EBIT | 152 | 349 [1] | -56 |
| Unit sales | 110,883 | 103,393 | +7 |
| Production | 127,444 | 100,884 | +26 |
| Employees | 26,484 | 25,255 [2] | +5 |

1 Amounts adjusted due to first-time adoption of IFRS 15 and IFRS 9
2 As of December 31, 2017

**D.10** Q2

| Unit sales | Q2 2018 | Q2 2017 | % change |
|---|---|---|---|
| Total | 110,883 | 103,393 | +7 |
| EU30 | 71,318 | 70,357 | +1 |
| thereof Germany | 28,083 | 27,441 | +2 |
| NAFTA region | 13,180 | 11,955 | +10 |
| thereof United States | 9,872 | 8,994 | +10 |
| Latin America (excluding | 3,990 | 3,974 | +0 |
| Asia | 10,816 | 8,856 | +22 |
| thereof China | 7,471 | 6,312 | +18 |
| Other markets | 11,579 | 8,251 | +40 |

**New record for unit sales**
Mercedes-Benz Vans increased its unit sales by 7% to a new record of 110,900 vehicles in the second quarter of 2018. Revenue grew by 6% to €3.5 billion. EBIT amounted to €152 million, which is significantly lower than in the second quarter of last year (Q2 2017: €349 million).

**Mercedes-Benz Vans continues along its growth path**
In the EU30 region, sales of 71,300 units were at the prior-year level (Q2 2017: 70,400). Growth was achieved especially in France (+9%) and Sweden (+79%). In the German market, the van division posted a new record in the second quarter with sales of 28,100 vehicles (Q2 2017: 27,400). The development in the NAFTA region was very positive; unit sales in the United States grew by 10% to 9,900 units, also a new record. Second-quarter sales of 4,000 vehicles in Latin America were at the level of last year. In China, Mercedes-Benz Vans further improved its position and sold 7,500 vehicles (+18%), its bestselling quarter so far. Unit sales developed positively also in Turkey (+8%) and Russia (+26%). Worldwide market success was driven by nearly all model series. Due to the partial suspension of deliveries, sales of 27,500 Vito vans were significantly lower than in the prior-year period (Q2 2017: 29,300). The V-Class multipurpose vehicle sales of 18,700 units surpassed the prior-year quarter by 19%. Sales of 51,700 units of the Sprinter large van were at the prior-year level. Sales of the Citan city van developed positively, increasing by 9% to 7,700 units. The X-Class was launched in late 2017 and posted sales of 5,200 units in the second quarter of 2018.

**Market launch of new Sprinter in Europe**
The new Sprinter has been available in Europe since June and will gradually be launched in other markets. With the new Sprinter, customers can choose from different variants with many equipment details. Among other things, the new flagship from Mercedes-Benz Vans can now also be ordered with front-wheel drive. With intelligent products, various services and full connectivity, the Sprinter is the first fully connected complete-system solution in the industry.

**Mercedes PRO available with the new Sprinter**
With the new Sprinter, commercial customers now have the option of the first fleet services from Mercedes PRO, the new Mercedes-Benz Vans brand for services and digital solutions. This connectivity allows, for example, online transport jobs to be managed and vehicle information such as location, fuel level or maintenance intervals to be accessed almost in real time. This means that the entire fleet management can take place online with one tool.

**Innovative operator concept in Bochum**
This May, together with partners, Mercedes-Benz Vans started an innovative operator program for the connected parking space at the Amazon distribution center in Bochum. It comprises the rental of parking space and the development of a charging infrastructure, as well as additional service components that support local logistics companies and their drivers. One of those features is an innovative vehicle scanner that directly checks vans for possible damage.

**D.11** Q1-2

| € amounts in millions | Q1-2 2018 | Q1-2 2017 | % change |
|---|---|---|---|
| Revenue | 6,609 | 6,302 [1] | +5 |
| EBIT | 324 | 686 [1] | -53 |
| Unit sales | 203,899 | 190,171 | +7 |
| Production | 237,440 | 205,000 | +16 |
| Employees | 26,484 | 25,255 [2] | +5 |

1 Amounts adjusted due to first-time adoption of IFRS 15 and IFRS 9
2 As of December 31, 2017

**D.12** Q1-2

| Unit sales | Q1-2 2018 | Q1-2 2017 | % change |
|---|---|---|---|
| Total | 203,899 | 190,171 | +7 |
| EU30 | 131,736 | 130,896 | +1 |
| thereof Germany | 50,426 | 48,406 | +4 |
| NAFTA region | 24,452 | 20,486 | +19 |
| thereof United States | 18,622 | 15,245 | +22 |
| Latin America (excluding | 7,811 | 7,834 | -0 |
| Asia | 20,069 | 15,643 | +28 |
| thereof China | 14,011 | 10,716 | +31 |
| Other markets | 19,831 | 15,312 | +30 |

# Daimler Buses

**Unit sales of 7,500 buses and bus chassis at prior-year level**
**Further orders for electric Mercedes-Benz Citaro**
**Major orders received in Brazil, Poland and Berlin**
**EBIT significantly below prior-year level at €66 million (Q2 2017: €78 million)**

**D.13** Q2

| € amounts in millions | Q2 2018 | Q2 2017 | % change |
|---|---|---|---|
| Revenue | **1,075** | 1,217 [1] | -12 |
| EBIT | **66** | 78 [1] | -15 |
| Unit sales | **7,522** | 7,504 | +0 |
| Production | **8,620** | 7,973 | +8 |
| Employees | **18,279** | 18,292 [2] | -0 |

1 Amounts adjusted due to first-time adoption of IFRS 15 and IFRS 9
2 As of December 31, 2017

**D.14** Q2

| Unit sales | Q2 2018 | Q2 2017 | % change |
|---|---|---|---|
| Total | **7,522** | 7,504 | +0 |
| EU30 | **2,183** | 2,202 | -1 |
| thereof Germany | **693** | 811 | -15 |
| Latin America (excluding Mexico) | **3,377** | 3,448 | -2 |
| thereof Brazil | **2,484** | 2,108 | +18 |
| Mexico | **839** | 1,020 | -18 |
| Asia | **758** | 439 | +73 |
| Other markets | **365** | 395 | -8 |

**Unit sales at prior-year level**
Daimler Buses' sales of 7,500 units in the second quarter of 2018 were at the level of the prior-year period. Primarily due to a weaker global product mix and a negative exchange-rate effect, revenue decreased significantly to €1.1 billion (Q2 2017: €1.2 billion). EBIT amounted to €66 million (Q2 2017: €78 million).

**Varying sales developments in the regions**
In the EU30 region, second-quarter unit sales by Daimler Buses of 2,200 complete buses and bus chassis of the Mercedes-Benz and Setra brands were in the magnitude of the prior-year quarter. Despite undisputed market leadership, sales of 700 units in Germany, the domestic market, did not match the prior-year level (Q2 2017: 800). The market recovery in Brazil has slowed down, but sales of 2,500 units were nonetheless 18% higher than in the second quarter of last year. In total, unit sales by Daimler Buses in Latin America (excluding Mexico) were slightly below the previous year's level at 3,400 bus chassis. Our sales of 800 units in Mexico were significantly lower than in the prior-year quarter (Q2 2017: 1,000). However, Daimler Buses achieved strong growth in India with sales of 500 units (Q2 2017: 250).

**Further orders for electric Mercedes-Benz Citaro**
The public transport company Hamburger Hochbahn ordered 20 of the new, fully electric Mercedes-Benz Citaro – even before the official world premiere at the preview of the IAA Commercial Vehicles show in mid-July. Another 15 of the electric city bus have been ordered by the public transport company Berliner Verkehrsbetriebe.

**Daimler Buses receives further major orders**
In Brazil, Daimler Buses received an order for 1,600 school buses for the Caminho da Escola program of the Brazilian Ministry of Education. The buses are to be delivered by April 2019. As part of a major order, Berliner Verkehrsbetriebe secured an option to purchase up to 950 Mercedes-Benz city buses. The framework agreement provides for the delivery of up to 600 articulated buses and a maximum of 350 standard buses. The city buses can be successively called up in the coming years. In Poland, Daimler Buses also booked a major order for 150 buses for Krakow, Gdansk and Bialystok.

**Daimler Buses achieves four first places in ETM Awards**
In the 2018 readers' survey of the commercial vehicle publishing house EuroTransportMedia (ETM), four vehicles from Daimler Buses received the ETM Award. The Mercedes-Benz Citaro K was awarded first place in the city-bus category, the Mercedes-Benz Citaro LE in the coach category, the Sprinter Minibus in the midi-bus category and the Setra TopClass HDH/DT in the high-decker coach category.

**D.15** Q1-2

| € amounts in millions | Q1-2 2018 | Q1-2 2017 | % change |
|---|---|---|---|
| Revenue | **1,925** | 2,140 [1] | -10 |
| EBIT | **103** | 150 [1] | -31 |
| Unit sales | **13,266** | 12,908 | +3 |
| Production | **15,544** | 14,556 | +7 |
| Employees | **18,279** | 18,292 [2] | -0 |

1 Amounts adjusted due to first-time adoption of IFRS 15 and IFRS 9
2 As of December 31, 2017

**D.16** Q1-2

| Unit sales | Q1-2 2018 | Q1-2 2017 | % change |
|---|---|---|---|
| Total | **13,266** | 12,908 | +3 |
| EU30 | **3,550** | 3,594 | -1 |
| thereof Germany | **1,115** | 1,320 | -16 |
| Latin America (excluding Mexico) | **6,486** | 5,846 | +11 |
| thereof Brazil | **4,340** | 3,507 | +24 |
| Mexico | **1,292** | 1,758 | -27 |
| Asia | **1,338** | 954 | +40 |
| Other markets | **600** | 756 | -21 |

# Daimler Financial Services

**New business up by 2%**
**Contract volume grows to €147 billion**
**Toll Collect: agreement reached in arbitration proceedings**
**EBIT significantly below prior-year level at €66 million due to Toll Collect agreement (Q2 2017: €522 million)**

**D.17** Q2

| € amounts in millions | Q2 2018 | Q2 2017 | % change |
|---|---|---|---|
| Revenue | 6,307 | 5,930 | +6 |
| EBIT | 66 | 522 | -87 |
| New business | 18,341 | 17,925 | +2 |
| Contract volume | 146,709 | 139,907 [1] | +5 |
| Employees | 13,742 | 13,012 [1] | +6 |

1 As of December 31, 2017

**New business up by 2% worldwide**
Daimler Financial Services further increased its new business in the second quarter of 2018: Worldwide, 501,000 new leasing and financing contracts were concluded with a total volume of €18.3 billion, which is 2% more than in the prior-year period. Daimler Financial Services' portfolio included more than five million vehicles at the end of June; this is equivalent to a contract volume of €146.7 million and thus growth of 5% compared with the end of 2017. EBIT amounted to €66 million (Q2 2017: €522 million). The main reason for the decrease in earnings was the agreement reached on concluding the Toll Collect arbitration proceedings, which had a negative impact on earnings of €418 million.

**Slight growth in the Europe region**
In the whole of Europe, 251,000 new leasing and financing contracts were signed in the second quarter (+1%). New business increased by 3% to €8.2 billion. Contract volume in Europe grew compared with the end of 2017 by 4% to €62.0 billion.

**The Americas: new business at prior-year level**
In the Americas region, leasing and financing contracts with a total value of €5.5 billion were concluded in the second quarter of 2018 (Q2 2017: €5.6 billion). Contract volume in the Americas region of €52.2 billion at the end of June was slightly higher than at year-end 2017 (+3%).

**Strong growth in Africa & Asia-Pacific and China**
New business in the Africa & Asia-Pacific region (excluding China) was nearly unchanged at €2.1 billion in the second quarter of 2018. Contract volume in the region amounted to €17.8 billion at the end of June (+3%).

**D.18** Q1-2

| € amounts in millions | Q1-2 2018 | Q1-2 2017 | % change |
|---|---|---|---|
| Revenue | 12,327 | 11,841 | +4 |
| EBIT | 614 | 1,046 | -41 |
| New business | 36,202 | 34,737 | +4 |
| Contract volume | 146,709 | 139,907 [1] | +5 |
| Employees | 13,742 | 13,012 [1] | +6 |

1 As of December 31, 2017

New business continued its strong growth in China. In the second quarter, 79,000 new leasing and financing contracts were concluded worth €2.4 billion (+10%). Contract volume amounted to €14.6 billion at the end of June, which is 19% higher than at the end of 2017.

