DAIMLER

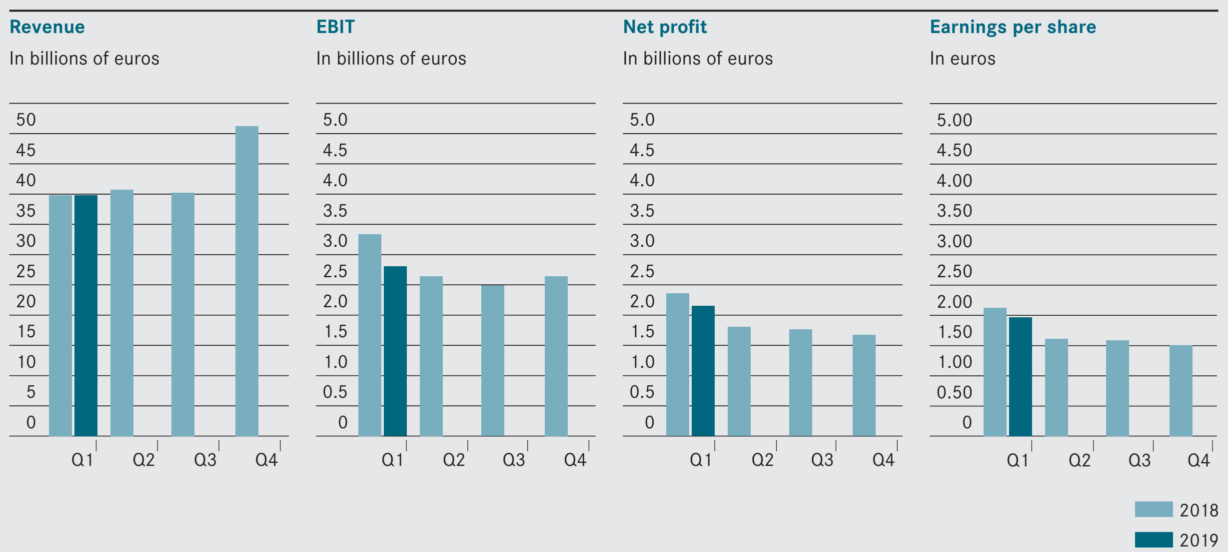
# Interim Report Q1 2019

# Q1

**Key Figures Daimler Group**

| € amounts in millions | Q1 2019 | Q1 2018 | % change |
|---|---|---|---|
| Revenue | 39,698 | 39,785 | -0 [1] |
| Europe | 16,620 | 16,434 | +1 |
| thereof Germany | 6,380 | 5,955 | +7 |
| NAFTA | 11,605 | 10,601 | +9 |
| thereof United States | 10,138 | 9,074 | +12 |
| Asia | 8,971 | 10,338 | -13 |
| thereof China | 4,390 | 5,171 | -15 |
| Other markets | 2,502 | 2,412 | +4 |
| Investment in property, plant, equipment | 1,668 | 1,343 | +24 |
| Research and development expenditure | 2,378 | 2,321 | +2 |
| thereof capitalized development costs | 674 | 609 | +11 |
| Free cash flow of the industrial business | -2,039 | 1,822 | . |
| EBIT | 2,802 | 3,335 | -16 |
| Net profit | 2,149 | 2,354 | -9 |
| Earnings per share (in euros) | 1.96 | 2.12 | -8 |
| Employees | 299,956 | 298,683 [2] | +0 |

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



# Interim Management Report

**Decrease in first-quarter unit sales to 773,800 vehicles (-4%)**
**Revenue of €39.7 billion (Q1 2018: €39.8 billion)**
**Group EBIT of €2.8 billion (Q1 2018: €3.3 billion)**
**Net profit of €2.1 billion (Q1 2018: €2.4 billion)**
**Free cash flow of the industrial business of minus €2.0 billion (Q1 2018: plus €1.8 billion)**
**Slight growth in unit sales and revenue anticipated for full-year 2019**
**Group EBIT expected to be slightly higher than last year**

## Business development

**Further slowdown in growth of world economy**

The growth of the **world economy** should have continued slowing down in the first quarter of 2019, but was still solid at a rate of just under 3%. Key economic indicators have further weakened recently, and do not currently suggest any renewed acceleration of growth. However, stock markets have recovered significantly since the beginning of the year, due not least to the slight easing of the trade conflict between the United States and China. An additional positive factor is that the US Federal Reserve announced that it has no plans for further interest-rate increases for the time being. Growth of the US economy was held back in the first quarter, among other things by the unusually long government shutdown at the beginning of the year, but lost only a little of its dynamism compared with the previous quarters. Sentiment in the European Monetary Union continued to worsen significantly in the first quarter; the pronounced phase of manufacturing weakness in particular slowed growth to just over 1%. The Chinese government responded to the economy's ongoing growth slowdown with the introduction of appropriate support measures; growth stabilized accordingly at 6.4%, in line with expectations. Crude-oil prices increased by more than 25% during the quarter and were at a similar level to a year earlier at the end of March. This was to the benefit of emerging economies that export raw materials.

The weak phase of **worldwide demand for cars** continued in the first quarter and was slightly below the previous year's level, mainly due to the continued significant contraction of the Chinese market. Although the decrease in China was significantly smaller in March than in the previous months, car sales fell by a double-digit percentage once again in the first quarter.

The European market was slightly smaller than in the first quarter of last year, with unit sales in Western Europe also decreasing slightly. Demand for cars in Germany and in France was close to the prior-year level, while the British market contracted slightly. The market in Eastern Europe decreased slightly. While sales of cars in Russia remained at the prior-year level, the Turkish market shrank substantially by more than 40%.

The US market for cars and light trucks remained at a high level, although a slight decrease was recorded compared with the first quarter of last year. Car sales in Japan were close to the level of the prior-year period. In India the market slightly decreased.

Demand for **medium- and heavy-duty trucks** continued to develop disparately in the various regions. The market in the NAFTA region continued its upswing and significantly surpassed the prior-year level. In the EU30 region (European Union, Switzerland and Norway), demand made a solid start to the year and increased again slightly compared with the robust prior-year level. The Brazilian market continued its recovery and expanded by nearly 50%. However, demand in the Turkish market slumped by more than 50% due to the country's severe economic crisis. The Russian market lost much of its dynamism and was only at about the previous year's level, according to the latest estimates.

The most important Asian markets from Daimler's perspective displayed various tendencies at the beginning of the year. In Japan, demand for light-, medium- and heavy-duty trucks remained solid and slightly exceeded the prior-year level. The Indian market also grew slightly compared with its already high prior-year volume. On the other hand, the Chinese market 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 first quarter of 2019. The market volume increased by 10% for midsize and large vans and by 4% for midsize pickups. Demand for small vans was at the level of the prior-year quarter. The US market for large vans was slightly higher than in the first quarter of last year. 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 slightly larger than in the first quarter of last year. In Brazil, demand for bus chassis increased significantly compared with the prior-year period (+71%).

**Decrease of 4% in first-quarter unit sales**
In the first quarter of 2019, Daimler sold 773,800 cars and commercial vehicles worldwide (Q1 2018: 806,900). ↗ C.01

First-quarter sales of 555,300 units by **Mercedes-Benz Cars** were 7% below the high level of the prior-year quarter. The reasons for the decrease in unit sales include the general market development, model changes, constraints on vehicle availability in some international markets and very intense competition. In Europe, 235,300 automobiles of the Mercedes-Benz and smart brands were sold in the first three months of the year (-4%), of which 78,100 were sold in Germany (-1%). In China, the division's biggest market, 173,200 units were sold (-3%). Unit sales in the United States decreased to 64,300 vehicles (-9%).

**Daimler Trucks** sold 115,900 vehicles in the first quarter (Q1 2018: 113,800). Sales in the NAFTA region increased significantly to 47,800 units (Q1 2018: 40,800). In Brazil our sales of 6,100 trucks were also significantly higher than in the prior-year period (Q1 2018: 4,000). Sales in the EU30 region (European Union, Switzerland and Norway) also increased significantly to 19,000 units (Q1 2018: 17,300). However, sales in Turkey decreased sharply to 500 units (Q1 2018: 1,800). Sales of 11,000 trucks in Japan were lower than in the prior-year period (Q1 2018: 12,000). Our unit sales in Indonesia were significantly lower at 7,800 vehicles (Q1 2018: 12,500). Unit sales decreased also in India, to 5,500 units (Q1 2018: 6,200).

**Mercedes-Benz Vans** increased its unit sales in the first quarter of 2019 by 4% and recorded its best-ever first quarter of a year with sales of 97,000 vehicles. The vans division set a new record in the first quarter also in the EU30 region, where its sales of 66,600 units were significantly higher than in the prior-year period (Q1 2018: 60,400). In the NAFTA region, sales of 11,700 vans were slightly higher than last year (Q1 2018: 11,300). The development in Latin America was also positive, with significant growth in first-quarter sales to 4,200 units (Q1 2018: 3,800). Unit sales in China decreased to 6,100 vehicles (-6%).

