Interim Report Q2 2019

Contents

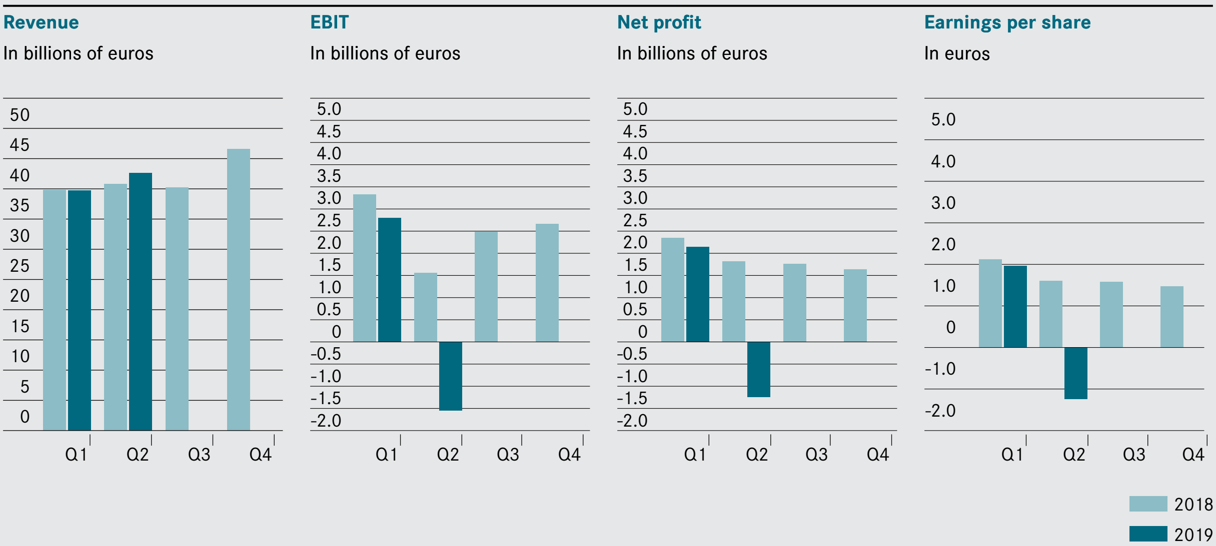
Cover photo: the new Mercedes-Benz GLB.
The new Mercedes-Benz GLB features strong proportions with short overhangs and an off-road-oriented design. Its optional 4MATIC all-wheel drive and its spaciousness make it a highly versatile SUV. Upon request, it is the first Mercedes-Benz in this segment to be available as a seven-seater. With powerful and efficient four-cylinder engines, state-of-the-art driver-assistance systems, the intuitive MBUX infotainment system and the comprehensive convenience control ENERGIZING Comfort, the GLB has all the strengths of the current generation of compact cars from Mercedes-Benz.

Q2

Key Figures Daimler Group

€ amounts in millions	Q2 2019	Q2 2018	% change
Revenue	42,650	40,756	+5[1]
Europe	17,237	17,293	-0
thereof Germany	6,708	6,194	+8
NAFTA	13,217	11,482	+15
thereof United States	11,364	9,727	+17
Asia	9,690	9,505	+2
thereof China	4,659	4,482	+4
Other markets	2,506	2,476	+1
Investment in property, plant, equipment	1,751	1,550	+13
Research and development expenditure	2,357	2,290	+3
thereof capitalized development costs	788	670	+18
Free cash flow of the industrial business	-1,302	-18	.
EBIT	-1,555	2,640	.
Net profit	-1,242	1,825	.
Earnings per share (in euros)	-1.24	1.61	.
Employees	304,065	298,683[2]	+2

1 Adjusted for the effects of currency translation, increase in revenue of 3%.
2 As of December 31, 2018.



Q1-2

Key Figures Daimler Group

€ amounts in millions	Q1-2 2019	Q1-2 2018	% change
Revenue	82,348	80,541	+2[1]
Europe	33,857	33,727	+0
thereof Germany	13,088	12,149	+8
NAFTA	24,822	22,083	+12
thereof United States	21,502	18,801	+14
Asia	18,661	19,843	-6
thereof China	9,049	9,653	-6
Other markets	5,008	4,888	+2
Investment in property, plant, equipment	3,419	2,893	+18
Research and development expenditure	4,735	4,611	+3
thereof capitalized development costs	1,462	1,279	+14
Free cash flow of the industrial business	-3,341	1,804	.
EBIT	1,247	5,975	-79
Net profit	907	4,179	-78
Earnings per share (in euros)	0.72	3.74	-81
Employees	304,065	298,683[2]	+2

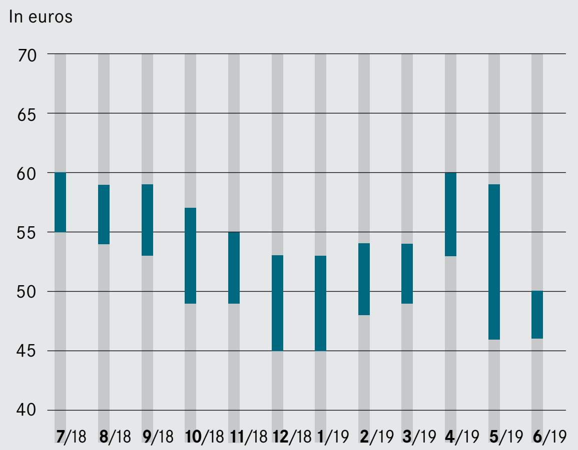
1 Adjusted for the effects of currency translation, increase in revenue of 1%.
2 As of December 31, 2018.

Daimler and the Capital Market

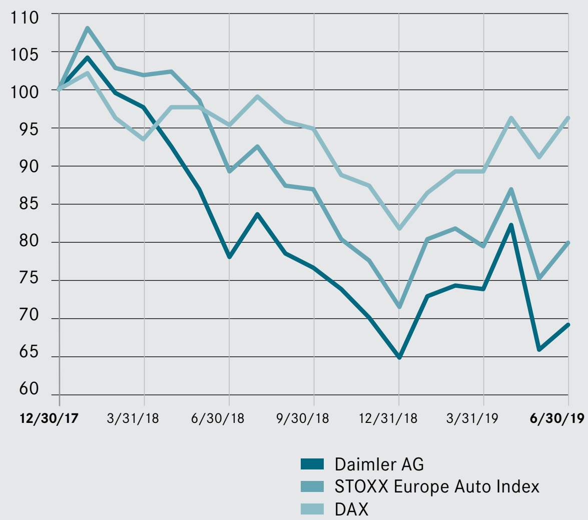
Key figures

	June 30, 2019	June 30, 2018	% change
Earnings per share in Q2 (in €)	-1.24	1.61	.
Outstanding shares (in millions)	1,069.8	1,069.8	0
Market capitalization (€ billion)	52.35	58.98	-11
Xetra closing price (in €)	48.93	55.13	-11

Daimler share price (high/low), 2018/2019



Share-price development (indexed)



Volatile development of automotive stocks in second quarter of 2019

Following a continuation of the price recovery at the beginning of the second quarter, automobile stocks experienced a correction later in the period under review. The introduction of punitive tariffs in the context of the trade conflict between the United States and China led to falling stock-market prices. This also affected automotive stocks with their globally complex supply and production networks. Generally declining sales in the Chinese automotive market also had a negative impact. On the other hand, the US central bank's indication that interest rates might be reduced in the coming months led to a stock-market revival. Also in Europe, the prospect of possible interest-rate cuts by the European Central Bank lifted share prices somewhat. Due, among other things, to high investments in future technologies, automotive stocks remain low-priced relative to other sectors.

The Daimler share price also fell in the second quarter of 2019 following gains at the beginning of the period. The discussion about tariffs within the NAFTA region and the possible reintroduction of Chinese import duties for vehicles produced in the United States had a negative impact on our share price. At the end of the quarter, Daimler shares were priced at €48.93, approximately 6% lower than at the end of the first quarter of 2019. However, taking into account the dividend payment of €3.25 per share, the value of an investment in Daimler remained almost unchanged. During the same period, the DAX rose by 8% and the STOXX Europe Auto Index rose by 1%.

Favorable interest environment ongoing

In the second quarter of 2019, several smaller issuances were made in various countries. Furthermore, three transactions were carried out with asset-backed securities (ABS). In the United States, two ABS transactions were successfully placed with a total refinancing volume of $2.0 billion. In China, a transaction was conducted in an amount of CNY 8.5 billion.

Interim Management Report

Second-quarter unit sales of 821,700 vehicles on prior-year level (Q2 2018: 833,000)
Revenue of €42.7 billion (Q2 2018: €40.8 billion)
Group EBIT of minus €1.6 billion (Q2 2018: plus €2.6 billion)
Net profit of minus €1.2 billion (Q2 2018: plus €1.8 billion)
Free cash flow of the industrial business in first half of year of minus €3.3 billion (Q1-2 2018: plus €1.8 billion)
Unit sales on prior-year level and slight growth of revenue anticipated for full-year 2019
Group EBIT expected to be significantly below the previous year

Business development

Further slowdown in growth of world economy

The **world economy** seems to have cooled off perceptibly in the second quarter, after the surprisingly strong development at the beginning of the year; its growth of more than 2.5% was still solid, however. Key economic indicators weakened further and do not suggest any significant acceleration in growth in the second half of the year. The development of stock markets has been rather volatile, influenced by a resurgence of the trade conflict between the United States and China, and also by the prospect of potential interest rate cuts by the US Federal Reserve and further expansionary measures by the European Central Bank. The US economy has been unable to completely escape this slowdown and lost momentum noticeably compared with its strong growth in the first quarter. Sentiment in the European Monetary Union continued to deteriorate in the second quarter and growth slowed to only about 1%, mainly due to the ongoing weak phase in industry. In China, the government reacted with further state-support measures to soften the impact of renewed US tariffs. As a result, growth has slowed only slightly and remained above the 6% mark. The price of crude oil fell significantly in the second quarter due to trade tensions and the feared negative effects on demand for oil; however, tensions between the United States and Iran led to rising prices again at the end of the second quarter.

The weakening of **worldwide demand for cars** continued in the second quarter, with global demand remaining slightly below the prior-year level. Once again, this was primarily due to the Chinese market, which recorded a significant contraction also in the second quarter.

The European market was slightly below the prior-year level with sales in Western Europe also slightly lower than in the second quarter of last year. Demand in Germany was roughly in the magnitude of the prior year, while the British and French markets recorded slight decreases in sales volumes. In Eastern Europe, the market declined significantly. Sales figures in Russia were slightly below the previous year's level, while the Turkish market again shrank significantly with a decline of more than 40%.

The US market for cars and light trucks remained at a high level and roughly matched its volume of the year 2018. Car sales in Japan were slightly higher than in the second quarter of last year, while the Indian market contracted significantly.

Demand for **heavy- and medium duty trucks** continued to develop disparately in the various regions. The market in the NAFTA region continued its upswing and significantly surpassed its prior-year level. Demand in the EU30 region (European Union, Switzerland and Norway) continued its positive development and also increased significantly compared with the robust prior-year level. However, this growth was partially the result of purchases being brought forward, because the use of a new generation of digital tachographs became compulsory in newly registered commercial vehicles in the European Union in mid-June. The Brazilian market continued its recovery and expanded again by almost 50%. However, demand in the Turkish market slumped by more than 50% due to the country's severe economic crisis. The Russian market has recently weakened noticeably and was significantly below the previous year's level, according to the latest estimates.

The most important Asian markets from Daimler's perspective displayed various tendencies in the second quarter. In Japan, demand for heavy-, medium- and light-duty trucks remained solid and slightly exceeded the prior-year level. The Indian market for heavy- and medium-duty trucks approximately maintained its already high prior-year volume. On the other hand, the Chinese market for heavy-duty trucks declined slightly towards the end of the quarter, but from a very high level.

Demand for **vans** in the EU30 region continued to grow in the second quarter of 2019. The market volume increased by 2% for midsize and large vans and by 5% for small vans. The market for midsize pickups declined slightly (-4%). The US market for large vans was at the level of the prior-year quarter. Starting from a low level, the market for large vans in Latin America grew significantly.

The **market volume for buses** in the EU30 region was significantly larger than in the second quarter of last year. In Brazil, demand for bus chassis continued its recovery in the second quarter and was 77% higher than in the prior-year period.

Group unit sales on prior-year level
In the second quarter of 2019, Daimler sold 821,700 cars and commercial vehicles worldwide (Q2 2018: 833,000). ↗ C.01

Primarily due to ongoing model changes in the SUV segment, second-quarter sales of 575,600 vehicles by **Mercedes-Benz Cars** were lower than in the prior-year period (-3%). Other reasons for this decrease in unit sales include the general market development, constraints on vehicle availability in some international markets and very intense competition. In Europe, the Mercedes-Benz and smart brands delivered 244,800 automobiles (-2%). Sales in Germany, the region's core market, increased by 1% to 82,500 units. In China, the division's biggest market, a new record was set for a second quarter with sales of 168,300 Mercedes-Benz and smart cars (+1%). Second-quarter unit sales in the United States totaled 75,500 vehicles (-3%).

Daimler Trucks increased its unit sales to 126,500 vehicles in the second quarter (Q2 2018: 123,900). Sales in the NAFTA region increased significantly to 54,500 units (Q2 2018: 44,300). In Brazil, our sales of 7,300 trucks were also significantly higher than in the prior-year period (Q2 2018: 4,400). Sales in the EU30 region (European Union, Switzerland and Norway) were slightly lower than in the prior-year period at 19,800 units (Q2 2018: 21,100). In Turkey, sales decreased sharply to 900 units (Q2 2018: 1,700). Sales of 10,000 trucks in Japan were slightly lower than in the prior-year period (Q2 2018: 10,400). Our unit sales in Indonesia were significantly lower at 10,000 vehicles (Q2 2018: 16,400). Unit sales decreased also in India, to 3,800 units (Q2 2018: 5,800).

Unit sales by **Mercedes-Benz Vans** of 111,100 vehicles in the second quarter of 2019 were at the prior-year level (Q2 2018: 110,900). The van division set a new record in the second quarter in the EU30 region, where its sales of 78,600 units were significantly higher than in the prior-year period (Q2 2018: 71,300). In the NAFTA region, sales of 12,300 vans were slightly lower than last year (Q2 2018: 13,200). The development in Latin America was positive, with significant growth in second-quarter sales to 4,900 units (Q2 2018: 4,000). Unit sales in China decreased slightly compared with the second quarter of last year (-5%). In Russia and in a difficult market environment in Turkey, unit sales were significantly lower than in the prior-year period.

Sales of 8,400 units by **Daimler Buses** were significantly higher than in the prior-year period (Q2 2018: 7,500). In the EU30 region, Daimler Buses sold 2,800 complete buses and bus chassis of the Mercedes-Benz and Setra brands; this is a significant increase (+30%) compared with the prior-year quarter. Despite a continuation of the difficult economic situation in Argentina, overall unit sales by Daimler Buses in Latin America (excluding Mexico) increased by 10% to 3,700 bus chassis. We sold 2,700 units in Brazil, which is 8% more than in the prior-year quarter. In Mexico, we posted a significant decrease in the second quarter of 2019 with sales of 700 units (Q2 2018: 800), while sales in India remained constant at 500 units.

At **Daimler Financial Services**, new business in a volume of €18.4 billion was at the level of the prior-year quarter. Daimler Financial Services' portfolio included 5.4 million vehicles at the end of June; this is equivalent to a contract volume of €156.5 billion and thus growth of 2% compared with the end of 2018. The insurance business also developed positively. Worldwide, 602,000 insurance contracts were brokered by Daimler Financial Services in the second quarter of this year (Q2 2018: 579,000).

C.01
Unit sales by division

	Q2 2019	Q2 2018	% change
Daimler Group	821,666	833,005	-1
Mercedes-Benz Cars	575,639	590,690	-3
Daimler Trucks	126,474	123,910	+2
Mercedes-Benz Vans	111,118	110,883	+0
Daimler Buses	8,435	7,522	+12

Profitability

In the second quarter of 2019, the **Daimler Group**'s revenue was €42,650 million and slightly above the prior-year level (Q2 2018: €40,756 million). Also adjusted for positive exchange-rate effects, revenue was slightly higher than in the prior-year quarter. The Daimler Group achieved second-quarter EBIT of minus €1,555 million in 2019, which is significantly below the prior-year figure (Q2 2018: plus €2,640 million). ↗ C.02 ↗ C.03

In the second quarter of 2019, expenses primarily from a reassessment of risks relating to ongoing governmental and court proceedings and from measures taken with regard to Mercedes-Benz diesel vehicles and an updated risk assessment for an expanded recall of vehicles with Takata airbags especially at the Mercedes-Benz Cars and Mercedes-Benz Vans divisions had a significant impact on the substantial decrease in earnings. Earnings were also reduced by expenses in connection with a review and prioritization of the product portfolio at the Mercedes-Benz Vans division. On the other hand, the Daimler Trucks and Daimler Buses divisions increased their earnings significantly compared with the second quarter of last year, mainly due to higher unit sales. Also at the Daimler Financial Services division, EBIT was significantly higher than in the prior-year quarter because earnings in the second quarter of 2018 had been adversely affected by the conclusion of the Toll Collect arbitration proceedings. Earnings were reduced by declining discount rates. Exchange-rate effects had an overall negative impact on operating profit.

The reconciliation of segment earnings to Group EBIT in the second quarter of the year 2019 resulted in the same expense as in the prior-year quarter. ↗ C.03

In the second quarter of 2019, the revenue of the **Mercedes-Benz Cars** division was close to the prior-year level, with a decrease of 1% to €22,293 million (Q2 2018: €22,575 million). The division's EBIT was minus €672 million (Q2 2018: plus €1,901 million). Its return on sales of minus 3.0% was thus significantly below the prior-year figure of plus 8.4%. ↗ C.02 ↗ C.03 ↗ C.04

Earnings in the second quarter of 2019 were reduced by €1,067 million due to a reassessment of risks relating to ongoing governmental and court proceedings and measures taken with regard to Mercedes-Benz diesel vehicles in various regions. Furthermore, expenses in connection with recalls, especially an updated risk assessment for an expanded recall of vehicles with Takata airbags in Europe and other parts of the world, caused a reduction in earnings of €767 million. The decrease in unit sales also had a negative impact. The reasons for the lower unit sales include the general market situation, model changes, constraints on vehicle availability in some international markets and intense competition. Additional factors with a negative impact on earnings were especially advance expenditure for new technologies and vehicles as well as weaker pricing and exchange-rate effects.