**Further growth in the insurance business**
In the insurance business, Daimler Financial Services brokered 579,000 contracts in the second quarter of this year (+11%). The development was especially positive in China (+30%), Russia (+29%) and Germany (+3%).

**Toll Collect: agreement reached in arbitration proceedings**
In May 2018, Daimler Financial Services reached an agreement with Deutsche Telekom AG (consortium partner) and the German Federal Government on concluding the arbitration proceedings relating to Toll Collect. We refer to Note 17 of the Notes to the Interim Consolidated Financial Statements for further details of the settlement agreement.

**Daimler Financial Services expands its mobility portfolio**
Daimler Mobility Services GmbH, a subsidiary of Daimler Financial Services, has acquired an interest in Taxify, a ride-hailing company, by way of a capital contribution in May. The company was founded in Tallinn, Estonia, in 2013 and now offers ride-hailing services in regions including Africa, Europe and Asia, by which customers can order and pay for a taxi or private driver using an app.

Daimler Financial Services' mobility portfolio with car2go, moovel and the ride-hailing group that includes mytaxi, beat, Clever Taxi and Chauffeur Privé had approximately 23.5 million customers at June 30, 2018; the number of transactions in the second quarter totaled 42.4 million in more than 110 cities worldwide.

# Consolidated Statement of Income Q2

E.01

| In millions of euros | Q2 2018 | Q2 2017 (adjusted)[1] |
|---|---|---|
| Revenue | **40,756** | 41,214 |
| Cost of sales | **-32,506** | -32,420 |
| **Gross profit** | **8,250** | 8,794 |
| Selling expenses | **-3,253** | -3,213 |
| General administrative expenses | **-965** | -924 |
| Research and non-capitalized development costs | **-1,620** | -1,414 |
| Other operating income | **452** | 432 |
| Other operating expense | **-188** | -218 |
| Profit/loss on equity-method investments, net | **-14** | 310 |
| Other financial expense, net | **-26** | -23 |
| Interest income | **70** | 46 |
| Interest expense | **-176** | -139 |
| **Profit before income taxes**[2] | **2,530** | 3,651 |
| Income taxes | **-705** | -1,139 |
| **Net profit** | **1,825** | 2,512 |
| thereof profit attributable to non-controlling interests | **99** | 68 |
| thereof profit attributable to shareholders of Daimler AG | **1,726** | 2,444 |
| | | |
| **Earnings per share (in euros)** | | |
| for profit attributable to shareholders of Daimler AG | | |
| **Basic** | **1.61** | 2.28 |
| **Diluted** | **1.61** | 2.28 |

1 The prior-year figures have been adjusted due to the effects of the first-time adoption of IFRS 15 and IFRS 9. Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Interim Consolidated Financial Statements.
2 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 Income Q1-2

**E.02**

| | Q1-2 2018 | Q1-2 2017 (adjusted)[1] |
|---|---|---|
| In millions of euros | | |
| Revenue | 80,541 | 79,796 |
| Cost of sales | -63,666 | -62,999 |
| **Gross profit** | 16,875 | 16,797 |
| Selling expenses | -6,350 | -6,284 |
| General administrative expenses | -1,936 | -1,821 |
| Research and non-capitalized development costs | -3,332 | -2,862 |
| Other operating income | 783 | 1,103 |
| Other operating expense | -481 | -390 |
| Profit on equity-method investments, net | 329 | 1,029 |
| Other financial income/expense, net | 79 | -60 |
| Interest income | 125 | 104 |
| Interest expense | -315 | -274 |
| **Profit before income taxes[2]** | 5,777 | 7,342 |
| Income taxes | -1,598 | -2,178 |
| **Net profit** | 4,179 | 5,164 |
| thereof profit attributable to non-controlling interests | 180 | 163 |
| thereof profit attributable to shareholders of Daimler AG | 3,999 | 5,001 |
| | | |
| **Earnings per share (in euros)** | | |
| for profit attributable to shareholders of Daimler AG | | |
| **Basic** | 3.74 | 4.67 |
| **Diluted** | 3.74 | 4.67 |

1 The prior-year figures have been adjusted due to the effects of the first-time adoption of IFRS 15 and IFRS 9. Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Interim Consolidated Financial Statements.
2 The reconciliation of Group EBIT to profit before income taxes is presented in Note 19.

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# Consolidated Statement of Comprehensive Income/Loss Q2

E.03

| In millions of euros | Q2 2018 | Q2 2017 (adjusted)[1] |
|---|---|---|
| **Net profit** | **1,825** | 2,512 |
| Gains/losses on currency translation | 543 | -1,723 |
| Gains/losses on equity instruments and debt instruments | 17 | 8 |
| Gains/losses on derivative financial instruments | -752 | 1,511 |
| Gains/losses on equity-method investments | 3 | 24 |
| **Items that may be reclassified to profit/loss** | **-189** | -180 |
| Actuarial gains/losses from pensions and similar obligations | -130 | -182 |
| **Items that will not be reclassified to profit/loss** | **-130** | -182 |
| **Other comprehensive income/loss, net of taxes** | **-319** | -362 |
| thereof income/loss attributable to non-controlling interests, after taxes | 19 | -61 |
| thereof income/loss attributable to shareholders of Daimler AG, after taxes | -338 | -301 |
| **Total comprehensive income/loss** | **1,506** | 2,150 |
| thereof income/loss attributable to non-controlling interests | 118 | 7 |
| thereof income/loss attributable to shareholders of Daimler AG | 1,388 | 2,143 |

1 The prior-year figures have been adjusted due to the effects of the first-time adoption of IFRS 15 and IFRS 9. Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Interim Consolidated Financial Statements.

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

# Consolidated Statement of Comprehensive Income/Loss Q1-2

**E.04**

| | Q1-2 2018 | Q1-2 2017 (adjusted)[1] |
|---|---|---|
| In millions of euros | | |
| **Net profit** | **4,179** | 5,164 |
| Gains/losses on currency translation | 210 | -1,609 |
| Gains/losses on equity instruments and debt instruments | 5 | 11 |
| Gains/losses on derivative financial instruments | -843 | 1,496 |
| Gains/losses on equity-method investments | 5 | 37 |
| **Items that may be reclassified to profit/loss** | **-623** | -65 |
| Actuarial gains/losses from pensions and similar obligations | -294 | 5 |
| **Items that will not be reclassified to profit/loss** | **-294** | 5 |
| **Other comprehensive income/loss, net of taxes** | **-917** | -60 |
| thereof income/loss attributable to non-controlling interests, after taxes | 25 | -53 |
| thereof income/loss attributable to shareholders of Daimler AG, after taxes | -942 | -7 |
| **Total comprehensive income/loss** | **3,262** | 5,104 |
| thereof income/loss attributable to non-controlling interests | 205 | 110 |
| thereof income/loss attributable to shareholders of Daimler AG | 3,057 | 4,994 |

1 The prior-year figures have been adjusted due to the effects of the first-time adoption of IFRS 15 and IFRS 9. Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Interim Consolidated Financial Statements.

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

# Consolidated Statement of Financial Position

E.05

| In millions of euros | June 30, 2018 | Dec. 31, 2017 (adjusted)[1] |
|---|---|---|
| **Assets** | | |
| Intangible assets | 14,264 | 13,735 |
| Property, plant and equipment | 28,714 | 27,981 |
| Equipment on operating leases | 48,781 | 47,074 |
| Equity-method investments | 4,580 | 4,818 |
| Receivables from financial services | 49,890 | 46,600 |
| Marketable debt securities and similar investments | 855 | 990 |
| Other financial assets | 2,882 | 3,204 |
| Deferred tax assets | 3,329 | 2,844 |
| Other assets | 1,175 | 1,203 |
| **Total non-current assets** | 154,470 | 148,449 |
| Inventories | 29,152 | 25,686 |
| Trade receivables | 11,409 | 11,995 |
| Receivables from financial services | 41,194 | 39,454 |
| Cash and cash equivalents | 14,334 | 12,072 |
| Marketable debt securities and similar investments | 9,493 | 9,073 |
| Other financial assets | 4,256 | 3,602 |
| Other assets | 5,289 | 5,014 |
| Assets held for sale | 470 | - |
| **Total current assets** | 115,597 | 106,896 |
| **Total assets** | 270,067 | 255,345 |
| | | |
| **Equity and liabilities** | | |
| Share capital | 3,070 | 3,070 |
| Capital reserves | 11,709 | 11,742 |
| Retained earnings | 47,355 | 47,553 |
| Other reserves | 828 | 1,504 |
| **Equity attributable to shareholders of Daimler AG** | 62,962 | 63,869 |
| Non-controlling interests | 1,234 | 1,290 |
| **Total equity** | 64,196 | 65,159 |
| Provisions for pensions and similar obligations | 6,477 | 5,767 |
| Provisions for income taxes | 895 | 1,046 |
| Provisions for other risks | 6,910 | 7,143 |
| Financing liabilities | 86,606 | 78,378 |
| Other financial liabilities | 2,983 | 2,370 |
| Deferred tax liabilities | 2,708 | 2,347 |
| Deferred income | 1,687 | 1,668 |
| Contract liabilities | 5,004 | 3,833 |
| Other liabilities | 8 | 10 |
| **Total non-current liabilities** | 113,278 | 102,562 |
| Trade payables | 15,716 | 12,451 |
| Provisions for income taxes | 580 | 560 |
| Provisions for other risks | 7,174 | 7,620 |
| Financing liabilities | 50,524 | 48,746 |
| Other financial liabilities | 7,733 | 6,905 |
| Deferred income | 1,548 | 1,528 |
| Contract liabilities | 6,428 | 7,375 |
| Other liabilities | 2,676 | 2,439 |
| Liabilities held for sale | 214 | - |
| **Total current liabilities** | 92,593 | 87,624 |
| **Total equity and liabilities** | 270,067 | 255,345 |

1 The prior-year figures have been adjusted due to the effects of the first-time adoption of IFRS 15 and IFRS 9. Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Interim Consolidated Financial Statements.

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

# Consolidated Statement of Cash Flows

**E.06**

| In millions of euros | Q1-2 2018 | Q1-2 2017 (adjusted)[1] |
|---|---|---|
| Profit before income taxes | 5,777 | 7,342 |
| Depreciation and amortization/impairments | 2,973 | 2,774 |
| Other non-cash expense and income | -335 | -1,016 |
| Gains (-)/losses (+) on disposals of assets | -29 | -277 |
| Change in operating assets and liabilities | | |
| Inventories | -3,560 | -1,588 |
| Trade receivables | 285 | 199 |
| Trade payables | 3,230 | 2,621 |
| Receivables from financial services | -4,514 | -4,755 |
| Vehicles on operating leases | -1,293 | -1,782 |
| Other operating assets and liabilities | -386 | 372 |
| Dividends received from equity-method investments | 431 | 448 |
| Income taxes paid | -1,619 | -1,821 |
| **Cash provided by operating activities** | 960 | 2,517 |
| Additions to property, plant and equipment | -2,893 | -2,704 |
| Additions to intangible assets | -1,543 | -1,721 |
| Proceeds from disposals of property, plant and equipment and intangible assets | 169 | 530 |
| Investments in shareholdings | -373 | -612 |
| Proceeds from disposals of shareholdings | 297 | 209 |
| Acquisition of marketable debt securities and similar investments | -3,414 | -2,035 |
| Proceeds from sales of marketable debt securities and similar investments | 3,136 | 3,888 |
| Other | 85 | 69 |
| **Cash used for investing activities** | -4,536 | -2,376 |
| Change in financing liabilities | 9,905 | 6,134 |
| Dividend paid to shareholders of Daimler AG | -3,905 | -3,477 |
| Dividends paid to non-controlling interests | -265 | -243 |
| Proceeds from the issue of share capital | 84 | 56 |
| Acquisition of treasury shares | -50 | -42 |
| Acquisition of non-controlling interests in subsidiaries | -78 | - |
| **Cash provided by financing activities** | 5,691 | 2,428 |
| Effect of foreign exchange rate changes on cash and cash equivalents | 147 | -555 |
| **Net increase in cash and cash equivalents** | 2,262 | 2,014 |
| **Cash and cash equivalents at beginning of period** | 12,072 | 10,981 |
| **Cash and cash equivalents at end of period** | 14,334 | 12,995 |

1 The prior-year figures have been adjusted due to the effects of the first-time adoption of IFRS 15 and IFRS 9. Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Interim Consolidated Financial Statements.