First-quarter sales by **Daimler Buses** decreased by 4% to 5,500 units. In the EU30 region, Daimler Buses sold 900 complete buses and bus chassis of the Mercedes-Benz and Setra brands. This is a significant decrease (-33%) compared with the prior-year quarter, and was primarily the result of delivery delays caused by a changed internal certification process for coaches and inter-city buses. We sold 2,200 units in Brazil, which is 20% more than in the prior-year quarter. Due in particular to the ongoing difficult economic situation in Argentina, unit sales by Daimler Buses in Latin America (excluding Mexico) increased by only 2% to 3,200 bus chassis. In Mexico, we posted a significant decrease in the first quarter of 2019 with sales of 400 units (Q1 2018: 500), while sales in India increased by a significant 46% to 500 units.

At **Daimler Financial Services**, against the backdrop of lower unit sales by the automotive divisions, new business decreased compared with the first quarter of last year by 3% to €17.3 billion. Daimler Financial Services' portfolio included more than 5.3 million vehicles at the end of March; this is equivalent to a contract volume of €157.4 billion and thus growth of 2% compared with the end of 2018. The insurance business also developed positively. Worldwide, 539,000 insurance contracts were brokered by Daimler Financial Services in the first quarter (Q1 2018: 523,000).

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

| | Q1 2019 | Q1 2018 | % change |
|---|---|---|---|
| Daimler Group | 773,796 | 806,905 | -4 |
| Mercedes-Benz Cars | 555,312 | 594,299 | -7 |
| Daimler Trucks | 115,920 | 113,846 | +2 |
| Mercedes-Benz Vans | 97,038 | 93,016 | +4 |
| Daimler Buses | 5,526 | 5,744 | -4 |

## Profitability

In the first quarter of 2019, the **Daimler Group**'s revenue was €39,698 million (Q1 2018: €39,785 million). Also adjusted for positive exchange-rate effects, revenue was at the level of the prior-year quarter. The Daimler Group achieved first-quarter EBIT of €2,802 million in 2019, which is significantly below the prior-year figure (Q1 2018: €3,335 million). ↗ C.02 ↗ C.03

All of the vehicle divisions posted lower earnings than in the first quarter of last year. The Mercedes-Benz Cars division's earnings decreased primarily due to lower unit sales and a changed sales structure. However, the merger of the mobility services of Daimler Group and BMW Group contributed to an increase in earnings at the Daimler Financial Services division. Earnings were reduced by declining discount rates. Exchange-rate effects had only a minor impact on operating profit.

The reconciliation of segment earnings to Group EBIT in the first quarter of the year 2019 resulted in a higher expense than in the prior-year quarter. ↗ C.03

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

| In millions of euros | Q1 2019 | Q1 2018 | % change |
|---|---|---|---|
| Mercedes-Benz Cars | 21,200 | 22,998 | -8 |
| Daimler Trucks | 9,546 | 8,619 | +11 |
| Mercedes-Benz Vans | 3,369 | 3,098 | +9 |
| Daimler Buses | 785 | 850 | -8 |
| Daimler Financial Services | 6,881 | 6,255 | +10 |
| Reconciliation | -2,083 | -2,035 | -2 |
| Daimler Group | 39,698 | 39,785 | -0 |

**C.03**
**EBIT by division**

| In millions of euros | Q1 2019 | Q1 2018 | % change |
|---|---|---|---|
| Mercedes-Benz Cars | 1,298 | 2,060 | -37 |
| Daimler Trucks | 582 | 647 | -10 |
| Mercedes-Benz Vans | -98 | 172 | . |
| Daimler Buses | -21 | 37 | . |
| Daimler Financial Services | 1,209 | 548 | +121 |
| Reconciliation | -168 | -129 | -30 |
| Daimler Group[1] | 2,802 | 3,335 | -16 |

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]**

| | Q1 2019 | Q1 2018 | change |
|---|---|---|---|
| Mercedes-Benz Cars | 6.1% | 9.0% | -2.9 |
| Daimler Trucks | 6.1% | 7.5% | -1.4 |
| Mercedes-Benz Vans | -2.9% | 5.6% | -8.5 |
| Daimler Buses | -2.7% | 4.4% | -7.1 |
| Daimler Financial Services | 35.7% | 17.9% | +17.8 |

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 quarter of 2019, the revenue of the **Mercedes-Benz Cars** division decreased by 8% to €21,200 million, mainly due to lower unit sales (Q1 2018: €22,998 million). The division's EBIT was €1,298 million (Q1 2018: €2,060 million). Its return on sales of 6.1% was also below the prior-year figure of 9.0%. ↗ C.02 ↗ C.03 ↗ C.04

In the first quarter of 2019, earnings were adversely affected by a decrease in unit sales and a changed sales structure. The reasons for the lower unit sales include the general market situation, model changes and constraints on vehicle availability in some international markets. Additional factors with a negative impact on earnings were weaker pricing, exchange-rate effects and advance expenditure for new technologies and vehicles.

The revenue of the **Daimler Trucks** division increased in the first quarter of 2019 by 11% to €9,546 million (Q1 2018: €8,619 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 €582 million (Q1 2018: €647 million). Its return on sales was below the prior-year figure at 6.1% (Q1 2018: 7.5%). ↗ C.02 ↗ C.03 ↗ C.04

In addition to the increase in unit sales, especially in the NAFTA-region, foreign exchange rates had a positive effect on earnings. EBIT was reduced by higher expenses for new technologies and vehicles and increased costs, mainly related to higher raw-material prices and supply chain constraints. Valuations of provisions also had an adverse impact on earnings.

In the first quarter of 2019, the **Mercedes-Benz Vans** division's revenue increased by 9% to €3,369 million due to higher unit sales (Q1 2018: €3,098 million). EBIT amounted to minus €98 million (Q1 2018: plus €172 million). The division's return on sales decreased to minus 2.9% (Q1 2018: plus 5.6%). ↗ C.02 ↗ C.03 ↗ C.04

EBIT was reduced by expenses connected with the adjustment of production capacities in Russia and Argentina. After examining the profitability, it was decided not to produce the Mercedes-Benz X-Class in Argentina. Furthermore, advance expenditure for new technologies, launch costs for new products, exchange-rate effects and expenses for warranties and customer goodwill affected earnings. There was a negative impact also from ongoing investigations by the authorities and measures taken for diesel vehicles. Increased unit sales had a positive impact on earnings.

Due to delivery delays caused by a changed internal certification process for coaches and intercity buses, the revenue of the **Daimler Buses** division decreased by 8% to €785 million (Q1 2018: €850 million). The division posted EBIT of minus €21 million in the first quarter of 2019 (Q1 2018: plus €37 million). The division's return on sales decreased to minus 2.7% (Q1 2018: plus 4.4%). ↗ C.02 ↗ C.03 ↗ C.04

The decrease in earnings primarily reflects the delivery delays caused by a changed internal certification process for coaches and intercity buses.

In the first quarter of 2019, the **Daimler Financial Services** division achieved EBIT of €1,209 million (Q1 2018: €548 million). Its return on equity increased to 35.7% (Q1 2018: 17.9%). ↗ C.02 ↗ C.03 ↗ C.04

This increase was mainly due to the merger of the mobility services of Daimler Group and BMW Group, which had a positive impact on earnings of €718 million. An additional positive effect resulted from the growth in contract volume. On the other hand, there were negative effects from higher credit-risk costs in some markets and the increased level of interest rates.

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 €215 million in the first quarter of 2019 (Q1 2018: expenses of €119 million).

The elimination of intra-group transactions resulted in income of €47 million in the first quarter of 2019 (Q1 2018: expenses of €10 million).

**Net interest expense** in the first quarter of 2019 amounted to €175 million (Q1 2018: €84 million).

The **income-tax expense** recognized in the first quarter of 2019 amounted to €474 million (Q1 2018: €893 million). The effective tax rate was 18.1% (Q1 2018: 27.5%). The reduction in the income-tax expense reflects both the 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. Adjusted for this effect, the income-tax expense developed largely in line with the change in profit before income taxes.

**Net profit** for the first quarter of 2019 of €2,149 million was slightly below the prior-year figure (Q1 2018: €2,354 million). Net profit of €54 million is attributable to **non-controlling interests** (Q1 2018: €81 million). Net profit **attributable to the shareholders of Daimler AG** amounts to €2,095 million (Q1 2018: €2,273 million), representing a decrease in **earnings per share** to €1.96 (Q1 2018: €2.12).

The calculation of earnings per share (basic) is based on an average number of outstanding shares of 1,069.7 million (Q1 2018: 1,069.8 million).