C.02
Revenue by division

In millions of euros	Q2 2019	Q2 2018	% change
Mercedes-Benz Cars	22,293	22,575	-1
Daimler Trucks	10,472	9,185	+14
Mercedes-Benz Vans	3,654	3,511	+4
Daimler Buses	1,268	1,075	+18
Daimler Financial Services[1]	7,145	6,570	+9
Reconciliation[1]	-2,182	-2,160	.
Daimler Group	42,650	40,756	+5

1 In 2018, the Group's internal revenue was adjusted at the Daimler Financial Services segment. This adjustment has been fully eliminated in the reconciliation.

C.03
EBIT by division

In millions of euros	Q2 2019	Q2 2018	% change
Mercedes-Benz Cars	-672	1,901	.
Daimler Trucks	725	546	+33
Mercedes-Benz Vans	-2,050	152	.
Daimler Buses	106	66	+61
Daimler Financial Services	431	66	+553
Reconciliation	-95	-91	.
Daimler Group[1]	-1,555	2,640	.

1 EBIT, the indicator of operating performance, comprises earnings before interest income/expense and corporate income taxes. The reconciliation of the Daimler Group's EBIT to earnings before income taxes is included in Note 19 of the Notes to the Interim Consolidated Financial Statements.

C.04
Return on sales/Return on equity[1]

	Q2 2019	Q2 2018	change in % points
Mercedes-Benz Cars	-3.0%	8.4%	-11.4
Daimler Trucks	6.9%	5.9%	+1.0
Mercedes-Benz Vans	-56.1%	4.3%	-60.4
Daimler Buses	8.4%	6.1%	+2.3
Daimler Financial Services	12.5%	2.1%	+10.4

1 The industrial divisions' profitability is calculated as the quotient of EBIT and revenue. The measure of profitability for Daimler Financial Services is return on equity (quotient of EBIT and equity).

The revenue of the **Daimler Trucks** division increased in the second quarter of 2019 by 14% to €10,472 million (Q2 2018: €9,185 million). Revenue was boosted not only by growth in unit sales in the NAFTA region, but also by positive exchange-rate effects. The division achieved EBIT of €725 million (Q2 2018: €546 million). Its return on sales was above the prior-year figure at 6.9% (Q2 2018: 5.9%). ↗ C.02 ↗ C.03 ↗ C.04

The development of earnings was positively affected primarily by the increase in unit sales in the NAFTA region and exchange-rate effects. EBIT was reduced due to increased costs, mainly related to higher raw-material prices, and expenses from an updated risk assessment for an expanded recall of vehicles with Takata airbags (€47 million).

In the second quarter of 2019, the **Mercedes-Benz Vans** division's revenue increased by 4% to €3,654 million (Q2 2018: €3,511 million). EBIT amounted to minus €2,050 million (Q2 2018: plus €152 million). The division's return on sales decreased to minus 56.1% (Q2 2018: plus 4.3%).
↗ C.02 ↗ C.03 ↗ C.04

EBIT was impacted by a reassessment of risks relating to ongoing governmental and court proceedings and by measures taken with regard to Mercedes-Benz diesel vehicles in various regions (€1,372 million). Earnings were also reduced by expenses in connection with a review and prioritization of the product portfolio (€459 million) as well as by an updated risk assessment for an expanded recall of Takata airbags in Europe and other parts of the world (€340 million). In an intensely competitive environment, earnings were reduced by weaker pricing and exchange-rate effects.

Due to the positive development of unit sales, the revenue of the **Daimler Buses** division increased by 18% to €1,268 million (Q2 2018: €1,075 million). The division posted EBIT of €106 million in the second quarter of 2019 (Q2 2018: €66 million) and its return on sales increased to 8.4% (Q2 2018: 6.1%).
↗ C.02 ↗ C.03 ↗ C.04

The significantly higher earnings in the second quarter of 2019 resulted primarily from the strong growth in unit sales in the EU30 region and Brazil, which was partially offset by a less favorable product mix. Another positive factor was the partial resolution of effects from delays in vehicle deliveries in the EU30 region, which occurred in the first quarter due to a changed internal certification process for coaches and intercity buses. Exchange-rate effects had a negative impact on EBIT.

In the second quarter of 2019, the **Daimler Financial Services** division achieved EBIT of €431 million (Q2 2018: €66 million). Its return on equity increased significantly to 12.5% (Q2 2018: 2.1%). ↗ C.03 ↗ C.04

The earnings improvement compared with the prior-year quarter primarily reflects the negative effect of €418 million in the second quarter of 2018 from the conclusion of the Toll Collect arbitration proceedings. The growth in contract volume also had a positive impact. Negative factors were the normalization of credit-risk costs and higher investments in new mobility solutions.

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

Items at the corporate level resulted in expenses of €114 million in the second quarter of 2019 (Q2 2018: €95 million). This includes expenses in connection with ongoing governmental and court proceedings and by measures taken with regard to Mercedes-Benz diesel vehicles of €114 million.

The elimination of intra-group transactions resulted in income of €19 million in the second quarter of 2019 (Q2 2018: €4 million).

Net interest expense in the second quarter of 2019 amounted to €114 million (Q2 2018: €106 million).

The **income-tax benefit** recognized in the second quarter of 2019 amounted to €430 million (Q2 2018: expense of €705 million). Due to the loss before income taxes, a tax benefit is recorded in Q2 2019. The effective tax rate was 25.7% (Q2 2018: 27.9%).

Net loss for the second quarter of 2019 of €1,242 million is significantly below the prior-year figure (Q2 2018: net profit of €1,825 million). Net profit of €86 million is **attributable to non-controlling interests** (Q2 2018: €99 million). Net loss **attributable to the shareholders of Daimler AG** amounts to €1,328 million (Q2 2018: net profit of €1,726 million), representing a **loss per share** of €1.24 (Q2 2018: earning per share of €1.61).

The calculation of earnings per share (basic) is based on an average number of outstanding shares of 1,069.7 million (Q2 2018: 1,069.8 million).

C.05

Consolidated statement of income[1]	Daimler Group		Industrial Business[2]		Daimler Financial Services	
	Q2 2019	Q2 2018	Q2 2019	Q2 2018	Q2 2019	Q2 2018
In millions of euros						
Revenue[3]	42,650	40,756	35,505	34,186	7,145	6,570
Cost of sales[3]	-37,104	-32,506	-30,878	-26,853	-6,226	-5,653
Gross profit	5,546	8,250	4,627	7,333	919	917
Selling expenses	-3,072	-3,253	-2,875	-3,045	-197	-208
General administrative expenses	-975	-965	-760	-700	-215	-265
Research and non-capitalized development costs	-1,569	-1,620	-1,569	-1,620	–	–
Other operating income	516	452	460	384	56	68
Other operating expense	-2,127	-188	-2,120	-174	-7	-14
Gains/losses on equity-method investments, net	210	-14	335	410	-125	-424
Other financial expense, net	-87	-26	-87	-18	–	-8
Interest income	121	70	120	70	1	–
Interest expense	-235	-176	-232	-175	-3	-1
Profit/loss before income taxes	-1,672	2,530	-2,101	2,465	429	65
Income taxes	430	-705	577	-723	-147	18
Net profit/loss	-1,242	1,825	-1,524	1,742	282	83
thereof profit attributable to non-controlling interests	86	99				
thereof profit/loss attributable to shareholders of Daimler AG	-1,328	1,726				
Earnings per share (in euros)						
for profit/loss attributable to shareholders of Daimler AG						
Basic	-1.24	1.61				
Diluted	-1.24	1.61				

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 In 2018, the Group’s internal revenue and cost of sales were adjusted by the same amount at the Daimler Financial Services segment. These adjustments have been fully eliminated in the reconciliation.

C.06

Revenue by division

In millions of euros	Q1-2 2019	Q1-2 2018	% change
Mercedes-Benz Cars	43,493	45,573	-5
Daimler Trucks	20,018	17,804	+12
Mercedes-Benz Vans	7,023	6,609	+6
Daimler Buses	2,053	1,925	+7
Daimler Financial Services[1]	14,026	12,825	+9
Reconciliation[1]	-4,265	-4,195	.
Daimler Group	82,348	80,541	+2

1 In 2018, the Group's internal revenue was adjusted at the Daimler Financial Services segment. This adjustment has been fully eliminated in the reconciliation.

C.07

EBIT by division

In millions of euros	Q1-2 2019	Q1-2 2018	% change
Mercedes-Benz Cars	626	3,961	-84
Daimler Trucks	1,307	1,193	+10
Mercedes-Benz Vans	-2,148	324	.
Daimler Buses	85	103	-17
Daimler Financial Services	1,640	614	+167
Reconciliation	-263	-220	.
Daimler Group[1]	1,247	5,975	-79

1 EBIT, the indicator of operating performance, comprises earnings before interest income/expense and corporate income taxes. The reconciliation of the Daimler Group's EBIT to earnings before income taxes is included in Note 19 of the Notes to the Interim Consolidated Financial Statements.

C.08

Return on sales/Return on equity[1]

	Q1-2 2019	Q1-2 2018	change in % points
Mercedes-Benz Cars	1.4%	8.7%	-7.3
Daimler Trucks	6.5%	6.7%	-0.2
Mercedes-Benz Vans	-30.6%	4.9%	-35.5
Daimler Buses	4.1%	5.4%	-1.3
Daimler Financial Services	24.0%	9.9%	+14.1

1 The industrial divisions' profitability is calculated as the quotient of EBIT and revenue. The measure of profitability for Daimler Financial Services is return on equity (quotient of EBIT and equity).

In the first half of the year 2019, the **Daimler Group**'s revenue was €82,348 million and slightly above the prior-year figure (Q1-2 2018: €80,541 million). Adjusted for positive exchange-rate effects, revenue was at the level of the previous year. The Daimler Group achieved EBIT of €1,247 million in the first half of the year 2019, which is significantly below the prior-year figure (Q1-2 2018: €5,975 million). ↗ C.06 ↗ C.07

The earnings of both the Mercedes-Benz Cars division and the Mercedes-Benz Vans division were significantly reduced in the first half of 2019 by expenses for ongoing governmental and court proceedings with regard to Mercedes-Benz diesel vehicles and by an updated risk assessment for an expanded recall of vehicles with Takata airbags. Earnings were also reduced by expenses in connection with a review and prioritization of the product portfolio at the Mercedes-Benz Vans division. Daimler Buses' earnings were also below the prior-year level. On the other hand, the Daimler Trucks division surpassed its prior-year earnings due to the growth in unit sales. Daimler Financial Services increased its first-half earnings compared with the previous year, with a positive impact from the merger of the mobility services of the Daimler Group with those of the BMW Group in the first quarter of 2019. Furthermore, earnings for the first half of 2018 included an expense from the conclusion of the Toll Collect arbitration proceedings. Group EBIT was reduced by falling discount rates. Exchange-rate effects had an overall negative impact on the Group's operating profit.

The reconciliation of segment earnings to Group EBIT in the first six months of the year 2019 resulted in a higher expense than in the prior-year period. ↗ C.07

In the first half of the year 2019, the revenue of the **Mercedes-Benz Cars** division decreased by 5% to €43,493 million (Q1-2 2018: €45,573 million). The division's EBIT was €626 million (Q1-2 2018: €3,961 million). Its return on sales of 1.4% was also significantly below the prior-year figure of 8.7%. ↗ C.06 ↗ C.07 ↗ C.08

In the first half of 2019, earnings were adversely affected by a reassessment of risks relating to ongoing governmental and court proceedings and by measures taken with regard to Mercedes-Benz diesel vehicles in various regions (€1,067 million) in the second quarter of 2019. Furthermore, expenses in connection with recalls, especially an updated risk assessment for an expanded recall of vehicles with Takata airbags in Europe and other parts of the world (€767 million) also led to lower earnings. The decrease in unit sales also had a negative impact. The reasons for the lower unit sales include the general market situation, model changes, constraints on vehicle availability in some international markets and intense competition. Additional factors with a negative impact on earnings were especially advance expenditure for new technologies and vehicles as well as weaker pricing and exchange-rate effects.

The revenue of the **Daimler Trucks** division increased in the first six months of the year 2019 by 12% to €20,018 million (Q1-2 2018: €17,804 million). Revenue was boosted not only by growth in unit sales in the NAFTA region, but also by positive exchange-rate effects. The division achieved EBIT of €1,307 million (Q1-2 2018: €1,193 million). Its return on sales of 6.5% was at the prior-year level (Q2 2018: 6.7%). ↗ C.06 ↗ C.07 ↗ C.08

In addition to the higher unit sales especially in the NAFTA region, exchange-rate effects also had a positive impact on earnings. EBIT was reduced by higher costs, mainly related to increased raw-material prices, and by expenses for an updated risk assessment for an expanded recall of vehicles with Takata airbags (€47 million).

In the first half of the year 2019, **Mercedes-Benz Vans'** revenue increased by 6% to €7,023 million (Q1-2 2018: €6,609 million). EBIT amounted to minus €2,148 million (Q1-2 2018: €324 million). The division's return on sales decreased to minus 30.6% (Q2 2018: plus 4.9%). ↗ C.06 ↗ C.07 ↗ C.08

EBIT was impacted especially in the second quarter of 2019 by a reassessment of risks relating to ongoing governmental and court proceedings and by measures taken with regard to Mercedes-Benz diesel vehicles in various regions (€1,372 million). Earnings were also reduced by expenses of €459 million in connection with a review and prioritization of the product portfolio in the second quarter of 2019, as well as by an updated risk assessment for an expanded recall of Takata airbags in Europe and other parts of the world (€340 million). In an intensely competitive environment, earnings were reduced by weaker pricing and exchange-rate effects.

Due to the positive development of unit sales, the revenue of the **Daimler Buses** division increased by 7% to €2,053 million (Q1-2 2018: €1,925 million). The division posted EBIT of €85 million in the first half of the year 2019 (Q1-2 2018: €103 million); its return on sales decreased to 4.1% (Q2 2018: 5.4%). ↗ C.06 ↗ C.07 ↗ C.08

The sharp decrease in earnings in the first quarter of 2019, which was mainly caused by delayed deliveries of coaches and intercity buses, was partially offset in the second quarter.

In the first six months of the year 2019, the **Daimler Financial Services** division achieved EBIT of €1,640 million (Q1-2 2018: €614 million). Its return on equity increased significantly to 24.0% (Q1-2 2018: 9.9%). ↗ C.07 ↗ C.08

This increase was mainly due to the merger of the mobility services of Daimler Group and BMW Group in the first quarter of 2019, which had a positive impact on earnings of €718 million. Compared with the prior-year period, an additional positive effect resulted from the expense of €418 million in the second quarter of 2018 from the conclusion of the Toll Collect arbitration proceedings. Growth in contract volume also contributed to the increased earnings. EBIT was reduced by the normalization of credit-risk costs and by higher investments in new mobility solutions.

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

Items at the corporate level resulted in expenses of €329 million in the first half of the year 2019 (Q1-2 2018: €214 million). This includes expenses in connection with ongoing governmental and court proceedings and by measures taken with regard to Mercedes-Benz diesel vehicles of €114 million in the second quarter of 2019.

The elimination of intra-group transactions resulted in income of €66 million in the first half of 2019 (Q1-2 2018: expense of €6 million).

Net interest expense in the first half of the year 2019 amounted to €289 million (Q1-2 2018: €190 million).

The **income-tax expense** recognized in the first six months of 2019 amounted to €44 million (Q1-2 2018: €1.598 million). The effective tax rate was 4.6% (Q1-2 2018: 27.7%). The reduction in the income-tax expense reflects both the substantial decrease in and the changed composition of profit before income taxes. In 2019, profit before income taxes includes the mainly tax-free gain on the merger of the mobility services of Daimler Group and BMW Group.

Net profit for the first half of the year 2019 of €907 million was significantly below the prior-year figure (Q1-2 2018: €4,179 million). Net profit of €140 million is **attributable to non-controlling interests** (Q1-2 2018: €180 million). Net loss **attributable to the shareholders of Daimler AG** amounts to €767 million (Q1-2 2018: net profit of €3,999 million), representing a **loss per share** of €0.72 (Q1-2 2018: earnings of €3.74).

C.09

Consolidated statement of income[1]	Daimler Group		Industrial Business[2]		Daimler Financial Services	
	Q1-2 2019	Q1-2 2018	**Q1-2 2019**	Q1-2 2018	**Q1-2 2019**	Q1-2 2018
In millions of euros						
Revenue[3]	**82,348**	80,541	**68,322**	67,716	**14,026**	12,825
Cost of sales[3]	**-69,231**	-63,666	**-57,028**	-52,686	**-12,203**	-10,980
Gross profit	**13,117**	16,875	**11,294**	15,030	**1,823**	1,845
Selling expenses	**-6,223**	-6,350	**-5,836**	-5,954	**-387**	-396
General administrative expenses	**-1,994**	-1,936	**-1,552**	-1,441	**-442**	-495
Research and non-capitalized development costs	**-3,273**	-3,332	**-3,273**	-3,332	**–**	–
Other operating income	**1,733**	783	**919**	671	**814**	112
Other operating expense	**-2,352**	-481	**-2,336**	-456	**-16**	-25
Gains/losses on equity-method investments, net	**472**	329	**624**	758	**-152**	-429
Other financial income/expense, net	**-240**	79	**-240**	77	**–**	2
Interest income	**200**	125	**199**	125	**1**	–
Interest expense	**-489**	-315	**-484**	-313	**-5**	-2
Profit/loss before income taxes	**951**	5,777	**-685**	5,165	**1,636**	612
Income taxes	**-44**	-1,598	**233**	-1,452	**-277**	-146
Net profit/loss	**907**	4,179	**-452**	3,713	**1,359**	466
thereof profit attributable to non-controlling interests	**140**	180				
thereof profit attributable to shareholders of Daimler AG	**767**	3,999				
Earnings per share (in euros)						
for profit attributable to shareholders of Daimler AG						
Basic	**0.72**	3.74				
Diluted	**0.72**	3.74				

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 In 2018, the Group’s internal revenue and cost of sales were adjusted by the same amount at the Daimler Financial Services segment. These adjustments have been fully eliminated in the reconciliation.

Cash flows

In the first six months of 2019, **cash provided by operating activities ↗ C.10** amounted to €2.2 billion (Q1-2 2018: €1.0 billion). The increase was primarily due to effects from the leasing and sales-financing business. A further positive impact resulted from the lower income taxes paid because of the lower operating profit. Opposing effects were attributable to working capital, in particular to the development of trade payables at Mercedes-Benz Cars and Daimler Trucks.

