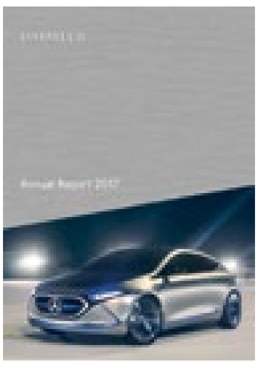
Annual Report 2017

Key Figures

Daimler Group

€ amounts in millions	2017	2016	17/16 % change
Revenue	**164,330**	153,261	+7 [1]
Investment in property, plant and equipment	**6,744**	5,889	+15
Research and development expenditure	**8,711**	7,572	+15
Free cash flow of the industrial business	**2,005**	3,874	-48
EBIT	**14,682**	12,902	+14
Net profit	**10,864**	8,784	+24
Earnings per share (in €)	**9.84**	7.97	+23
Dividend per share (in €)	**3.65**	3.25	+12
Employees (December 31)	**289,321**	282,488	+2

1 Adjusted for the effects of currency translation, revenue increased by 8%.



Cover photo
The Concept EQA is the first fully electric EQ concept car from Mercedes-Benz in the compact segment. Excellent driving dynamics are ensured by permanent all-wheel drive and two electric motors, whose system output can be increased to over 200 kW thanks to scalable battery components. In combination with the intelligent Mercedes-Benz operating strategy, the Concept EQA offers a range of up to 400 kilometers, depending on the battery capacity installed. The highly efficient lithium-ion battery with pouch cells is supplied by the Daimler subsidiary Deutsche ACCUMOTIVE. The Concept EQA can be charged via induction or wallbox and is also prepared for rapid charging.

Daimler's Divisions >

The Divisions and Brands

€ amounts in millions	2017	2016	2015	17/16 % change
Mercedes-Benz Cars				
Revenue	**94,695**	89,284	83,809	+6
EBIT	**9,207**	8,112	7,926	+13
Return on sales (in %)	**9.7**	9.1	9.5	.
Investment in property, plant and equipment	**4,843**	4,147	3,629	+17
Research and development expenditure	**6,642**	5,671	4,711	+17
thereof capitalized	**2,388**	2,008	1,612	+19
Unit sales	**2,373,527**	2,197,956	2,001,438	+8
Employees (December 31)	**142,666**	139,947	136,941	+2
Daimler Trucks				
Revenue	**35,707**	33,187	37,578	+8
EBIT	**2,380**	1,948	2,576	+22
Return on sales (in %)	**6.7**	5.9	6.9	.
Investment in property, plant and equipment	**1,028**	1,243	1,110	-17
Research and development expenditure	**1,322**	1,265	1,293	+5
thereof capitalized	**45**	57	26	-21
Unit sales	**470,705**	415,108	502,478	+13
Employees (December 31)	**79,483**	78,642	86,391	+1
Mercedes-Benz Vans				
Revenue	**13,164**	12,835	11,473	+3
EBIT	**1,181**	1,170	880	+1
Return on sales (in %)	**9.0**	9.1	7.7	.
Investment in property, plant and equipment	**710**	373	202	+90
Research and development expenditure	**565**	442	384	+28
thereof capitalized	**310**	238	153	+30
Unit sales	**401,025**	359,096	321,017	+12
Employees (December 31)	**25,255**	24,029	22,639	+5
Daimler Buses				
Revenue	**4,351**	4,176	4,113	+4
EBIT	**243**	249	214	-2
Return on sales (in %)	**5.6**	6.0	5.2	.
Investment in property, plant and equipment	**94**	97	104	-3
Research and development expenditure	**194**	202	184	-4
thereof capitalized	**30**	11	13	+173
Unit sales	**28,676**	26,226	28,081	+9
Employees (December 31)	**18,292**	17,899	18,147	+2
Daimler Financial Services				
Revenue	**23,775**	20,660	18,962	+15
EBIT	**1,970**	1,739	1,619	+13
New business	**70,721**	61,810	57,891	+14
Contract volume	**139,907**	132,565	116,727	+6
Investment in property, plant and equipment	**43**	37	30	+16
Employees (December 31)	**13,012**	12,062	9,975	+8

Daimler AG is one of the world's most successful automobile companies. With its divisions Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans, Daimler Buses and Daimler Financial Services, the vehicle manufacturer is one of the biggest suppliers of premium cars and is the largest producer of commercial vehicles with a global reach. Daimler Financial Services provides financing, leasing, fleet management, insurance, investment products and brokerage of credit cards, as well as innovative mobility services. For more information: daimler.com

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Strengthening the base

CASE
Driving transformation

CULTURE
Innovative, flexible corporate culture

COMPANY
Future-oriented structure


ACTROS

#1

"AS A LEADING VEHICLE MANUFACTURER ..."