**C.05**

| Consolidated statement of income[1] | Daimler Group | | Industrial Business[2] | | Daimler Financial Services | |
|---|---|---|---|---|---|---|
| | **Q1 2019** | Q1 2018 | **Q1 2019** | Q1 2018 | **Q1 2019** | Q1 2018 |
| In millions of euros | | | | | | |
| Revenue[3] | **39,698** | 39,785 | **32,817** | 33,530 | **6,881** | 6,255 |
| Cost of sales[3] | **-32,127** | -31,160 | **-26,150** | -25,833 | **-5,977** | -5,327 |
| **Gross profit** | **7,571** | 8,625 | **6,667** | 7,697 | **904** | 928 |
| Selling expenses | **-3,151** | -3,097 | **-2,961** | -2,909 | **-190** | -188 |
| General administrative expenses | **-1,019** | -971 | **-792** | -741 | **-227** | -230 |
| Research and non-capitalized development costs | **-1,704** | -1,712 | **-1,704** | -1,712 | **-** | - |
| Other operating income | **1,217** | 331 | **459** | 287 | **758** | 44 |
| Other operating expense | **-225** | -293 | **-216** | -282 | **-9** | -11 |
| Gains/losses on equity-method investments, net | **262** | 343 | **289** | 348 | **-27** | -5 |
| Other financial income/expense, net | **-153** | 105 | **-153** | 95 | **-** | 10 |
| Interest income | **79** | 55 | **79** | 55 | **-** | - |
| Interest expense | **-254** | -139 | **-252** | -138 | **-2** | -1 |
| **Profit before income taxes** | **2,623** | 3,247 | **1,416** | 2,700 | **1,207** | 547 |
| Income taxes | **-474** | -893 | **-344** | -729 | **-130** | -164 |
| **Net profit** | **2,149** | 2,354 | **1,072** | 1,971 | **1,077** | 383 |
| thereof profit attributable to non-controlling interests | **54** | 81 | | | | |
| thereof profit attributable to shareholders of Daimler AG | **2,095** | 2,273 | | | | |
| | | | | | | |
| **Earnings per share (in euros)** for profit attributable to shareholders of Daimler AG | | | | | | |
| **Basic** | **1.96** | 2.12 | | | | |
| **Diluted** | **1.96** | 2.12 | | | | |

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

## Cash flows

In the first quarter of 2019, **cash provided by operating activities** ↗ C.06 resulted in a cash inflow of €0.6 billion (Q1 2018: cash inflow of €0.8 billion). The decrease was primarily due to the development of working capital, reflecting in particular the stronger increase in inventories at Mercedes-Benz Cars resulting from model changes, as well as decreases in unit sales due to general market conditions and constraints on the availability of vehicles in some international markets. In addition, the development of trade payables especially at Daimler Trucks had a negative impact on the change in working capital. Along with effects from the general business performance, positive cash-flow effects resulted above all from the development of the leasing and sales-financing business.

**C.06**

| Condensed statement of cash flows[1] | Daimler Group | | Industrial Business[2] | | Daimler Financial Services | |
|---|---|---|---|---|---|---|
| | Q1 2019 | Q1 2018 | Q1 2019 | Q1 2018 | Q1 2019 | Q1 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 | 2,623 | 3,247 | 1,416 | 2,700 | 1,207 | 547 |
| Depreciation and amortization/impairments | 1,801 | 1,478 | 1,765 | 1,444 | 36 | 34 |
| Other non-cash expense and income and gains/losses on disposals of assets | -962 | -342 | -280 | -361 | -682 | 19 |
| Change in operating assets and liabilities | | | | | | |
| Inventories | -3,671 | -2,072 | -3,673 | -2,103 | 2 | 31 |
| Trade receivables | -172 | -4 | -27 | 91 | -145 | -95 |
| Trade payables | 1,472 | 2,485 | 1,309 | 2,309 | 163 | 176 |
| Receivables from financial services | -758 | -2,258 | 25 | -27 | -783 | -2,231 |
| Vehicles on operating leases | 56 | -558 | 52 | 455 | 4 | -1,013 |
| Other operating assets and liabilities | 820 | -787 | 709 | -616 | 111 | -171 |
| Dividends received from equity-method investments | - | 421 | - | 346 | - | 75 |
| Income taxes paid | -589 | -797 | -436 | -645 | -153 | -152 |
| **Cash used for/provided by operating activities** | 620 | 813 | 860 | 3,593 | -240 | -2,780 |
| Additions to property, plant and equipment and intangible assets | -2,421 | -2,108 | -2,392 | -2,082 | -29 | -26 |
| Investments in and disposals of shareholdings | -944 | 55 | -220 | 129 | -724 | -74 |
| Acquisitions and sales of marketable debt securities and similar investments | -408 | -383 | -617 | -375 | 209 | -8 |
| Other | 10 | 194 | -20 | 282 | 30 | -88 |
| **Cash used for investing activities** | -3,763 | -2,242 | -3,249 | -2,046 | -514 | -196 |
| Change in financing liabilities | 3,734 | 3,581 | 3,753 | 940 | -19 | 2,641 |
| Dividends paid | -9 | -4 | - | -4 | -9 | - |
| Other transactions with shareholders | -74 | -52 | -42 | -57 | -32 | 5 |
| Internal equity and financing transactions | - | - | -15 | 429 | 15 | -429 |
| **Cash used for/provided by financing activities** | 3,651 | 3,525 | 3,696 | 1,308 | -45 | 2,217 |
| Effect of foreign exchange rate changes on cash and cash equivalents | 237 | -110 | 195 | -107 | 42 | -3 |
| **Cash and cash equivalents at end of period** | 16,598 | 14,058 | 14,301 | 12,263 | 2,297 | 1,795 |

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.

**C.07**
**Free cash flow of the industrial business**

| In millions of euros | Q1 2019 | Q1 2018 | Change |
|---|---|---|---|
| Cash used for/provided by operating activities | 860 | 3,593 | -2,733 |
| Cash used for/provided by investing activities | -3,249 | -2,046 | -1,203 |
| Change in marketable debt securities and similar investments | 617 | 375 | +242 |
| Other adjustments | -267 | -100 | -167 |
| **Free cash flow of the industrial business** | -2,039 | 1,822 | -3,861 |

**C.08**
**Net liquidity of the industrial business**

| In millions of euros | March 31, 2019 | Dec. 31, 2018 | Change |
|---|---|---|---|
| Cash and cash equivalents | 14,301 | 12,799 | +1,502 |
| Marketable debt securities and similar investments | 9,038 | 8,364 | +674 |
| **Liquidity** | 23,339 | 21,163 | +2,176 |
| Financing liabilities | -12,098 | -4,771 | -7,327 |
| Market valuation and currency hedges for financing liabilities | 105 | -104 | +209 |
| **Financing liabilities (nominal)** | -11,993 | -4,875 | -7,118 |
| **Net liquidity** | 11,346 | 16,288 | -4,942 |

**C.09**
**Net debt of the Daimler Group**

| In millions of euros | March 31, 2019 | Dec. 31, 2018 | Change |
|---|---|---|---|
| Cash and cash equivalents | 16,598 | 15,853 | +745 |
| Marketable debt securities and similar investments | 10,114 | 9,577 | +537 |
| **Liquidity** | 26,712 | 25,430 | +1,282 |
| Financing liabilities | -154,911 | -144,902 | -10,009 |
| Market valuation and currency hedges for financing liabilities | 86 | -97 | +183 |
| **Financing liabilities (nominal)** | -154,825 | -144,999 | -9,826 |
| **Net debt** | -128,113 | -119,569 | -8,544 |

**Cash used for investing activities** ↗ C.06 amounted to a cash outflow of €3.8 billion (Q1 2018: €2.2 billion). The change compared with the first quarter 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 also affected cash used for investing activities.

**Cash provided by financing activities** ↗ C.06 resulted in a cash inflow of €3.7 billion (Q1 2018: €3.5 billion). The continued high net cash inflow from financing liabilities reflects the refinancing of the leasing and sales-financing business, as well as the use made of attractive conditions in the international money and capital markets.

Cash and cash equivalents increased compared with December 31, 2018 by €0.7 billion, after taking into account currency translation. Total liquidity, which also includes marketable debt securities and similar investments, increased by €1.3 billion to €26.7 billion.

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

Other adjustments relate to 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 quarter of 2019, the **free cash flow of the industrial business** led to a cash outflow of €2.0 billion (Q1 2018: cash inflow of €1.8 billion). The significantly increased outflow was primarily due to the development of working capital, reflecting in particular the stronger increase in inventories at Mercedes-Benz Cars resulting from model changes, as well as decreases in unit sales due to general market conditions and constraints on the availability of vehicles in some international markets. In addition, the development of trade payables especially at Daimler Trucks had a negative impact on the change in working capital. There was also an effect from increased investment in property, plant and equipment.

In the first quarter of 2019, the **free cash flow of the Daimler Group** led to a cash outflow of €3.1 billion (Q1 2018: cash outflow of €1.1 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.08, is calculated as the total amount as shown in the statement of financial position of cash, cash equivalents and marketable debt securities and similar investments included in liquidity management, less the currency-hedged nominal amounts of financing liabilities.

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

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, the net liquidity further decreased by €1.7 billion to €11.3 billion. 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 €8.5 billion to €128.1 billion. The effect resulting from the introduction of lessee accounting is €3.4 billion. ↗ C.09

The Daimler Group once again utilized attractive conditions in the international money and capital markets for **refinancing** in the first quarter of 2019.

In the first quarter of 2019, Daimler had a cash inflow of €7.4 billion from the **issuance** of bonds (Q1 2018: €4.7 billion). The redemption of bonds resulted in cash outflows of €2.6 billion (Q1 2018: €4.4 billion). A large proportion of the issuance volume was carried out in the form of so-called benchmark bonds (bonds with high nominal values). ↗ C.10

In addition to the issuances shown in the table, multiple smaller issuances were undertaken in various countries.

Furthermore, three **asset-backed securities (ABS) transactions** were conducted in the first quarter of 2019. In Australia, a total volume of AUD 0.75 billion was generated. In the United States, bonds with a volume of $1.3 billion were successfully placed on the market. In addition, a transaction of CAD 0.5 billion was carried out in Canada.