C.10

Condensed statement of cash flows[1]

	Daimler Group		Industrial Business[2]		Daimler Financial Services	
	Q1-2 2019	Q1-2 2018	**Q1-2 2019**	Q1-2 2018	**Q1-2 2019**	Q1-2 2018
In millions of euros						
Cash and cash equivalents at beginning of period	**15,853**	12,072	**12,799**	9,515	**3,054**	2,557
Profit before income taxes	**951**	5,777	**-685**	5,165	**1,636**	612
Depreciation and amortization/impairments	**3,644**	2,973	**3,569**	2,913	**75**	60
Other non-cash expense and income and gains/losses on disposals of assets	**-1,143**	-364	**-601**	-821	**-542**	457
Change in operating assets and liabilities						
Inventories	**-3,849**	-3,560	**-4,009**	-3,707	**160**	147
Trade receivables	**-92**	285	**-320**	235	**228**	50
Trade payables	**946**	3,230	**866**	2,976	**80**	254
Receivables from financial services	**-1,172**	-4,514	**-44**	-34	**-1,128**	-4,480
Vehicles on operating leases	**-631**	-1,293	**-39**	635	**-592**	-1,928
Other operating assets and liabilities	**4,561**	-386	**4,040**	-900	**521**	514
Dividends received from equity-method investments	**52**	431	**52**	356	**–**	75
Income taxes paid	**-1,069**	-1,619	**-473**	-1,021	**-596**	-598
Cash used for/provided by operating activities	**2,198**	960	**2,356**	5,797	**-158**	-4,837
Additions to property, plant and equipment and intangible assets	**-5,119**	-4,436	**-5,040**	-4,379	**-79**	-57
Investments in and disposals of shareholdings	**-1,010**	-76	**-273**	81	**-737**	-157
Acquisitions and sales of marketable debt securities and similar investments	**751**	-278	**562**	-270	**189**	-8
Other	**106**	254	**79**	260	**27**	-6
Cash used for investing activities	**-5,272**	-4,536	**-4,672**	-4,308	**-600**	-228
Change in financing liabilities	**3,455**	9,905	**2,969**	6,747	**486**	3,158
Dividends paid	**-3,709**	-4,170	**-3,698**	-4,169	**-11**	-1
Other transactions with shareholders	**-43**	-44	**-11**	-21	**-32**	-23
Internal equity and financing transactions	**–**	–	**770**	-1,651	**-770**	1,651
Cash used for/provided by financing activities	**-297**	5,691	**30**	906	**-327**	4,785
Effect of foreign exchange rate changes on cash and cash equivalents	**37**	147	**25**	154	**12**	-7
Cash and cash equivalents at end of period	**12,519**	14,334	**10,538**	12,064	**1,981**	2,270

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.

Cash used for investing activities ↗ C.10 led to a cash outflow of €5.3 billion (Q1-2 2018: €4.5 billion). The change compared with the first six months of last year primarily reflects cash outflows (net) of €0.7 billion relating to the merger of the mobility services of Daimler Group and BMW Group. The main effect results from capital increases at the joint ventures. Furthermore, increased investments in property, plant and equipment and intangible assets also affected cash used for investing activities. Opposing positive effects resulted from sales and purchases of marketable debt securities and similar investments. In the first half of 2019, a net cash inflow was realized, while purchases exceeded sales of marketable debt securities in the same period of the previous year.

Cash used for/provided by financing activities ↗ C.10 resulted in a cash outflow of €0.3 billion (Q1-2 2018: cash inflow of €5.7 billion). The change is primarily due to lower net cash inflows from financing liabilities, mainly in connection with the refinancing of the leasing and sales-financing business.

C.11

Free cash flow of the industrial business

In millions of euros	Q1-2 2019	Q1-2 2018	Change
Cash used for/provided by operating activities	2,356	5,797	-3,441
Cash used for/provided by investing activities	-4,672	-4,308	-364
Change in marketable debt securities and similar investments	-562	270	-832
Other adjustments	-463	45	-508
Free cash flow of the industrial business	-3,341	1,804	-5,145

C.12

Net liquidity of the industrial business

In millions of euros	June 30, 2019	Dec. 31, 2018	Change
Cash and cash equivalents	10,538	12,799	-2,261
Marketable debt securities and similar investments	7,833	8,364	-531
Liquidity	18,371	21,163	-2,792
Financing liabilities	-12,609	-4,771	-7,838
Market valuation and currency hedges for financing liabilities	856	-104	+960
Financing liabilities (nominal)	-11,753	-4,875	-6,878
Net liquidity	6,618	16,288	-9,670

Cash and cash equivalents decreased compared with December 31, 2018 by €3.3 billion, after taking into account currency translation. Total liquidity, which also includes marketable debt securities and similar investments, decreased by €4.0 billion to €21.5 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.11, 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 mainly relate to the recognition and measurement of right-of-use assets, which result from the change in lessee accounting and are largely non-cash items. Furthermore, effects from the financing of dealerships and effects from internal deposits within the Group are adjusted. In addition, the calculation of the free cash flow includes the 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 2019, the **free cash flow of the industrial business** led to a cash outflow of €3.3 billion (Q1-2 2018: cash inflow of €1.8 billion). The substantially increased outflow was primarily attributable to working capital, in particular to the development of trade payables at Mercedes-Benz Cars and Daimler Trucks. Furthermore, increased investments in property, plant and equipment and intangible assets also contributed. Apart from the negative effects relating to the recognition and measurement of right-of-use assets, further effects on the free cash flow of the industrial business resulted from the negative development of operating leases. In contrast, lower income tax payments had a positive impact.

In the first six months of 2019, the **free cash flow of the Daimler Group** led to a cash outflow of €4.4 billion (Q1-2 2018: €3.4 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. Additional effects resulted from the cash outflows (net) relating to the merger of the mobility services of Daimler Group and BMW Group.

The **net liquidity of the industrial business** ↗ C.12, 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.

Due to the introduction of lessee accounting according to IFRS 16 and the associated recognition of leasing liabilities for outstanding lease payments, the net liquidity of the industrial business decreased by €3.2 billion to €13.1 billion at January 1, 2019. Since the beginning of the year, net liquidity decreased by a further €6.5 billion to €6.6 billion. Apart from the dividend payment to Daimler AG shareholders, the main driver of the decrease was the negative free cash flow of the industrial business.

Net debt at Group level, which primarily results from refinancing the leasing and sales-financing business, increased compared with December 31, 2018 by €12.2 billion to €131.8 billion. The effect resulting from the introduction of lessee accounting is €3.4 billion. ↗ C.13.

As part of the **refinancing** in the second quarter of 2019, Daimler had a cash inflow of €0.4 billion from the **issuance** of bonds (Q2 2018: €8.7 billion). The issuance volume was carried out through multiple smaller issuances in various countries. The redemption of bonds resulted in cash outflows of €2.8 billion (Q2 2018: €3.4 billion). Table ↗ C.14 shows the benchmark issuances conducted in 2019.

Furthermore, three **asset-backed securities (ABS) transactions** were conducted in the second quarter of 2019. In the United States, two ABS transactions with a total refinancing volume of $2.0 billion were successfully placed. In addition, a transaction in the amount of CNY 8.5 billion was carried out in China.

C.13
Net debt of the Daimler Group

In millions of euros	June 30, 2019	Dec. 31, 2018	Change
Cash and cash equivalents	12,519	15,853	-3,334
Marketable debt securities and similar investments	8,945	9,577	-632
Liquidity	21,464	25,430	-3,966
Financing liabilities	-154,103	-144,902	-9,201
Market valuation and currency hedges for financing liabilities	832	-97	+929
Financing liabilities (nominal)	-153,271	-144,999	-8,272
Net debt	-131,807	-119,569	-12,238

C.14
Benchmark issuances

Issuer	Volume	Month of issue	Maturity
Daimler International Finance B.V.	€1,500 million	Feb. 2019	Feb. 2023
Daimler International Finance B.V.	€1,000 million	Feb. 2019	Jun. 2026
Daimler AG	€750 million	Feb. 2019	Feb. 2031
Daimler Finance North America LLC	$1,900 million	Feb. 2019	Feb. 2022
Daimler Finance North America LLC	$600 million	Feb. 2019	Feb. 2024
Daimler Finance North America LLC	$500 million	Feb. 2019	Feb. 2029

Financial position

The **balance sheet total** increased compared with December 31, 2018 from €281.6 billion to €294.2 billion; adjusted for the effects of currency translation, the increase amounts to €11.1 billion. Daimler Financial Services accounts for €167.6 billion of the balance sheet total (December 31, 2018: €165.3 billion), equivalent to 57% of the Daimler Group's total assets (December 31, 2018: 59%).

The increase in total assets primarily reflects the growth in inventories and the higher volume of the financial services business. In addition, the recognition of right-of-use assets due to changed lessee accounting led to an increase in property, plant and equipment (see Note 1 of the Notes to the Interim Consolidated Financial Statements). Liquidity, comprising cash and cash equivalents as well as marketable debt securities and similar investments, was below the level at the end of 2018. On the liabilities side of the balance sheet, there were increases primarily in financing liabilities (including liabilities from lease contracts) and provisions, while equity decreased compared with December 31, 2018. Current assets account for 42% of the balance sheet total, slightly below the proportion at the end of last year (43%). Current liabilities amount to 37% of total equity and liabilities, which is higher than at December 31, 2018 (35%).

C.15

Condensed statement of financial position[1]	Daimler Group		Industrial Business[2]		Daimler Financial Services	
	At June 30, 2019	At Dec. 31, 2018	At June 30, 2019	At Dec. 31, 2018	At June 30, 2019	At Dec. 31, 2018
In millions of euros						
Assets						
Intangible assets	15,383	14,801	14,504	13,913	879	888
Property, plant and equipment	35,794	30,948	35,445	30,859	349	89
Equipment on operating leases	50,368	49,476	18,863	18,509	31,505	30,967
Receivables from financial services	98,669	96,740	-80	-90	98,749	96,830
Equity-method investments	6,020	4,860	4,184	4,651	1,836	209
Inventories	33,459	29,489	32,267	28,096	1,192	1,393
Trade receivables	12,743	12,586	10,909	10,545	1,834	2,041
Cash and cash equivalents	12,519	15,853	10,538	12,799	1,981	3,054
Marketable debt securities and similar investments	8,945	9,577	7,833	8,364	1,112	1,213
thereof current	8,266	8,855	7,831	8,362	435	493
thereof non-current	679	722	2	2	677	720
Other financial assets	7,272	5,733	-11,058	-12,719	18,330	18,452
Other assets	13,010	11,025	3,176	1,376	9,834	9,649
Assets held for sale	–	531	–	–	–	531
Total assets	294,182	281,619	126,581	116,303	167,601	165,316
Equity and liabilities						
Total equity	61,780	66,053	48,386	53,243	13,394	12,810
Provisions	30,569	24,406	29,373	23,269	1,196	1,137
Financing liabilities	154,103	144,902	12,609	4,771	141,494	140,131
thereof current	65,113	56,240	-13,714	-20,993	78,827	77,233
thereof non-current	88,990	88,662	26,323	25,764	62,667	62,898
Trade payables	15,194	14,185	14,321	13,395	873	790
Other financial liabilities	10,429	10,032	5,976	5,888	4,453	4,144
Contract and refund liabilities	12,402	12,519	12,018	12,146	384	373
Other liabilities	9,705	9,310	3,898	3,591	5,807	5,719
Liabilities held for sale	–	212	–	–	–	212
Total equity and liabilities	294,182	281,619	126,581	116,303	167,601	165,316

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.

Intangible assets of €15.4 billion (December 31, 2018: €14.8 billion) include €11.8 billion of capitalized development costs (December 31, 2018: €11.3 billion), €2.0 billion of franchises, industrial property rights and similar rights (December 31, 2018: €2.0 billion) and €1.1 billion of goodwill (December 31, 2018: €1.1 billion). The Mercedes-Benz Cars division accounts for 83% of the development costs (December 31, 2018: 81%) while the Mercedes-Benz Vans division accounts for 9% (December 31, 2018: 10%) and the Daimler Trucks division accounts for 7% (December 31, 2018: 8%).

Property, plant and equipment increased to €35.8 billion (December 31, 2018: €30.9 billion). Due to the application of single lessee accounting according to IFRS 16 as of January 1, 2019, right-of-use assets of €4.1 billion are included in property, plant and equipment. In the first six months of 2019, €3.4 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 €2.4 billion of capital expenditure (Q1-2 2018: €2.1 billion).

Equipment on operating leases and receivables from financial services increased to €149.0 billion (December 31, 2018: €146.2 billion). Adjusted for exchange-rate effects, the increase of €1.9 billion was primarily caused by the higher contract volume at Daimler Financial Services; the business with end-customers was further expanded especially in North and South America. The leasing and sales-financing business as a proportion of 51% of total assets was below the prior-year level (December 31, 2018: 52%).

Equity-method investments increased to €6.0 billion (December 31, 2018: €4.9 billion). The increase is mainly due to the merger of the mobility services of Daimler Group and BMW Group and the resulting first-time consolidation of five operating joint ventures, which are aggregated under YOUR NOW (see Note 2 of the Notes to the Interim Consolidated Financial Statements). Furthermore, they 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 €29.5 billion to €33.5 billion, equivalent to 11% of total assets and thus above the level at the end of 2018 (10%). The increase relates primarily to finished goods and work in process for seasonal reasons. In addition, at Mercedes-Benz Cars, the increase was partially due to model changes and constraints on the availability of vehicles in some international markets.

Trade receivables of €12.7 billion were slightly above the prior-year level (December 31, 2018: €12.6 billion). The Mercedes-Benz Cars division accounts for 47% (December 31, 2018: 45%) of these receivables and the Daimler Trucks division accounts for 25% (December 31, 2018: 25%).

Cash and cash equivalents decreased compared with the end of the year 2018 by €3.3 billion to €12.5 billion.

Marketable debt securities and similar investments decreased compared with December 31, 2018 from €9.6 billion to €8.9 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 of €7.3 billion are above the prior-year level (December 31, 2018: €5.7 billion). They primarily consist of derivative financial instruments, equity and debt instruments, investments in non-consolidated subsidiaries, and loans and other receivables due from third parties. The increase is mainly attributable to dividends due from Beijing Benz Automotive Co., Ltd. as well as higher positive fair values of derivative financial instruments.

Other assets of €13.0 billion (December 31, 2018: €11.0 billion) primarily comprise deferred tax assets and tax refund claims. The increase is mainly caused by deferred tax assets and relates to, among other things, effects from pensions and similar obligations not recognized in profit or loss.

The Group's **equity** decreased compared with December 31, 2018 from €66.1 billion to €61.8 billion. The decrease of €4.6 billion (adjusted for the effects of currency translation) resulted from the dividend of €3.5 billion paid out to Daimler's shareholders, actuarial losses of €1.5 billion from defined-benefit pension plans that are recognized in retained earnings and losses of €0.3 billion on the remeasurement of derivative financial instruments recognized in other comprehensive income. The net profit of €0.9 billion partially offset the decrease. Equity attributable to the shareholders of Daimler AG also decreased to €60.5 billion (December 31, 2018: €64.7 billion).

While the balance sheet total increased, equity adjusted for the dividend decreased compared with December 31, 2018. The Group's **equity ratio** of 21.0% was therefore below the level of year-end 2018 (December 31, 2018: 22.2%); the equity ratio for the industrial business was 38.2% (December 31, 2018: 42.8%).

Provisions of €30.6 billion were significantly above the level of December 31, 2018 (€24.4 billion); as a proportion of the balance sheet total, they amount to 10%, which is above the prior-year level (9%). They primarily comprise provisions for pensions and similar obligations of €10.0 billion (December 31, 2018: €7.4 billion), which mainly consist of the difference between the present value of defined-benefit pension obligations of €35.6 billion (December 31, 2018: €31.7 billion) and the fair value of the pension plan assets applied to finance those obligations of €26.9 billion (December 31, 2018: €25.5 billion). The decrease of approximately 0.7% in discount rates led to an increase in the present value of the defined-benefit pension obligations. This effect was partially offset by a positive interest rate development of plan assets. Provisions also relate to liabilities from income taxes of €1.4 billion (December 31, 2018: €1.5 billion), from product warranties of €8.5 billion (December 31, 2018: €7.0 billion) and from personnel and social costs of €3.8 billion (December 31, 2018: €4.3 billion), as well as other provisions of €6.9 billion (December 31, 2018: €4.3 billion). The reassessment of risks especially at the Mercedes-Benz Cars and Mercedes-Benz Vans divisions led to an increase in provisions for product warranties and other provisions. The increase relates to ongoing governmental and court proceedings and measures taken with regard to Mercedes-Benz diesel vehicles in several regions, as well as an updated risk assessment for an expanded recall of vehicles with Takata airbags in Europe and other parts of the world.

Financing liabilities of €154.1 billion were above the level of December 31, 2018 (€144.9 billion). The increase includes effects of €0.8 billion from currency translation. Adjusted for exchange-rate effects, the increase amounts to €8.4 billion, and reflects both the refinancing of the leasing and sales-financing business and higher leasing liabilities of €3.8 billion due to the application of single lessee accounting according to IFRS 16. 52% of the financing liabilities relate to notes and bonds, 25% to liabilities to banks, 8% to deposits in the direct banking business and 8% to liabilities from ABS transactions.

Trade payables increased to €15.2 billion (December 31, 2018: €14.2 billion). The Mercedes-Benz Cars division accounts for 64% (December 31, 2018: 60%) of those payables and the Daimler Trucks division accounts for 22% (December 31, 2018: 24%).

Other financial liabilities of €10.4 billion (December 31, 2018: €10.0 billion) mainly consist of liabilities from residual-value guarantees, derivative financial instruments, salaries and wages, deposits received and accrued interest on financing liabilities.

Contract and refund liabilities of €12.4 billion are slightly below the level at December 31, 2018 (€12.5 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 €9.7 billion (December 31, 2018: €9.3 billion) primarily comprise deferred income, tax liabilities and deferred taxes.

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

Capital expenditure and research activities

The Daimler Group invested €3.4 billion in property, plant and equipment in the first half of this year (Q1-2 2018: €2.9 billion). Most of that investment, €2.8 billion, was at the Mercedes-Benz Cars division (Q1-2 2018: €2.3 billion). The main focus of capital expenditure was on ramp-up preparations for the successor models of the S-Class and C-Class, as well as for the successor models of the compact cars. Another area of capital expenditure was for battery production. At Daimler Trucks, the main investments in the first half of 2019 were for successor generations of existing products, new products, global component projects and the optimization of our worldwide production and sales network.