Daimler is writing the next chapter of its success story. As a leading automobile manufacturer, we continue to set the pace and shape the future. That's because the mobility of tomorrow will be fundamentally different – because our customers' expectations are becoming more diverse and more challenging in increasingly dynamic markets. To make sure Daimler stays in the lead, we are focusing our activities in four strategic areas. That's how we aim to strengthen our economic base through profitable growth in our global core business: CORE. We are using our earning power to shape the radical transformation of the automobile industry. To this end, we're investing in the future-oriented CASE fields – Connected, Autonomous, Shared & Services and Electric – in order to strengthen our core business over the long term. To support this transformation effectively, we are renewing our corporate culture in cooperation with our employees: CULTURE. Through the new structure that we envisage, we aim to make even better use of our opportunities in the market: COMPANY. As a result of our activities in these four strategic areas, we are becoming more effective, faster and more successful – on course for a leading role at the next level of mobility.

"... WE WANT TO SHAPE THE FUTURE OF MOBILITY."

The updated Mercedes-Benz S-Class defines milestones on the road to autonomous driving thanks to its innovative assistance systems, and thrills customers with its luxurious driving comfort.

"SYSTEMATIC GROWTH IN OUR CORE BUSINESS …"

CORE

"… THROUGH OUR PRODUCT AND SERVICE OFFENSIVE AT ALL OUR DIVISIONS."

CORE

Strengthening the base

Sustainable earning power in our automotive core business is our economic foundation – and the basis for the investments we need to make in the future. That's why Daimler plans to systematically expand its global strategy for success in all of its divisions. Our fascinating premium cars and our successful trucks, vans and buses are all shaping our course of profitable growth. The customized financing and leasing products of Daimler Financial Services support our successful core business all over the world. In addition to our traditional markets, the Asia region and China in particular will continue to play a key role. Thanks to our globally organized, flexible production network and our optimal customer orientation, we continue along our successful path.

MERCEDES-BENZ: NO. 1 AMONG PREMIUM VEHICLES

Premium vehicles from Mercedes-Benz thrill our customers worldwide — unstoppably. Premium automobiles form the basis of our core business. That's why Mercedes-Benz now has a larger and more diverse model portfolio than ever before. With their pioneering design and innovative technologies, Mercedes-Benz vehicles fascinate customers all over the world. The cars with the star are setting sales records and leading the worldwide premium segment. The new E-Class and the upgraded S-Class from Mercedes-Benz are playing a key role in this success. Daimler is operating from a position of strength and is stepping up its pace. Until the end of this decade, it will launch numerous new car models on the market. Many of them have no predecessor in the Group's current product range. We are expanding our international production network and our flexible modular strategy in order to achieve our long-term goal of efficient manufacturing for sustainable growth.

daimler.com/products

The new edition of the Mercedes-Benz G-Class represents the biggest transformation in the success story of this off-road legend — and yet it remains true to itself.

CONFIDENT ON EVERY TERRAIN

The special qualities of Mercedes-Benz SUVs impress customers, both on and off the road. With seven models in all classes, Mercedes-Benz is extremely well positioned all over the world in the growing market for off-road vehicles. Our model offensive is paying off: Customers are thrilled by these vehicles' superb SUV aesthetics and outstanding technology. We're delivering more GLA, GLC, GLC Coupe, GLE, GLE Coupe, GLS and G-Class vehicles than ever before. The SUVs with the star are posting double-digit sales growth that puts them in a top spot in this global growth segment. These are good reasons to continue closely watching our off-road vehicles – because they're setting the pace for Daimler.

The dynamic GLC Coupe, which delights buyers all over the world, is an especially popular product.

The GLA became an overnight success in the compact SUV segment, which it shaped and redefined.

The minimalistic styling of the sporty and elegant E-Class coupe typifies the sophistication of Mercedes-Benz design.

DREAM CAR WITH A STAR

Roadsters, convertibles and coupes from Mercedes-Benz make customers' hearts beat faster. Dream cars such as the legendary gullwing model are part of the myth of the Mercedes-Benz brand. Today, we offer dream cars that meet a wide range of expectations and are available in all classes. Now more than ever before, the Mercedes-Benz star stands for state-of-the-art luxury and outstanding diversity. It symbolizes success: Mercedes-Benz roadsters, convertibles and coupes are coveted all over the world. The dream car family includes the SL, the SLC and the C-Class convertible as an entry-level model from the world of Mercedes-Benz convertibles, as well as the luxurious S-Class four-seat open convertible. The special highlights of our portfolio also include the Mercedes-Maybach convertible and the E-Class coupe.

The breathtaking coupes and roadsters from the Mercedes-AMG GT model series are manufactured in the hand-finishing section of the Mercedes-Benz plant in Sindelfingen.

Through its sensual and emotional design and technical innovations, the Vision Mercedes-Maybach 6 convertible defines the luxury of the future.

HIGH SPEED IN CHINA'S GROWTH MARKET

Mercedes-Benz is breaking sales records in the booming markets of Asia. The brand with the star is the most frequently registered premium brand in many countries all over the globe. Especially in the Asia-Pacific region, Mercedes-Benz vehicles are bestsellers. The Group delivered more cars in this region last year than ever before. As the world's biggest market and a source of considerable growth, China has played a key role in this outstanding result. Our coveted premium vehicles are also very popular in South Korea and India and are setting new sales records there. We are already producing many vehicles locally in this region. For example, we've produced more than one million vehicles to date at our plant in Beijing. We've more than tripled our sales in China in just four years. Many new models are now celebrating their premieres in Asia. That's yet another way Daimler recognizes the major role played by its successful markets in Asia, where it remains on course in the passing lane.