**C.10**

**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 €297.5 billion; adjusted for the effects of currency translation, the increase amounts to €12.0 billion. Daimler Financial Services accounts for €169.5 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 is primarily due to the increased volume of 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). On the liabilities side of the balance sheet, there were increases primarily in financing liabilities (including liabilities from lease contracts). Current assets account for 43% of the balance sheet total, as at the end of last year. Current liabilities amount to 35% of total equity and liabilities, which is also equal to the proportion at December 31, 2018.

**C.11**

| Condensed statement of financial position[1] | Daimler Group | | Industrial Business[2] | | Daimler Financial Services | |
|---|---|---|---|---|---|---|
| | At March 31, 2019 | At Dec. 31, 2018 | At March 31, 2019 | At Dec. 31, 2018 | At March 31, 2019 | At Dec. 31, 2018 |
| In millions of euros | | | | | | |
| **Assets** | | | | | | |
| Intangible assets | 15,026 | 14,801 | 14,145 | 13,913 | 881 | 888 |
| Property, plant and equipment | 35,232 | 30,948 | 34,909 | 30,859 | 323 | 89 |
| Equipment on operating leases | 50,119 | 49,476 | 18,479 | 18,509 | 31,640 | 30,967 |
| Receivables from financial services | 99,412 | 96,740 | -84 | -90 | 99,496 | 96,830 |
| Equity-method investments | 7,071 | 4,860 | 5,157 | 4,651 | 1,914 | 209 |
| Inventories | 33,505 | 29,489 | 32,121 | 28,096 | 1,384 | 1,393 |
| Trade receivables | 12,896 | 12,586 | 10,672 | 10,545 | 2,224 | 2,041 |
| Cash and cash equivalents | 16,598 | 15,853 | 14,301 | 12,799 | 2,297 | 3,054 |
| Marketable debt securities and similar investments | 10,114 | 9,577 | 9,038 | 8,364 | 1,076 | 1,213 |
| thereof current | 9,461 | 8,855 | 9,036 | 8,362 | 425 | 493 |
| thereof non-current | 653 | 722 | 2 | 2 | 651 | 720 |
| Other financial assets | 5,677 | 5,733 | -12,868 | -12,719 | 18,545 | 18,452 |
| Other assets | 11,847 | 11,025 | 2,100 | 1,376 | 9,747 | 9,649 |
| Assets held for sale | - | 531 | - | - | - | 531 |
| **Total assets** | 297,497 | 281,619 | 127,970 | 116,303 | 169,527 | 165,316 |
| **Equity and liabilities** | | | | | | |
| Total equity | 67,866 | 66,053 | 53,611 | 53,243 | 14,255 | 12,810 |
| Provisions | 25,352 | 24,406 | 24,203 | 23,269 | 1,149 | 1,137 |
| Financing liabilities | 154,911 | 144,902 | 12,098 | 4,771 | 142,813 | 140,131 |
| thereof current | 59,681 | 56,240 | -20,893 | -20,993 | 80,574 | 77,233 |
| thereof non-current | 95,230 | 88,662 | 32,991 | 25,764 | 62,239 | 62,898 |
| Trade payables | 15,762 | 14,185 | 14,798 | 13,395 | 964 | 790 |
| Other financial liabilities | 11,167 | 10,032 | 7,185 | 5,888 | 3,982 | 4,144 |
| Contract and refund liabilities | 12,512 | 12,519 | 12,135 | 12,146 | 377 | 373 |
| Other liabilities | 9,927 | 9,310 | 3,940 | 3,591 | 5,987 | 5,719 |
| Liabilities held for sale | - | 212 | - | - | - | 212 |
| **Total equity and liabilities** | 297,497 | 281,619 | 127,970 | 116,303 | 169,527 | 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 €15.0 billion (December 31, 2018: €14.8 billion) include €11.5 billion of capitalized development costs (December 31, 2017: €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 82% of the development costs (December 31, 2017: 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 €35.2 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 €3.9 billion are included in property, plant and equipment. In the first quarter of 2019, €1.7 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 €1.2 billion of capital expenditure (Q1 2018: €1.1 billion).

**Equipment on operating leases and receivables from financial services** increased to €149.5 billion (December 31, 2018: €146.2 billion). The increase includes effects of €2.6 billion from currency translation. Adjusted for exchange-rate effects, the increase of €0.7 billion was primarily caused by the higher contract volume at Daimler Financial Services; the business with end-customers was further expanded especially in Europe and Asia. The leasing and sales-financing business as a proportion of 50% of total assets was below the prior-year level (52%).

**Equity-method investments** increased to €7.1 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). In addition, 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 increases at all automotive divisions relate primarily to finished goods and work in process. In particular at Mercedes-Benz Cars, the increase was partially due to seasonally higher stocks, model changes and constraints on the availability of vehicles in some international markets.

**Trade receivables** of €12.9 billion were slightly above the prior-year level (December 31, 2018: €12.6 billion). The Mercedes-Benz Cars division accounts for 46% (December 31, 2018: 45%) of these receivables and the Daimler Trucks division accounts for 25% (December 31, 2018: 25%).

**Cash and cash equivalents** increased compared with the end of the year 2018 by €0.7 billion to €16.6 billion.

**Marketable debt securities and similar investments** increased compared with December 31, 2018 from €9.6 billion to €10.1 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 €5.7 billion are at the prior-year level. 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.

**Other assets** of €11.8 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.

The Group's **equity** increased compared with December 31, 2018 from €66.1 billion to €67.9 billion. Adjusted for the effects of currency translation, the increase amounts to €1.0 billion. The net profit of €2.1 billion and the gains on currency translation of €0.8 billion were partially offset by losses of €0.7 billion on the remeasurement of derivative financial instruments recognized in other comprehensive income and actuarial losses of €0.3 billion from defined-benefit pension plans that are recognized in retained earnings. Equity attributable to the shareholders of Daimler AG therefore increased to €66.4 billion (December 31, 2018: €64.7 billion).

Equity increased at a slightly lower rate than the increase in the balance sheet total of 6%. The Group's **equity ratio** of 21.6% was therefore slightly below the level of year-end 2018 (22.2%); the equity ratio for the industrial business was 39.2% (December 31, 2018: 42.8%). The equity ratios are adjusted for the proposed dividend payment for the year 2018.

**Provisions** of €25.4 billion were above the level of December 31, 2018 (€24.4 billion); as a proportion of the balance sheet total, they amount to 9%, which is equivalent to the prior-year level (9%). They primarily comprise provisions for pensions and similar obligations of €8.2 billion (December 31, 2018: €7.4 billion), which mainly consist of the difference between the present value of defined-benefit pension obligations of €33.5 billion (December 31, 2018: €31.7 billion) and the fair value of the pension plan assets applied to finance those obligations of €26.6 billion (December 31, 2018: €25.5 billion). The decrease of approximately 0.3 percentage points 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 €1.5 billion (December 31, 2018: €1.5 billion), from product warranties of €6.9 billion (December 31, 2018: €7.0 billion) and from personnel and social costs of €4.4 billion (December 31, 2018: €4.3 billion), as well as other provisions of €4.4 billion (December 31, 2018: €4.3 billion).

**Financing liabilities** of €154.9 billion were above the level of December 31, 2018 (€144.9 billion). The increase includes effects of €2.1 billion from currency translation. Adjusted for exchange-rate effects, the increase amounts to €7.9 billion, and reflects both the refinancing of the growing leasing and sales-financing business and higher leasing liabilities of €4.0 billion due to the application of single lessee accounting according to IFRS 16. 53% of the financing liabilities relate to notes and bonds, 26% to liabilities to banks, 8% to deposits in the direct banking business and 8% to liabilities from ABS transactions.

**Trade payables** increased to €15.8 billion (December 31, 2018: €14.2 billion). The Mercedes-Benz Cars division accounts for 63% (December 31, 2018: 60%) of those payables and the Daimler Trucks division accounts for 22% (December 31, 2018: 24%).

**Other financial liabilities** of €11.2 billion (December 31, 2018: €10.0 billion) mainly consist of liabilities from residual-value guarantees, from derivative financial instruments, from salaries and wages, deposits received and accrued interest on financing liabilities. The increase results among other things from increased negative fair values of derivative financial instruments.

**Contract and refund liabilities** of €12.5 billion are equal to the level at December 31, 2018. They mainly comprise deferred revenue from service and maintenance contracts as well as extended warranties and obligations from sales in the scope of IFRS 15.

**Other liabilities** of €9.9 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.

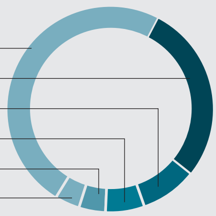
## Workforce

At the end of the first quarter of 2019, the Daimler Group employed 299,956 people worldwide (end of 2018: 298,683). Of that total, 174,368 were employed in Germany (end of 2018: 174,663), 26,444 in the United States (end of 2018: 26,310), 10,766 in Brazil (end of 2018: 10,307) and 9,902 in Japan (end of 2018: 9,918). Our consolidated companies in China employed 4,442 people at the end of March (end of 2018: 4,424). ↗ C.12

**C.12**

**Employees by division (as of March 31, 2019)**

| | |
|---|---|
| Daimler Group | 299,956 |
| Mercedes-Benz Cars | 146,286 |
| Daimler Trucks | 84,324 |
| Mercedes-Benz Vans | 26,564 |
| Daimler Buses | 18,684 |
| Daimler Financial Services | 12,733 |
| Group Functions & Services | 11,365 |



## Important events

**Supervisory Board appoints Harald Wilhelm as a member of the Board of Management of Daimler AG**

On February 13, the Supervisory Board of Daimler AG appointed Harald Wilhelm as a member of the Board of Management without direct responsibilities effective April 1, 2019. Harald Wilhelm will assume responsibility for Finance & Controlling and Daimler Financial Services at the end of the Annual Shareholders' Meeting on May 22, 2019. The appointment has been made for a period of three years. Before becoming a member of the Board of Management of Daimler AG, Harald Wilhelm was Chief Financial Officer of Airbus and a member of the Executive Committee of Airbus. Bodo Uebber has been responsible for Finance & Controlling and Daimler Financial Services since December 2004. Bodo Uebber did not wish to extend his contract with Daimler AG, which runs until the end of 2019. By mutual agreement, he will step down from the Board of Management at the end of the Annual Shareholders' Meeting on May 22, 2019.