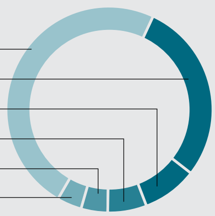
The Daimler Group's research and development spending in the first half of the year amounted to €4.7 billion (Q1-2 2018: €4.6 billion), of which €1.5 billion was capitalized (Q1-2 2018: €1.3 billion). More than three quarters, €3.7 billion, of the research and development expenditure was at the Mercedes-Benz Cars division (Q1-2 2018: €3.5 billion). This includes an increasing volume of development costs for the next generation of electric vehicles. Other key areas gaining importance are digitization and autonomous driving. The most important projects at Daimler Trucks were in the areas of emission standards and fuel efficiency, as well as tailored products and technologies for major growth markets. In addition, an important role is played by the future technologies of automated and autonomous driving, electric mobility and connectivity.

Workforce

At the end of the second quarter of 2019, the Daimler Group employed 304,065 people worldwide (end of 2018: 298,683). Of that total, 177,480 were employed in Germany (end of 2018: 174,663), 27,220 in the United States (end of 2018: 26,310), 10,917 in Brazil (end of 2018: 10,307) and 10,098 in Japan (end of 2018: 9,918). Our consolidated companies in China employed 4,503 people at the end of June (end of 2018: 4,424). ↗ C.16

C.16
Employees by division (as of June 30, 2019)

Daimler Group	304,065
Mercedes-Benz Cars	148,516
Daimler Trucks	86,892
Mercedes-Benz Vans	26,019
Daimler Buses	18,218
Daimler Financial Services	12,912
Group Functions & Services	11,508



Important events

Changes in the Supervisory Board and the Board of Management
The Annual Shareholders' Meeting held on May 22, 2019 reelected Joe Kaeser and Bernd Pischetsrieder as members of the Supervisory Board representing the shareholders. Joe Kaeser is currently CEO of Siemens AG; like Bernd Pischetsrieder, the former CEO of BMW AG and Volkswagen AG, he has been a member of Daimler's Supervisory Board since 2014. The period of office of the two reelected Supervisory Board members expires at the end of the Annual Shareholders' Meeting in the year 2024.

After more than 13 years as Chairman of the Board of Management of Daimler AG and Head of Mercedes-Benz Cars, Dieter Zetsche stepped down at the end of the 2019 Annual Shareholders' Meeting. After the end of the two-year cooling-off period, the Supervisory Board intends to propose the election of Dieter Zetsche to the Supervisory Board at the Annual Shareholders' Meeting in 2021.

At the end of this year's Annual Shareholders' Meeting, Ola Källenius took over the positions of Chairman of the Board of Management of Daimler AG and Head of Mercedes-Benz Cars. Ola Källenius joined the Daimler Group in 1995 and, after holding several national and international management positions, was appointed Member of the Board of Management of Daimler AG with responsibility for Mercedes-Benz Cars Marketing & Sales effective January 2015. In January 2017, Ola Källenius was made responsible for Group Research and Mercedes-Benz Cars Development. His successor in this position in the Daimler Board of Management is Markus Schäfer, who will also be responsible for procurement and supplier quality at Mercedes-Benz Cars.

Furthermore, Harald Wilhelm, who was appointed as a member of the Board of Management of Daimler AG effective April 1, 2019, assumed responsibility for Finance & Controlling and Daimler Financial Services at the end of the Annual Shareholders' Meeting. Harald Wilhelm was previously Chief Financial Officer of Airbus and a member of the Executive Committee of Airbus. He is the successor of Daimler's longstanding CFO, Bodo Uebber, who did not wish to extend his contract of service, which was scheduled to run until December 2019, and stepped down from his position at the end of the Annual Shareholders' Meeting.

A large majority of Daimler shareholders vote for a new Group structure with Daimler as the parent company

At the Annual Shareholders' Meeting in Berlin, a large majority of the shareholders of Daimler AG approved the restructuring of the Daimler Group. This clears the way for the Group to transfer the car and van business as well as the truck and bus business to legally independent entities by means of spin-offs. The new Group structure will take effect when the spin-offs are entered in the Commercial Register. The aim is to launch the new corporate structure on November 1, 2019. From that date onwards, Mercedes-Benz AG will be responsible for the operations of the current Mercedes-Benz Cars and Mercedes-Benz Vans divisions, while Daimler Trucks and Daimler Buses will together become Daimler Truck AG. Daimler Financial Services AG, which is already legally independent, will be renamed as Daimler Mobility AG effective July 24, 2019. The two new companies, like the current Daimler AG and the future Daimler Mobility AG, will be German stock corporations subject to codetermination and headquartered in Stuttgart.

Mercedes-Benz opens car plant in Russia

Mercedes-Benz Cars is starting production at the new Moscovia car plant with the Mercedes-Benz E-Class sedan for the local market. The E-Class will be followed by SUV models. Mercedes-Benz Cars is investing a total of more than €250 million in the plant in the Moscow region. The new facility will employ more than 1,000 people in production and management. The Mercedes-Benz plant will feature flexible and green production and will apply modern Industry 4.0 technologies. This new plant is a further component of our strategy to produce where our customers are located.

Daimler AG and BMW Group start long-term development cooperation for automated driving

Daimler and the BMW Group are to start their cooperation in the field of automated driving. The two companies have signed an agreement on long-term, strategic cooperation in this field. Together, Daimler and the BMW Group want to develop the next generation of technology for driver-assistance systems and automated driving on highways, as well as automated parking functions (each up to SAE Level 4). In addition, the two partners aim to hold discussions about expanding the scope of the cooperation to include higher levels of automation in urban environments. This underscores the long-term and sustainable character of the cooperation towards a scalable platform for automated driving. The non-exclusive cooperation is open to other automobile manufacturers and technology partners. The results of the cooperation will also be offered to other OEMs for licensing.

One of the goals of the cooperation is to achieve a rapid market launch of the technology. As of the year 2024, appropriate systems are to be available in cars for private customers. Each company will implement the results of the development cooperation individually in its own series products. More than 1,200 experts will work together within the framework of the cooperation, some of them in mixed teams. Their tasks will include designing a scalable architecture for driver-assistance systems (including sensors), setting up a joint computer center for storing, managing and processing data, as well as developing functions and software.

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 143 to 157 of our Annual Report 2018. 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 for the 2019 financial year has changed since the presentation of Annual Report 2018 as follows.

Company-specific and financial risks

In connection with our equity interests, the possible impact of risks has increased from “medium” to “high” compared with the assessment in Annual Report 2018. Our current assessment of the probability of occurrence of risks connected with changes in our credit ratings has also changed, from “low” to “medium.”

Risks from legal proceedings in connection with diesel exhaust gas emissions – governmental proceedings

As already reported, Daimler is currently subject to governmental information requests, inquiries, investigations, administrative orders and proceedings relating to environmental, securities, criminal, antitrust and other laws and regulations in connection with diesel exhaust emissions.

Several federal and state authorities and other institutions worldwide have inquired about and/or are conducting investigations and/or proceedings, and/or have issued administrative orders. These particularly relate to 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, amongst others, the U.S. Department of Justice (“DOJ”), which has requested that Daimler conduct an internal investigation, the U.S. Environmental Protection Agency (“EPA”), the California Air Resources Board (“CARB”) and other US state authorities, the U.S. Securities and Exchange Commission (“SEC”), the European Commission, the German Federal Cartel Office (“Bundeskartellamt”) 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”). In the course of its formal investigation into possible collusion on clean emission technology, the European Commission, in April 2019, has sent a statement of objections to Daimler and other automobile manufacturers. In this context, some time ago Daimler has filed a leniency application with the European Commission. The Stuttgart district attorney’s office is conducting criminal investigation proceedings against Daimler employees on the suspicion of fraud and criminal advertising, and, in May 2017, searched the premises of Daimler at several locations in Germany. In February 2019, the Stuttgart district attorney’s office also initiated a formal investigation proceeding against Daimler AG with respect to an administrative offense in this regard. Daimler continues to fully cooperate with the authorities and institutions. Irrespective of such cooperation, it is possible that further regulatory, 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 investigations, coordination or proceedings, including the resolution of proceedings by way of a settlement. Additionally, further delays in obtaining regulatory approvals necessary to introduce new or recertify existing vehicle models could occur.

In the second and third quarter of 2018 as well as in June 2019, KBA issued administrative orders holding that certain calibrations of specified functionalities in certain Mercedes-Benz Diesel vehicles are to be qualified as impermissible defeat devices and ordered subsequent auxiliary provisions for the respective EU type approvals in this respect, including stops of the first registration and mandatory recalls. Daimler filed timely objections against such administrative orders in order to have the open legal issues resolved, if necessary by a court of law. In the course of its regular market supervision, KBA routinely conducts further reviews of Mercedes-Benz vehicles and asks questions about technical elements of the vehicles. It cannot be ruled out that in the course of the ongoing and/or further investigations KBA will issue additional administrative orders making similar findings. Daimler has (in view of KBA’s interpretation of the law as a precaution) implemented a temporary delivery and registration stop with respect to certain models and reviews constantly whether it can lift this delivery and registration stop in whole or in part. The new calibrations requested by KBA are being processed, and for a certain proportion of the vehicles, the relevant software has already been approved by KBA; the related recalls have insofar been initiated. It cannot be ruled out that further delivery and registration stops may be ordered or resolved by the Company as a precautionary measure under the relevant circumstances. Daimler has initiated further investigations and otherwise continues to fully cooperate with the authorities and institutions.

In January 2019, another vehicle manufacturer reached civil settlements with US and state authorities, as well as with vehicle customers. Although the manufacturer did not admit liability, the authorities maintain the position that the manufacturer included undisclosed Auxiliary Emission Control Devices (AECDs) in its diesel vehicles, apparently including functionalities that are common in diesel vehicles, and that certain of these AECDs are to be perceived as illegal defeat devices. As part of these settlements, the manufacturer will, among other things, pay civil penalties, undertake a recall of affected vehicles, provide extended warranties, undertake a nationwide mitigation project and make other payments. The manufacturer will furthermore provide payments to current and former diesel vehicle owners as part of a class action settlement.

In light of these matters and in light of the ongoing governmental information requests, inquiries, investigations, administrative orders and proceedings, as well as our own internal investigations, and the technical Compliance Management System (tCMS), which is and continues to be implemented to address the specific risks associated with the product development process in the automotive divisions 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 have impermissible functionalities and/or calibrations and/or that certain functionalities and/or calibrations were not properly disclosed. Furthermore, the authorities have increased scrutiny of Daimler's processes regarding running-change, field-fix and defect reporting, as well as other compliance issues. The inquiries, investigations, legal actions and proceedings as well as the replies to the governmental information requests, the objection proceedings against KBA's administrative orders and our internal investigations are still ongoing and open; hence, Daimler cannot predict the outcome at this time. If these or other information requests, inquiries, investigations, administrative orders and proceedings result in unfavorable findings, an unfavorable outcome or otherwise develop unfavorably, Daimler could be subject to significant monetary penalties, fines, disgorgement of profits, remediation requirements, further vehicle recalls, further registration and delivery stops, process and compliance 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 proceedings. The occurrence of the aforementioned events in whole or in part could cause significant collateral damage including reputational harm. Further, due to negative determinations or findings with respect to technical or legal issues by one of the various governmental agencies, other agencies – or also plaintiffs – 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 determination or finding in one proceeding carries the risk of being able to have an adverse effect on other proceedings, also potentially leading to new or expanded investigations or proceedings, including lawsuits.

In addition, Daimler's ability to defend itself in proceedings 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.

Risks from legal proceedings in connection with diesel exhaust gas emissions – court proceedings

A consumer class-action lawsuit is pending in the United States in which it is alleged that Daimler AG and MBUSA conspired with Robert Bosch LLC and Robert Bosch GmbH (collectively, “Bosch”) to deceive US regulators and consumers. A separate lawsuit was filed in January 2019 by the State of Arizona alleging that Daimler AG and MBUSA deliberately deceived consumers in connection with the advertising of Mercedes-Benz diesel vehicles. Consumer class-action lawsuits containing similar allegations were filed against Daimler AG and other companies of the Group in Canada in April 2016, and against Daimler AG in Israel in February 2019. A similar class action was filed in the United States in July 2017, but in December 2017, the parties stipulated to dismiss that lawsuit without prejudice. It may be filed again under specific conditions. Furthermore, class actions have been filed in the United States and Canada alleging anticompetitive behavior relating to vehicle technology, costs, suppliers, markets, and other competitive attributes, including diesel emissions control technology. In June 2019, the consolidated US class actions making these allegations were dismissed by the Court with leave to amend. A securities class action lawsuit is pending in the United States on behalf of investors in Daimler AG American Depositary Receipts which alleges that the defendants made materially false and misleading statements about diesel emissions in Mercedes-Benz vehicles. Daimler AG and the respective other affected companies of the Group regard these lawsuits as being without merit and will defend against the claims.

In Germany, a multitude of lawsuits by customers alleging violations of warranty and tort laws as well as lawsuits by investors alleging the violation of disclosure requirements are pending. In this context, motions to initiate a model proceeding in accordance with the Act on Model Proceedings in Capital Markets Disputes (KapMuG) have been filed by investors as well as by Daimler AG. Currently, no model proceeding is pending. Daimler AG also regards these lawsuits as being without merit and will defend against the claims.

If court proceedings have an unfavorable outcome for Daimler, this could result in significant damages and punitive damages payments, remedial works or other cost-intensive measures. Court proceedings can in part also have an adverse effect on the reputation of the Group.

Furthermore, Daimler’s ability to defend itself in the court proceedings could be impaired by unfavorable findings, results or developments in any of the governmental or other court proceedings discussed above.

Risks from other legal proceedings

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.

As legal proceedings are fraught with a large degree of uncertainty, it is possible that after their final resolution, some of the provisions we have recognized for them could prove to be insufficient. As a result, substantial additional expenditures may arise. This also applies to legal proceedings for which the Group has seen no requirement to recognize a provision.

It cannot be ruled out that the regulatory risks and risks from legal proceedings discussed above individually or in the aggregate may materially adversely impact our profitability and financial position.

Although the final result of any such litigation may influence the Group’s earnings and cash flows in any particular period, Daimler believes that any resulting obligations are unlikely to have a sustained effect on the Group’s financial position.

Further information on legal proceedings is provided in Note 30 of the Notes to the Consolidated Financial Statements of the Annual Report 2018.

Outlook

Key leading indicators continued to worsen in the first half of this year, so the slowdown in the growth of the **world economy** is likely to continue for the time being. Current growth forecasts for global gross domestic product (GDP) in full-year 2019 continue to be below the 3% mark. The US economy should continue its expansion at a slightly lower rate in view of the expiring fiscal stimulus and the recent normalization of monetary policy. Thanks to the continuation of stable domestic demand and possible interest-rate cuts by the Fed, growth should remain around 2.5% but above the economy's growth potential. Most indicators for the economy of the European Monetary Union do not suggest any significant acceleration in the second half of the year. Despite ongoing solid domestic demand, growth is likely to slow to only about 1% as a result of weaker foreign trade. The German economy is expected to grow at a rate of only around 0.5%. In view of continuing uncertainty in connection with the United Kingdom's intended withdrawal from the EU, growth of the British economy is likely to remain subdued and below the already weak previous year at just over 1%. The further development of the Chinese economy depends to a large extent on whether a solution can be found to the trade conflict with the United States and to what extent the stimulus measures introduced by the government will support growth. However, most analysts continue to anticipate stabilization and expect overall growth to remain solid at rather more than 6%. The South American economy lagged significantly behind expectations in the first half of this year and is likely to develop moderately, like it did in the previous year. This applies in particular also to Brazil, where the economic recovery has increasingly stalled; growth there should even be weaker than in the previous year. In Eastern Europe, growth is likely to weaken further. In addition to the recession in Turkey, growth in Russia, the region's largest market, is also expected to decline perceptibly.

Worldwide **demand for cars** in 2019 is likely to be slightly lower than in the previous year. The European market is also expected to be slightly lower than in 2018. In Western Europe, we expect demand to remain more or less unchanged in view of the above-average market level that has meanwhile returned. The largest single market, Germany, should also develop stably at the previous year's level. The car market in Eastern Europe is expected to contract slightly. The Russian market should approximately maintain its prior-year level, while a sharp decline is expected in Turkey.

The US market for cars and light trucks is likely to contract slightly from a high level. After a very weak first half of the year, the Chinese car market should gradually stabilize as the year progresses. For 2019 as a whole, however, the market should remain slightly below previous year's volume. Demand in India is likely to stay on the prior-year level. In Japan, we expect the market level to remain unchanged.

Demand for **heavy- and medium duty trucks** is likely to be varied in the regions relevant to us, but overall, we anticipate a continuation of favorable market conditions.

In the NAFTA region, we assume that the truck market in weight classes 6 to 8 will slightly surpass the high level of the previous year.

Despite generally weaker economic growth, we expect demand in the EU30 region to remain at the high level of 2018. In Brazil, the market is expected to continue its recovery with a significant increase in truck sales. The Turkish market, however, is likely to contract again significantly as a result of the country's economic recession. We anticipate a slight decrease in demand for trucks in Russia.

In the Japanese market for heavy-, medium- and light-duty trucks, we assume that demand will remain stable at an ongoing solid level. For the Indonesian truck market as a whole, we expect a negative development. Sales of heavy- and medium-duty trucks in India should remain fairly stable after the strong growth of the previous year. In the Chinese heavy-duty truck market, a significant decrease is expected from an exceptionally high level.

For the EU30 region in the year 2019, we expect slight growth in the combined segment of midsize and large **vans**. We anticipate a market volume at the prior-year level in the market for small vans and in the segment of midsize pickups. In the United States, demand for large vans is also likely to be at the prior-year level. The market for large vans in Latin America should continue to recover in 2019. In China, we expect a market volume at the prior-year level in the segment for midsize vans that we address there.

We expect the market volume for **buses** in the EU30 region to be slightly larger than in 2018. In Latin America (excluding Mexico), we assume that the situation will improve significantly due to the noticeable market recovery in Brazil; however, growth in Latin America will continue to be negatively affected by the economic crisis in Argentina.