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# Consolidated Statement of Changes in Equity

E.07

| In millions of euros | Share capital | Capital reserves | Retained earnings | Currency translation | Equity instruments / debt instruments |
|---|---|---|---|---|---|
| **Balance at January 1, 2017** | 3,070 | 11,744 | 40,794 | 2,842 | 53 |
| First-time adoption of IFRS 15 | - | - | 95 | - | - |
| First-time adoption of IFRS 9 | - | - | 23 | - | - |
| **Balance at January 1, 2017 (adjusted)[1]** | 3,070 | 11,744 | 40,912 | 2,842 | 53 |
| Net profit (adjusted)[1] | - | - | 5,001 | - | - |
| Other comprehensive income/loss before taxes (adjusted)[1] | - | - | -46 | -1,560 | 13 |
| Deferred taxes on other comprehensive income/loss (adjusted)[1] | - | - | 51 | - | -2 |
| Total comprehensive income/loss (adjusted)[1] | - | - | 5,006 | -1,560 | 11 |
| Dividends | - | - | -3,477 | - | - |
| Changes in consolidated group | - | - | -35 | - | - |
| Capital increase/Issue of new shares | - | - | - | - | - |
| Acquisition of treasury shares | - | - | - | - | - |
| Issue and disposal of treasury shares | - | - | - | - | - |
| Changes in ownership interests in subsidiaries | - | -11 | - | - | - |
| Other | - | -7 | - | - | - |
| **Balance at June 30, 2017 (adjusted)[1]** | 3,070 | 11,726 | 42,406 | 1,282 | 64 |
| | | | | | |
| **Balance at January 1, 2018 (adjusted)[1]** | **3,070** | **11,742** | **47,553** | **258** | **66** |
| First-time adoption of IFRS 9 | **-** | **-** | **2** | **-** | **-28** |
| **Balance at January 1, 2018 (adjusted)[1]** | **3,070** | **11,742** | **47,555** | **258** | **38** |
| Net profit | **-** | **-** | **3,999** | **-** | **-** |
| Other comprehensive income/loss before taxes | **-** | **-** | **-377** | **186** | **2** |
| Deferred taxes on other comprehensive income/loss | **-** | **-** | **83** | **-** | **3** |
| Total comprehensive income/loss | **-** | **-** | **3,705** | **186** | **5** |
| Dividends | **-** | **-** | **-3,905** | **-** | **-** |
| Capital increase/Issue of new shares | **-** | **-** | **-** | **-** | **-** |
| Acquisition of treasury shares | **-** | **-** | **-** | **-** | **-** |
| Issue and disposal of treasury shares | **-** | **-** | **-** | **-** | **-** |
| Changes in ownership interests in subsidiaries | **-** | **-33** | **-** | **-** | **-** |
| **Balance at June 30, 2018** | **3,070** | **11,709** | **47,355** | **444** | **43** |

1 The prior-year figures have been adjusted due to the effects of the first-time adoption of IFRS 15 and IFRS 9. Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Interim Consolidated Financial Statements.

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 |
|---|---|---|---|---|---|---|
| -537 | -16 | - | 57,950 | 1,183 | 59,133 | **Balance at January 1, 2017** |
| - | - | - | 95 | - | 95 | First-time adoption of IFRS 15 |
| -23 | - | - | - | - | - | First-time adoption of IFRS 9 |
| -560 | -16 | - | 58,045 | 1,183 | 59,228 | **Balance at January 1, 2017 (adjusted)[1]** |
| - | - | - | 5,001 | 163 | 5,164 | Net profit (adjusted)[1] |
| 2,141 | 37 | - | 585 | -54 | 531 | Other comprehensive income/loss before taxes (adjusted)[1] |
| -641 | - | - | -592 | 1 | -591 | Deferred taxes on other comprehensive income/loss (adjusted)[1] |
| 1,500 | 37 | - | 4,994 | 110 | 5,104 | Total comprehensive income/loss (adjusted)[1] |
| - | - | - | -3,477 | -243 | -3,720 | Dividends |
| - | - | - | -35 | - | -35 | Changes in consolidated group |
| - | - | - | - | 22 | 22 | Capital increase/Issue of new shares |
| - | - | -42 | -42 | - | -42 | Acquisition of treasury shares |
| - | - | 42 | 42 | - | 42 | Issue and disposal of treasury shares |
| - | - | - | -11 | 15 | 4 | Changes in ownership interests in subsidaries |
| - | - | - | -7 | 9 | 2 | Other |
| 940 | 21 | - | 59,509 | 1,096 | 60,605 | **Balance at June 30, 2017 (adjusted)[1]** |
| **1,171** | **9** | **-** | **63,869** | **1,290** | **65,159** | **Balance at January 1, 2018 (adjusted)[1]** |
| **-** | **-** | **-** | **-26** | **-8** | **-34** | First-time adoption of IFRS 9 |
| **1,171** | **9** | **-** | **63,843** | **1,282** | **65,125** | **Balance at January 1, 2018 (adjusted)[1]** |
| **-** | **-** | **-** | **3,999** | **180** | **4,179** | Net profit |
| **-1,204** | **5** | **-** | **-1,388** | **25** | **-1,363** | Other comprehensive income/loss before taxes |
| **360** | **-** | **-** | **446** | **-** | **446** | Deferred taxes on other comprehensive income/loss |
| **-844** | **5** | **-** | **3,057** | **205** | **3,262** | Total comprehensive income/loss |
| **-** | **-** | **-** | **-3,905** | **-291** | **-4,196** | Dividends |
| **-** | **-** | **-** | **-** | **46** | **46** | Capital increase/Issue of new shares |
| **-** | **-** | **-50** | **-50** | **-** | **-50** | Acquisition of treasury shares |
| **-** | **-** | **50** | **50** | **-** | **50** | Issue and disposal of treasury shares |
| **-** | **-** | **-** | **-33** | **-8** | **-41** | Changes in ownership interests in subsidiaries |
| **327** | **14** | **-** | **62,962** | **1,234** | **64,196** | **Balance at June 30, 2018** |

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

# Notes to the Interim Consolidated Financial Statements

## 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 115 of the German Securities Trading Act (WpHG) and International Accounting Standard (IAS) 34 Interim Financial Reporting.

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

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

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

The Board of Management authorized the interim consolidated financial statements for publication on July 25, 2018. These interim financial statements have been reviewed by the Daimler Group's independent auditor.

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, 2017 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, 2017.

Preparation of interim financial statements in conformity with IFRS requires estimates and management assumptions to be made 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 and management assumptions can have a material impact on the interim consolidated financial statements.

**IFRSs initially applied in the reporting period**

**Application of IFRS 15 Revenue from Contracts with Customers.** In May 2014, the IASB published the standard IFRS 15. It replaces existing guidance for revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The new standard lays down a comprehensive framework for determining in which amount and at which date revenue is recognized. The new standard specifies a uniform, five-step model for revenue recognition, which is generally to be applied to all contracts with customers.

Daimler applies IFRS 15 for the first time for the financial year beginning on January 1, 2018. The first-time adoption has been conducted retrospectively. The figures reported for the previous year have been adjusted by the effects arising from the adoption of IFRS 15.

Daimler uses the following practical expedients available under IFRS 15 for retrospective first-time adoption:

– Contracts concluded until December 31, 2016 were not reassessed under IFRS 15. Due to the application of this practical expedient profit decreased especially in Q1 2017 in comparison to a full retrospective adoption. The impact on the Group's profitability, liquidity and capital resources or financial position is assessed to be not material.

– Contracts that were modified before January 1, 2017 have not been reassessed regarding the guidance of IFRS 15 for contract modifications. The application of this practical expedient did not have any major impact on the Group's profitability, liquidity and capital resources or financial position.

The first-time adoption of IFRS 15 particularly affects Daimler in the following areas:

*Contract liabilities*. IFRS 15 includes guidance regarding the presentation of contract fulfillment and contract obligations. These are assets and liabilities from contracts with customers which arise dependent on the relationship between the entity's performance and the customer's payment. The guidance led to reclassifications in the statement of financial position from deferred income, provisions for other risks, other financial liabilities and other liabilities into contract liabilities.

Contract liabilities especially occur at Daimler in the following circumstances:

– deferred revenue for service and maintenance contracts and for extended warranty contracts,

– obligations from sales (especially performance bonuses, discounts and other price concessions) in the scope of IFRS 15, and

– advance payments received on contracts in the scope of IFRS 15.

*Sale of vehicles for which the Group enters into a repurchase obligation.* IFRS 15 differentiates between three forms of repurchase agreements: a forward (an entity's obligations to repurchase the asset), a call option (an entity's right to repurchase the asset) and a put option (an entity's obligation to repurchase the asset at the customer's request). The latter amends the accounting since under IFRS 15 those vehicle sales might necessitate the reporting of a sale with the right of return. Those transactions have so far been reported as operating leases.

*Sale of vehicles with a residual-value guarantee.* Under IFRS 15, arrangements such as when an entity provides its customer with a guaranteed minimum resale value that he receives on resale do not constraint the customer in its ability to direct the use of, and obtain substantially all of the benefits from the asset. At contract inception of a sale with a residual-value guarantee an entity therefore has to recognize revenue. However, a potential compensation payment to the customer has to be considered (revenue deferral). Those transactions have so far been reported as operating leases.

*Accounting of contract manufacturing.* Under a contract manufacturing agreement, Daimler sells assets to a third-party manufacturer from which Daimler buys back the manufactured products after completion of the commissioned work. If the sale of the assets is not accompanied by the transfer of control to the third-party manufacturer, no revenue will be recognized under IFRS 15.

*Date of recognition of sales incentives.* Under IFRS 15, obligations from sales transactions are presented by Daimler as contract liabilities. Obligations from sales transactions which have previously been accounted for as a provision might necessitate earlier recognition as contract liabilities under IFRS 15 due to different recognition principles.

Due to clarifications of IFRS 15 regarding the scope of application and the accounting of licenses, income from licenses has been reclassified from other operating income to revenue.

Table ↗ **E.08** shows the effects of the application of IFRS 15 and IFRS 9 (as far as the effects relate to non-designated components of derivatives) on the Consolidated Statement of Income for the second quarter of 2017 and the six-month period ended June 30, 2017.

**E.08**

**Effects from the application of IFRS 15 and IFRS 9 on the Consolidated Statement of Income**

| | Q2 2017 | Q1-2 2017 |
|---|---|---|
| In millions of euros | | |
| Revenue | 56 | -138 |
| Cost of sales | 50 | 135 |
| Selling expenses | 9 | 2 |
| General administrative expenses | - | - |
| Other operating income | -142 | -280 |
| Other operating expense | -2 | -2 |
| Other financial income/expense, net[1] | 30 | 47 |
| Income taxes | 4 | 92 |
| Net profit | 5 | -144 |

1 Exclusively from the first-time adoption of IFRS 9. Resulting from the deferral of profits and losses relating to non-designated components of derivatives in other financial income/expense.

The application of IFRS 15 and IFRS 9 in 2017 led to a decrease in net profit of €247 million.

The effects on the line items of the Consolidated Statement of Financial Position at January 1, 2017 as well as at December 31, 2017 are presented in table ↗ E.09.

**E.09**

**Effects from the application of IFRS 15 on the Consolidated Statement of Financial Position**

| | Dec. 31, 2017 | Jan. 1, 2017 |
|---|---|---|
| In millions of euros | | |
| **Assets** | | |
| Equipment on operating leases | -640 | -264 |
| Trade receivables | 5 | 2 |
| Receivables from financial services | 267 | 0 |
| Other financial assets | 5 | 14 |
| Deferred tax assets | -9 | -35 |
| Other assets | 112 | 63 |
| **Total assets** | **-260** | **-220** |
| **Equity and liabilities** | | |
| Total equity | -155 | 95 |
| Trade payables | -23 | -1 |
| Provisions for other risks | -2,481 | -2,663 |
| Other financial liabilities | -2,247 | -1,955 |
| Deferred tax liabilities | -55 | 4 |
| Deferred income | -6,274 | -5,820 |
| Contract liabilities | 11,208 | 10,328 |
| Other liabilities | -233 | -208 |
| **Total equity and liabilities** | **-260** | **-220** |

Basic and diluted earnings per share are unchanged in the second quarter 2017 and decrease by €0.14 in the six-month period ended June 30, 2017.

**Application of IFRS 9 Financial Instruments**. Daimler applies IFRS 9 initially for reporting periods beginning on and after January 1, 2018. Initial application is made retrospectively. In accordance with the transition requirements, Daimler chose to present prior periods in accordance with IAS 39. As an exception, the transition for recognition of fair-value changes of certain non-designated components of derivatives through other comprehensive income is to be applied retrospectively to the comparative figures.