**Supervisory Board of Daimler AG extends contract with Britta Seeger**

In the same meeting, the Supervisory Board of Daimler AG extended the contract of Britta Seeger, Member of the Board of Management of Daimler AG with responsibility for Mercedes-Benz Cars Marketing and Sales, until December 31, 2024. Britta Seeger has held this position since January 1, 2017. Her previous contract would have expired in December 2019.

**Mercedes-Benz Cars to build a battery factory in Jawor, Poland**

On January 22, we announced that Mercedes-Benz Cars is to build a battery factory in Jawor, Poland, in the context of our electric offensive, thus expanding the global battery production network to nine factories. The battery factory in Jawor is the second major investment at this new Mercedes-Benz site. An ultra-modern engine factory is already being built there. The production of engines in Jawor will start this year and will supply the Mercedes-Benz Cars plants in Europe and around the world. The addition of a battery factory on the existing plant site will result in approximately 300 more jobs. The series production of batteries for vehicles from the EQ product and technology brand is to start early in the next decade.

**Daimler and BMW Group to invest more than a billion euros in a joint mobility-services provider**

Following the successful closing of the joint-venture agreement, the two companies announced at a joint press conference on February 22 that they intend to invest more than a billion euros in the expansion of their existing offerings in the areas of car sharing, ride hailing, parking, charging and multimodality. We want to systematically utilize the opportunities resulting from digitization, shared services and our customers' increasing mobility needs.

**Daimler and BMW Group to jointly develop next-generation technology for automated driving**

Daimler AG and the BMW Group want to combine their forces in the field of automated driving. As a first step, they will work on developing the next technology generation for driver assistance systems as well as automated driving on highways and for automated parking functions. The two companies signed a memorandum of understanding on February 28. Daimler AG and the BMW Group regard this approach as a long-term and strategic cooperation and aim to make the next stage of technology available on a broad basis before the middle of the next decade.

**Daimler and Geely Holding establish a global joint venture for the further development of smart**

On March 28, Daimler AG and the Zhejiang Geely Holding Group announced the establishment of a globally focused 50:50 joint venture. They aim to further develop smart, the pioneer of urban mobility, as one of the leading brands for electric mobility. According to the joint-venture agreement, the next generation of smart electric models is to be produced in a new, specially constructed factory for electric cars in China. Global sales are to start in 2022.

**Daimler Trucks acquires majority stake in Torc Robotics**
Daimler Trucks, the world's largest producer of medium- and heavy-duty trucks above 6 tons, and Torc Robotics, a pioneer in the field of autonomous driving, are entering into a partnership to market fully automated trucks in the United States. On March 29, the companies agreed that Daimler Trucks and Buses Holding Inc., a subsidiary of Daimler AG, would acquire a majority stake in Torc Robotics. Automated trucks have great potential to meet the growing global demand for transportation through improved efficiency and even better safety. Daimler Trucks and Torc Robotics complement each other ideally in terms of resources, expertise and skills. The agreement is subject to the approval of the US authorities.

**Mercedes-Benz Cars opens a car plant in Russia**
On April 3, the new Mercedes-Benz Cars passenger car plant in Russia was opened in the presence of the President of the Russian Federation, Vladimir Putin. Production starts with the launch of 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. More than 1,000 employees will work in production and management at the new Mercedes-Benz plant. The Mercedes-Benz Moscovia plant features flexible and environmentally aware production and will use the latest Industry 4.0 technologies. The plant is part of the global production network of Mercedes-Benz Cars, which has more than 30 sites worldwide.

# Consolidated Statement of Income Q1

E.01

| | Q1 2019 | Q1 2018 |
|---|---|---|
| In millions of euros | | |
| Revenue | 39,698 | 39,785 |
| Cost of sales | -32,127 | -31,160 |
| **Gross profit** | 7,571 | 8,625 |
| Selling expenses | -3,151 | -3,097 |
| General administrative expenses | -1,019 | -971 |
| Research and non-capitalized development costs | -1,704 | -1,712 |
| Other operating income | 1,217 | 331 |
| Other operating expense | -225 | -293 |
| Gains on equity-method investments, net | 262 | 343 |
| Other financial income/expense, net | -153 | 105 |
| Interest income | 79 | 55 |
| Interest expense | -254 | -139 |
| **Profit before income taxes**[1] | 2,623 | 3,247 |
| Income taxes | -474 | -893 |
| **Net profit** | 2,149 | 2,354 |
| thereof profit attributable to non-controlling interests | 54 | 81 |
| thereof profit attributable to shareholders of Daimler AG | 2,095 | 2,273 |
| **Earnings per share (in euros)** for profit attributable to shareholders of Daimler AG | | |
| **Basic** | 1.96 | 2.12 |
| **Diluted** | 1.96 | 2.12 |

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 Q1

E.02

| In millions of euros | Q1 2019 | Q1 2018 |
|---|---|---|
| **Net profit** | **2,149** | 2,354 |
| Gains/losses on currency translation | 763 | -333 |
| Gains/losses on debt instruments | 7 | -5 |
| Gains/losses on derivative financial instruments | -683 | -91 |
| Gains/losses on equity-method investments | -17 | 2 |
| **Items that may be reclassified to profit/loss** | **70** | -427 |
| Actuarial gains/losses from pensions and similar obligations | -312 | -164 |
| Gains/losses on equity instruments | 28 | -7 |
| **Items that will not be reclassified to profit/loss** | **-284** | -171 |
| **Other comprehensive income/loss, net of taxes** | **-214** | -598 |
| thereof income/loss attributable to non-controlling interests, after taxes | 27 | 6 |
| thereof income/loss attributable to shareholders of Daimler AG, after taxes | -241 | -604 |
| **Total comprehensive income/loss** | **1,935** | 1,756 |
| thereof income/loss attributable to non-controlling interests | 81 | 87 |
| thereof income/loss attributable to shareholders of Daimler AG | 1,854 | 1,669 |

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

# Consolidated Statement of Financial Position

E.03

| In millions of euros | March 31, 2019 | Dec. 31, 2018 |
|---|---|---|
| **Assets** | | |
| Intangible assets | 15,026 | 14,801 |
| Property, plant and equipment | 35,232 | 30,948 |
| Equipment on operating leases | 50,119 | 49,476 |
| Equity-method investments | 7,071 | 4,860 |
| Receivables from financial services | 52,564 | 51,300 |
| Marketable debt securities and similar investments | 653 | 722 |
| Other financial assets | 2,873 | 2,763 |
| Deferred tax assets | 4,831 | 4,021 |
| Other assets | 1,104 | 1,115 |
| **Total non-current assets** | 169,473 | 160,006 |
| Inventories | 33,505 | 29,489 |
| Trade receivables | 12,896 | 12,586 |
| Receivables from financial services | 46,848 | 45,440 |
| Cash and cash equivalents | 16,598 | 15,853 |
| Marketable debt securities and similar investments | 9,461 | 8,855 |
| Other financial assets | 2,804 | 2,970 |
| Other assets | 5,912 | 5,889 |
| Assets held for sale | - | 531 |
| **Total current assets** | 128,024 | 121,613 |
| **Total assets** | 297,497 | 281,619 |
| | | |
| **Equity and liabilities** | | |
| Share capital | 3,070 | 3,070 |
| Capital reserves | 11,662 | 11,710 |
| Retained earnings | 51,286 | 49,490 |
| Other reserves | 468 | 397 |
| Treasury shares | -42 | - |
| **Equity attributable to shareholders of Daimler AG** | 66,444 | 64,667 |
| Non-controlling interests | 1,422 | 1,386 |
| **Total equity** | 67,866 | 66,053 |
| Provisions for pensions and similar obligations | 8,175 | 7,393 |
| Provisions for income taxes | 644 | 628 |
| Provisions for other risks | 8,045 | 7,734 |
| Financing liabilities | 95,230 | 88,662 |
| Other financial liabilities | 2,331 | 2,375 |
| Deferred tax liabilities | 3,851 | 3,762 |
| Deferred income | 1,571 | 1,612 |
| Contract and refund liabilities | 5,592 | 5,438 |
| Other liabilities | 12 | 10 |
| **Total non-current liabilities** | 125,451 | 117,614 |
| Trade payables | 15,762 | 14,185 |
| Provisions for income taxes | 860 | 823 |
| Provisions for other risks | 7,628 | 7,828 |
| Financing liabilities | 59,681 | 56,240 |
| Other financial liabilities | 8,836 | 7,657 |
| Deferred income | 1,650 | 1,580 |
| Contract and refund liabilities | 6,920 | 7,081 |
| Other liabilities | 2,843 | 2,346 |
| Liabilities held for sale | - | 212 |
| **Total current liabilities** | 104,180 | 97,952 |
| **Total equity and liabilities** | 297,497 | 281,619 |