Strong demand: Between 2013 and 2017, sales of Mercedes-Benz cars in China more than doubled.

More and more satisfied customers: Half of all the new vehicles we sell today are either financed or leased through Daimler Financial Services.

WORLD-CLASS FINANCIAL SERVICES

Customized financing and leasing products accelerate our automotive business. One of the most important factors behind our success is our attractive and innovative range of services around vehicle financing and insurance. Daimler Financial Services has posted record figures for many years. We aim to systematically pursue our strategy of profitable growth at high speed in the future. Daimler Financial Services finances or leases half of all the new vehicles sold worldwide by the Daimler Group — and our international portfolio continues to grow. In 2017 DFS increased the number of its new leasing and financing contracts by 14 percent, once again setting a new record. It's clear that in the future, Daimler's automotive core business will stay in the fast lane.

daimler-financialservices.com/en

DAIMLER TRUCKS: GLOBAL LEADERS

Ever since the truck was invented 120 years ago, Daimler Trucks has been the pioneer in the sector — and it continues to gain ground. As the world's number one company in the truck business, we focus our strengths for our customers' benefit — with the optimal experience, know-how and positioning for providing attractive products and services. Our success is based on six strong vehicle brands under the roof of Daimler Trucks. We aim to continue shaping the logistics business with these brands in the future. We offer customized applications and pioneering truck technologies all over the world. For example, since early 2017, we have been offering the new Freightliner Cascadia in the North American market and the new FUSO Super Great to customers in Japan. At the beginning of 2017, we launched production of the new Freightliner Cascadia, which is equipped with our integrated powertrain. Components of the global Daimler Trucks platform strategy are installed in all of our new heavy-duty trucks from Mercedes-Benz, Freightliner and FUSO. Our standardized architecture for electric and electronic systems is yet another success factor that makes us the leader in the global truck market.

daimler.com/products/trucks

With the new generation of the FUSO flagship truck, the Super Great, Daimler Trucks aims to further expand its market position in Japan.

Thanks to the ongoing optimization of its powertrain and aerodynamics, the Actros is posting ever better fuel economy.

The 75th anniversary of Freightliner and the 50th of Western Star: Two significant birthdays that underline Daimler Trucks' strong market position in North America.

VEHICLES FOR EVERY MARKET

In another milestone, Daimler Trucks has put more than 60,000 BharatBenz trucks on the road in India in the five years since the brand's market launch.

As a world market leader with a global presence, Daimler Trucks is close to its customers. We identify customer needs quickly and respond to them with tailor-made solutions. That's why we aim to expand our strong position in our core markets and enter new markets as well. For example, in 2012 Daimler Trucks launched BharatBenz, its first brand specially tailored to the needs of a specific market. Modern BharatBenz trucks in weight classes between nine and 49 tons are manufactured locally for the Indian market. At our production plant in Wanaherang, Indonesia, Mercedes-Benz trucks have been rolling off the assembly line since 2017. In addition to FUSO vehicles, Daimler Trucks will produce heavy-duty trucks with the star for the Indonesian market at this plant in the future. Daimler Trucks' FUSO brand has occupied a very strong position in Indonesia for more than 40 years. In China, the world's biggest truck market, Daimler is also stepping on the gas through Beijing Foton Daimler Automotive (BFDA), its joint venture with Beiqi Foton Motor. All in all, these are the ideal preconditions for keeping Daimler Trucks in the forefront of the international truck markets in the future.

daimler.com/company/business-units/daimler-trucks

In 2017, Daimler and its partner Beiqi Foton Motor produced more than 112,000 Auman brand mid-size and heavy-duty trucks in China.

A STRONG VAN PORTFOLIO

A comprehensive product range is the engine of our "Mercedes-Benz Vans goes global" strategy. Thanks to its complete range of vans for private and commercial use, Daimler is ideally positioned in the growing global van market. The mid-size pickups, commercial vehicles, full-size MPVs and travel and recreational vehicles from Mercedes-Benz stand for reliability, quality and value retention all over the world. The portfolio ranges from the X-Class to the Citan urban delivery van, the mid-size Vito ("Metris" in the United States) and V-Class vans including the Marco Polo models, and the large Sprinter van.

Mercedes-Benz is the world's first premium automaker in the promising segment of mid-size pickups, represented by the X-Class. The mid-size pickup segment is global in scope, high-volume and set for further growth. Thanks to its typical pickup strengths and Mercedes-Benz standards of design, comfort, safety and connectivity, the X-Class forms a bridge between commercial and private use and between rural and urban applications. That makes it not only a commercial vehicle but also a lifestyle and family vehicle. So the X-Class is adding a fourth category to the Mercedes-Benz Vans portfolio – at the interface between cars and commercial vehicles, where we're already enjoying success with the Vito and the V-Class. The X-Class appeals to pickup owners who would like their vehicles to have more of the qualities typical of cars. It also attracts customers who have previously driven a car, a van or an SUV.

daimler.com/products/vans

Mid-size vans with the star are a major pillar of Mercedes-Benz Vans' success. The V-Class full-size MPV is a standout vehicle for family, sports and recreational activities. It combines the functionalities of traditional vans with the strengths of Mercedes-Benz sedans. The new V-Class RISE was added to the line in 2017. The Marco Polo travel and camper vans, which are based on the V-Class and the Vito, have been especially successful. For the first time, they are now also offered with right-hand drive in Australia and the United Kingdom. Following the Marco Polo and the Marco Polo ACTIVITY, the product family has been supplemented by the compact Marco Polo HORIZON camper van since 2017.

daimler.com/products/camper-vans

The new Marco Polo HORIZON combines functionality with high quality design – and it's thrilling new customer groups.