Initial application of IFRS 9 leads to the following major changes:

*Financial Assets.* IFRS 9 introduces a comprehensive classification model for financial assets that classifies financial assets into three categories: financial assets at amortized costs, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

Financial assets that give rise to cash flows consisting only of payments of principal and interest are classified in accordance with Daimler's business model for holding these instruments. Financial assets that are held in a business model with the objective to hold them until maturity and collect the contractual cash flows are measured *at amortized cost*. These business models are managed principally based on interest-rate structure and credit risk. If the business model comprises the intention to hold the financial assets to collect the contractual cash flows but expects to sell these financial assets if this is necessary, e.g. to fulfill a specific need for liquidity, then these instruments are measured *at fair value through other comprehensive income*. Financial assets that have only cash flows of principal and interest but are not held within one of the business models described above are measured *at fair value through profit or loss*.

Financial assets that contain cash flows other than those of principal and interest, such as interests in money-market funds or derivatives including separated embedded derivatives, are measured at fair value through profit or loss. For equity instruments, IFRS 9 optionally allows measurement at fair value through other comprehensive income. Daimler elects to measure equity instruments at fair value through other comprehensive income on an instrument by instrument basis. When these equity instruments are sold or written off, any unrealized gains and losses on these equity instruments are reclassified to retained earnings and not presented under profit or loss. These equity instruments are shown within other financial assets.

Trade receivables and receivables from financial services were categorized as loans and receivables under IAS 39 and measured at amortized cost respectively. All of these instruments are categorized as measured at amortized cost using the effective interest rate method.

Marketable debt securities and similar investments were categorized as available for sale under IAS 39 and measured at fair value through other comprehensive income. Except for interests in money-market funds, these instruments are categorized as measured at fair value through other comprehensive income under IFRS 9, while similar investments are measured at amortized cost.

*Impairment model based on expected credit losses.* IFRS 9 introduces the expected loss impairment approach to be applied on all financial assets (debt instruments) at amortized cost or at fair value through other comprehensive income. While under IAS 39, only incurred losses were recognized as an impairment of financial assets, the new approach takes projections of the future into consideration. The expected credit-loss approach uses three stages for allocating impairment losses:

Stage 1: expected credit losses within the next twelve months

Stage 1 includes all contracts with no significant increase in credit risk since initial recognition and usually includes new acquisitions and contracts with fewer than 31 days past due date. The portion of the lifetime expected credit losses resulting from default events possible within the next 12 months is recognized.

Stage 2: expected credit losses over the lifetime – not credit impaired

If a financial asset has a significant increase in credit risk since initial recognition but is not yet credit impaired, it is moved to Stage 2 and measured at lifetime expected credit loss, which is defined as the expected credit loss that results from all possible default events over the expected life of a financial instrument.

Stage 3: expected credit losses over the lifetime – credit impaired

If a financial asset is defined as credit-impaired or in default, it is transferred to Stage 3 and measured at lifetime expected credit loss. Objective evidence for a credit-impaired financial asset includes 91 days past due date and other information about significant financial difficulties of the borrower.

The determination of whether a financial asset has experienced a significant increase in credit risk is based on an assessment of the probability of default, which is made at least quarterly, incorporating external credit rating information as well as internal information on the credit quality of financial assets. For debt instruments that are not receivables from financial services a significant increase in credit risk is assessed mainly based on past-due information.

A financial asset is migrated to stage 2 if the asset's credit risk has increased significantly compared to its credit risk at initial recognition. The credit risk is assessed based on the probability of default. For trade receivables, the simplified approach is applied whereby all trade receivables are allocated to stage 2 initially. Hence, no determination of significant increases in credit risk is necessary.

Daimler applies the low credit risk exception to the stage allocation to debt instruments quoted on the stock exchange with investment-grade ratings. These debt instruments are always allocated to stage 1.

In stage 1 and 2, the effective interest revenue is calculated based on gross carrying amounts. If a financial asset becomes credit impaired in stage 3, the effective interest revenue is calculated based on its net carrying amount (gross carrying amount adjusted for any loss allowance).

*Measurement of expected credit losses.* Expected credit losses are measured in a way that reflects:

a) the unbiased and probability-weighted amount;

b) the time value of money; and

c) reasonable and supportable information (if available without undue cost or effort) at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are measured as the probability-weighted present value of all cash shortfalls over the expected life of each financial asset. For receivables from financial services, expected credit losses are mainly calculated with a statistical model using three major risk parameters: probability of default, loss given default and exposure at default.

The estimation of these risk parameters incorporates all available relevant information, not only historical and current loss data, but also reasonable and supportable forward-looking information reflected by the future expectation factors. This information includes macroeconomic factors (e.g., gross domestic product growth, unemployment rate, cost performance index) and forecasts of future economic conditions. For receivables from financial services, these forecasts are performed using a scenario analysis (base case, adverse and optimistic scenarios).

A financial instrument is written off when there is no reasonable expectation of recovery, for example at the end of insolvency proceedings or after a court decision of uncollectibility.

Significant modification (e.g., that leads to a change in the present value of the contractual cash flows of 10%) leads to derecognition of financial assets. This is estimated to be rare and immaterial for receivables from financial services. If the terms of a contract are renegotiated or modified and this does not result in derecognition of the contract, then the gross carrying amount of the contract has to be recalculated and a modification gain or loss has to be recognized in profit or loss.

*Derivative financial instruments and hedge accounting.* The Group uses derivative financial instruments exclusively for hedging financial risks that arise from its commercial business or refinancing activities. These are mainly interest rate risks, currency risks and commodity price risks. Embedded derivatives are principally separated from the host contract and recognized separately. However, embedded derivatives are not separated from the host contract, if that host contract is a financial asset, if Daimler chooses to measure a hybrid contract at fair value through profit or loss or if an analysis shows that the economic characteristics and risks of embedded derivatives are closely related to those of the host contract.

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IFRS 9 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign business operation. In a fair value hedge, the changes in the fair value of a recognized asset or liability or an unrecognized firm commitment are hedged. In a cash flow hedge, the variability of cash flows to be received or paid from expected transactions related to a recognized asset or liability or a highly probable forecast transaction is hedged. The documentation of the hedging relationship includes the objectives and strategy of risk management, the type of hedging relationship, the nature of the risk being hedged, the identification of the eligible hedging instrument and the eligible hedged item, as well as an assessment of the effectiveness requirements comprising the risk mitigating economic relationship, the absence of deteriorating effects from credit risk and the appropriate hedge ratio. Hedging transactions are regularly assessed to determine whether the effectiveness requirements are met throughout the financial reporting periods for which they are designated.

Under IFRS 9, for cash flow hedges of volatile prices in highly probable forecast procurement transactions, designation can be made for separable risk components of these non-financial hedged items. Daimler can apply this possibility to facilitate future hedge accounting and thereby reduce ineffectiveness of hedge relationships for commodities.

Changes in the fair value of derivative financial instruments that are designated in a hedge relationship are recognized periodically in either profit or loss or other comprehensive income, depending on whether the derivative is designated as a hedge of changes in fair value or cash flows. Changes in fair value of non-designated derivatives are recognized through profit or loss. For fair value hedges, changes in the fair value of the hedged item and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument are recognized in other comprehensive income. Under IFRS 9 amounts recognized as effective hedging gains or losses of the hedging instrument in other comprehensive income are removed from the equity reserve and directly included in the initial cost or carrying amount of the hedged item at initial recognition if a hedged forecast transaction results in the recognition of a non-financial asset or liability.

For other cash flow hedges the accumulated hedging gains or losses from the hedging instrument are reclassified from the cash flow hedge reserves to the statement of income when the hedged item affects profit or loss. The ineffective portions of fair value changes are recognized directly in profit or loss.

If derivative financial instruments do not or no longer qualify for hedge accounting because the qualifying criteria for hedge accounting are not or are no longer met, the derivative financial instruments are classified as held for trading and are measured at fair value through profit or loss.

For derivative instruments designated in a hedge relationship, certain components can be excluded from designation and the changes in these components' fair value are then deferred in other comprehensive income under IFRS 9. This applies for example to the fair value of options or cross currency basis spreads.

Table ↗ E.10 shows the effects on the components of equity from first-time adoption of IFRS 9.

The original measurement categories and carrying amounts of financial instruments according to IAS 39 as well as the new measurement categories and carrying amounts of financial instruments according to IFRS 9 are summarized in table ↗ E.11.

Table ↗ E.12 shows the reconciliation of the carrying amounts of financial instruments according to IAS 39 at December 31, 2017 to the carrying amounts according to IFRS 9 at January 1, 2018.

E.10

**First-time adoption effects of IFRS 9 on equity**

| In millions of euros | |
|---|---|
| **Retained earnings** | |
| Balance at December 31, 2017 according to IAS 39 | 47,553 |
| Change in credit risk for financial instruments | -52 |
| Reclassification of impairments of equity instruments recognized through profit or loss under IAS 39 | 38 |
| Adjustments from measurement of equity instruments recognized through profit or loss | 16 |
| Other effects from first-time adoption of IFRS 9 | 1 |
| Deferred taxes on first-time adoption effects | -1 |
| Balance at January 1, 2018 according to IFRS 9 | 47,555 |
| **Reserves for available-for-sale financial assets** | |
| Balance at December 31, 2017 according to IAS 39 | 66 |
| Reclassification in reserve for equity instruments recognized at fair value through other comprehensive income (after deferred taxes) | -44 |
| Reclassification in reserve for debt instruments recognized at fair value through other comprehensive income (after deferred taxes) | -22 |
| Balance at January 1, 2018 according to IFRS 9 | - |
| **Reserves for equity instruments recognized at fair value through other comprehensive income** | |
| Balance at December 31, 2017 according to IAS 39 | - |
| Reclassification from reserves for available-for-sale financial assets (after deferred taxes) | 44 |
| Reclassification of impairments of equity instruments recognized through profit or loss under IAS 39 | -38 |
| Deferred taxes on first-time adoption effects | 6 |
| Balance at January 1, 2018 according to IFRS 9 | 12 |
| **Reserves for debt instruments recognized at fair value through other comprehensive income** | |
| Balance at December 31, 2017 according to IAS 39 | - |
| Reclassification from reserves for available-for-sale financial assets (after deferred taxes) | 22 |
| Change in credit risk for debt instruments | 4 |
| Other effects from first-time adoption of IFRS 9 | 2 |
| Deferred taxes on first-time adoption effects | -2 |
| Balance at January 1, 2018 according to IFRS 9 | 26 |
| **Non-controlling interests after taxes** | |
| Balance at December 31, 2017 according to IAS 39 | 1,290 |
| Change in credit risk for financial instruments | -11 |
| Deferred taxes on first-time adoption effects | 3 |
| Balance at January 1, 2018 according to IFRS 9 | 1,282 |

**E.11**

**Measurement categories of financial instruments**

| In millions of euros | Measurement categories according to IAS 39 | Measurement categories according to IFRS 9 | Carrying amount according to IAS 39 at Dec. 31, 2017 | Carrying amount according to IFRS 9 at Jan. 1, 2018 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Receivables from financial services | Loans and receivables | Measured at cost | 86,054 | 85,998 |
| Trade receivables | Loans and receivables | Measured at cost | 11,995 | 11,999 |
| Cash and cash equivalents | Loans and receivables | Measured at cost | 12,072 | 12,072 |
| Marketable debt securities and similar investments | | | | |
| Marketable debt securities recognized at fair value through other comprehensive income | Classified as available-for-sale instruments | Recognized at fair value through other comprehensive income | 6,733 | 6,733 |
| Marketable debt securities recognized at fair value through profit or loss | Classified as available-for-sale instruments | Recognized at fair value through profit or loss | 3,130 | 3,130 |
| Similar investments measured at cost | Classified as available-for-sale instruments | Measured at cost | 200 | 200 |
| Other financial assets | | | | |
| Equity instruments and debt instruments | | | | |
| Equity instruments recognized at fair value through other comprehensive income | Classified as available-for-sale instruments | Recognized at fair value through other comprehensive income | 173 | 173 |
| Equity instruments and debt instruments recognized at fair value through profit or loss | Classified as available-for-sale instruments | Recognized at fair value through profit or loss | 211 | 227 |
| Financial assets recognized at fair value through profit or loss | Recognized at fair value through profit or loss | Recognized at fair value through profit or loss | 82 | 82 |
| Other receivables and financial assets | Loans and receivables | Measured at cost | 3,172 | 3,168 |
| | | | 123,822 | 123,782 |
| **Financial liabilities** | | | | |
| Financing liabilities | Measured at cost | Measured at cost | 127,124 | 127,121 |
| Trade payables | Measured at cost | Measured at cost | 12,451 | 12,451 |
| Financial liabilities recognized at fair value through profit or loss | Recognized at fair value through profit or loss | Recognized at fair value through profit or loss | 111 | 111 |
| Other financial liabilities | Measured at cost | Measured at cost | 8,468 | 8,471 |
| | | | 148,154 | 148,154 |