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

# Consolidated Statement of Cash Flows

E.04

| In millions of euros | Q1 2019 | Q1 2018 |
|---|---|---|
| Profit before income taxes | 2,623 | 3,247 |
| Depreciation and amortization/impairments | 1,801 | 1,478 |
| Other non-cash expense and income | -242 | -342 |
| Gains (-)/losses (+) on disposals of assets | -720 | - |
| Change in operating assets and liabilities | | |
| Inventories | -3,671 | -2,072 |
| Trade receivables | -172 | -4 |
| Trade payables | 1,472 | 2,485 |
| Receivables from financial services | -758 | -2,258 |
| Vehicles on operating leases | 56 | -558 |
| Other operating assets and liabilities | 820 | -787 |
| Dividends received from equity-method investments | - | 421 |
| Income taxes paid | -589 | -797 |
| **Cash provided by operating activities** | 620 | 813 |
| Additions to property, plant and equipment | -1,668 | -1,343 |
| Additions to intangible assets | -753 | -765 |
| Proceeds from disposals of property, plant and equipment and intangible assets | 70 | 94 |
| Investments in shareholdings | -1,089 | -198 |
| Proceeds from disposals of shareholdings | 145 | 253 |
| Acquisition of marketable debt securities and similar investments | -2,256 | -1,737 |
| Proceeds from sales of marketable debt securities and similar investments | 1,848 | 1,354 |
| Other | -60 | 100 |
| **Cash used for investing activities** | -3,763 | -2,242 |
| Change in financing liabilities | 3,734 | 3,581 |
| Dividends paid to non-controlling interests | -9 | -4 |
| Proceeds from the issue of share capital | 32 | 6 |
| Acquisition of treasury shares | -42 | -50 |
| Acquisition of non-controlling interests in subsidiaries | -64 | -8 |
| **Cash provided by financing activities** | 3,651 | 3,525 |
| Effect of foreign exchange rate changes on cash and cash equivalents | 237 | -110 |
| **Net increase in cash and cash equivalents** | 745 | 1,986 |
| **Cash and cash equivalents at beginning of period** | 15,853 | 12,072 |
| **Cash and cash equivalents at end of period** | 16,598 | 14,058 |

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

# Consolidated Statement of Changes in Equity

E.05

| 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 | - | - | 2,273 | - | - |
| Other comprehensive income/loss before taxes | - | - | -218 | -339 | -15 |
| Deferred taxes on other comprehensive income/loss | - | - | 54 | - | 3 |
| Total comprehensive income/loss | - | - | 2,109 | -339 | -12 |
| Dividends | - | - | - | - | - |
| Capital increase/Issue of new shares | - | - | - | - | - |
| Acquisition of treasury shares | - | - | - | - | - |
| Issue and disposal of treasury shares | - | - | - | - | - |
| Changes in ownership interests in subsidiaries | - | -1 | - | - | - |
| **Balance at March 31, 2018** | 3,070 | 11,741 | 49,664 | -81 | 26 |
| **Balance at January 1, 2019** | **3,070** | **11,710** | **49,490** | **472** | **15** |
| Net profit | - | - | **2,095** | - | - |
| Other comprehensive income/loss before taxes | - | - | **-610** | **736** | **41** |
| Deferred taxes on other comprehensive income/loss | - | - | **298** | - | **-6** |
| Total comprehensive income/loss | - | - | **1,783** | **736** | **35** |
| Dividends | - | - | - | - | - |
| Changes in consolidated group | - | - | - | - | - |
| Capital increase/Issue of new shares | - | - | - | - | - |
| Acquisition of treasury shares | - | - | - | - | - |
| Changes in ownership interests in subsidiaries | - | **-48** | - | - | - |
| Other | - | - | **13** | - | - |
| **Balance at March 31, 2019** | **3,070** | **11,662** | **51,286** | **1,208** | **50** |

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 | 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** |
| - | - | - | 2,273 | 81 | 2,354 | Net profit |
| -130 | 3 | - | -699 | 6 | -693 | Other comprehensive income/loss before taxes |
| 39 | -1 | - | 95 | - | 95 | Deferred taxes on other comprehensive income/loss |
| -91 | 2 | - | 1,669 | 87 | 1,756 | Total comprehensive income/loss |
| - | - | - | - | -50 | -50 | Dividends |
| - | - | - | - | 6 | 6 | Capital increase/Issue of new shares |
| - | - | -50 | -50 | - | -50 | Acquisition of treasury shares |
| - | - | 50 | 50 | - | 50 | Issue and disposal of treasury shares |
| - | - | - | -1 | 51 | 50 | Changes in ownership interests in subsidiaries |
| 1,080 | 11 | - | 65,511 | 1,376 | 66,887 | **Balance at March 31, 2018** |
| **-95** | **5** | **-** | **64,667** | **1,386** | **66,053** | **Balance at January 1, 2019** |
| **-** | **-** | **-** | **2,095** | **54** | **2,149** | Net profit |
| **-970** | **-17** | **-** | **-820** | **27** | **-793** | Other comprehensive income/loss before taxes |
| **287** | **-** | **-** | **579** | **-** | **579** | Deferred taxes on other comprehensive income/loss |
| **-683** | **-17** | **-** | **1,854** | **81** | **1,935** | Total comprehensive income/loss |
| **-** | **-** | **-** | **-** | **-40** | **-40** | Dividends |
| **-** | **-** | **-** | **-** | **-28** | **-28** | Changes in consolidated group |
| **-** | **-** | **-** | **-** | **32** | **32** | Capital increase/Issue of new shares |
| **-** | **-** | **-42** | **-42** | **-** | **-42** | Acquisition of treasury shares |
| **-** | **-** | **-** | **-48** | **-12** | **-60** | Changes in ownership interests in subsidiaries |
| **-** | **-** | **-** | **13** | **3** | **16** | Other |
| **-778** | **-12** | **-42** | **66,444** | **1,422** | **67,866** | **Balance at March 31, 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 137, 70327 Stuttgart, Germany.

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

The Board of Management authorized the Interim Consolidated Financial Statements for publication on April 25, 2019. These Interim Financial Statements have been reviewed by the Daimler Group's independent auditor.

All significant intercompany accounts and transactions have been eliminated. In the opinion of the management, the Interim Financial Statements reflect all adjustments (i.e. normal recurring adjustments) necessary for a fair presentation of the profitability, liquidity and capital resources, and financial position of the Group. Results for the interim periods presented are not necessarily indicative of the results that may be expected for any future period or for the full fiscal year. The Interim Financial Statements should be read in conjunction with the December 31, 2018 audited and published IFRS Consolidated Financial Statements and notes thereto. The accounting policies applied by the Group in these Interim Financial Statements basically correspond with those applied for the Consolidated Financial Statements for the year ended December 31, 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 the 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 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 in the position 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, 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 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.06) 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.06**

**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.07. 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.07**
**Revenue**

| In millions of euros | Mercedes-Benz Cars | Daimler Trucks | Mercedes-Benz Vans | Daimler Buses | Daimler Financial Services | Total segments | Reconciliation | Daimler Group |
|---|---|---|---|---|---|---|---|---|
| **Q1 2019** | | | | | | | | |
| Europe | **9,110** | **2,521** | **2,231** | **445** | **1,209** | **15,516** | **-925** | **14,591** |
| NAFTA region | **3,958** | **4,427** | **430** | **39** | **1,299** | **10,153** | **-197** | **9,956** |
| Asia | **6,575** | **1,635** | **211** | **46** | **37** | **8,504** | **-10** | **8,494** |
| Other markets | **1,085** | **814** | **309** | **167** | **42** | **2,417** | **-96** | **2,321** |
| Revenue according to IFRS 15 | **20,728** | **9,397** | **3,181** | **697** | **2,587** | **36,590** | **-1,228** | **35,362** |
| Other revenue | **472** | **149** | **188** | **88** | **4,294** | **5,191** | **-855** | **4,336** |
| Total revenue | **21,200** | **9,546** | **3,369** | **785** | **6,881** | **41,781** | **-2,083** | **39,698** |

| 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 2018** | | | | | | | | |
| Europe | 9,162 | 2,435 | 2,039 | 516 | 1,044 | 15,196 | -881 | 14,315 |
| NAFTA region | 4,047 | 3,532 | 371 | 38 | 1,293 | 9,281 | -250 | 9,031 |
| Asia | 7,984 | 1,551 | 217 | 29 | 46 | 9,827 | -3 | 9,824 |
| Other markets | 948 | 925 | 245 | 171 | 39 | 2,328 | -107 | 2,221 |
| Revenue according to IFRS 15 | 22,141 | 8,443 | 2,872 | 754 | 2,422 | 36,632 | -1,241 | 35,391 |
| Other revenue | 857 | 176 | 226 | 96 | 3,833 | 5,188 | -794 | 4,394 |
| Total revenue | 22,998 | 8,619 | 3,098 | 850 | 6,255 | 41,820 | -2,035 | 39,785 |

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

## 4. Functional costs

**Cost of sales**
Cost of sales amounted to €32,127 million in the first quarter of 2019 (Q1 2018: €31,160 million). It primarily comprises the expenses of goods sold.