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

Mercedes-Benz Cars plans unit sales in full-year 2019 at the prior-year level. Our sales development will be significantly affected by the lifecycles of certain model series. Overall, Mercedes-Benz Cars intends to launch more than a dozen new and upgraded models in 2019. There should be a positive impact on unit sales above all from our new compact cars, including the new B-Class, the A-Class sedan and the new GLB, which is the eighth model in the compact-car segment. We continue to expect sales stimulus also in the high-growth segment of SUVs. Contributions are likely to come from the new GLE and the new GLS, as well as from the upgrade of the popular GLC. Mercedes-AMG should continue to be a guarantee for our success in the high-performance segment in 2019: More and more customers are enthusiastic about the attractive and wide range of vehicles offered by our sports-car and performance brand, which we are continuously developing further. The battery-powered smart models make entry into electric mobility more attractive than ever before. They combine the agility of the smart with local emission-free driving – the ideal combination for urban mobility.

Daimler Trucks anticipates further growth in total unit sales in 2019, with a slight increase compared with the previous year. In the NAFTA region, we expect to slightly increase our unit sales compared with 2018. In the EU30 region and Japan, we assume that our sales will be roughly at the prior-year level. In Brazil, we expect our sales volumes to significantly surpass the low level of the previous year. We expect our unit sales in India also to exceed the prior-year level. The anticipated significant decline in unit sales in Turkey will continue to reflect the considerable economic uncertainty in the country. We expect our unit sales to decrease also in Indonesia.

Mercedes-Benz Vans plans to achieve unit sales in 2019 at the prior-year level. Growth in unit sales in the EU30 region and the United States is offsetting decreases in other regions such as Russia and Turkey. Sales are developing positively in particular of the new Sprinter, which was launched in mid-2018.

Daimler Buses expects to maintain its market leadership in its most important traditional core markets for buses above eight tons. For the year 2019, we anticipate significant growth in total unit sales. We assume that unit sales will increase slightly in the EU30 region and significantly in India. In Latin America (excluding Mexico), unit sales are expected to be slightly higher than in 2018.

Daimler Financial Services anticipates a slight increase in new business and further growth in contract volume in the year 2019. This will be driven primarily by the development of unit sales in the vehicle divisions. In addition, we will utilize new market potential through efficiency enhancements in the traditional sales channels and the development of new digital possibilities for customer contacts and in fleet management.

We assume that **Group revenue** will grow slightly in 2019. At Mercedes-Benz Cars, revenue should be positively impacted in 2019 above all by the new A-Class and B-Class, as well as by the G-Class and the GLE. On the other hand, expected exchange-rate developments and lifecycle effects for some car models as well as a changed sales structure will have a dampening effect on revenue. Against this background, Mercedes-Benz Cars anticipates a revenue at the prior-year level. Due to generally favorable market conditions and positive sales expectations, the divisions Daimler Trucks and Mercedes-Benz Vans anticipate slight revenue growth. Daimler Buses expects a significant growth in revenue. Daimler Financial Services anticipates a slight increase.

On June 23 and July 12, 2019, Daimler AG reassessed its earnings expectations for the 2019 financial year for the Mercedes-Benz Vans and Mercedes-Benz Cars divisions and for the Group. The main reasons for the reassessment are an increase in the expenses anticipated for various ongoing governmental and court proceedings and for measures taken with regard to Mercedes-Benz diesel vehicles, an updated risk assessment relating to provisions for an extended recall of Takata airbags in Europe and other parts of the world, and a decision to review and prioritize the product portfolio of the Mercedes-Benz Vans division. In addition, the earnings outlook has been reassessed due to slower production ramp-ups in 2019 and lower-than-expected growth in automotive markets.

On the basis of the market development we anticipate and the current assessments of our divisions, we assume that **Group EBIT** in 2019 will be significantly lower than in the previous year.

The individual divisions have the following expectations for returns in the year 2019:
- Mercedes-Benz Cars: return on sales of 3% to 5%
- Daimler Trucks: return on sales of 7% to 9%
- Mercedes-Benz Vans: return on sales of minus 15% to minus 17%
- Daimler Buses: return on sales of 5% to 7%
- Daimler Financial Services: return on equity of 17% to 19%

The expected decrease in earnings will be partially reflected in the free cash flow of the industrial business. There will also be a negative effect from continuing high advance expenditure for new products and technologies. In addition, there will be costs for Project Future for the implementation of the new Group structure. Under these conditions, we now assume that the **free cash flow of the industrial business** will be significantly below the previous year.

In order to achieve our ambitious growth targets, our **investment in property, plant and equipment** should once again be at a very high level, although slightly lower than in the previous year (2018: €7.5 billion). Mercedes-Benz Cars is continuing its product offensive in 2019. Extensive investment is also planned for the realignment of our German production sites, the expansion of our international production network, and the worldwide production network for electric mobility. In addition, the division is investing in the technological fields of the future. Daimler Trucks' capital expenditure in 2019 is primarily for new products and successor generations of existing products, global component projects and the optimization of the worldwide production and sales network.

With our **research and development activities**, we will once again slightly increase the high expenditure of the previous year (2018: €9.1 billion). At Mercedes-Benz Cars, a large proportion of this is being invested in the renewal of the product portfolio. The most important individual projects here are the successor models for the C-Class and S-Class, the new compact cars, and the expansion of the model range of the EQ product and technology brand. We are also working intensively on new, low-emission combustion engines, electric mobility, the connectivity of our vehicles, and innovative safety technologies for automated and autonomous driving. Automated driving, electric mobility and connectivity also play an important role at Daimler Trucks. Further important areas are the successor generations for existing products, fuel efficiency and emission reductions, as well as tailored products and technologies for important growth markets.

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

Mercedes-Benz Cars

575,600 cars sold worldwide in the second quarter (Q2 2018: 590,700)
Compact cars and G-Class set records for a second quarter
World premiere of Mercedes-Benz GLB and new GLS
EBIT significantly below prior-year level at minus €672 million (Q2 2018: plus €1,901 million)

D.01 — Q2

€ amounts in millions	Q2 2019	Q2 2018	% change
Revenue	22,293	22,575	-1
EBIT	-672	1,901	.
Return on Sales (in %)	-3.0	8.4	.
Unit sales	575,639	590,690	-3
Production	588,250	601,343	-2
Employees	148,516	145,436[1]	+2

1 As of December 31, 2018

D.02 — Q2

Unit sales	Q2 2019	Q2 2018	% change
Total	575,639	590,690	-3
Europe	244,788	250,180	-2
thereof Germany	82,521	81,931	+1
United States	75,497	78,042	-3
China	168,313	166,915	+1
Other markets	87,041	95,553	-9

575,600 vehicles sold worldwide in the second quarter
Primarily due to model changes in the SUV segment, sales by Mercedes-Benz Cars of 575,600 units in the second quarter of 2019 were lower than in the prior-year period (-3%). Revenue decreased by 1% to €22.3 billion. EBIT amounted to minus €672 million (Q2 2018: plus €1,901 million) and the return on sales was minus 3.0% (Q2 2018: plus 8.4%).

The Mercedes-Benz and smart brands delivered 244,800 automobiles in Europe (-2%). In Germany, the region's core market, sales increased by 1% to 82,500 units. In China, Mercedes-Benz Cars' biggest sales market, a new record was set for a second quarter with 168,300 Mercedes-Benz and smart models sold (+1%). In the United States, 75,500 vehicles were sold in the months of April through June (-3%).

Records set for compact cars and the G-Class
With the compact cars, initial sales momentum was apparent in the second quarter from the model change and the launch of the new A-Class sedan. Sales of A-Class, B-Class, CLA and CLA Shooting Brake models increased by 27% to approximately 123,800, more than ever before in a second quarter. The A-Class was once again a strong growth driver with an increase of 39%. Deliveries of 180,500 SUVs remained lower than in the prior-year period as a result of model changes (-13%).

The positive development of G-Class unit sales was at a strong double digit rate once again in the second quarter, with deliveries of 7,900 units reaching a second-quarter record in the 40th anniversary year of the G-Class. Sales of C-Class sedan and wagon models totaled 97,100 units (-4%).

Multiple world premieres at Mercedes-Benz Cars
In April, Mercedes-Benz Cars presented seven world premieres from the Mercedes-AMG and SUV portfolio at the New York Auto Show. A prominent role was played by the Mercedes-Benz GLS, the GLC Coupé and the EQC Edition 1886. At the same time, the inventor of the automobile presented the GLB show car, which is close to series production, and the world premiere of the Mercedes-AMG A 35 sedan at the 18th Auto Shanghai.

With a symbolic laying of the foundation stone for the first battery factory in the Neckar valley, the Mercedes-Benz plant in Untertürkheim advanced its transformation into a high-tech facility for electric mobility this April. And the new Moscovia car plant in Russia went into operation with the start of production of the Mercedes-Benz E-Class sedan in the same month. In May, the new ESF 2019 experimental safety vehicle was presented to the public with numerous innovations in the areas of child safety and danger avoidance.

D.03 — Q1-2

€ amounts in millions	Q1-2 2019	Q1-2 2018	% change
Revenue	43,493	45,573	-5
EBIT	626	3,961	-84
Return on Sales (in %)	1.4	8.7	.
Unit sales	1,130,951	1,184,989	-5
Production	1,202,344	1,209,414	-1
Employees	148,516	145,436[1]	+2

1 As of December 31, 2018

D.04 — Q1-2

Unit sales	Q1-2 2019	Q1-2 2018	% change
Total	1,130,951	1,184,989	-5
Europe	480,086	494,358	-3
thereof Germany	160,605	160,478	+0
United States	139,756	148,532	-6
China	341,465	345,732	-1
Other markets	169,644	196,367	-14

Daimler Trucks

Unit sales slightly above prior-year level at 126,500 vehicles (Q2 2018: 123,900)
Establishment of global Autonomous Technology Group for highly automated driving
The first new Mercedes-Benz Actros drives off the assembly line at the plant in Wörth
EBIT of €725 million (Q2 2018: €546 million) significantly above prior-year

D.05 Q2

€ amounts in millions	Q2 2019	Q2 2018	% change
Revenue	10,472	9,185	+14
EBIT	725	546	+33
Return on Sales (in %)	6.9	5.9	.
Unit sales	126,474	123,910	+2
Production	127,224	128,255	-1
Employees	86,892	82,953[1]	+5

1 As of December 31, 2018

D.06 Q2

Unit sales	Q2 2019	Q2 2018	% change
Total	126,474	123,910	+2
EU30	19,836	21,069	-6
NAFTA	54,533	44,347	+23
Latin America (excluding Mexico)	10,215	7,913	+29
Asia	33,982	40,271	-16
Other markets	7,908	10,310	-23
BFDA (Auman Trucks)	22,902	32,580	-30
Total (incl. BFDA)	149,376	156,490	-5

Unit sales slightly above prior-year level
Daimler Trucks' unit sales of 126,500 vehicles were slightly higher than in the second quarter of last year (Q2 2018: 123,900). Revenue amounted to €10.5 billion (Q2 2018: €9.2 billion). Daimler Trucks posted EBIT of €725 million, which is significantly higher than the level of the prior-year period (Q2 2018: €546 million). The division's return on sales was 6.9% (Q2 2018: 5.9%).

Regionally differing sales development
Our sales increased by 23% to 54,500 units in the NAFTA region, where we continued to be the market leader in weight classes 6 to 8 with a market share of 35.4% (Q2 2018: 38.1%). Sales of 10,200 units in Latin America were also significantly higher than in the prior-year period (Q2 2018: 7,900), with a 65% increase to sales of 7,300 trucks in Brazil. With our Mercedes-Benz trucks, we achieved market leadership in the medium- and heavy-duty segment in Brazil with a market share of 30.2% (Q2 2018: 27.2%). Our sales of 19,800 trucks in the EU30 region were slightly lower than in the prior-year period (Q2 2018: 21,100). In this region, Mercedes-Benz maintained its market leadership in the segment of medium- and heavy-duty trucks with a share of 19.2% (Q2 2018: 19.8%). In Germany, our sales of 7,800 trucks were at the prior-year level. Unit sales in Turkey continued to be severely affected by economic uncertainty and fell to 900 trucks (Q2 2018: 1,700). The negative development of sales in Asia from 40,300 to 34,000 units reflects the significant decrease in Indonesia to 10,000 units (Q2 16,400). In India, our unit sales decreased to 3,800 vehicles (Q2 2018: 5,800). Sales of 10,000 trucks in Japan were slightly below the prior-year level (Q2 2018: 10,400).

We achieved a market share in the overall Japanese truck market of 18.7% with the FUSO brand (Q2 2018: 20.4%). Our sales of 3,900 vehicles in the Middle East were almost twice as high as in the prior-year period (Q2 2018: 2,000). Sales of Auman-brand trucks by our joint venture in China, BFDA, amounted to 22,900 units (Q2 2018: 32,600).

Global organization for highly automated driving
In the second quarter of 2019, Daimler Trucks established the Autonomous Technology Group as a global organization for automated driving. Its key tasks include the development of the overall strategy, research and development, and the implementation of automated driving, as well as the development of the required infrastructure and the network for the operational deployment of vehicles. The goal is to bring highly automated trucks (SAE Level 4) to market maturity within a decade. Subject to regulatory approval, the company Torc Robotics will become part of the newly formed organization.

Start of production of new Actros at the Wörth plant
Production of the new Mercedes-Benz Actros has started at the Wörth plant. One of the biggest innovations of the Actros is Active Drive Assist, with which Mercedes-Benz is putting semi-automated driving in all speed ranges into series production.

Start of production of truck cabs in Russia
With its joint-venture partner, Kamaz, Daimler Trucks has put into operation an ultramodern facility for the production of truck cabs in Nabereschnyje, Russia, with an investment volume of approximately €200 million.

D.07 Q1-2

€ amounts in millions	Q1-2 2019	Q1-2 2018	% change
Revenue	20,018	17,804	+12
EBIT	1,307	1,193	+10
Return on Sales (in %)	6.5	6.7	.
Unit sales	242,394	237,756	+2
Production	252,823	249,025	+2
Employees	86,892	82,953[1]	+5

1 As of December 31, 2018

D.08 Q1-2

Unit sales	Q1-2 2019	Q1-2 2018	% change
Total	242,394	237,756	+2
EU30	38,803	38,319	+1
NAFTA	102,358	85,169	+20
Latin America (excluding Mexico)	18,892	17,283	+9
Asia	68,289	77,946	-12
Other markets	14,052	19,039	-26
BFDA (Auman Trucks)	45,577	56,589	-19
Total (incl. BFDA)	287,971	294,345	-2

Mercedes-Benz Vans

Unit sales of 111,100 vehicles at prior-year level (Q2 2018: 110,900)
Strong growth for the Sprinter (+14%)
Start of production of new Mercedes-Benz V-Class
EBIT significantly below prior-year level at minus €2,050 million (Q2 2018: plus €152 million)

D.09 Q2

€ amounts in millions	Q2 2019	Q2 2018	% change
Revenue	3,654	3,511	+4
EBIT	-2,050	152	.
Return on sales (in %)	-56.1	4.3	.
Unit sales	111,118	110,883	+0
Production	115,789	127,444	-9
Employees	26,019	26,210[1]	-1

1 As of December 31, 2018

D.10 Q2

Unit sales	Q2 2019	Q2 2018	% change
Total	111,118	110,883	+0
EU30	78,622	71,318	+10
thereof Germany	32,670	28,083	+16
NAFTA region	12,338	13,180	-6
thereof United States	8,668	9,872	-12
Latin America (excluding Mexico)	4,902	3,990	+23
Asia	9,072	10,816	-16
thereof China	7,134	7,471	-5
Other markets	6,184	11,579	-47

Unit sales at prior-year level
Mercedes-Benz Vans unit sales of 111,100 vehicles in the second quarter of 2019 were at the prior-year level (Q2 2018: 110,900). Revenue increased by 4% to €3.7 billion. EBIT amounted to minus €2,050 million, which is significantly lower than in the prior-year period (Q2 2018: plus €152 million). The division's return on sales was minus 56.1% (Q2 2018: plus 4.3%).

Growth in unit sales in EU30 region and Latin America
In the EU30 region, we achieved best-ever unit sales in a second quarter. Sales of 78,600 vehicles were significantly higher than in the same period of last year (Q2 2018: 71,300). Mercedes-Benz Vans achieved significant growth for example in the United Kingdom (+41%) and Norway (+80%). In the important German market, the van division also set a new second-quarter record with sales of 32,700 units (Q2 2018: 28,100).

Sales of 12,300 units in the NAFTA region were slightly lower than in the prior-year quarter (Q2 2018: 13,200), with a decrease of 12% to 8,700 units in the United States. The development was positive in Latin America, where second-quarter sales increased significantly to 4,900 units (Q2 2018: 4,000). In China, unit sales decreased slightly compared with the prior-year period (-5%). Unit sales were significantly lower than in the second quarter of last year in Russia and in a difficult market environment in Turkey.

Mercedes-Benz Vans achieved pleasing sales growth with the Sprinter. Worldwide sales increased compared with the prior-year quarter by 14% to 59,100 units. In the midsize segment, however, we had a sales decrease of 8% to 42,400 vans. 27,000 units of the Vito were sold (Q2 2018: 27,500) and 15,400 of the V-Class multipurpose vehicle (Q2 2018: 18,700). Sales of the Mercedes-Benz Citan reached 6,400 units (Q2 2018: 7,700). Of the X-Class, we sold 3,100 units in the second quarter of this year (Q2 2018: 5,200).

Start of production of new Mercedes-Benz V-Class
In May, series-production of the upgraded V-Class started at the plant in Vitoria, Spain. This represents a further milestone in the success story of the Mercedes-Benz Vans multipurpose vehicle.

Six year of Mercedes-Benz Vans ProCenters in Europe
The Van ProCenter retail-excellence program of the Mercedes-Benz Vans sales organization has demonstrated since it was launched in 2013 how customer competence can be further enhanced in the van business. It offers customers at the Mercedes-Benz branches and authorized dealerships a wide range of advisory, sales and service options. Meanwhile, more than 200 dealerships in a total of twelve European countries form a dense Van ProCenter network with the aim of meeting customers' high demands even better than before.

Awards for V-Class and Sprinter
Germany's commercial-vehicle professionals voted the Sprinter as the "Best Van" in the ETM publishing house readers' poll. In the two categories of vans with a gross vehicle weight of up to and over 3.5 tons, our large van convinced the readers and took first place. The Mercedes-Benz V-Class convinced the jury of experts for "Company Car of the Year 2019" and was the winner in the maxivan category.