Stylish and robust: Mercedes-Benz has created the X-Class for a wide range of customer groups all over the world.

SUCCESS STORY

The Mercedes-Benz Sprinter established the market for large vans — and has broken records ever since. More than 3.4 million units have been delivered to customers in over 130 countries to date. That makes the Sprinter one of the most successful commercial vehicles of all time and a bestseller in the Daimler product portfolio. In addition to its commercial applications, the Sprinter is playing an increasingly important role in the growing market for camper vans. With the introduction of the fully connected new Sprinter, Mercedes-Benz Vans is ushering in the age of the digital van and once again reinventing the worldwide van segment. Through numerous innovations and even greater versatility, our new large van offers customized solutions to a wide range of customers and sectors. In addition, the new model generation equipped with new drive variations offers tailor-made solutions for the diverse requirements of the growing camper van market.

daimler.com/company/business-units/mercedes-benz-vans

The launch of the new Sprinter will begin in the first half of 2018 in Europe, followed by other markets. It will once again redefine the van segment.

The Vito is a reliable partner for tradesmen, a delivery van, a high-capacity taxi and an emergency vehicle — a real all-rounder on course for success in many sectors all over the world.

RECORD BREAKERS

The Vito and the V-Class full-size MPV are also pacesetters for the global growth strategy of Mercedes-Benz Vans. The mid-size vans with the star are exciting and impressing our customers all over the world. The Mercedes-Benz Vito and the V-Class are proving to be strong sales drivers with sustained high growth rates. Their attractive design and diverse variants are setting the benchmarks in their respective segments. The versatile Vito mid-size van combines spaciousness with high quality and stands out through its great adaptability. For its part, the V-Class combines the high-quality design of a Mercedes-Benz car with the strengths of a mid-size van. Mercedes-Benz Vans has been delivering Vito and V-Class models in China, the world's largest automobile market, since 2016. Both vehicles are "Made in China for China" and manufactured by our local joint venture Fujian Benz Automotive Co., Ltd. (FBAC) in Fuzhou.

WORLDWIDE SUCCESS ON THE ROAD

The Mercedes-Benz Citaro, our best-selling city bus, is now also on the market in a future-oriented hybrid variant.

Daimler Buses is still on the upswing, thanks to its pioneering city buses and coaches with over eight tons gross vehicle weight, its global positioning and its innovative mobility solutions. Our full line of vehicles from the Mercedes-Benz, Setra and BharatBenz brands covers a wide range of requirements. In addition, our products impress customers through their safety, efficiency and environmental friendliness. Our portfolio is rounded out by the OMNIplus and BusStore service brands, our worldwide workshop network and our comprehensive range of services – everything that keeps Daimler's bus segment on the move.

daimler.com/company/business-units/daimler-buses

Our city buses are also scoring points with their innovations. For example, the hybrid drive of the Mercedes-Benz Citaro, combined with its new electrohydraulic steering system, is further reducing its fuel consumption. And our sales offensive in the emerging markets is in full swing. Daimler Buses has launched two new bus models on the market in Kenya, Cameroon and the Ivory Coast. This is how Daimler Buses is responding in eastern and central Africa to the growing demand for comfortable and safe buses for passenger transportation. Our global production network is also part of this campaign: The chassis for local assembly come from our bus production plants in India and Brazil.

The new Setra S 531 DT double-decker bus and the Setra TopClass 500 are now rounding out our successful portfolio.

Two coaches celebrate world premieres in the booming intercity bus market. The year 2017 was a special one for Daimler Buses. The new Setra S 531 DT double-decker bus and the Setra TopClass 500 impress with their efficiency, versatility, comfort and safety. The Mercedes-Benz Tourismo RHD high-decker coach also celebrated its premiere in 2017. It's impressing transportation companies, passengers and drivers alike through its cost-effectiveness, safety, functionality and high level of comfort.