**Selling expenses**
In the first quarter of 2019, selling expenses amounted to €3,151 million (Q1 2018: €3,097 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 €1,019 million in the first quarter of 2019 (Q1 2018: €971 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 €1,704 million in the first quarter of 2019 (Q1 2018: €1,712 million). They primarily comprise personnel expenses and material costs.

## 5. Other operating income

In the first quarter of 2019, other operating income amounted to €1,217 million (Q1 2018: €331 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.

## 6. Interest income and interest expense

Interest income and interest expense are comprised as follows:

**E.08**
**Interest income and interest expense**

| In millions of euros | Q1 2019 | Q1 2018 |
|---|---|---|
| Interest income | | |
| Net interest income on the net assets of defined benefit pension plans | 1 | 1 |
| Interest and similar income | 78 | 54 |
| | 79 | 55 |
| Interest expense | | |
| Net interest expense on the net obligation from defined benefit pension plans | -45 | -33 |
| Interest and similar expense | -209 | -106 |
| | -254 | -139 |

## 7. Intangible assets

Intangible assets are shown in the following table:

**E.09**
**Intangible assets**

| In millions of euros | March 31, 2019 | Dec. 31, 2018 |
|---|---|---|
| Goodwill | 1,097 | 1,082 |
| Development costs | 11,495 | 11,257 |
| Other intangible assets | 2,434 | 2,462 |
| | 15,026 | 14,801 |

## 8. Property, plant and equipment

Property, plant and equipment with a net book value of €35,232 million also include right-of-use assets related to lessee accounting.

Table ↗ E.10 shows property, plant and equipment excluding right-of-use assets:

**E.10**
**Property, plant and equipment (excl. right-of-use assets)**

| In millions of euros | March 31, 2019 | Dec. 31, 2018 |
|---|---|---|
| Land, leasehold improvements and buildings including buildings on land owned by others | 8,679 | 8,741 |
| Technical equipment and machinery | 9,642 | 9,501 |
| Other equipment, factory and office equipment | 6,938 | 7,039 |
| Advance payments relating to plant and equipment and construction in progress | 6,028 | 5,667 |
| | 31,287 | 30,948 |

Table ↗ E.11 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.11**
**Right-of-use assets**

| In millions of euros | March 31, 2019 |
|---|---|
| Land, leasehold improvements and buildings | 3,752 |
| Technical equipment and machinery | 67 |
| Other equipment, factory and office equipment | 126 |
| | 3,945 |

## 9. Equipment on operating leases

At March 31, 2019, the carrying amount of equipment on operating leases was €50,119 million (December 31, 2018: €49,476 million). In the three-month period ended March 31, 2019, additions and disposals amounted to €6,011 million and €3,797 million respectively (Q1 2018: €6,060 million and €3,412 million). Depreciation for the three-month period ended March 31, 2019 was €2,284 million (Q1 2018: €2,070 million). Other changes primarily comprise the effects of currency translation.

## 10. Equity-method investments

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

Table ↗ E.13 presents key figures on interests in associated companies accounted for using the equity method in the Group's Consolidated Financial Statements.

Table ↗ E.14 presents key figures on interests in joint ventures accounted for using the equity method in the Group's Consolidated Financial Statements.

**E.12**

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

| In millions of euros | Associated companies | Joint ventures | Joint operations | Total |
|---|---|---|---|---|
| **At March 31, 2019** | | | | |
| Equity investment[1] | **4,728** | **2,322** | **21** | **7,071** |
| Equity result (Q1 2019)[1] | **264** | **-17** | **15** | **262** |
| At December 31, 2018 | | | | |
| Equity investment[1] | 4,230 | 604 | 26 | 4,860 |
| Equity result (Q1 2018)[1] | 319 | 21 | 3 | 343 |

1 Including investor-level adjustments.

**E.13**

**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 March 31, 2019** | | | | | |
| Equity interest (in %) | **49.0** | **9.6** | **29.7** | | |
| Equity investment[1] | **2,769** | **678** | **548** | **733** | **4,728** |
| Equity result (Q1 2019)[1] | **316** | **5** | **-40** | **-17** | **264** |
| 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 (Q1 2018)[1] | 332 | 3 | -16 | - | 319 |

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.14**

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

| In millions of euros | YOUR NOW[2] | Others | Total |
|---|---|---|---|
| **At March 31, 2019** | | | |
| Equity interest (in %) | **50.0** | | |
| Equity investment[1] | **1,661** | **661** | **2,322** |
| Equity result (Q1 2019)[1] | **-21** | **4** | **-17** |
| At December 31, 2018 | | | |
| Equity interest (in %) | - | | |
| Equity investment[1] | - | 604 | 604 |
| Equity result (Q1 2018)[1] | - | 21 | 21 |

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

**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 to 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 already existent 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. The shares are equally held by Daimler Group and BMW Group. The investments are included as joint ventures accounted for using the equity method with a one-month time lag in the Consolidated Financial Statements and are allocated to the Daimler Financial Services segment. Further information is provided in Note 2.

## 11. Receivables from financial services

Receivables from financial services are shown in the following table:

**E.15**
**Receivables from financial services**

| | March 31, 2019 | | | Dec. 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| In millions of euros | | | | | | |
| Sales financing with customers | **19,306** | **30,509** | **49,815** | 18,452 | 30,029 | 48,481 |
| Sales financing with dealers | **18,750** | **3,696** | **22,446** | 18,549 | 3,782 | 22,331 |
| Finance-lease contracts | **9,401** | **18,936** | **28,337** | 8,976 | 18,038 | 27,014 |
| Gross carrying amount | **47,457** | **53,141** | **100,598** | 45,977 | 51,849 | 97,826 |
| Loss allowances | **-609** | **-577** | **-1,186** | -537 | -549 | -1,086 |
| Net carrying amount | **46,848** | **52,564** | **99,412** | 45,440 | 51,300 | 96,740 |

## 12. Inventories

Inventories are comprised as follows:

**E.16**
**Inventories**

| | March 31, 2019 | Dec. 31, 2018 |
|---|---|---|
| In millions of euros | | |
| Raw materials and manufacturing supplies | **3,337** | 3,130 |
| Work in progress | **5,759** | 4,674 |
| Finished goods, parts and products held for resale | **24,195** | 21,351 |
| Advance payments to suppliers | **214** | 334 |
| | **33,505** | 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**
At the Annual Shareholders' Meeting to be held on May 22, 2019 the proposal will be made 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).

## 14. Pensions and similar obligations

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

**Contributions to pension plan assets**
In the three months ended March 31, 2019, contributions by Daimler to the Group's pension plan assets amounted to €42 million (Q1 2018: €30 million).

**E.17**
**Pension cost**

| | | | Q1 2019 | | | Q1 2018 |
|---|---|---|---|---|---|---|
| | Total | German plans | Non-German plans | Total | German plans | Non-German plans |
| In millions of euros | | | | | | |
| Current service cost | **-174** | **-150** | **-24** | -171 | -147 | -24 |
| Net interest expense | **-32** | **-23** | **-9** | -22 | -14 | -8 |
| Net interest income | **1** | **-** | **1** | 1 | - | 1 |
| | **-205** | **-173** | **-32** | -192 | -161 | -31 |

## 15. Provisions for other risks

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

**E.18**
**Provisions for other risks**

| | | | March 31, 2019 | | | Dec. 31, 2018 |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| In millions of euros | | | | | | |
| Product warranties | **2,725** | **4,153** | **6,878** | 3,080 | 3,963 | 7,043 |
| Personnel and social costs | **2,006** | **2,393** | **4,399** | 1,971 | 2,290 | 4,261 |
| Other | **2,897** | **1,499** | **4,396** | 2,777 | 1,481 | 4,258 |
| | **7,628** | **8,045** | **15,673** | 7,828 | 7,734 | 15,562 |

## 16. Financing liabilities

Financing liabilities are comprised as follows:

**E.19**
**Financing liabilities**

| | | | March 31, 2019 | | | Dec. 31, 2018 |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| In millions of euros | | | | | | |
| Notes/bonds | **18,435** | **64,321** | **82,756** | 15,090 | 61,400 | 76,490 |
| Commercial paper | **2,290** | **-** | **2,290** | 2,835 | - | 2,835 |
| Liabilities to financial institutions | **21,142** | **18,746** | **39,888** | 21,068 | 18,332 | 39,400 |
| Deposits in the direct banking business | **9,483** | **2,399** | **11,882** | 9,677 | 2,097 | 11,774 |
| Liabilities from ABS transactions | **7,042** | **5,519** | **12,561** | 6,782 | 5,670 | 12,452 |
| Lease liabilities[1] | **583** | **3,386** | **3,969** | 27 | 320 | 347 |
| Loans, other financing liabilities | **706** | **859** | **1,565** | 761 | 843 | 1,604 |
| | **59,681** | **95,230** | **154,911** | 56,240 | 88,662 | 144,902 |

1 At March 31, 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 already 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: Governmental proceedings**
Furthermore, 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, 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 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, 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 a stop of the first registration and mandatory recall. 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 routinely conducts further reviews of Mercedes-Benz vehicles and asks questions about technical elements of the vehicles. In April 2019, KBA initiated a hearing with respect to a thermostat function in the emission control system and with reference to a GLK model with Euro 5 standard. It cannot be ruled out that in the course of 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 calibration requested by KBA in its administrative order of the second quarter of 2018 has meanwhile been completed and the relevant software has been approved by KBA; the related recall has in the meanwhile been initiated. It cannot be ruled out, however, 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, 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, has 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 nation-wide class action, which was filed in New Jersey federal court and includes allegations that are similar to the Canadian action. In the third quarter of 2017, the New Jersey lawsuit was transferred to federal court in the Southern District of Florida for consolidation with other multi-district litigation proceedings. Then, on March 14, 2018, Daimler AG and MBUSA were named as defendants in two additional US nation-wide class action complaints, one filed in Georgia federal court, and the other filed into the multi-district litigation proceedings pending in Florida. The allegations in these 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. 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. 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 of 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 has been partially offset by provisions recognized in previous years. In the third quarter of 2018, the first tranche in the amount of €200 million has been executed. Further tranches in the amount of €200 million and €150 million will be settled in the third quarter 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.20** shows the carrying amounts and fair values of the Group's financial instruments.