**E.12**

**Reconciliation of carrying amount (IAS 39 to IFRS 9)**

| In millions of euros | Carrying amount according to IAS 39 at Dec. 31, 2017 | Reclassification effects | Remeasurement effects | Carrying amount according to IFRS 9 at January 1, 2018 |
|---|---|---|---|---|
| **Financial instruments measured at cost** | | | | |
| Receivables from financial services | 86,054 | - | -56 | 85,998 |
| Trade receivables | 11,995 | - | 4 | 11,999 |
| Cash and cash equivalents | 12,072 | - | - | 12,072 |
| Marketable debt securities and similar investments | - | 200 | - | 200 |
| Other receivables and financial assets | 3,172 | - | -4 | 3,168 |
| | 113,293 | 200 | -56 | 113,437 |
| **Available-for-sale financial assets** | | | | |
| Marketable debt securities and similar investments | 10,063 | -10,063 | - | - |
| Equity instruments recognized at fair value | 384 | -384 | - | - |
| | 10,447 | -10,447 | - | - |
| **Financial assets recognized at fair value through other comprehensive income** | | | | |
| Marketable debt securities and similar investments | - | 6,733 | - | 6,733 |
| Equity instruments | - | 173 | - | 173 |
| | - | 6,906 | - | 6,906 |
| **Financial assets recognized at fair value through profit or loss** | | | | |
| Marketable debt securities and similar investments | - | 3,130 | - | 3,130 |
| Equity instruments and debt instruments | - | 211 | 16 | 227 |
| | - | 3,341 | 16 | 3,357 |

## 2. Assets and liabilities held for sale

In March 2018, the Daimler Group and the BMW Group signed an agreement to merge their business units for mobility services. The partners intend to offer their customers a holistic ecosystem of intelligent, seamlessly connected mobility services, available at the tap of a finger. To this end, the partners will combine and strategically expand their existing on-demand mobility offering in the areas of CarSharing, Ride-Hailing, Parking, Charging and Multimodality in joint ventures. The formation of the joint ventures will produce a significant positive earnings effect and cash outflow in the segment Daimler Financial Services. Completion of the transaction is expected in the second half of 2018, subject to the approval of the competition authorities. The assets and liabilities held for sale are presented separately in the consolidated statement of financial position. At June 30, 2018, the disposal group's assets amounted to €470 million and its liabilities amounted to €214 million.

## 3. Revenue

Revenue from contracts with customers (revenue according to IFRS 15) is disaggregated by the two categories - type of products and services and geographical region - and presented in table ↗ **E.13** and ↗ **E.14**. The category type of products and services corresponds to the reportable segments.

Other revenue primarily comprises revenue from the rental and leasing business (IAS 17) and interest from the financial services business at Daimler Financial Services.

**E.13**

**Revenue for the three-month periods ended June 30**

| In millions of euros | Mercedes-Benz Cars | Daimler Trucks | Mercedes-Benz Vans | Daimler Buses | Daimler Financial Services | Total segments | Reconciliation | Daimler Group |
|---|---|---|---|---|---|---|---|---|
| **Q2 2018** | | | | | | | | |
| Europe | **9,349** | **2,814** | **2,240** | **677** | **1,022** | **16,102** | **-1,010** | **15,092** |
| NAFTA | **4,413** | **3,830** | **429** | **67** | **1,165** | **9,904** | **-30** | **9,874** |
| Asia | **7,082** | **1,549** | **261** | **39** | **56** | **8,987** | **-2** | **8,985** |
| Other markets | **945** | **796** | **308** | **183** | **51** | **2,283** | **2** | **2,285** |
| Revenue according to IFRS 15 | **21,789** | **8,989** | **3,238** | **966** | **2,294** | **37,276** | **-1,040** | **36,236** |
| Other revenue | **786** | **196** | **273** | **109** | **4,013** | **5,377** | **-857** | **4,520** |
| Total revenue | **22,575** | **9,185** | **3,511** | **1,075** | **6,307** | **42,653** | **-1,897** | **40,756** |

| In millions of euros | Mercedes-Benz Cars | Daimler Trucks | Mercedes-Benz Vans | Daimler Buses | Daimler Financial Services | Total segments | Reconciliation | Daimler Group |
|---|---|---|---|---|---|---|---|---|
| **Q2 2017 (adjusted)**[1] | | | | | | | | |
| Europe | 9,604 | 2,602 | 2,126 | 774 | 924 | 16,030 | -892 | 15,138 |
| NAFTA | 4,766 | 3,861 | 418 | 88 | 1,187 | 10,320 | -42 | 10,278 |
| Asia | 7,481 | 1,593 | 233 | 35 | 55 | 9,397 | -34 | 9,363 |
| Other markets | 1,155 | 788 | 270 | 227 | 37 | 2,477 | -49 | 2,428 |
| Revenue according to IFRS 15 | 23,006 | 8,844 | 3,047 | 1,124 | 2,203 | 38,224 | -1,017 | 37,207 |
| Other revenue | 564 | 186 | 278 | 93 | 3,727 | 4,848 | -841 | 4,007 |
| Total revenue | 23,570 | 9,030 | 3,325 | 1,217 | 5,930 | 43,072 | -1,858 | 41,214 |

1 Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Interim Consolidated Financial Statements.

**E.14**

**Revenue for the six-month periods ended June 30**

| In millions of euros | Mercedes-Benz Cars | Daimler Trucks | Mercedes-Benz Vans | Daimler Buses | Daimler Financial Services | Total segments | Reconciliation | Daimler Group |
|---|---|---|---|---|---|---|---|---|
| **Q1-2 2018** | | | | | | | | |
| Europe | **18,511** | **5,249** | **4,279** | **1,193** | **2,066** | **31,298** | **-1,891** | **29,407** |
| NAFTA | **8,460** | **7,362** | **800** | **105** | **2,223** | **18,950** | **-45** | **18,905** |
| Asia | **15,066** | **3,100** | **478** | **68** | **102** | **18,814** | **-5** | **18,809** |
| Other markets | **1,893** | **1,721** | **553** | **354** | **90** | **4,611** | **-105** | **4,506** |
| Revenue according to IFRS 15 | **43,930** | **17,432** | **6,110** | **1,720** | **4,481** | **73,673** | **-2,046** | **71,627** |
| Other revenue | **1,643** | **372** | **499** | **205** | **7,846** | **10,565** | **-1,651** | **8,914** |
| Total revenue | **45,573** | **17,804** | **6,609** | **1,925** | **12,327** | **84,238** | **-3,697** | **80,541** |

| In millions of euros | Mercedes-Benz Cars | Daimler Trucks | Mercedes-Benz Vans | Daimler Buses | Daimler Financial Services | Total segments | Reconciliation | Daimler Group |
|---|---|---|---|---|---|---|---|---|
| **Q1-2 2017 (adjusted)[1]** | | | | | | | | |
| Europe | 18,814 | 4,901 | 4,210 | 1,333 | 1,864 | 31,122 | -1,727 | 29,395 |
| NAFTA | 9,606 | 7,080 | 715 | 153 | 2,372 | 19,926 | -59 | 19,867 |
| Asia | 14,753 | 3,127 | 412 | 70 | 105 | 18,467 | -35 | 18,432 |
| Other markets | 2,248 | 1,527 | 513 | 407 | 82 | 4,777 | -98 | 4,679 |
| Revenue according to IFRS 15 | 45,421 | 16,635 | 5,850 | 1,963 | 4,423 | 74,292 | -1,919 | 72,373 |
| Other revenue | 670 | 346 | 452 | 177 | 7,418 | 9,063 | -1,640 | 7,423 |
| Total revenue | 46,091 | 16,981 | 6,302 | 2,140 | 11,841 | 83,355 | -3,559 | 79,796 |

1 Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Interim Consolidated Financial Statements.

## 4. Functional costs

**Cost of sales**
Cost of sales amounted to €32,506 million in the second quarter of 2018 (Q2 2017: €32,420 million) and €63,666 million in the six-month period ended June 30, 2018 (Q1-2 2017: €62,999 million). They primarily comprise expenses of goods sold.

**Selling expenses**
In the second quarter of 2018, selling expenses amounted to €3,253 million (Q2 2017: €3,213 million) and in the six-month period ended June 30, 2018, they amounted to €6,350 million (Q1-2 2017: €6,284 million). Selling expenses consist of direct selling costs as well as selling overhead expenses and comprise personnel expenses, material costs and other selling costs.

**General administrative expenses**
General administrative expenses amounted to €965 million in the second quarter of 2018 (Q2 2017: €924 million) and €1,936 million in the six-month period ended June 30, 2018 (Q1-2 2017: €1,821 million). They consist of expenses which are not attributable to production, sales or research and development functions, and comprise personnel expenses, depreciation and amortization of fixed and intangible assets, and other administrative costs.

**Research and non-capitalized development costs**
Research and non-capitalized development costs were €1,620 million in the second quarter of 2018 (Q2 2017: €1,414 million) and in the six-month period ended June 30, 2018 they amounted to €3,332 million (Q1-2 2017: €2,862 million). They primarily comprise personnel expenses and material costs.

**Optimization programs**
In the Daimler Trucks segment, no significant expenses were incurred in connection with the optimization of fixed costs, especially at the Mercedes-Benz brand, in the second quarter of 2018. In the year 2017, this led to expenses of €172 million. Cash outflows will mainly occur in 2018.

## 5. Other operating income

In the second quarter of 2018, other operating income amounted to €452 million (Q2 2017: €432 million). In the first half of 2018, other operating income was €783 million (Q1-2 2017: €1,103 million. The first quarter of 2017 primarily reflected income of €267 million from the sale of real estate by Mitsubishi Fuso Truck and Bus Corporation at the Kawasaki site in Japan.

## 6. Interest income and interest expense

Interest income and interest expense are comprised as follows:

**E.15**

**Interest income and interest expense**

| | Q2 2018 | Q2 2017 | Q1-2 2018 | Q1-2 2017 |
|---|---|---|---|---|
| In millions of euros | | | | |
| Interest income | | | | |
| Net interest income on the net assets of defined benefit pension plans | - | - | 1 | 1 |
| Interest and similar income | 70 | 46 | 124 | 103 |
| | 70 | 46 | 125 | 104 |
| Interest expense | | | | |
| Net interest expense on the net obligation from defined benefit pension plans | -33 | -51 | -66 | -103 |
| Interest and similar expense | -143 | -88 | -249 | -171 |
| | -176 | -139 | -315 | -274 |

## 7. Intangible assets

Intangible assets are shown in the following table:

**E.16**

**Intangible assets**

| | June 30, 2018 | Dec. 31, 2017 |
|---|---|---|
| In millions of euros | | |
| Goodwill | 1,090 | 1,115 |
| Development costs | 10,816 | 10,280 |
| Other intangible assets | 2,358 | 2,340 |
| | 14,264 | 13,735 |

## 8. Property, plant and equipment

Property, plant and equipment are comprised as follows:

**E.17**

**Property, plant and equipment**

| | June 30, 2018 | Dec. 31, 2017 |
|---|---|---|
| In millions of euros | | |
| Land, leasehold improvements and buildings including buildings on land owned by others | 8,293 | 8,244 |
| Technical equipment and machinery | 9,159 | 9,334 |
| Other equipment, factory and office equipment | 6,066 | 5,933 |
| Advance payments relating to plant and equipment and construction in progress | 5,196 | 4,470 |
| | 28,714 | 27,981 |

## 9. Equipment on operating leases

At June 30, 2018, the carrying amount of equipment on operating leases was €48,781 million (December 31, 2017: €47,074 million). In the six-month period ended June 30, 2018, additions and disposals amounted to €12,379 million and €6,937 million respectively (Q1-2 2017: €12,419 million and €6,804 million). Depreciation for the six-month period ended June 30, 2018 was €4,143 million (Q1-2 2017: €3,849 million). Other changes primarily comprise the effects of currency translation.

## 10. Equity-method investments

Table ↗ **E.18** shows the carrying amounts and profits/losses from equity-method investments.

Table ↗ **E.19** presents key figures on interests in associated companies accounted for using the equity method in the Group's consolidated financial statements.