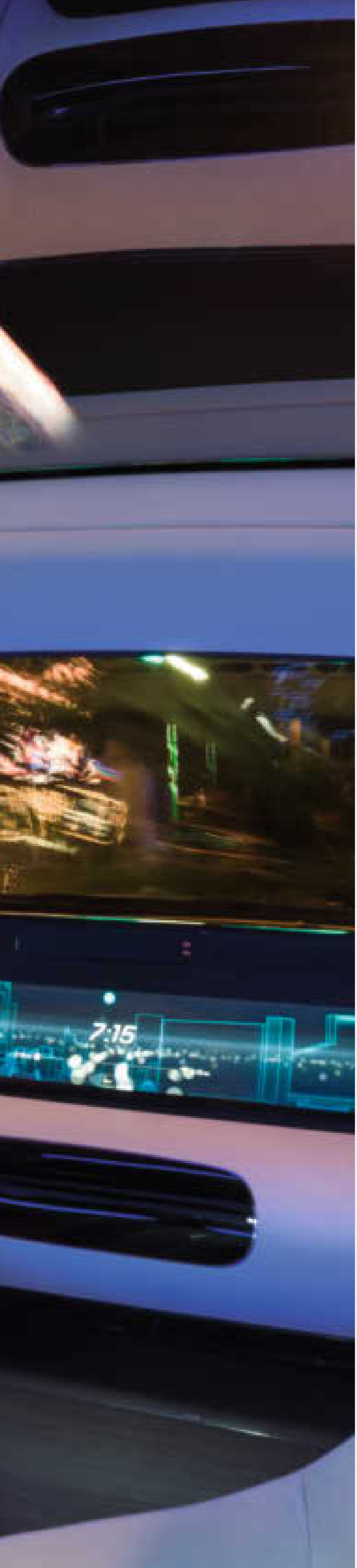
daimler.com/products/buses/setra
daimler.com/products/buses/mercedes-benz