D.11 Q1-2

€ amounts in millions	Q1-2 2019	Q1-2 2018	% change
Revenue	7,023	6,609	+6
EBIT	-2,148	324	.
Return on sales (in %)	-30.6	4.9	.
Unit sales	208,156	203,899	+2
Production	227,387	237,440	-4
Employees	26,019	26,210[1]	-1

1 As of December 31, 2018

D.12 Q1-2

Unit sales	Q1-2 2019	Q1-2 2018	% change
Total	208,156	203,899	+2
EU30	145,179	131,736	+10
thereof Germany	55,054	50,426	+9
NAFTA region	24,009	24,452	-2
thereof United States	17,514	18,622	-6
Latin America (excluding Mexico)	9,076	7,811	+16
Asia	18,043	20,069	-10
thereof China	13,265	14,011	-5
Other markets	11,849	19,831	-40

Daimler Buses

Significant increase in unit sales to 8,400 buses and bus chassis
Further orders for the Mercedes-Benz eCitaro electric city bus
Major awards for Mercedes-Benz electric bus and intercity bus
EBIT significantly above prior-year level at €106 million (Q2 2018: €66 million)

D.13 Q2

€ amounts in millions	Q2 2019	Q2 2018	% change
Revenue	1,268	1,075	+18
EBIT	106	66	+61
Return on sales (in %)	8.4	6.1	.
Unit sales	8,435	7,522	+12
Production	8,670	8,620	+1
Employees	18,218	18,770[1]	-3

1 As of December 31, 2018

D.14 Q2

Unit sales	Q2 2019	Q2 2018	% change
Total	8,435	7,522	+12
EU30	2,837	2,183	+30
thereof Germany	924	693	+33
Latin America (excluding Mexico)	3,712	3,377	+10
thereof Brazil	2,673	2,484	+8
Mexico	655	839	-22
Asia	716	758	-6
Other markets	515	365	+41

Significant growth in unit sales, revenue and EBIT
Unit sales by Daimler Buses of 8,400 vehicles in the second quarter of 2019 were significantly higher than in the prior-year period (Q2 2018: 7,500). Primarily due to the growth in unit sales, second-quarter revenue of €1.3 billion was also significantly higher than last year (Q2 2018: €1.1 billion). The division's EBIT reached €106 million (Q2 2018: €66 million) and its return on sales rose to 8.4% (Q2 2018: 6.1%).

Significant sales growth overall
In the EU30 region, Daimler Buses sold 2,800 complete buses and bus chassis of the Mercedes-Benz and Setra brands in the second quarter, a significant increase compared with the same period of last year (+30%). Sales in Germany increased by 33% to 900 units.

Despite the continuation of the difficult economic situation in Argentina, unit sales by Daimler Buses in Latin America (excluding Mexico) increased by 10% to 3,700 bus chassis. In Brazil, we sold 2,700 units, 8% more than in the second quarter of last year. Our sales in Mexico decreased significantly in the second quarter of 2019 to 700 units (Q2 2018: 800), while sales in India were unchanged at 500 units.

Major order for fully electric Mercedes-Benz eCitaro and e-mobility advisory services
In the second quarter of this year, Daimler Buses received a major order for 56 fully electric Mercedes-Benz eCitaro buses for the city of Wiesbaden. Within the framework of this order, Daimler Buses will also act as general contractor to supply the entire electric-mobility system. This includes the modification of the bus depot, the design and installation of the charging infrastructure, and charging management.

Daimler Buses achieves two first places in the ETM Awards
In the 2019 readers' survey of the commercial-vehicle publishing house EuroTransportMedia (ETM), two vehicles from Daimler Buses received the ETM Award. The Mercedes-Benz eCitaro took first place in the electric-bus category and the Mercedes-Benz Citaro LE/Ü/hybrid took first place in the intercity-bus category.

D.15 Q1-2

€ amounts in millions	Q1-2 2019	Q1-2 2018	% change
Revenue	2,053	1,925	+7
EBIT	85	103	-17
Return on sales (in %)	4.1	5.4	.
Unit sales	13,961	13,266	+5
Production	15,642	15,544	+1
Employees	18,218	18,770[1]	-3

1 As of December 31, 2018

D.16 Q1-2

Unit sales	Q1-2 2019	Q1-2 2018	% change
Total	13,961	13,266	+5
EU30	3,756	3,550	+6
thereof Germany	1,266	1,115	+14
Latin America (excluding Mexico)	6,875	6,486	+6
thereof Brazil	4,901	4,340	+13
Mexico	1,037	1,292	-20
Asia	1,562	1,338	+17
Other markets	731	600	+22

Daimler Financial Services

New business at prior-year level
Contract volume grows to €156 billion
Start of warranty program for Mercedes-Benz vans
EBIT significantly above prior-year level at €431 million (Q2 2018: €66 million)

D.17 — **Q2**

€ amounts in millions	Q2 2019	Q2 2018	% change
Revenue	7,145	6,570	+9
EBIT	431	66	+553
Return on equity (in %)	12.5	2.1	.
New business	18,363	18,341	+0
Contract volume	156,458	154,072[1]	+2
Employees	12,912	14,070[1]	-8

1 As of December 31, 2018

Worldwide new business in the prior-year magnitude
Daimler Financial Services' new business in the second quarter of 2019 was at the level of the prior-year period. Worldwide, 488,000 new leasing and financing contracts worth €18.4 billion were concluded. Contract volume at the end of June amounted to €156.5 billion and was thus 2% above the level of year-end 2018. Adjusted for exchange-rate effects, contract volume grew by 1%. EBIT amounted to €431 million (Q2 2018: €66 million) and return on equity was 12.5% (Q2 2018: 2.1%).

New business in Europe region at the prior-year level
In the whole of Europe, 247,000 leasing and financing contracts were signed in the second quarter (-1%). New business of €8.2 billion was at the level of the prior-year period. Contract volume in Europe grew compared with the level of year-end 2018 by 2% to €65.4 billion. At the end of the second quarter, Athlon and Daimler Fleet Management had 400,000 contracts on their books. Contract volume amounted to €6.7 billion.

Slight growth in the Americas
In the Americas region, leasing and financing contracts with a total value of €5.9 billion were concluded in the second quarter of 2019 (+6%). Contract volume in the Americas region of €57.1 billion at the end of June was 2% higher than at the end of 2018.

Africa & Asia-Pacific and China: decrease in new business
New business in the Africa & Asia-Pacific region (excluding China) amounted to €2.1 billion in the second quarter of this year (-1%). Contract volume in the region amounted to €18.3 billion at the end of June.

In China, 74,000 new leasing and financing contracts were concluded in the second quarter (-6%), worth €2.2 billion (-11%). Contract volume amounted to €15.6 billion at the end of June, which is 1% higher than at the end of 2018.

Ongoing positive development of the insurance business
In the insurance business, Daimler Financial Services brokered 602,000 contracts in the second quarter (+4%). The development was especially positive in China (+8%) and Germany (+4%).

Successful start of YOUR NOW mobility joint ventures
Since the start of the mobility joint ventures in February 2019, the companies established jointly by Daimler AG and the BMW Group have developed very positively. By June 30, 2019, more than 75 million people had used the mobility services of the five joint ventures for ride hailing (FREE NOW), car sharing (SHARE NOW), multimodality and on-demand mobility (REACH NOW), parking (PARK NOW) and charging (CHARGE NOW). By the end of the second quarter, 269 million transactions had been concluded with the services of the YOUR NOW joint-venture companies.

Insurance company Mercedes-Benz Versicherung AG starts warranty program for Mercedes-Benz vans
Since April 1, 2019, the insurance company Mercedes-Benz Versicherung AG has offered a Mercedes-Benz vans warranty program for customers in Germany. This presents new growth opportunities to supplement the existing car products. 6,000 warranty contracts were already concluded in the first three months of the program.

D.18 — **Q1-2**

€ amounts in millions	Q1-2 2019	Q1-2 2018	% change
Revenue	14,026	12,825	+9
EBIT	1,640	614	+167
Return on equity (in %)	24.0	9.9	.
New business	35,687	36,202	-1
Contract volume	156,458	154,072[1]	+2
Employees	12,912	14,070[1]	-8

1 As of December 31, 2018

Consolidated Statement of Income Q2

E.01

	Q2 2019	Q2 2018
In millions of euros		
Revenue	42,650	40,756
Cost of sales	-37,104	-32,506
Gross profit	5,546	8,250
Selling expenses	-3,072	-3,253
General administrative expenses	-975	-965
Research and non-capitalized development costs	-1,569	-1,620
Other operating income	516	452
Other operating expense	-2,127	-188
Gains/losses on equity-method investments, net	210	-14
Other financial expense, net	-87	-26
Interest income	121	70
Interest expense	-235	-176
Profit/loss before income taxes[1]	-1,672	2,530
Income taxes	430	-705
Net profit/loss	-1,242	1,825
thereof profit attributable to non-controlling interests	86	99
thereof profit/loss attributable to shareholders of Daimler AG	-1,328	1,726
Earnings per share (in euros) for profit/loss attributable to shareholders of Daimler AG		
Basic	-1.24	1.61
Diluted	-1.24	1.61

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

Consolidated Statement of Income Q1-2

E.02

	Q1-2 2019	Q1-2 2018
In millions of euros		
Revenue	82,348	80,541
Cost of sales	-69,231	-63,666
Gross profit	13,117	16,875
Selling expenses	-6,223	-6,350
General administrative expenses	-1,994	-1,936
Research and non-capitalized development costs	-3,273	-3,332
Other operating income	1,733	783
Other operating expense	-2,352	-481
Gains on equity-method investments, net	472	329
Other financial income/expense, net	-240	79
Interest income	200	125
Interest expense	-489	-315
Profit before income taxes[1]	951	5,777
Income taxes	-44	-1,598
Net profit	907	4,179
thereof profit attributable to non-controlling interests	140	180
thereof profit attributable to shareholders of Daimler AG	767	3,999
Earnings per share (in euros) for profit attributable to shareholders of Daimler AG		
Basic	0.72	3.74
Diluted	0.72	3.74

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

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

Consolidated Statement of Comprehensive Income/Loss Q2

E.03

	Q2 2019	Q2 2018
In millions of euros		
Net profit	-1,242	1,825
Gains/losses on currency translation	-474	543
Gains/losses on debt instruments	–	-3
Gains/losses on derivative financial instruments	398	-752
Gains/losses on equity-method investments	12	3
Items that may be reclassified to profit/loss	-64	-209
Actuarial gains/losses from pensions and similar obligations	-1,171	-130
Gains/losses on equity instruments	-4	20
Items that will not be reclassified to profit/loss	-1,175	-110
Other comprehensive income/loss, net of taxes	-1,239	-319
thereof income/loss attributable to non-controlling interests, after taxes	-17	19
thereof income/loss attributable to shareholders of Daimler AG, after taxes	-1,222	-338
Total comprehensive income/loss	-2,481	1,506
thereof income/loss attributable to non-controlling interests	69	118
thereof income/loss attributable to shareholders of Daimler AG	-2,550	1,388

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

Consolidated Statement of Comprehensive Income/Loss Q1-2

E.04

In millions of euros	Q1-2 2019	Q1-2 2018
Net profit	907	4,179
Gains/losses on currency translation	289	210
Gains/losses on debt instruments	7	-8
Gains/losses on derivative financial instruments	-285	-843
Gains/losses on equity-method investments	-5	5
Items that may be reclassified to profit/loss	6	-636
Actuarial gains/losses from pensions and similar obligations	-1,483	-294
Gains/losses on equity instruments	24	13
Items that will not be reclassified to profit/loss	-1,459	-281
Other comprehensive income/loss, net of taxes	-1,453	-917
thereof income/loss attributable to non-controlling interests, after taxes	10	25
thereof income/loss attributable to shareholders of Daimler AG, after taxes	-1,463	-942
Total comprehensive income/loss	-546	3,262
thereof income/loss attributable to non-controlling interests	150	205
thereof income/loss attributable to shareholders of Daimler AG	-696	3,057

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Consolidated Statement of Financial Position

E.05

	June 30, 2019	Dec. 31, 2018
In millions of euros		
Assets		
Intangible assets	15,383	14,801
Property, plant and equipment	35,794	30,948
Equipment on operating leases	50,368	49,476
Equity-method investments	6,020	4,860
Receivables from financial services	52,642	51,300
Marketable debt securities and similar investments	679	722
Other financial assets	3,330	2,763
Deferred tax assets	5,998	4,021
Other assets	1,328	1,115
Total non-current assets	171,542	160,006
Inventories	33,459	29,489
Trade receivables	12,743	12,586
Receivables from financial services	46,027	45,440
Cash and cash equivalents	12,519	15,853
Marketable debt securities and similar investments	8,266	8,855
Other financial assets	3,942	2,970
Other assets	5,684	5,889
Assets held for sale	–	531
Total current assets	122,640	121,613
Total assets	294,182	281,619
Equity and liabilities		
Share capital	3,070	3,070
Capital reserves	11,662	11,710
Retained earnings	45,335	49,490
Other reserves	417	397
Equity attributable to shareholders of Daimler AG	60,484	64,667
Non-controlling interests	1,296	1,386
Total equity	61,780	66,053
Provisions for pensions and similar obligations	9,979	7,393
Provisions for income taxes	606	628
Provisions for other risks	9,988	7,734
Financing liabilities	88,990	88,662
Other financial liabilities	2,135	2,375
Deferred tax liabilities	3,924	3,762
Deferred income	1,570	1,612
Contract and refund liabilities	5,627	5,438
Other liabilities	12	10
Total non-current liabilities	122,831	117,614
Trade payables	15,194	14,185
Provisions for income taxes	744	823
Provisions for other risks	9,252	7,828
Financing liabilities	65,113	56,240
Other financial liabilities	8,294	7,657
Deferred income	1,583	1,580
Contract and refund liabilities	6,775	7,081
Other liabilities	2,616	2,346
Liabilities held for sale	–	212
Total current liabilities	109,571	97,952
Total equity and liabilities	294,182	281,619

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

Consolidated Statement of Cash Flows

E.06

	Q1-2 2019	Q1-2 2018
In millions of euros		
Profit before income taxes	951	5,777
Depreciation and amortization/impairments	3,644	2,973
Other non-cash expense and income	-446	-335
Gains (-)/losses (+) on disposals of assets	-697	-29
Change in operating assets and liabilities		
Inventories	-3,849	-3,560
Trade receivables	-92	285
Trade payables	946	3,230
Receivables from financial services	-1,172	-4,514
Vehicles on operating leases	-631	-1,293
Other operating assets and liabilities	4,561	-386
Dividends received from equity-method investments	52	431
Income taxes paid	-1,069	-1,619
Cash provided by operating activities	2,198	960
Additions to property, plant and equipment	-3,419	-2,893
Additions to intangible assets	-1,700	-1,543
Proceeds from disposals of property, plant and equipment and intangible assets	186	169
Investments in shareholdings	-1,209	-373
Proceeds from disposals of shareholdings	199	297
Acquisition of marketable debt securities and similar investments	-3,047	-3,414
Proceeds from sales of marketable debt securities and similar investments	3,798	3,136
Other	-80	85
Cash used for investing activities	-5,272	-4,536
Change in financing liabilities	3,455	9,905
Dividend paid to shareholders of Daimler AG	-3,477	-3,905
Dividends paid to non-controlling interests	-232	-265
Proceeds from the issue of share capital	63	84
Acquisition of treasury shares	-42	-50
Acquisition of non-controlling interests in subsidiaries	-64	-78
Cash used for/provided by financing activities	-297	5,691
Effect of foreign exchange rate changes on cash and cash equivalents	37	147
Net increase/decrease in cash and cash equivalents	-3,334	2,262
Cash and cash equivalents at beginning of period	15,853	12,072
Cash and cash equivalents at end of period	12,519	14,334

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

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, 2018	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
Balance at January 1, 2019	**3,070**	**11,710**	**49,490**	**472**	**15**
Net profit	–	–	767	–	–
Other comprehensive income/loss before taxes	–	–	-2,231	279	35
Deferred taxes on other comprehensive income/loss	–	–	748	–	-4
Total comprehensive income/loss	–	–	-716	279	31
Dividends	–	–	-3,477	–	–
Changes in consolidated group	–	–	-14	–	–
Capital increase/Issue of new shares	–	–	–	–	–
Acquisition of treasury shares	–	–	–	–	–
Issue and disposal of treasury shares	–	–	–	–	–
Changes in ownership interests in subsidiaries	–	-48	–	–	–
Other	–	–	52	–	–
Balance at June 30, 2019	**3,070**	**11,662**	**45,335**	**751**	**46**

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: Share of investments accounted for using the equity method	Treasury shares	**Equity attributable to shareholders of Daimler AG**	Non-controlling interests	**Total equity**	In millions of euros
1,171	9	–	63,843	1,282	65,125	**Balance at January 1, 2018**
–	–	–	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**
-95	**5**	**–**	**64,667**	**1,386**	**66,053**	**Balance at January 1, 2019**
–	**–**	**–**	**767**	**140**	**907**	Net profit
-397	**-5**	**–**	**-2,319**	**10**	**-2,309**	Other comprehensive income/loss before taxes
112	**–**	**–**	**856**	**–**	**856**	Deferred taxes on other comprehensive income/loss
-285	**-5**	**–**	**-696**	**150**	**-546**	Total comprehensive income/loss
–	**–**	**–**	**-3,477**	**-232**	**-3,709**	Dividends
–	**–**	**–**	**-14**	**-28**	**-42**	Changes in consolidated group
–	**–**	**–**	**–**	**32**	**32**	Capital increase/Issue of new shares
–	**–**	**-42**	**-42**	**–**	**-42**	Acquisition of treasury shares
–	**–**	**42**	**42**	**–**	**42**	Issue and disposal of treasury shares
–	**–**	**–**	**-48**	**-16**	**-64**	Changes in ownership interests in subsidiaries
–	**–**	**–**	**52**	**4**	**56**	Other
-380	**–**	**–**	**60,484**	**1,296**	**61,780**	**Balance at June 30, 2019**

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 120, 70372 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 on July 23, 2019 for publication. 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 financial year. The Interim Financial Statements should be read in conjunction with the December 31, 2018 audited and published IFRS Consolidated Financial Statements and notes thereto. The accounting policies applied by the Group in these Interim Financial Statements fundamentally correspond with those applied for the Consolidated Financial Statements for the year ended December 31, 2018.

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 those estimates and management assumptions can have a material impact on the Interim Consolidated Financial Statements.