**E.18**

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

| In millions of euros | Associated companies | Joint ventures | Joint operations | Total |
|---|---|---|---|---|
| **At June 30, 2018** | | | | |
| Equity investment[1] | **3,956** | **594** | **30** | **4,580** |
| Equity result (Q2 2018)[1] | **379** | **-394** | **1** | **-14** |
| Equity result (Q1-2 2018)[1] | **698** | **-373** | **4** | **329** |
| At December 31, 2017 | | | | |
| Equity investment[1] | 4,282 | 500 | 36 | 4,818 |
| Equity result (Q2 2017)[1] | 284 | 26 | - | 310 |
| Equity result (Q1-2 2017)[1] | 998 | 29 | 2 | 1,029 |

1 Including investor-level adjustments.

**E.19**

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

| In millions of euros | BBAC | BAIC Motor[2] | THBV (HERE) | Others | Total |
|---|---|---|---|---|---|
| **At June 30, 2018** | | | | | |
| Equity interest (in %) | **49.0** | **9.6** | **29.5** | **-** | **-** |
| Equity investment[1] | **1,843** | **790** | **556** | **767** | **3,956** |
| Equity result (Q2 2018)[1] | **371** | **14** | **-20** | **14** | **379** |
| Equity result (Q1-2 2018)[1] | **703** | **17** | **-36** | **14** | **698** |
| At December 31, 2017 | | | | | |
| Equity interest (in %) | 49.0 | 10.1 | 33.3 | - | - |
| Equity investment[1] | 2,130 | 777 | 732 | 643 | 4,282 |
| Equity result (Q2 2017)[1] | 258 | 20 | -13 | 19 | 284 |
| Equity result (Q1-2 2017)[1] | 548 | 284 | 153 | 13 | 998 |

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**
The remainder of the dividend which was approved by the shareholders of Beijing Benz Automotive Co., Ltd. (BBAC) in the second quarter of 2017 was paid out in the first quarter of 2018 and led to a cash inflow of €346 million.

In the second quarter of 2018, the shareholders of BBAC approved the payout of a dividend for the 2017 financial year. The amount of €1,024 million attributable to Daimler reduced the carrying amount of the investment accordingly. Payment of the dividend is planned for the second half of 2018. Daimler plans to contribute additional equity of in total €0.4 billion in accordance with its shareholding ratio in the years 2018 to 2020.

**BAIC Motor**
On May 3, 2018, BAIC Motor issued new shares at the Hong Kong Stock Exchange. As a result, Daimler's interest in BAIC Motor was diluted from 10.08% to 9.55%. The dilution did not lead to any material earnings effects at Daimler. Daimler continues to exercise significant influence on BAIC Motor.

In the first quarter of 2017, the equity result included a gain of €240 million due to a fully reversed impairment of the investment in BAIC Motor.

**THBV (HERE)**
In the first quarter of 2018, the shareholders of There Holding B.V. (THBV) decided on a distribution from the capital reserve. The amount of €96 million attributable to Daimler was paid out and decreased the carrying amount of the investment accordingly.

In December 2017, Daimler, Audi and BMW signed agreements on the sale of shares in THBV to Robert Bosch Investment Nederland B.V. and to Continental Automotive Holding Netherlands B.V. Those transactions were concluded on February 28, 2018. Each of both buyers acquired a share of 5.9% of THBV. The sale of shares was carried out in equal parts by Daimler, Audi and BMW. The effect on earnings was not material for Daimler.

In the second quarter of 2018, THBV carried out a capital increase. Daimler participated in the capital increase with €31 million, whereby the equity interest attributable to Daimler increased by 0.1% to 29.5%. The capital contribution increased the carrying amount of the investment accordingly.

In the first quarter of 2017, the equity result included a gain of €183 million from the remeasurement at fair value of shares in HERE International B.V. (HERE), a subsidiary of THBV.

**Toll Collect**
In the second quarter of 2018, the result of joint ventures accounted for using the equity method includes an expense of €418 million for Toll Collect, primarily related to the settlement of the arbitration proceedings. Further information is provided in Note 17.

## 11. Receivables from financial services

Receivables from financial services are shown in the following table:

**E.20**

**Receivables from financial services**

| | June 30, 2018 | | | Dec. 31, 2017 (adjusted)[1] | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| In millions of euros | | | | | | |
| Sales financing with customers | 17,803 | 29,830 | 47,633 | 16,363 | 28,635 | 44,998 |
| Sales financing with dealers | 15,886 | 3,564 | 19,450 | 16,065 | 3,061 | 19,126 |
| Finance-lease contracts | 7,991 | 16,997 | 24,988 | 7,430 | 15,370 | 22,800 |
| Gross carrying amount | 41,680 | 50,391 | 92,071 | 39,858 | 47,066 | 86,924 |
| Allowances for doubtful accounts | -486 | -501 | -987 | -404 | -466 | -870 |
| Net carrying amount | 41,194 | 49,890 | 91,084 | 39,454 | 46,600 | 86,054 |

1 Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Interim Consolidated Financial Statements.

## 12. Inventories

Inventories are comprised as follows:

**E.21**

**Inventories**

| | June 30, 2018 | Dec. 31, 2017 |
|---|---|---|
| In millions of euros | | |
| Raw materials and manufacturing supplies | 3,028 | 2,655 |
| Work in progress | 4,639 | 3,373 |
| Finished goods, parts and products held for resale | 21,202 | 19,361 |
| Advance payments to suppliers | 283 | 297 |
| | 29,152 | 25,686 |

## 13. Equity

**Approved capital**

The Annual Shareholders' Meeting held on April 5, 2018 authorized the Board of Management, with the consent of the Supervisory Board, to increase the share capital of Daimler AG in the period until April 4, 2023 by a total of €1.0 billion in one lump sum or by separate partial amounts at different times by issuing new, registered no-par-value shares in exchange for cash and/or non-cash contributions (Approved Capital 2018). The new shares are generally to be offered to the shareholders for subscription (also by way of indirect subscription pursuant to Section 186 Subsection 5 Sentence 1 of the German Stock Corporation Act (AktG)). Among other things, the Board of Management was authorized with the consent of the Supervisory Board to exclude shareholders' subscription rights under certain conditions and within defined limits.

Approved Capital 2014, which has not yet been utilized, will be cancelled when the resolution for a new Approved Capital 2018 takes effect.

**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 as 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, with the consent of the Supervisory Board, to exclude shareholders' subscription rights for the bonds under certain conditions and within defined constraints.

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, among other things, with the exclusion of 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 2018, 0.7 million (2017: 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 April 5, 2018 authorized Daimler to pay a dividend of €3,905 million (€3.65 per share) from the distributable profit of Daimler AG (separate financial statements) for the year 2017 (2017: €3,477 million and €3.25 per share). The dividend was paid out on April 10, 2018.

## 14. Pensions and similar obligations

### Pension cost

The components of pension cost included in the consolidated statement of income are shown in table ↗ E.22 and ↗ E.23.

### Contributions to pension plan assets

In the second quarter and the first half of 2018, contributions from Daimler to the Group's pension plan assets amounted to €102 million and €132 million (2017: €56 million and €101 million).

### Measurement assumptions

On July 20, 2018, the new Heubeck 2018 G mortality tables were published, which take into consideration the latest statistics of the statutory pension insurance system and of the Federal Statistical Office. For the first time, socioeconomic factors were also considered. It is currently not certain whether the new Heubeck 2018 G mortality tables will become generally valid and therefore applicable for Daimler AG and its German subsidiaries. If the new Heubeck 2018 G mortality tables are applied, an increase in German pension provisions is expected, which would be presented as an actuarial loss under equity.

**E.22**

**Components of net periodic pension cost for the three-month-periods ended June 30**

| | | | Q2 2018 | | | Q2 2017 |
|---|---|---|---|---|---|---|
| | Total | German plans | Non-German plans | Total | German plans | Non-German plans |
| In millions of euros | | | | | | |
| Current service cost | -170 | -147 | -23 | -168 | -146 | -22 |
| Net interest expense | -22 | -13 | -9 | -39 | -30 | -9 |
| | -192 | -160 | -32 | -207 | -176 | -31 |

**E.23**

**Components of net periodic pension cost for the six-month-periods ended June 30**

| | | | Q1-2 2018 | | | Q1-2 2017 |
|---|---|---|---|---|---|---|
| | Total | German plans | Non-German plans | Total | German plans | Non-German plans |
| In millions of euros | | | | | | |
| Current service cost | -341 | -294 | -47 | -338 | -291 | -47 |
| Net interest expense | -44 | -27 | -17 | -78 | -59 | -19 |
| Net interest income | 1 | - | 1 | 1 | - | 1 |
| | -384 | -321 | -63 | -415 | -350 | -65 |

## 15. Provisions for other risks

Provisions for other risks are comprised as shown in table ↗ E.24.

**E.24**

**Provisions for other risks**

| | | | June 30, 2018 | | | Dec. 31, 2017 (adjusted)[1] |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| In millions of euros | | | | | | |
| Product warranties | 2,997 | 3,486 | 6,483 | 3,154 | 3,562 | 6,716 |
| Personnel and social costs | 1,602 | 2,223 | 3,825 | 2,209 | 2,216 | 4,425 |
| Other | 2,575 | 1,201 | 3,776 | 2,257 | 1,365 | 3,622 |
| | 7,174 | 6,910 | 14,084 | 7,620 | 7,143 | 14,763 |

1 Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Interim Consolidated Financial Statements.

## 16. Financing liabilities

Financing liabilities are comprised as follows:

**E.25**

**Financing liabilities**

| | June 30, 2018 | | | Dec. 31, 2017 | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| In millions of euros | | | | | | |
| Notes/bonds | **11,385** | **61,524** | **72,909** | 13,785 | 53,288 | 67,073 |
| Commercial paper | **2,996** | **21** | **3,017** | 1,045 | - | 1,045 |
| Liabilities to financial institutions | **20,788** | **16,878** | **37,666** | 17,583 | 16,972 | 34,555 |
| Deposits in the direct banking business | **9,896** | **1,646** | **11,542** | 9,450 | 2,010 | 11,460 |
| Liabilities from ABS transactions | **4,836** | **5,295** | **10,131** | 6,214 | 4,823 | 11,037 |
| Liabilities from finance leases | **23** | **323** | **346** | 27 | 325 | 352 |
| Loans, other financing liabilities | **600** | **919** | **1,519** | 642 | 960 | 1,602 |
| | **50,524** | **86,606** | **137,130** | 48,746 | 78,378 | 127,124 |

## 17. Legal proceedings

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

Another consumer class-action lawsuit against Daimler AG and other companies of the Group containing similar allegations was filed in Canada in April 2016. On June 29, 2017, the court granted a procedural motion to certify certain issues for class treatment, and on March 12, 2018 the court ordered the parties to send a notice to the class by May 18, 2018, informing class members that the litigation is ongoing and they will be bound by the outcome. That notice has been sent, and class members had until July 20, 2018 to opt out of the class to avoid being bound by subsequent rulings in the case. Daimler also regards this lawsuit as being without merit and will defend against the claims. On July 14, 2017, an additional class action was filed in the Superior Court of California, Los Angeles County, against Daimler AG and other companies of the Group, alleging claims similar to the existing US class action. That action was removed to federal court and, on October 31, 2017, was transferred to the District of New Jersey. On December 21, 2017, the parties stipulated to dismiss, without prejudice, that lawsuit. It may be filed again under specific conditions, but Daimler also regards this lawsuit as being without merit.

Several state and federal authorities and institutions world-wide have inquired about and/or are conducting investigations or administrative proceedings and/or have issued administrative orders particularly regarding test results, the emission control systems used in Mercedes-Benz diesel vehicles and/or Daimler's interaction with the relevant state and federal authorities, as well as related legal issues and implications, including, but not limited to, under applicable environmental, securities, criminal and antitrust laws. These authorities and institutions include, 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 US state authorities, the U.S. Securities and Exchange Commission (SEC), the European Commission, with which Daimler AG has filed a leniency application, as well as national antitrust authorities and other authorities of various foreign states, as well as the German Federal Financial Supervisory Authority (BaFin), the German Federal Ministry of Transport and Digital Infrastructure (BMVI) and the German Federal Motor Transport Authority (KBA), the diesel emissions committee of inquiry of the German Parliament and the Stuttgart district attorney's office. The Stuttgart district attorney's office is conducting criminal investigation proceedings against Daimler employees concerning the suspicion of fraud and criminal advertising, and searched the premises of Daimler at several locations in Germany. In the second quarter of 2018, KBA issued an administrative order holding that certain calibrations of specified functionalities in a Mercedes-Benz diesel vehicle are impermissible and ordered subsequent auxiliary provisions for the EU type approval in this respect, including a stop of first registrations and a mandatory recall. Daimler has filed an objection against this administrative order in order to have the open legal issues resolved, if necessary also by a court of law. Daimler, the BMVI and KBA have agreed that the administrative order will be extended to also include certain other diesel vehicles. Irrespective of such agreement, for the purpose of having the pending legal issues resolved, Daimler will also file an objection against the extension of the administrative order. Daimler has furthermore implemented a temporary delivery and certification stop with respect to certain models. It cannot be ruled out that further delivery and certification stops will be implemented. Daimler has initiated further investigations and otherwise continues to fully cooperate with the authorities and institutions. As the aforementioned inquiries, investigations, administrative proceedings and the replies to these related information requests, the objection proceeding against the administrative order as well as Daimler's internal investigations are ongoing, we rely on IAS 37.92 in not disclosing any further information on whether or not, or to what extent, provisions have been recognized and/or contingent liabilities have been disclosed.