MUSEUM
MUSEUM
MUSEUM

„FUTURE VEHICLES WILL BE CONNECTED, AUTONOMOUS, ELECTRIC AND SHARED…“

CASE

„…WE ARE BASICALLY REDEFINING MOBILITY WITH AN INTELLIGENT MIX.“

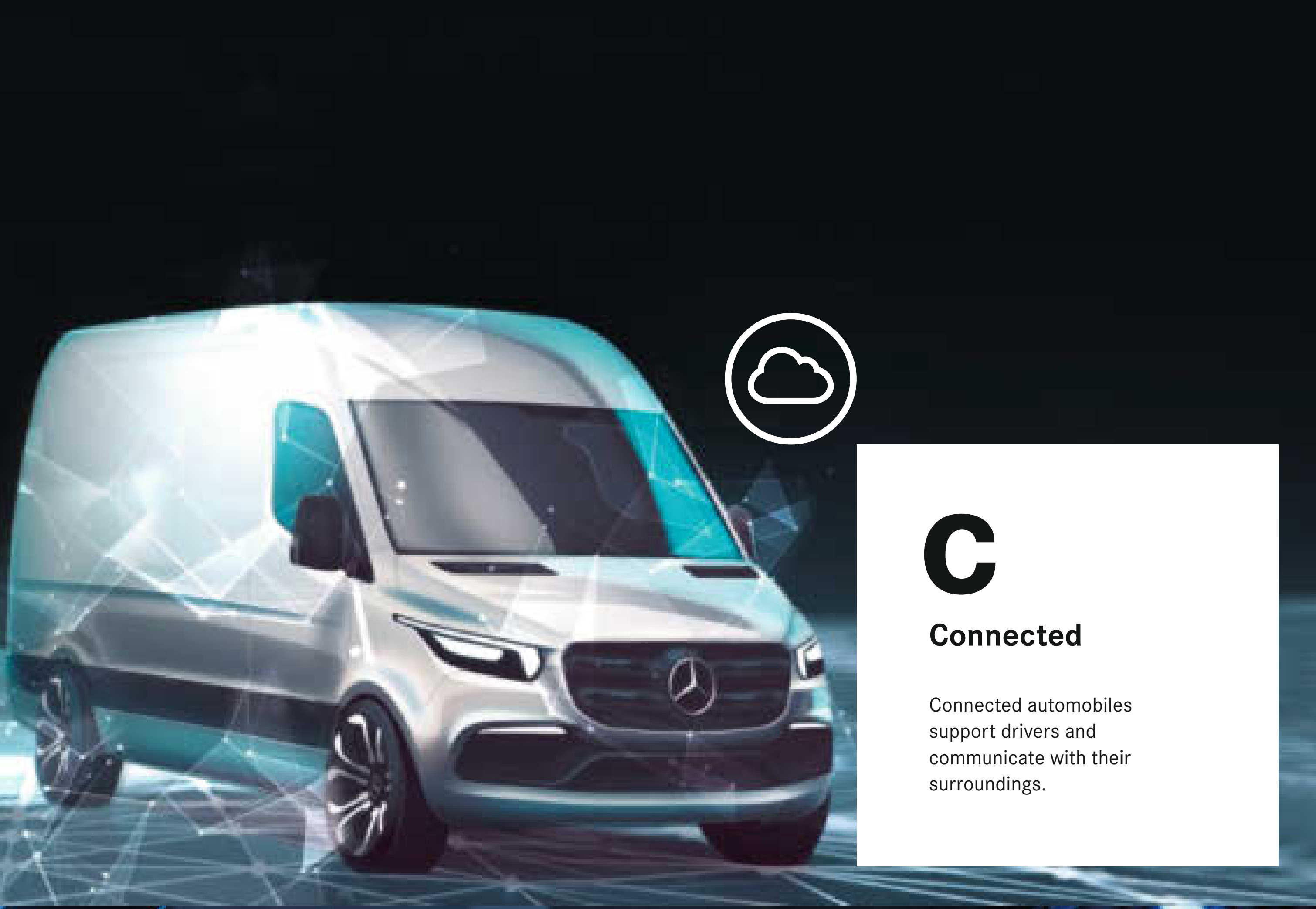


CASE

Driving transformation

Connected, Autonomous, Shared & Services, Electric – by connecting all the future-oriented CASE fields, Daimler is transforming itself from an automaker to a provider of mobility services. It's shaping "intuitive mobility" with comfortable, user-friendly products and services that are making our customers' mobility and daily lives easier. For one thing, we are electrifying our cars, trucks, vans and buses. In the car division alone, we intend to launch at least ten fully electric models, ranging from the smart to the SUV, by 2022. Connected vehicles and digital services are already sales clinchers today. Through Mercedes me, Mercedes PRO and Uptime, we offer our customers comprehensive access to a wide range of brands and services. Mobility services such as car2go, moovel, mytaxi and the piloted on-demand ride-sharing service ViaVan are becoming increasingly important. We're also developing additional impetus through innovation platforms such as the STARTUP AUTOBAHN and Lab1886. The smart vision EQ fortwo is fully-automated, customizable, communicative and electric. In this concept vehicle, we have combined all the CASE areas for the first time and exploited the tremendous potential of this intelligent mix.

daimler.com/case/en



C

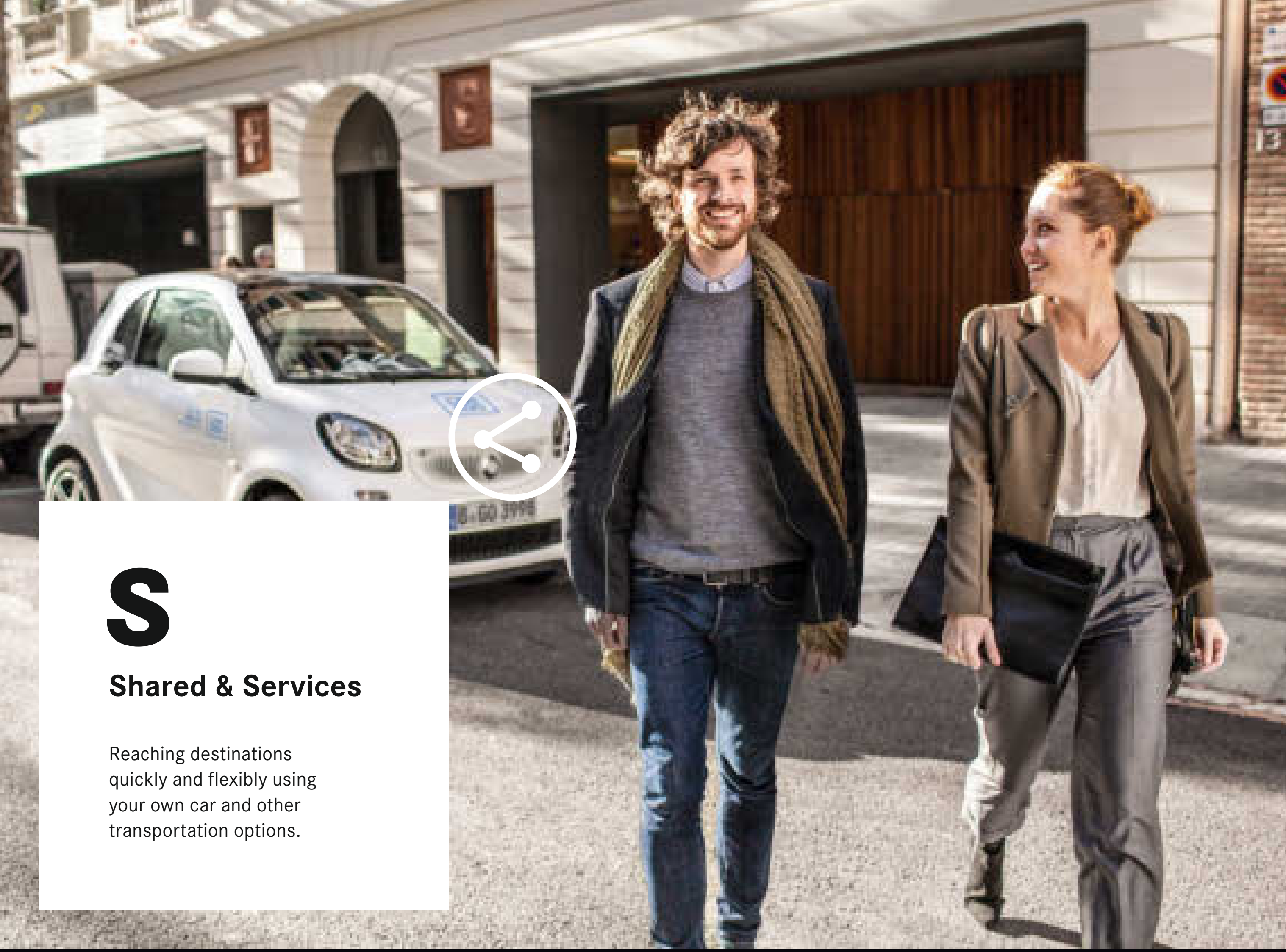
Connected

Connected automobiles support drivers and communicate with their surroundings.

A

Autonomous

Smoothly flowing traffic, flexible logistics processes and stress-free travel in self-driving vehicles.