IFRSs initially applied in the reporting period
In January 2016, the IASB published **IFRS 16 Leases**, replacing IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease and other interpretations. IFRS 16 abolishes for lessees the previous classification of leasing agreements as either operating or finance leases. Instead, IFRS 16 introduces a single lessee accounting model, requiring lessees to recognize assets for the right to use as well as leasing liabilities for the outstanding lease payments. This means that leases that were previously not reported in the Consolidated Statement of Financial Position will have to be reported in the future – very similar to the current accounting of finance leases.

According to IFRS 16, a lessee may elect, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. Daimler applies both recognition exemptions. The lease payments associated with those leases are recognized as an expense on either a straight-line basis over the lease term or another systematic basis.

Right-of-use assets, which are included under property, plant and equipment, are measured at cost less any accumulated depreciation and if necessary any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, Daimler also applies the practical expedient that the payments for non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

Lease liabilities which are assigned to financing liabilities are measured initially at the present value of the lease payments. Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (while affecting other comprehensive income) the carrying amount to reflect the lease payments made.

According to IFRS 16, the depreciation of the right-of-use assets is recognized within functional costs. The interest due on the lease liability is a component of interest expense. The lease expenses of leases classified according to IAS 17 as operating leases have been fully recognized within functional costs.

Lease accounting for lessors has been taken over almost identically from IAS 17 into IFRS 16.

Daimler applies IFRS 16 for the first time at January 1, 2019. In compliance with the transition regulations, Daimler does not adjust the prior-year figures and presents the not significant accumulated transitional effects in retained earnings.

Daimler as lessee uses the following practical expedients of IFRS 16 at the date of initial application:

- With leases previously classified as operating leases according to IAS 17, the lease liability is measured at the present value of the outstanding lease payments, discounted by the incremental borrowing rate at January 1, 2019. The weighted average incremental borrowing rate was 2.27%. The respective right-of-use asset is generally recognized at an amount equal to the lease liability.

- An impairment review is not performed. Instead, a right-of-use asset is adjusted by the amount of any provision for onerous leases recognized in the Statement of Financial Position at December 31, 2018.

- Regardless of their original lease term, leases for which the lease term ends at the latest on December 31, 2019 are recognized as short-term leases.

- At the date of initial application, the measurement of a right-of-use asset excludes the initial direct costs.

- Current knowledge is given due consideration when determining the lease term if the contract contains options to extend or terminate the lease.

In the context of the transition to IFRS 16, right-of-use assets of €3,777 million (including finance leases of €335 million) and lease liabilities of €3,790 million were recognized at January 1, 2019. The following reconciliation (see ↗ **E.08**) to the opening balance for lease liabilities as at January 1, 2019 is based on the other financial obligations from rental agreements and operating leases at December 31, 2018.

E.08

Reconciliation to the lease liabilities in accordance with IFRS 16

In millions of euros	
Other financial obligations resulting from rental agreements and operating leases in accordance with IAS 17 at December 31, 2018	3,800
Exemptions for short-term leases	-226
Exemptions for leases of low-value assets	-36
Payments related to options to extend or terminate a lease	256
Payments related to non-lease components	77
Others	75
Obligations from operating lease arrangements (undiscounted)	3,946
Discounting	-503
Obligations from operating lease arrangements (discounted)	3,443
Carrying amount of liabilities from finance leases in accordance with IAS 17 at December 31, 2018	347
Carrying amount of lease liability in accordance with IFRS 16 at January 1, 2019	3,790

The right-of-use assets and lease liabilities include assets and liabilities, which were recognized until December 31, 2018 as finance leases in accordance with IAS 17.

2. Assets and liabilities held for sale and changes in the consolidated group

In March 2018, the Daimler Group and the BMW Group signed an agreement to merge their business units for mobility services. At December 31, 2018, the assets and liabilities held for sale are presented separately in the Consolidated Statement of Financial Position. The disposal group's assets amounted to €531 million and its liabilities amounted to €212 million.

Following approval by the relevant antitrust authorities, the transactions were completed on January 31, 2019. As a result, 21 consolidated and 24 non-consolidated subsidiaries left the consolidated group in the first quarter of 2019; five operating joint ventures have been established. In the segment Daimler Financial Services, the transactions had a positive impact on other operating income of €718 million. On balance, cash outflows of €713 million resulted, in particular from capital increases in the joint ventures.

The joint ventures resulting from the transaction are aggregated under YOUR NOW and are accounted for using the equity method in the Consolidated Financial Statements. Further information is provided in Note 10.

3. Revenue

Revenue disclosed in the Consolidated Statement of Income includes revenue from contracts with customers and other revenue not in the scope of IFRS 15.

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.09 and table ↗ E.10. The category type of products and services corresponds to the reportable segments.

Other revenue primarily comprises revenue from the rental and leasing business, interest from the financial services business at Daimler Financial Services and effects from currency hedging.

E.09

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 2019								
Europe	**9,112**	**2,546**	**2,432**	**882**	**1,041**	**16,013**	**-913**	**15,100**
NAFTA region	**4,554**	**5,096**	**457**	**66**	**1,648**	**11,821**	**-294**	**11,527**
Asia	**7,327**	**1,642**	**191**	**45**	**46**	**9,251**	**-8**	**9,243**
Other markets	**835**	**1,020**	**325**	**199**	**30**	**2,409**	**-86**	**2,323**
Revenue according to IFRS 15	**21,828**	**10,304**	**3,405**	**1,192**	**2,765**	**39,494**	**-1,301**	**38,193**
Other revenue	**465**	**168**	**249**	**76**	**4,380**	**5,338**	**-881**	**4,457**
Total revenue	**22,293**	**10,472**	**3,654**	**1,268**	**7,145**	**44,832**	**-2,182**	**42,650**

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services[1]	Total segments	Reconciliation[1]	Daimler Group
Q2 2018								
Europe	9,349	2,814	2,240	677	1,022	16,102	-1,010	15,092
NAFTA region	4,413	3,830	429	67	1,428	10,167	-293	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	2,557	37,539	-1,303	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	6,570	42,916	-2,160	40,756

1 In 2018, the Group's internal revenue was adjusted at the Daimler Financial Services segment. This adjustment has been fully eliminated in the reconciliation.

E.10

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 2019								
Europe	**18,222**	**5,067**	**4,663**	**1,327**	**2,250**	**31,529**	**-1,838**	**29,691**
NAFTA region	**8,512**	**9,523**	**887**	**105**	**2,947**	**21,974**	**-491**	**21,483**
Asia	**13,902**	**3,277**	**402**	**91**	**83**	**17,755**	**-18**	**17,737**
Other markets	**1,920**	**1,834**	**634**	**366**	**72**	**4,826**	**-182**	**4,644**
Revenue according to IFRS 15	**42,556**	**19,701**	**6,586**	**1,889**	**5,352**	**76,084**	**-2,529**	**73,555**
Other revenue	**937**	**317**	**437**	**164**	**8,674**	**10,529**	**-1,736**	**8,793**
Total revenue	**43,493**	**20,018**	**7,023**	**2,053**	**14,026**	**86,613**	**-4,265**	**82,348**

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services[1]	Total segments	Reconciliation[1]	Daimler Group
Q1-2 2018								
Europe	18,511	5,249	4,279	1,193	2,066	31,298	-1,891	29,407
NAFTA region	8,460	7,362	800	105	2,721	19,448	-543	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	4,979	74,171	-2,544	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	12,825	84,736	-4,195	80,541

1 In 2018, the Group's internal revenue was adjusted at the Daimler Financial Services segment. This adjustment has been fully eliminated in the reconciliation.

4. Functional costs

Cost of sales

Cost of sales amounted to €37,104 million in the second quarter of 2019 (Q2 2018: €32,506 million) and €69,231 million in the six-month period ended June 30, 2019 (Q1-2 2018: €63,666 million). It primarily comprises the expenses of goods sold. Particularly in the second quarter of 2019, expenses in connection with recalls, especially an updated risk assessment for an expanded recall of vehicles with Takata airbags, adversely affected the cost of sales. Cost of sales also includes expenses for a reassessment of risks relating to ongoing governmental and court proceedings and measures relating to Mercedes-Benz diesel vehicles in various regions, as well as expenses in connection with a review and prioritization of the product portfolio at the Mercedes-Benz Vans division.

Selling expenses

In the second quarter of 2019, selling expenses amounted to €3,072 million (Q2 2018: €3,253 million) and in the six-month period ended June 30, 2019, they amounted to €6,223 million (Q1-2 2018: €6,350 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 €975 million in the second quarter of 2019 (Q2 2018: €965 million) and €1,994 million in the six-month period ended June 30, 2019 (Q1-2 2018: €1,936 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 €1,569 million in the second quarter of 2019 (Q2 2018: €1,620 million) and €3,273 million in the six-month period ended June 30, 2019 (Q1-2 2018: €3,332 million). They primarily comprise personnel expenses and material costs.

5. Other operating income and expense

In the second quarter of 2019, **other operating income** amounted to €516 million (Q2 2018: €452 million). In the first half of 2019, other operating income was €1,733 million (Q1-Q2 2018: €783 million). The increase was primarily attributable to income of €718 million resulting from the merger of the business units for mobility services of Daimler Group and BMW Group in the first quarter of 2019. See Note 2 for further information.

Other operating expense in the second quarter of 2019 was €2,127 million (Q2 2018: €188 million) and €2,352 million in the six-month period ended June 30, 2019 (Q1-2 2018: €481 million). The increase mainly resulted from expenses in connection with ongoing governmental and court proceedings and measures relating to Mercedes-Benz diesel vehicles in various regions.

6. Interest income and interest expense

Interest income and interest expense are comprised as follows:

E.11
Interest income and interest expense

	Q2 2019	Q2 2018	**Q1-2 2019**	Q1-2 2018
In millions of euros				
Interest income				
Net interest income on the net assets of defined-benefit pension plans	**1**	–	**2**	1
Interest and similar income	**120**	70	**198**	124
	121	70	**200**	125
Interest expense				
Net interest expense on the net obligation from defined-benefit pension plans	**-46**	-33	**-91**	-66
Interest and similar expense	**-189**	-143	**-398**	-249
	-235	-176	**-489**	-315

7. Intangible assets

Intangible assets are shown in the following table:

E.12
Intangible assets

In millions of euros	June 30, 2019	Dec. 31, 2018
Goodwill	1,093	1,082
Development costs	11,825	11,257
Other intangible assets	2,465	2,462
	15,383	14,801

8. Property, plant and equipment

Property, plant and equipment with a net book value of €35,794 million also include right-of-use assets related to lessee accounting.

Table ↗ E.13 shows property, plant and equipment excluding right-of-use assets:

E.13
Property, plant and equipment (excluding right-of-use assets)

In millions of euros	June 30, 2019	Dec. 31, 2018
Land, leasehold improvements and buildings including buildings on land owned by others	8,819	8,741
Technical equipment and machinery	9,744	9,501
Other equipment, factory and office equipment	7,083	7,039
Advance payments relating to plant and equipment and construction in progress	6,084	5,667
	31,730	30,948

Table ↗ E.14 comprises the right-of-use assets which are accounted for at January 1, 2019. The right-of-use assets include finance leases of €335 million, which were shown in property, plant and equipment at December 31, 2018.

E.14
Right-of-use assets

In millions of euros	June 30, 2019
Land, leasehold improvements and buildings	3,842
Technical equipment and machinery	100
Other equipment, factory and office equipment	122
	4,064

9. Equipment on operating leases

At June 30, 2019, the carrying amount of equipment on operating leases was €50,368 million (December 31, 2018: €49,476 million). In the six-month period ended June 30, 2019, additions and disposals amounted to €12,874 million and €7,716 million respectively (Q1-2 2018: €12,379 million and €6,937 million). Depreciation for the six-month period ended June 30, 2019 was €4,566 million (Q1-2 2018: €4,143 million). Other changes primarily comprise the effects of currency translation.

10. Equity-method investments

Table ↗ **E.15** shows the carrying amounts and gains/losses on equity-method investments.

Table ↗ **E.16** presents key figures on interests in associated companies accounted for using the equity method in the Group's Consolidated Financial Statements.

Table ↗ **E.17** presents key figures on interests in joint ventures accounted for using the equity method in the Group's Consolidated Financial Statements.

E.15

Summarized carrying amounts and gains/losses on equity-method investments

In millions of euros	Associated companies	Joint ventures	Joint operations	Total
At June 30, 2019				
Equity investment[1]	**3,794**	**2,211**	**15**	**6,020**
Equity result (Q2 2019)[1]	**323**	**-112**	**-1**	**210**
Equity result (Q1-2 2019)[1]	**587**	**-129**	**14**	**472**
At December 31, 2018				
Equity investment[1]	4,230	604	26	4,860
Equity result (Q2 2018)[1]	379	-394	1	-14
Equity result (Q1-2 2018)[1]	698	-373	4	329

1 Including investor-level adjustments.

E.16

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, 2019					
Equity interest (in %)	**49.0**	**9.6**	**29.7**		
Equity investment[1]	**1,895**	**650**	**518**	**731**	**3,794**
Equity result (Q2 2019)[1]	**353**	**16**	**-31**	**-15**	**323**
Equity result (Q1-2 2019)[1]	**669**	**21**	**-71**	**-32**	**587**
At December 31, 2018					
Equity interest (in %)	49.0	9.6	29.6		
Equity investment[1]	2,353	650	522	705	4,230
Equity result (Q2 2018)[1]	371	14	-20	14	379
Equity result (Q1-2 2018)[1]	703	17	-36	14	698

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.

E.17

Key figures on interests in joint ventures accounted for using the equity method

	YOUR NOW[2]	Others	Total
In millions of euros			
At June 30, 2019			
Equity interest (in %)	**50**		
Equity investment[1]	**1,552**	**659**	**2,211**
Equity result (Q2 2019)[1]	**-108**	**-4**	**-112**
Equity result (Q1-2 2019)[1]	**-129**	**–**	**-129**
At December 31, 2018			
Equity interest (in %)	–		
Equity investment[1]	–	604	604
Equity result (Q2 2018)[1]	–	-394	-394
Equity result (Q1-2 2018)[1]	–	-373	-373

1 Including investor-level adjustments.
2 Earnings of YOUR NOW are included in Daimler's Consolidated Financial Statements with a one-month time lag.

BBAC

In the second quarter of 2019, the shareholders of BBAC approved the payout of a dividend for the 2018 financial year. The amount of €1,137 million attributable to Daimler reduced the carrying amount of the investment accordingly. The payout of the dividend is expected in the second half of 2019. Daimler plans to contribute additional equity of in total €0.45 billion in accordance with its shareholding ratio in the years 2019 to 2021.

THBV (HERE)

THBV carried out a capital increase in the first quarter of 2019. Daimler participated in the capital increase with a total of €69 million, whereby the equity interest attributable to Daimler increased by 0.1% to 29.7%. The capital contribution increased the carrying amount of the investment accordingly.

YOUR NOW

In March 2018, Daimler Group and BMW Group signed an agreement for the merger of their business units for mobility services. It is intended to offer the customers a comprehensive mobility ecosystem that is intelligent, seamlessly connected and available at the touch of a fingertip.

After being approved by the antitrust authorities in December 2018, the transaction was completed on January 31, 2019. The existing services for on-demand mobility in the fields of car sharing, ride hailing, parking, charging and the multimodal mobility platform were combined and will be strategically expanded further in five joint ventures in the future. Because of the similarity of the business models, the joint venture companies REACH NOW (platform for on-demand mobility and multimodality), CHARGE NOW (charging), FREE NOW (ride hailing), PARK NOW (parking) and SHARE NOW (car sharing) will be managed in combination. Their shares are equally held by Daimler Group and BMW Group. The investments are included in the Consolidated Financial Statements as joint ventures accounted for using the equity method with a one-month time lag and are allocated to the Daimler Financial Services segment. Further information is provided in Note 2.

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.18

Receivables from financial services

	June 30, 2019			Dec. 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Sales financing with customers	18,823	30,404	49,227	18,452	30,029	48,481
Sales financing with dealers	18,097	3,629	21,726	18,549	3,782	22,331
Finance-lease contracts	9,732	19,226	28,958	8,976	18,038	27,014
Gross carrying amount	46,652	53,259	99,911	45,977	51,849	97,826
Loss allowances	-625	-617	-1,242	-537	-549	-1,086
Net carrying amount	46,027	52,642	98,669	45,440	51,300	96,740

12. Inventories

Inventories are comprised as follows:

E.19

Inventories

	June 30, 2019	Dec. 31, 2018
In millions of euros		
Raw materials and manufacturing supplies	3,499	3,130
Work in progress	5,878	4,674
Finished goods, parts and products held for resale	23,857	21,351
Advance payments to suppliers	225	334
	33,459	29,489

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.

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

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

Treasury shares
By resolution of the Annual Shareholders' Meeting on April 1, 2015, the Company is authorized until March 31, 2020 to acquire treasury shares in a volume up to 10% of the share capital issued as of the day of the resolution to be used for all legal purposes. The shares can be used, 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), whereby 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 2019, 0.8 million (2018: 0.7 million) Daimler shares were purchased to be reissued to employees in connection with employee share purchase plans. The shares were reissued on April 3, 2019.

Dividend
The Annual Shareholders' Meeting held on May 22, 2019 authorized Daimler to pay a dividend of €3,477 million (€3.25 per share) from the distributable profit of Daimler AG (separate financial statements) for the year 2018 (2018: €3,905 million and €3.65 per share). The dividend was paid out on May 27, 2019.

14. Pensions and similar obligations

Pension cost

The components of pension cost included in the consolidated statement of income are shown in table ↗ E.20 and ↗ E.21.

Contributions to pension plan assets

In the second quarter and the first half of 2019, contributions by Daimler to the Group's pension plan assets amounted to €47 million and €89 million (2018: €102 million and €132 million).

E.20

Pension cost for the three-month-periods ended June 30

	Q2 2019			Q2 2018		
	Total	German plans	Non-German plans	Total	German plans	Non-German plans
In millions of euros						
Current service cost	-174	-149	-25	-170	-147	-23
Net interest expense	-33	-24	-9	-22	-13	-9
Net interest income	1	–	1	–	–	–
	-206	-173	-33	-192	-160	-32

E.21

Pension cost for the six-month-periods ended June 30

	Q1-2 2019			Q1-2 2018		
	Total	German plans	Non-German plans	Total	German plans	Non-German plans
In millions of euros						
Current service cost	-348	-299	-49	-341	-294	-47
Net interest expense	-65	-47	-18	-44	-27	-17
Net interest income	2	–	2	1	–	1
	-411	-346	-65	-384	-321	-63

15. Provisions for other risks

Provisions for other risks are comprised as shown in table ↗ E.22.