Starting on July 25, 2017, a number of class actions have been filed in the United States and Canada against Daimler AG and other manufacturers of automobiles as well as various of their North American subsidiaries. Plaintiffs allege to have suffered damages because defendants engaged in anticompetitive behavior relating to vehicle technology, costs, suppliers, markets, and other competitive attributes, including diesel emissions control technology, since the 1990s. On October 4, 2017, all pending US class actions were centralized in one proceeding by the Judicial Panel on Multidistrict Litigation and transferred to the U.S. District Court for the Northern District of California. On March 15, 2018 plaintiffs in the US class action amended and consolidated their complaints into two pleadings, one on behalf of consumers and the other on behalf of dealers. Daimler AG and the other Daimler group affiliates respectively affected regard the US and Canadian lawsuits as being without merit, and will defend against the claims.

Following the settlement decision by the European Commission adopted on July 19, 2016 concluding the trucks antitrust proceedings, Daimler AG faces customers' claims for damages to a considerable degree. Respective legal actions, class actions and other forms of legal redress have been initiated in various states in and outside of Europe and should further be expected. Daimler takes appropriate legal remedies to defend itself. In accordance with IAS 37.92, no further information is disclosed with respect to whether, or to what extent, provisions have been recognized and/or contingent liabilities have been disclosed, so as not to prejudice Daimler AG's position.

As already reported, in August 2016, Mercedes-Benz Canada (MB Canada) was added as a defendant to a putative nationwide class action pending in Ontario Superior Court. The main allegation in the matter is that MB Canada, along with Takata entities and many other companies that sold vehicles equipped with Takata airbag inflators, was allegedly negligent in selling such vehicles, purportedly not recalling them quickly enough, and failing to provide an allegedly adequate replacement airbag inflator. In addition, on June 28, 2017, Takata entities along with Daimler AG and MBUSA were named as defendants in a US nation-wide class action, which was filed in New Jersey federal court and includes allegations that are similar to the Canadian action. In the third quarter of 2017, the New Jersey lawsuit was transferred to federal court in the Southern District of Florida for consolidation with other multi-district litigation proceedings. Then, on March 14, 2018, Daimler AG and MBUSA were named as defendants in two additional US nation-wide class action complaints, one filed in Georgia federal court, and the other filed into the multi-district litigation proceedings pending in Florida. The allegations in these new complaints are similar to those in the Canadian and New Jersey actions. The previously reported lawsuit filed by the State of New Mexico, which also made similar claims against MBUSA and many other companies that sold vehicles equipped with Takata airbag inflators, was dismissed without prejudice on June 22, 2017. It may, however, be filed again under specific conditions. Daimler AG continues to regard all these lawsuits brought with regard to Mercedes-Benz vehicles as being without merit, and the Daimler Group affiliates respectively affected will further defend themselves against the claims.

In 2002, our subsidiary Daimler Financial Services AG, together with Deutsche Telekom AG and Compagnie Financière et Industrielle des Autoroutes S.A. (Cofiroute) entered into a consortium agreement for the purpose of jointly operating a system for the electronic collection of tolls for commercial vehicles using German highways under a contract with the Federal Republic of Germany (operating agreement) through the project company Toll Collect GmbH. Daimler Financial Services AG and Deutsche Telekom AG each hold a 45% equity interest and Cofiroute holds the remaining 10% equity interest in the consortium (Toll Collect GbR) and in the project company (Toll Collect GmbH) (together referred to as Toll Collect).

The Federal Republic of Germany will acquire all shares in Toll Collect GmbH as scheduled on September 01, 2018.

According to the operating agreement, the toll collection system had to be operational not later than August 31, 2003. After a delay of the launch date, the system was largely introduced on January 1, 2005. The final operating permit was granted on July 4, 2018, in connection with the settlement of the pending arbitration proceedings. The Federal Republic of Germany had initiated arbitration proceedings against Daimler Financial Services AG, Deutsche Telekom AG and Toll Collect GbR in September 2004. In the first half of 2017, the shareholders Deutsche Telekom AG and Daimler Financial Services AG 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. Toll Collect GmbH had also initiated an arbitration proceeding against the Federal Republic of Germany in order to recover the advance payments withheld by the Federal Republic of Germany of €8 million per month since June 2006, as well as other remuneration in dispute.

On May 16, 2018, through its subsidiary Daimler Financial Services AG, Daimler AG reached an agreement in principle with Deutsche Telekom AG and the Federal Republic of Germany regarding the mutual settlement of all arbitration proceedings in connection with the involvement in the Toll Collect consortium, which have been ongoing since 2004.

In implementation of this agreement in principle, the parties notarized the settlement agreement (hereinafter: settlement) with the Federal Republic of Germany on July 4, 2018. On July 6, 2018, the arbitral tribunal issued an award on agreed terms terminating the arbitration proceedings on the basis of the settlement.

The settlement agreement is composed of different elements. One material element is a cash payment (hereinafter: settlement payment) by Toll Collect GbR of €1.1 billion that has to be transferred in three tranches until 2020 and equally divided between Daimler Financial Services AG and Deutsche Telekom AG. The settlement takes into account claims of Toll Collect GmbH with regard to the remuneration pursuant to the operating agreement withheld monthly by the Federal Republic of Germany since June 2006. It also takes into account penalty payments for delays already settled by the shareholders of Toll Collect GbR and related interest. Further elements of the settlement agreement relate to the determination of the purchase price for the shares in Toll Collect GmbH on August 31, 2018 as well as the obligation to achieve a certain quality regarding the collection of tolls. Should this quality parameter not be achieved, the settlement payment to the Federal Republic of Germany will be increased by €50 million. According to current estimates of Toll Collect GmbH, the quality parameter will be reached. Overall, the total settlement amount is worth €3.2 billion to the Federal Republic of Germany.

In the second quarter of 2018, the profit/loss on equity-method investments includes expenses of €418 million in connection with Toll Collect. The EBIT of the Daimler Financial Services segment was therefore reduced primarily due to Daimler Financial Services' 50% obligation to contribute €550 million to Toll Collect GbR, which is partially offset by a provision recognized in previous years.

All known and unknown claims from the toll agreement that arose up until March 31, 2018 are settled under the settlement provided that the related damage occurred before March 31, 2018.

Failure to comply with various obligations under the operating agreement during the period from April 1, 2018 until the end of the operating agreement on August 31, 2018 may result in contract penalties, additional revenue reductions and damage claims. However, contract penalties and revenue reductions are capped at €100 million per operating year.

Irrespective of the settlement, the guarantees relating to the completion and operation of the toll collection system as stated in the operating agreement or other additional agreements and the responsibility to fulfill all relevant obligations from April 1, 2018 until the end of the operating agreement on August 31, 2018 remain unchanged.

Guarantees, which are subject to specific triggering events are described in detail below:

- *Guarantee of bank loans*. Daimler AG issued a guarantee to third parties up to a maximum amount of €100 million for bank loans which could be obtained by Toll Collect GmbH. This guarantee expires on August 31, 2018 with the takeover of the shares of Toll Collect by the Federal Republic of Germany.

- *Equity capitalization*. The consortium members have agreed within the settlement to ensure that Toll Collect GmbH disposes of a minimum equity of €50 million and a minimum liquidity of €10 million as of August 31, 2018. In the event that damage claims, reductions of compensation or other events that take place after March 31, 2018 and until the takeover of the Toll Collect Shares by the Federal Republic of Germany on August 31, 2018 lead to a decrease of the equity of Toll Collect GmbH below the minimum equity of €50 million, the members of the consortium are obliged to financially ensure that the minimum equity and the minimum liquidity of Toll Collect GmbH are achieved.

- Cofiroute’s risks and obligations are limited to €70 million. Daimler Financial Services AG and Deutsche Telekom AG are jointly obliged to indemnify Cofiroute for amounts exceeding this limitation.

The statements contained in this interim report are to be read in conjunction with the consolidated financial statements as at December 31, 2017. 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 at December 31, 2017.

## 18. Financial instruments

Table ↗ **E.26** and table ↗ **E.27** show the carrying amounts and fair values of the Group's financial instruments at June 30, 2018 according to IFRS 9 and at December 31, 2017 according to IAS 39.

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 in the market.

**E.26**

**Carrying amounts and fair values of financial instruments (according to IFRS 9)**

| | June 30, 2018 | |
|---|---|---|
| | Carrying amount | Fair value |
| In millions of euros | | |
| Financial assets | | |
| Receivables from financial services | 91,084 | 91,382 |
| Trade receivables | 11,409 | 11,409 |
| Cash and cash equivalents | 14,334 | 14,334 |
| Marketable debt securities and similar investments | 10,348 | 10,348 |
| Recognized at fair value through other comprehensive income | 6,792 | 6,792 |
| Recognized at fair value through profit or loss | 3,316 | 3,316 |
| Measured at cost | 240 | 240 |
| Other financial assets | | |
| Equity instruments and debt instruments | 568 | 568 |
| Recognized at fair value through other comprehensive income | 370 | 370 |
| Recognized at fair value through profit or loss | 198 | 198 |
| Other financial assets recognized at fair value through profit or loss | 119 | 119 |
| Derivative financial instruments used in hedge accounting | 1,569 | 1,569 |
| Other receivables and financial assets | 4,213 | 4,213 |
| | 133,644 | 133,942 |
| Financial liabilities | | |
| Financing liabilities | 137,130 | 137,442 |
| Trade payables | 15,716 | 15,716 |
| Other financial liabilities | | |
| Financial liabilities recognized at fair value through profit or loss | 42 | 42 |
| Derivative financial instruments used in hedge accounting | 1,209 | 1,209 |
| Miscellaneous other financial liabilities | 9,465 | 9,465 |
| | 163,562 | 163,874 |

E.27

**Carrying amounts and fair values of financial instruments (according to IAS 39)[1]**

| | Dec. 31, 2017 | |
|---|---|---|
| | Carrying amount | Fair value |
| in millions of euros | | |
| Financial assets | | |
| Receivables from financial services | 86,054 | 86,420 |
| Trade receivables | 11,995 | 11,995 |
| Cash and cash equivalents | 12,072 | 12,072 |
| Marketable debt securities | | |
| Available-for-sale financial assets | 10,063 | 10,063 |
| Other financial assets | | |
| Available-for-sale financial assets | 1,173 | 1,173 |
| Equity instruments recognized at fair value | 171 | 171 |
| Equity instruments measured at cost | 1,002 | 1,002 |
| Financial assets recognized at fair value through profit or loss | 82 | 82 |
| Derivative financial instruments used in hedge accounting | 2,379 | 2,379 |
| Other receivables and financial assets | 3,172 | 3,172 |
| | 126,990 | 127,356 |
| Financial liabilities | | |
| Financing liabilities | 127,124 | 128,437 |
| Trade payables | 12,451 | 12,451 |
| Other financial liabilities | | |
| Financial liabilities recognized at fair value through profit or loss | 111 | 111 |
| Derivative financial instruments used in hedge accounting | 696 | 696 |
| Miscellaneous other financial liabilities | 8,468 | 8,468 |
| | 148,850 | 150,163 |

1 Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Interim Consolidated Financial Statements.

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

**Marketable debt securities and similar investments, other financial assets and liabilities**

At June 30, 2018, *Marketable debt securities* are measured at fair value through other comprehensive income or at fair value through profit or loss. Similar investments are measured at amortized cost and are not included in the measurement hierarchy, as their fair value equals the carrying amount.
*Equity Instruments* are measured at fair value through other comprehensive income or at fair value through profit or loss. Daimler does not intend to sell its equity instruments which are presented at June 30, 2018.
Marketable debt securities and equity instruments measured at fair value were measured using quoted market prices at June 30, 2018. 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.