S

Shared & Services

Reaching destinations quickly and flexibly using your own car and other transportation options.

E

Electric

Electric vehicles plus a service infrastructure will shape the future.

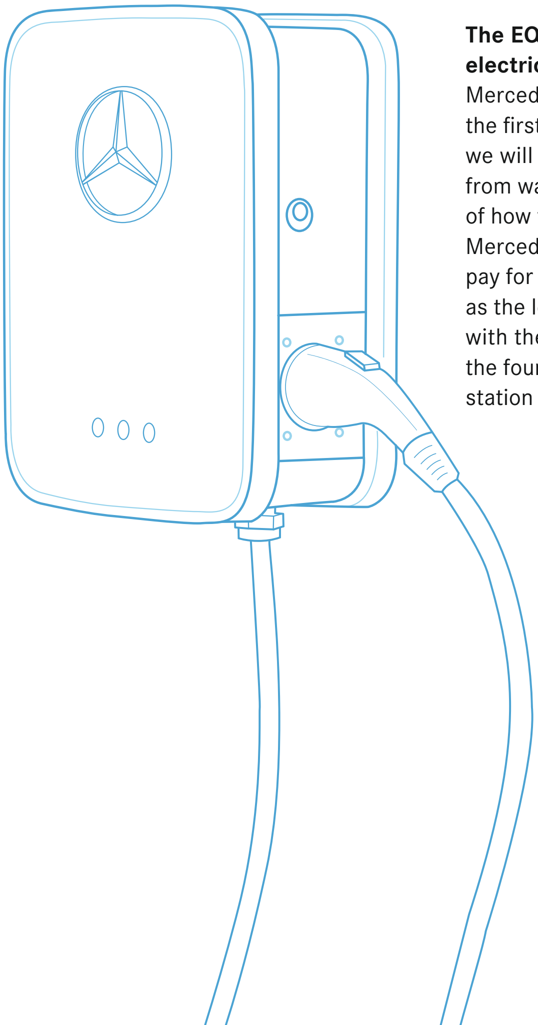
CASE – these four letters are radically changing mobility. Our new interactive website shows how Daimler is reshaping the mobility of the future by combining these four future fields.

daimler.com/case/en

EQ: ELECTRIC INTELLIGENCE

Our electric offensive is taking off with the Concept EQA. The modular basic architecture of our EQ technology and product brand can be individually varied to suit SUVs, sedans and other lines. With its Concept EQA, Mercedes-Benz is now showing what a compact EQ could look like. This concept vehicle has two electric motors with a system performance of up to 200 kilowatts. Permanent all-wheel drive ensures great handling. The battery-electric Concept EQA study achieves a range of about 400 kilometers thanks to its intelligent operating-mode strategy, and offers a technological vision of the electrified future. Its lithium-ion battery comes from the Daimler subsidiary Accumotive. The Concept EQA can be charged by means of induction or a wall box. It can also be used with fast-charging systems. As a result, the Concept EQA from Daimler, the inventor of the automobile, embodies all the essentials of state-of-the-art electric mobility.

mercedes-benz.com/EQ/en



The EQ ecosystem is a trailblazer for comprehensive customer-oriented electric mobility. EQ stands for “electric intelligence” and is derived from the Mercedes-Benz brand values of emotion and intelligence. In 2019, we will launch the first series-produced EQ model, the EQC. And in addition to electric vehicles, we will also be offering much more: charging services and products ranging from wall boxes to home energy-storage units. Seamless Charging is one vision of how to recharge electric vehicles at public charging stations in the future. This Mercedes me-based service would enable drivers to recharge their vehicles and pay for this service anywhere. Through strategic partnerships with companies such as the leading global charging solution provider ChargePoint, we are forging ahead with the expansion of our intelligent EQ ecosystem. A further important step is the founding of the IONITY joint venture for creating a public high-power charging station infrastructure along the main traffic arteries of Europe.

The Concept EQA combines electrifying aesthetic appeal, driving pleasure, suitability for daily use and safety.

The intuitive and adaptive multimedia system “MBUX Mercedes-Benz User Experience”, which will be standard equipment in the new A-Class, is ushering in a new era of infotainment.

IN DIALOGUE WITH YOUR CAR

Mercedes me transforms vehicles into mobile assistants. Our personalized digital services in the areas of connectivity, service, financing and mobility have been expanded further. The “Digital Anticipation” service, which has been honored with the German Award for Online Communication, supports our customers from the time they buy a car until their new vehicle is delivered. In Germany, customers can track the production status of their new car in real time. It’s an exclusive interactive service that provides a completely new kind of brand experience. To make sure customers stay mobile even without their Mercedes-Benz vehicle, the Mercedes me app is integrated with moovel, mytaxi and car2go to provide mobility services across the board. The Mercedes me connect service “In-Car Office” enables customers to use certain office functions as well as their own telephone and calendar data while they’re on the road. The “In Score” feature offers discounts of up to 20 percent on insurance premiums, depending on the customer’s personal driving style. And coming soon is the “Ask Mercedes” app, a digital users’ manual with an augmented reality function and additional online services that will make our customers’ daily lives noticeably easier.

mercedes-benz.com/en/mercedes-me

The digital service portal Mercedes me is now actively used and appreciated by well over 1.5 million Mercedes me customers in 36 countries.