E.22
Provisions for other risks

	June 30, 2019			Dec. 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Product warranties	**2,960**	**5,532**	**8,492**	3,080	3,963	7,043
Personnel and social costs	**1,318**	**2,520**	**3,838**	1,971	2,290	4,261
Other	**4,974**	**1,936**	**6,910**	2,777	1,481	4,258
	9,252	**9,988**	**19,240**	7,828	7,734	15,562

16. Financing liabilities

Financing liabilities are comprised as follows:

E.23
Financing liabilities

	June 30, 2019			Dec. 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Notes/bonds	**22,791**	**57,444**	**80,235**	15,090	61,400	76,490
Commercial paper	**3,745**	**–**	**3,745**	2,835	–	2,835
Liabilities to financial institutions	**20,123**	**19,145**	**39,268**	21,068	18,332	39,400
Deposits in the direct banking business	**9,315**	**2,921**	**12,236**	9,677	2,097	11,774
Liabilities from ABS transactions	**7,655**	**5,072**	**12,727**	6,782	5,670	12,452
Lease liabilities[1]	**594**	**3,505**	**4,099**	27	320	347
Loans, other financing liabilities	**890**	**903**	**1,793**	761	843	1,604
	65,113	**88,990**	**154,103**	56,240	88,662	144,902

1 At June 30, 2019, lease liabilities include effects from first-time adoption of IFRS 16.
Information on the adjustments is disclosed in Note 1 of the Notes to the Interim Consolidated Financial Statements.

17. Legal proceedings

As previously reported, Daimler AG and its subsidiaries are confronted with various legal proceedings, claims as well as governmental investigations and orders (legal proceedings) on a large number of topics.

Diesel emission behavior: class actions and other lawsuits in the United States and Canada
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 (NO_X) 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 nationwide 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. On February 1, 2019, the court granted in part and denied in part Daimler AG and MBUSA's subsequent motion to dismiss. The case is ongoing as the court's decision merely addressed certain legal aspects of plaintiffs' claims and did not decide whether the plaintiffs can ultimately prove their claims, whether the plaintiffs' allegations are true, or whether their claims have merit. Daimler AG and MBUSA view the lawsuit as being without merit and will defend against the claims.

On January 8, 2019, the Arizona State Attorney General filed a civil complaint in Arizona state court against Daimler AG and MBUSA making similar allegations that Arizona consumers had been deliberately deceived in connection with the advertising of Mercedes-Benz diesel vehicles. The state seeks monetary penalties for violation of Arizona's consumer protection laws. Daimler AG and MBUSA view this lawsuit as being without merit.

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 that they will be bound by the outcome. That notice was 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.

With respect to the foregoing, 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.

Diesel emission behavior: governmental proceedings
As reported several state and federal authorities and other institutions worldwide have inquired about and/or are conducting investigations and/or administrative proceedings and/or have issued administrative orders. These particularly relate to 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, the German Federal Cartel Office ("Bundeskartellamt"), 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). In the course of its formal investigation into possible collusion on clean emission technology, the European Commission sent a statement of objections to Daimler and other automobile manufacturers in April 2019. In this context

Daimler filed a leniency application with the European Commission some time ago. The Stuttgart district attorney's office is conducting criminal investigation proceedings against Daimler employees concerning the suspicion of fraud and criminal advertising, and, in May 2017, searched the premises of Daimler at several locations in Germany. In February 2019, the Stuttgart district attorney's office also initiated a formal investigation proceeding against Daimler AG with respect to an administrative offense in this regard.

In the second and third quarter of 2018 as well as in June 2019, KBA issued administrative orders holding that certain calibrations of specified functionalities in certain Mercedes-Benz diesel vehicles are to be qualified as impermissible defeat devices and ordered subsequent auxiliary provisions for the respective EC type approvals in this respect, including stops of the first registration and mandatory recalls. Daimler filed timely objections against such administrative orders in order to have the open legal issues resolved, if necessary, also by a court of law. In the course of its regular market supervision, KBA is routinely conducting further reviews of Mercedes-Benz vehicles and is asking questions about technical elements of the vehicles. It cannot be ruled out that in the course of the ongoing and/or further investigations KBA will issue additional administrative orders making similar findings. Daimler has (in view of KBA's interpretation of the law as a precaution) implemented a temporary delivery and registration stop with respect to certain models and is constantly reviewing whether it can lift this delivery and registration stop in whole or in part. The new calibrations requested by KBA are being processed, and for a certain proportion of the vehicles, the relevant software has already been approved by KBA; the related recalls have insofar been initiated. It cannot be ruled out that further delivery and registration stops may be ordered or resolved by the Company as a precautionary measure under the relevant circumstances. 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 proceedings against the administrative orders 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.

Antitrust law proceedings (including actions for damages)
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. On June 1, 2018, the court dismissed Mercedes-Benz U.S. International, Inc., Mercedes-Benz Vans, LLC, and Daimler North America Corp., pursuant to the parties' stipulation. Daimler AG and Mercedes-Benz USA, LLC (MBUSA) remain parties in the case. On June 17, 2019, the court granted motions to dismiss in the consolidated US class action proceedings, albeit with leave to amend. Daimler AG and MBUSA regard the US and Canadian lawsuits as being without merit, and will defend against the claims.

In this context, Daimler AG may disclose that it filed an application for immunity from fines (leniency application) with the European Commission some time ago. In late October 2017, the European Commission conducted preannounced inspections with Daimler in Stuttgart (as well as further inspections with other manufacturers) in order to further clarify the facts of the case. In the third quarter of 2018, the European Commission opened a formal investigation into possible collusion on clean emission technology. In the course of such investigation, the European Commission, in April 2019, sent a statement of objections to Daimler and other automobile manufacturers. At present, Daimler does not expect this development to have any material impact on the company's profitability, cash flow and financial situation.

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 is taking 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.

Class-action lawsuits Takata airbag inflators

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 nationwide 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 complaints are similar to those in the Canadian and New Jersey actions. The US cases have been centralized in one proceeding by the Judicial Panel on Multidistrict Litigation and transferred to the U.S. District Court for the Southern District of Florida, which is overseeing litigation against Takata and other manufacturers of automobiles. In an order entered on June 21, 2019, the court granted in part Daimler AG and MBUSA's motions to dismiss, with the effect of dismissing the consumer claims against the companies in the Multidistrict Litigation. Plaintiffs have since publicly said they are "assessing [their] next steps". In addition, the Multidistrict Litigation is not over as to Daimler AG and MBUSA because one of the Multidistrict Litigation complaints was amended to assert claims by automotive recyclers who allege injury because they are not able to re-sell salvaged airbag inflators that are subject to the Takata recall. The motions to dismiss against that complaint are still pending. In February 2019, Daimler AG and its non-subsidiary Israeli distributor (Colmobil) were named as defendants in an Israel-wide class action alleging inadequacy of Takata recall efforts in Israel. 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.

Toll Collect
On July 4, 2018, through its subsidiary Daimler Financial Services AG, Daimler AG together with Deutsche Telekom AG notarized a settlement agreement (hereinafter: settlement) with the Federal Republic of Germany which settles all arbitration proceedings in connection with the involvement in the Toll Collect consortium, which have been ongoing since 2004 and on July 6, 2018, the arbitral tribunal issued an award on agreed terms terminating the arbitration proceedings on the basis of the settlement.

As a consequence, gains/losses on equity-method investments in the second quarter of 2018 included expenses of €418 million in connection with Toll Collect. The EBIT of the Daimler Financial Services segment was reduced in particular due to the existing 50% obligation of Daimler Financial Services AG to pay €550 million to Toll Collect GbR, which was partially offset by provisions recognized in previous years. In the third quarter of 2018, the first tranche in the amount of €200 million was executed. Further tranches in the amounts of €200 million and €150 million will be settled in the third quarter of 2019 and 2020 respectively.

The statements contained in this interim report are to be read in conjunction with the consolidated financial statements as at December 31, 2018. In our assessment, there have been no substantial changes with respect to the other legal proceedings reported in Note 30 to the consolidated financial statements as at December 31, 2018.

18. Financial instruments

Table ↗ **E.24** shows the carrying amounts and fair values of the Group's financial instruments.

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Given the varying influencing factors, the reported fair values can only be viewed as indicators of the prices that may actually be achieved in the market.

E.24

Carrying amounts and fair values of financial instruments

	June 30, 2019		Dec. 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
In millions of euros				
Financial assets				
Receivables from financial services	98,669	99,431	96,740	97,144
Trade receivables	12,743	12,743	12,586	12,586
Cash and cash equivalents	12,519	12,519	15,853	15,853
Marketable debt securities and similar investments	8,945	8,945	9,577	9,577
Recognized at fair value through other comprehensive income	6,478	6,478	5,855	5,855
Recognized at fair value through profit or loss	1,962	1,962	3,059	3,059
Measured at cost	505	505	663	663
Other financial assets				
Equity instruments and debt instruments	836	836	748	748
Recognized at fair value through other comprehensive income	481	481	364	364
Recognized at fair value through profit or loss	355	355	384	384
Other financial assets recognized at fair value through profit or loss	78	78	109	109
Derivative financial instruments used in hedge accounting	1,445	1,445	1,033	1,033
Other receivables and financial assets	4,275	4,275	3,177	3,177
	139,510	140,272	139,823	140,227
Financial liabilities				
Financing liabilities	150,004	150,548	144,902	144,933
Trade payables	15,194	15,194	14,185	14,185
Other financial liabilities				
Financial liabilities recognized at fair value through profit or loss	40	40	56	56
Derivative financial instruments used in hedge accounting	969	969	1,094	1,094
Miscellaneous other financial liabilities	9,382	9,382	8,844	8,844
Contract and refund liabilities				
Obligations from sales transactions	4,459	4,459	4,931	4,931
	180,048	180,592	174,012	174,043

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
Marketable debt securities are recognized 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 recognized 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, 2019.

Marketable debt securities and equity instruments recognized at fair value were measured using quoted market prices at the end of the reporting period. 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.

Contract and refund liabilities
Contract and refund liabilities include obligations from sales transactions that qualify as financial instruments.

Obligations from sales transactions should, in principle, be regarded as shortterm. Due to the short maturities of these financial instruments, it is assumed that their fair values are equal to their carrying amounts.

Table ↗ **E.25** provides an overview of the classification into measurement hierarchies of financial assets and liabilities recognized at fair value (according to IFRS 13). At the end of each reporting period, Daimler reviews the necessity for reclassification between the fair value hierarchies.

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

E.25

Measurement hierarchy of financial assets and liabilities recognized at fair value

	June 30, 2019				Dec. 31, 2018			
	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]
In millions of euros								
Financial assets recognized at fair value								
Marketable debt securities	**8,440**	**4,675**	**3,765**	**–**	8,914	5,812	3,102	–
Recognized at fair value through other comprehensive income	**6,478**	**2,713**	**3,765**	**–**	5,855	2,753	3,102	–
Recognized at fair value through profit or loss	**1,962**	**1,962**	**–**	**–**	3,059	3,059	–	–
Equity instruments and debt instruments	**836**	**336**	**246**	**254**	748	338	304	106
Recognized at fair value through other comprehensive income	**481**	**221**	**130**	**130**	364	208	128	28
Recognized at fair value through profit or loss	**355**	**115**	**116**	**124**	384	130	176	78
Other financial assets recognized at fair value through profit or loss	**78**	**–**	**78**	**–**	109	–	109	–
Derivative financial instruments used in hedge accounting	**1,445**	**–**	**1,445**	**–**	1,033	–	1,033	–
	10,799	**5,011**	**5,534**	**254**	10,804	6,150	4,548	106
Financial liabilities recognized at fair value								
Financial liabilities recognized at fair value through profit or loss	**40**	**–**	**40**	**–**	56	–	56	–
Derivative financial instruments used in hedge accounting	**969**	**–**	**969**	**–**	1,094	–	1,094	–
	1,009	**–**	**1,009**	**–**	1,150	–	1,150	–

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, 2019 and June 30, 2018 is as follows:

E.26

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 2019								
External revenue	**21,437**	**9,998**	**3,435**	**1,237**	**6,543**	**42,650**	**–**	**42,650**
Intersegment revenue	**856**	**474**	**219**	**31**	**602**	**2,182**	**-2,182**	**–**
Total revenue	**22,293**	**10,472**	**3,654**	**1,268**	**7,145**	**44,832**	**-2,182**	**42,650**
Segment profit/loss (EBIT)	**-672**	**725**	**-2,050**	**106**	**431**	**-1,460**	**-95**	**-1,555**
thereof share of gains/losses on equity-method investments	**304**	**-6**	**12**	**–**	**-125**	**185**	**25**	**210**
thereof gains/losses on compounding and effects from changes in discount rates of provisions for other risks	**-60**	**-22**	**-5**	**-2**	**–**	**-89**	**–**	**-89**

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services[1]	Total segments	Reconciliation[1]	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	555	2,160	-2,160	–
Total revenue	22,575	9,185	3,511	1,075	6,570	42,916	-2,160	40,756
Segment profit/loss (EBIT)	1,901	546	152	66	66	2,731	-91	2,640
thereof share of gains/losses on equity-method investments	354	20	10	–	-424	-40	26	-14
thereof gains/losses on compounding and effects from changes in discount rates of provisions for other risks	-3	-5	-6	–	–	-14	–	-14

1 In 2018, the Group's internal revenue and cost of sales were adjusted by the same amount at the Daimler Financial Services segment. These adjustments have been fully eliminated in the reconciliation.

Segment information for the six-month periods ended June 30, 2019 and June 30, 2018 is as follows:

E.27

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 2019								
External revenue	**41,815**	**19,063**	**6,592**	**1,985**	**12,893**	**82,348**	**–**	**82,348**
Intersegment revenue	**1,678**	**955**	**431**	**68**	**1,133**	**4,265**	**-4,265**	**–**
Total revenue	**43,493**	**20,018**	**7,023**	**2,053**	**14,026**	**86,613**	**-4,265**	**82,348**
Segment profit/loss (EBIT)	**626**	**1,307**	**-2,148**	**85**	**1,640**	**1,510**	**-263**	**1,247**
thereof share of gains/losses on equity-method investments	**581**	**-4**	**22**	**1**	**-152**	**448**	**24**	**472**
thereof gains/losses on compounding and effects from changes in discount rates of provisions for other risks	**-131**	**-48**	**-13**	**-5**	**-1**	**-198**	**–**	**-198**

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services[1]	Total segments	Reconciliation[1]	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	1,052	4,195	-4,195	–
Total revenue	45,573	17,804	6,609	1,925	12,825	84,736	-4,195	80,541
Segment profit/loss (EBIT)	3,961	1,193	324	103	614	6,195	-220	5,975
thereof share of gains/losses on equity-method investments	673	30	26	–	-429	300	29	329
thereof gains/losses on compounding and effects from changes in discount rates of provisions for other risks	7	–	-6	-1	-1	-1	–	-1

1 In 2018, the Group's internal revenue and cost of sales were adjusted by the same amount at the Daimler Financial Services segment. These adjustments have been fully eliminated in the reconciliation.

Reconciliation
Reconciliation of the total segments' profit/loss (EBIT) to profit/loss before income taxes is as shown in table ↗ E.28.

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

E.28
Reconciliation to Group figures

	Q2 2019	Q2 2018	Q1-2 2019	Q1-2 2018
In millions of euros				
Total segments' profit/loss (EBIT)	-1,460	2,731	1,510	6,195
Share of gains/losses on equity-method investments	25	26	24	29
Other corporate items	-139	-121	-353	-243
Eliminations	19	4	66	-6
Group EBIT	-1,555	2,640	1,247	5,975
Amortization of capitalized borrowing costs[1]	-3	-4	-7	-8
Interest income	121	70	200	125
Interest expense	-235	-176	-489	-315
Profit/loss before income taxes	-1,672	2,530	951	5,777

1 Amortization of capitalized borrowing costs is not considered in the 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.29.

Associated companies
A large proportion of the Group's sales of goods and services with associated companies as well as of its receivables relates to business relations with LSH Auto International Limited (LSHAI) and with Beijing Benz Automotive Co., Ltd. (BBAC).

The purchases of goods and services shown in table ↗ E.29 were primarily from LSHAI.

Joint ventures
In business relationships with joint ventures, significant sales of goods and services took place with Fujian Benz Automotive Co., Ltd., which is allocated to Mercedes-Benz Vans, and with DAIMLER KAMAZ RUS OOO, a company established with the associated company Kamaz PAO and allocated to Daimler Trucks.

Note 10 provides further details of the significant associated companies and joint ventures.

E.29
Related party relationships

	Sales of goods and services and other income				Purchases of goods and services and other expenses			
In millions of euros	**Q2 2019**	Q2 2018	**Q1-2 2019**	Q1-2 2018	**Q2 2019**	Q2 2018	**Q1-2 2019**	Q1-2 2018
Associated companies	**3,591**	3,359	**6,671**	6,783	**256**	242	**471**	485
thereof LSHAI	**2,037**	1,997	**3,619**	4,248	**233**	136	**416**	293
thereof BBAC	**1,448**	1,158	**2,831**	2,233	**19**	18	**44**	37
Joint ventures	**232**	221	**429**	507	**29**	22	**50**	38

	Receivables[1]		Payables[2]	
In millions of euros	**June 30, 2019**	Dec. 31, 2018	**June 30, 2019**	Dec. 31, 2018
Associated companies	**4,076**	2,679	**152**	131
thereof LSHAI[1]	**1,306**	981	**75**	30
thereof BBAC	**2,659**	1,571	**65**	85
Joint ventures	**309**	208	**427**	444

1 After write-downs totaling €41 million (December 31, 2018: €53 million).
2 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 material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Stuttgart, July 23, 2019

Ola Källenius

Martin Daum

Renata Jungo Brüngger

Wilfried Porth

Markus Schäfer

Britta Seeger

Hubertus Troska

Harald Wilhelm

Auditor’s Review Report

To Daimler Aktiengesellschaft, 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, 2019, 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 23, 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft

Sailer
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Dr. Thümler
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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 2019
July 24, 2019

Interim Report Q3 2019
October 24, 2019

Annual Press Conference
February 11, 2020

Analyst and Investor Conference
February 12, 2020

Annual Shareholders' Meeting 2020
April 1, 2020

Interim Report Q1 2020
April 29, 2020

Interim Report Q2 2020
July 23, 2020

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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