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

**E.20**

**Carrying amounts and fair values of financial instruments**

| | March 31, 2019 | | Dec. 31, 2018 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| In millions of euros | | | | |
| Financial assets | | | | |
| Receivables from financial services | 99,412 | 99,616 | 96,740 | 97,144 |
| Trade receivables | 12,896 | 12,896 | 12,586 | 12,586 |
| Cash and cash equivalents | 16,598 | 16,598 | 15,853 | 15,853 |
| Marketable debt securities and similar investments | 10,114 | 10,114 | 9,577 | 9,577 |
| Recognized at fair value through other comprehensive income | 7,190 | 7,190 | 5,855 | 5,855 |
| Recognized at fair value through profit or loss | 2,311 | 2,311 | 3,059 | 3,059 |
| Measured at cost | 613 | 613 | 663 | 663 |
| Other financial assets | | | | |
| Equity instruments and debt instruments | 843 | 843 | 748 | 748 |
| Recognized at fair value through other comprehensive income | 450 | 450 | 364 | 364 |
| Recognized at fair value through profit or loss | 393 | 393 | 384 | 384 |
| Other financial assets recognized at fair value through profit or loss | 18 | 18 | 109 | 109 |
| Derivative financial instruments used in hedge accounting | 913 | 913 | 1,033 | 1,033 |
| Other receivables and financial assets | 3,272 | 3,272 | 3,177 | 3,177 |
| | 144,066 | 144,270 | 139,823 | 140,227 |
| Financial liabilities | | | | |
| Financing liabilities | 150,942 | 151,947 | 144,902 | 144,933 |
| Trade payables | 15,762 | 15,762 | 14,185 | 14,185 |
| Other financial liabilities | | | | |
| Financial liabilities recognized at fair value through profit or loss | 122 | 122 | 56 | 56 |
| Derivative financial instruments used in hedge accounting | 1,632 | 1,632 | 1,094 | 1,094 |
| Miscellaneous other financial liabilities | 9,413 | 9,413 | 8,882 | 8,882 |
| Contract and refund liabilities | | | | |
| Obligations from sales transactions | 4,608 | 4,608 | 4,931 | 4,931 |
| | 182,479 | 183,484 | 174,050 | 174,081 |

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 March 31, 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 short-term. Due to the short maturities of these financial instruments, it is assumed that their fair values are equal to the carrying amounts.

Table ↗ E.21 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.21**

**Measurement hierarchy of financial assets and liabilities recognized at fair value**

| | | | March 31, 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 | 9,501 | 5,442 | 4,059 | - | 8,914 | 5,812 | 3,102 | - |
| Recognized at fair value through other comprehensive income | 7,190 | 3,131 | 4,059 | - | 5,855 | 2,753 | 3,102 | - |
| Recognized at fair value through profit or loss | 2,311 | 2,311 | - | - | 3,059 | 3,059 | - | - |
| Equity instruments and debt instruments | 843 | 352 | 309 | 182 | 748 | 338 | 304 | 106 |
| Recognized at fair value through other comprehensive income | 450 | 233 | 130 | 87 | 364 | 208 | 128 | 28 |
| Recognized at fair value through profit or loss | 393 | 119 | 179 | 95 | 384 | 130 | 176 | 78 |
| Other financial assets recognized at fair value through profit or loss | 18 | - | 18 | - | 109 | - | 109 | - |
| Derivative financial instruments used in hedge accounting | 913 | - | 913 | - | 1,033 | - | 1,033 | - |
| | 11,275 | 5,794 | 5,299 | 182 | 10,804 | 6,150 | 4,548 | 106 |
| Financial liabilities recognized at fair value | | | | | | | | |
| Financial liabilities recognized at fair value through profit or loss | 122 | - | 122 | - | 56 | - | 56 | - |
| Derivative financial instruments used in hedge accounting | 1,632 | - | 1,632 | - | 1,094 | - | 1,094 | - |
| | 1,754 | - | 1,754 | - | 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 March 31, 2019 and March 31, 2018 is as follows:

**E.22**
**Segment reporting**

| In millions of euros | Mercedes-Benz Cars | Daimler Trucks | Mercedes-Benz Vans | Daimler Buses | Daimler Financial Services | Total segments | Reconciliation | Daimler Group |
|---|---|---|---|---|---|---|---|---|
| **Q1 2019** | | | | | | | | |
| External revenue | 20,378 | 9,065 | 3,157 | 748 | 6,350 | 39,698 | - | 39,698 |
| Intersegment revenue | 822 | 481 | 212 | 37 | 531 | 2,083 | -2,083 | - |
| Total revenue | 21,200 | 9,546 | 3,369 | 785 | 6,881 | 41,781 | -2,083 | 39,698 |
| Segment profit/loss (EBIT) | 1,298 | 582 | -98 | -21 | 1,209 | 2,970 | -168 | 2,802 |
| thereof share of gains/losses on equity-method investments | 277 | 2 | 10 | 1 | -27 | 263 | -1 | 262 |
| thereof gains/losses on compounding and effects from changes in discount rates of provisions for other risks | -71 | -26 | -8 | -3 | -1 | -109 | - | -109 |

| 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 2018** | | | | | | | | |
| External revenue | 22,083 | 8,203 | 2,917 | 824 | 5,758 | 39,785 | - | 39,785 |
| Intersegment revenue | 915 | 416 | 181 | 26 | 497 | 2,035 | -2,035 | - |
| Total revenue | 22,998 | 8,619 | 3,098 | 850 | 6,255 | 41,820 | -2,035 | 39,785 |
| Segment profit/loss (EBIT) | 2,060 | 647 | 172 | 37 | 548 | 3,464 | -129 | 3,335 |
| thereof share of gains/losses on equity-method investments | 319 | 10 | 16 | - | -5 | 340 | 3 | 343 |
| thereof gains/losses on compounding and effects from changes in discount rates of provisions for other risks | 10 | 5 | - | -1 | -1 | 13 | - | 13 |

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

**Reconciliation**
Reconciliation of the total segments' profit (EBIT) to profit before income taxes is as shown in table ↗ E.23.

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

**E.23**
**Reconciliation to Group figures**

| In millions of euros | Q1 2019 | Q1 2018 |
|---|---|---|
| Total segments' profit (EBIT) | 2,970 | 3,464 |
| Share of gains/losses on equity-method investments | -1 | 3 |
| Other corporate items | -214 | -122 |
| Eliminations | 47 | -10 |
| Group EBIT | 2,802 | 3,335 |
| Amortization of capitalized borrowing costs[1] | -4 | -4 |
| Interest income | 79 | 55 |
| Interest expense | -254 | -139 |
| Profit before income taxes | 2,623 | 3,247 |

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.24.

**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), both of which are allocated to Mercedes-Benz Cars.

The purchases of goods and services shown in table ↗ E.24 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.24**
**Transactions with related parties**

| | Sales of goods and services and other income | | Purchases of goods and services and other expenses | | Receivables[1] | | Payables[2] | |
|---|---|---|---|---|---|---|---|---|
| In millions of euros | Q1 2019 | Q1 2018 | Q1 2019 | Q1 2018 | March 31, 2019 | Dec. 31, 2018 | March 31, 2019 | Dec. 31, 2018 |
| Associated companies | 3,080 | 3,424 | 215 | 243 | 2,432 | 2,679 | 152 | 131 |
| thereof LSHAI | 1,582 | 2,251 | 183 | 157 | 839 | 981 | 70 | 30 |
| thereof BBAC | 1,383 | 1,075 | 25 | 19 | 1,500 | 1,571 | 71 | 85 |
| Joint ventures | 197 | 286 | 21 | 16 | 186 | 208 | 437 | 444 |

1 After write-downs totaling €55 million (December 31, 2018: €53 million).
2 Including liabilities from default risks from guarantees for related parties.

# Auditor's Review Report

To Daimler AG, Stuttgart

We have reviewed the condensed interim consolidated financial statements of Daimler AG - comprising the consolidated statement of income/loss, consolidated statement of comprehensive income/loss, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and selected, explanatory notes - together with the interim group management report of Daimler AG, for the period from January 1 to March 31, 2019, that are part of the quarterly 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, April 25, 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Sailer | Dr. Thümler |
| Wirtschaftsprüfer | Wirtschaftsprüfer |

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