Other financial assets and liabilities recognized at fair value through profit or loss comprise 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.28** and Table ↗ **E.29** provide an overview of the classification into measurement hierarchies of financial assets and liabilities measured at fair value (according to IFRS 13) at June 30, 2018 according to IFRS 9 and at December 31, 2017 according to IAS 39 respectively.

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.28

**Measurement hierarchy of financial assets and liabilities recognized at fair value (according to IFRS 9)**

| | | | | June 30, 2018 |
|---|---|---|---|---|
| | Total | Level 1[1] | Level 2[2] | Level 3[3] |
| In millions of euros | | | | |
| | | | | |
| Financial assets recognized at fair value | | | | |
| Marketable debt securities | **10,108** | **6,156** | **3,952** | **-** |
| Recognized at fair value through other comprehensive income | **6,792** | **2,840** | **3,952** | **-** |
| Recognized at fair value through profit or loss | **3,316** | **3,316** | **-** | **-** |
| Equity instruments and debt instruments | **568** | **101** | **278** | **189** |
| Recognized at fair value through other comprehensive income | **370** | **101** | **150** | **119** |
| Recognized at fair value through profit or loss | **198** | **-** | **128** | **70** |
| Other financial assets recognized at fair value through profit or loss | **119** | **-** | **119** | **-** |
| Derivative financial instruments used in hedge accounting | **1,569** | **-** | **1,569** | **-** |
| | **12,364** | **6,257** | **5,918** | **189** |
| | | | | |
| Financial liabilities recognized at fair value | | | | |
| Financial liabilities recognized at fair value through profit or loss | **42** | **-** | **42** | **-** |
| Derivative financial instruments used in hedge accounting | **1,209** | **-** | **1,209** | **-** |
| | **1,251** | **-** | **1,251** | **-** |

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.

## E.29

**Measurement hierarchy of financial assets and liabilities recognized at fair value (according to IAS 39)**

| | | | | Dec. 31, 2017 |
|---|---|---|---|---|
| | Total | Level 1[1] | Level 2[2] | Level 3[3] |
| in millions of euros | | | | |
| | | | | |
| Financial assets recognized at fair value | | | | |
| Financial assets available-for-sale | 10,234 | 6,721 | 3,513 | - |
| thereof marketable debt securities | 10,063 | 6,615 | 3,448 | - |
| thereof equity instruments recognized at fair value | 171 | 106 | 65 | - |
| Financial assets recognized at fair value through profit or loss | 82 | - | 82 | - |
| Derivative financial instruments used in hedge accounting | 2,379 | - | 2,379 | - |
| | 12,695 | 6,721 | 5,974 | - |
| | | | | |
| Financial liabilities recognized at fair value | | | | |
| Financial liabilities recognized at fair value through profit or loss | 111 | - | 111 | - |
| Derivative financial instruments used in hedge accounting | 696 | - | 696 | - |
| | 807 | - | 807 | - |

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 June 30, 2018 and June 30, 2017 is as follows:

**E.30**

**Segment reporting for the three-month periods ended June 30**

| In millions of euros | Mercedes-Benz Cars | Daimler Trucks | Mercedes-Benz Vans | Daimler Buses | Daimler Financial Services | Total segments | Reconciliation | Daimler Group |
|---|---|---|---|---|---|---|---|---|
| **Q2 2018** | | | | | | | | |
| External revenue | **21,659** | **8,734** | **3,302** | **1,046** | **6,015** | **40,756** | **-** | **40,756** |
| Intersegment revenue | **916** | **451** | **209** | **29** | **292** | **1,897** | **-1,897** | **-** |
| Total revenue | **22,575** | **9,185** | **3,511** | **1,075** | **6,307** | **42,653** | **-1,897** | **40,756** |
| Segment profit (EBIT) | **1,901** | **546** | **152** | **66** | **66** | **2,731** | **-91** | **2,640** |
| thereof share of profit/loss from equity-method investments | **354** | **20** | **10** | **-** | **-424** | **-40** | **26** | **-14** |
| thereof profit/loss from compounding and effects from changes in discount rates of provisions for other risks | **-3** | **-5** | **-6** | **-** | **-** | **-14** | **-** | **-14** |

| In millions of euros | Mercedes-Benz Cars | Daimler Trucks | Mercedes-Benz Vans | Daimler Buses | Daimler Financial Services | Total segments | Reconciliation | Daimler Group |
|---|---|---|---|---|---|---|---|---|
| **Q2 2017 (adjusted)[1]** | | | | | | | | |
| External revenue | 22,642 | 8,628 | 3,177 | 1,195 | 5,572 | 41,214 | - | 41,214 |
| Intersegment revenue | 928 | 402 | 148 | 22 | 358 | 1,858 | -1,858 | - |
| Total revenue | 23,570 | 9,030 | 3,325 | 1,217 | 5,930 | 43,072 | -1,858 | 41,214 |
| Segment profit (EBIT) | 2,365 | 548 | 349 | 78 | 522 | 3,862 | -115 | 3,747 |
| thereof share of profit/loss from equity-method investments | 244 | 32 | 13 | 2 | -1 | 290 | 20 | 310 |
| thereof profit/loss from compounding and effects from changes in discount rates of provisions for other risks | -5 | -5 | -2 | - | -1 | -13 | - | -13 |

1 Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Interim Consolidated Financial Statements.

Segment information for the six-month periods ended June 30, 2018 and June 30, 2017 is as follows:

**E.31**

**Segment reporting for the six-month periods ended June 30**

| In millions of euros | Mercedes-Benz Cars | Daimler Trucks | Mercedes-Benz Vans | Daimler Buses | Daimler Financial Services | Total segments | Reconciliation | Daimler Group |
|---|---|---|---|---|---|---|---|---|
| **Q1-2 2018** | | | | | | | | |
| External revenue | **43,742** | **16,937** | **6,219** | **1,870** | **11,773** | **80,541** | **-** | **80,541** |
| Intersegment revenue | **1,831** | **867** | **390** | **55** | **554** | **3,697** | **-3,697** | **-** |
| Total revenue | **45,573** | **17,804** | **6,609** | **1,925** | **12,327** | **84,238** | **-3,697** | **80,541** |
| Segment profit (EBIT) | **3,961** | **1,193** | **324** | **103** | **614** | **6,195** | **-220** | **5,975** |
| thereof share of profit/loss from equity-method investments | **673** | **30** | **26** | **-** | **-429** | **300** | **29** | **329** |
| thereof profit/loss from compounding and effects from changes in discount rates of provisions for other risks | **7** | **-** | **-6** | **-1** | **-1** | **-1** | **-** | **-1** |

| In millions of euros | Mercedes-Benz Cars | Daimler Trucks | Mercedes-Benz Vans | Daimler Buses | Daimler Financial Services | Total segments | Reconciliation | Daimler Group |
|---|---|---|---|---|---|---|---|---|
| **Q1-2 2017 (adjusted)**[1] | | | | | | | | |
| External revenue | 44,270 | 16,240 | 6,028 | 2,096 | 11,162 | 79,796 | - | 79,796 |
| Intersegment revenue | 1,821 | 741 | 274 | 44 | 679 | 3,559 | -3,559 | - |
| Total revenue | 46,091 | 16,981 | 6,302 | 2,140 | 11,841 | 83,355 | -3,559 | 79,796 |
| Segment profit (EBIT) | 4,363 | 1,210 | 686 | 150 | 1,046 | 7,455 | 63 | 7,518 |
| thereof share of profit/loss from equity-method investments | 700 | 26 | 20 | 2 | -3 | 745 | 284 | 1,029 |
| thereof profit/loss from compounding and effects from changes in discount rates of provisions for other risks | -8 | -7 | -2 | - | -2 | -19 | - | -19 |

1 Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Interim Consolidated Financial Statements.

**Reconciliation**
Reconciliation of the total segments' profit (EBIT) to profit before income taxes is as shown in table ↗ **E.32**.

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

**E.32**

**Reconciliation to Group figures**

| In millions of euros | Q2 2018 | Q2 2017 (adjusted)[1] | Q1-2 2018 | Q1-2 2017 (adjusted)[1] |
|---|---|---|---|---|
| Total segments' profit (EBIT) | **2,731** | 3,862 | **6,195** | 7,455 |
| Share of profit from equity-method investments[2] | **26** | 20 | **29** | 284 |
| Other corporate items | **-121** | -142 | **-243** | -219 |
| Eliminations | **4** | 7 | **-6** | -2 |
| Group EBIT | **2,640** | 3,747 | **5,975** | 7,518 |
| Amortization of capitalized borrowing costs[3] | **-4** | -3 | **-8** | -6 |
| Interest income | **70** | 46 | **125** | 104 |
| Interest expense | **-176** | -139 | **-315** | -274 |
| Profit before income taxes | **2,530** | 3,651 | **5,777** | 7,342 |

1 Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Interim Consolidated Financial Statements.
2 The first quarter of 2017 mainly comprises the reversal of an impairment of Daimler's equity investments in BAIC Motor of €240 million.
3 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 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 and joint ventures and are shown in table ↗ **E.33**.

**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 LSH Auto International Limited (LSHAI) and with Beijing Benz Automotive Co., Ltd. (BBAC). In the second quarter of 2017, Daimler had acquired a 15% stake in LSHAI. See Note 10 for further information on BBAC.

The purchases of goods and services shown in table ↗ **E.33** were primarily from LSHAI and MBtech Group GmbH & Co. KGaA (MBtech Group). MBtech Group develops, integrates and tests components, systems, modules and vehicles worldwide.

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

Shenzhen DENZA New Energy Automotive Co. Ltd. (DENZA) is allocated to the Mercedes-Benz Cars segment. Daimler provided guarantees in a total amount of RMB 1,250 million (approximately €162 million) to external banks which provided two loans to DENZA. At June 30, 2018, loans amounting to RMB 675 million (approximately €87 million) were utilized. In addition, Daimler provided a shareholder loan of RMB 250 million (approximately €32 million) to DENZA, which is fully utilized. In the second half of 2018, Daimler will contribute capital of RMB 400 million (approximately €52 million) in accordance with its shareholding ratio. In 2017, there was already a capital increase of RMB 500 million (approximately €63 million).

Regarding Daimler's guarantees in connection with the 45% equity interest in Toll Collect GmbH, please refer to Note 17 of the Notes to the Interim Consolidated Financial Statements.

**E.33**

**Related party relationships**

| In millions of euros | Q2 2018 | Q2 2017 | Q1-2 2018 | Sales of goods and services and other income Q1-2 2017 | Q2 2018 | Q2 2017 | Q1-2 2018 | Purchases of goods and services and other expense Q1-2 2017 |
|---|---|---|---|---|---|---|---|---|
| Associated companies | **3,359** | 2,111 | **6,783** | 3,214 | **242** | 160 | **485** | 256 |
| thereof LSHAI[1] | **1,997** | 1,140 | **4,248** | 1,140 | **136** | 59 | **293** | 59 |
| thereof BBAC | **1,158** | 863 | **2,233** | 1,871 | **18** | 23 | **37** | 60 |
| Joint ventures | **221** | 243 | **507** | 412 | **22** | 22 | **38** | 36 |

| In millions of euros | June 30, 2018 | Receivables[2] Dec. 31, 2017 | June 30, 2018 | Payables[3] Dec. 31, 2017 |
|---|---|---|---|---|
| Associated companies | **3,362** | 2,827 | **406** | 253 |
| thereof LSHAI[1] | **977** | 1,075 | **271** | 127 |
| thereof BBAC | **2,251** | 1,673 | **86** | 65 |
| Joint ventures | **214** | 183 | **645** | 115 |

1 As the equity interest in LSHAI was acquired in May 2017, business relations with LSHAI are reported from June 2017 onward.
2 After write-downs totaling €54 million (December 31, 2017: €52 million).
3 Including liabilities from default risks from guarantees for related parties.

# Responsibility Statement

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

Stuttgart, July 25, 2018

Dieter Zetsche

Martin Daum

Renata Jungo Brüngger

Ola Källenius

Wilfried Porth

Britta Seeger

Hubertus Troska

Bodo Uebber

# Auditor's Review Report

To 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 June 30, 2018, that are part of the semi annual financial report according to § 115 WpHG („Wertpapierhandelsgesetz“: „German Securities Trading Act“). The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34 “Interim Financial Reporting” as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

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

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

Stuttgart, July 25, 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Becker | Dr. Thümler |
| Wirtschaftsprüfer | Wirtschaftsprüfer |

# Addresses | Information

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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 Q2 2018**
July 26, 2018

**Interim Report Q3 2018**
October 25, 2018

**Annual Press Conference**
February 1, 2019

**Analyst and Investor Conference**
February 2, 2019

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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