Women in focus. Through the community and inspiration platforms of “She’s Mercedes”, we are emphasizing our claim to be totally responsive to the wishes and needs of women customers – in areas ranging from sales to communication and aftersales services. Through these platforms, Mercedes-Benz is engaging in a more intensive dialogue with women and offering an even more impressive premium brand experience.

mercedes-benz.com/en/mercedes-me/inspiration/she

URBAN MOBILITY? OUR CONCEPT OF THE FUTURE!

The smart vision EQ fortwo is flipping the switch to bring more flexibility and individuality to local public transportation. Thanks to swarm intelligence and demand prediction, the fully automated driving electric smart vision EQ fortwo picks up its customers wherever they wish. This concept car is operated entirely via smartphone. Through the black panel grill at the front and the projection surfaces along the sides, the smart vision EQ fortwo offers previously undreamed-of options for individualized car sharing. Relieved of driving obligations, people inside the car can relax or chat with their fellow passengers. The smart vision EQ fortwo is the first concept vehicle from Daimler to dispense with the steering wheel and the gas and brake pedals. It's also the first vehicle in which we have installed all the future-oriented features of CASE. This approach offers huge advantages to our customers: urban mobility with the highest level of comfort, more individuality and a whole new form of communication.

No steering wheel, pedals or driving tasks: The smart vision EQ fortwo offers customers innovative options for urban mobility in the future.

The fully electric E-FUSO Vision One is a future-oriented solution for the transportation of heavy cargo in inner-city traffic.

ELECTRIFYING IDEAS

The new E-FUSO brand from Daimler is electrifying the entire FUSO product range. People are increasingly calling for clean and quiet urban delivery traffic. In response, our commercial vehicle subsidiary Mitsubishi Fuso Truck and Bus Corporation (MFTBC) is putting the FUSO eCanter on the road. This light-duty eCanter is environmentally friendly and cost-efficient, with an impressive range of up to 100 kilometers. The drive system is powered by six high-voltage lithium-ion batteries. FUSO is taking advantage of many Daimler partnerships to establish the eCanter in the market, including Mercedes-Benz Energy as a supplier of local energy storage and the charging station provider ChargePoint. MFTBC aims to fully electrify all of FUSO's truck series. The concept vehicle of the fully electric E-FUSO Vision One heavy-duty truck with a range of up to 350 kilometers exemplifies our claim to be a pioneer in the segment of electric commercial vehicles.

TOTALLY CONNECTED

Daimler Trucks is setting the pace for our customers with the Truck Data Center and digital services. Connectivity and digitization make it possible to use trucks more efficiently. In a pioneering move, Mercedes-Benz Trucks is offering a smart network consisting of vehicles, Mercedes-Benz services and freight companies – through Mercedes-Benz Uptime. When Uptime is in use, it monitors the vehicle systems in real time and promptly warns of critical situations. The aim is to avoid breakdowns and unplanned repairs and optimize scheduled trips to the workshop. Thanks to the new FleetBoard Manager app, Mercedes-Benz offers quick entry into connectivity free of charge. This smartphone app enables users to call up information about a vehicle fleet, such as capacity utilization, mileage, vehicle positions, fuel consumption and cost-saving potential. The key element for both of these services as well as previously introduced solutions is the new Truck Data Center – the "brain" of connected trucks. This connectivity module is based on internationally standardized electric/electronic architecture. We are installing it across all brands at Daimler Trucks and adapting it to regional customer needs.

PERFORMANCE BOOST

Daimler is the first truck manufacturer to put a truck platoon on public highways in the United States. Public interest in digitally connected trucks for road freight transport is growing. Trucks driving independently behind one another can be linked together to form a partially automated truck platoon. This helps to enhance safety, relieves strain on the drivers and improves fuel efficiency, thanks to shorter distances between the vehicles. Following successful trials on test tracks, the regional regulatory authorities in the United States have authorized Daimler Trucks North America (DTNA) to continue its platooning tests on public highways. To being with, two Freightliner New Cascadia tractor-trailers are being paired. Digitally connected commercial vehicles also perform well in off-road applications. In a trial near Frankfurt Airport, four connected Mercedes-Benz Arocs semitrailer trucks showed how cost-efficient it is to clear an airfield with driverless vehicles – and how the cutting-edge "Remote Truck Interface" technology from Daimler Trucks is opening up the road to the future.

SUPPLIER OF COMPLETE SOLUTIONS

Mercedes-Benz Vans is offering customized sector solutions through adVANce. Through the strategic initiative adVANce, Mercedes-Benz Vans is transforming itself from an automobile manufacturer to a provider of holistic transport and mobility solutions. adVANce comprises all of the CASE future fields. In five areas of innovation, it will offer responses to the megatrends and central challenges in the transport sector. At DIGITAL@VANS, the main focus is on connectivity and the digital networking of vehicles. At SOLUTIONS@VANS, we develop hardware solutions that can make our customers' daily business operations more efficient. Meanwhile, RENTAL@VANS is all about innovative rental models, SHARING@VANS presents new concepts for local public transport, and eDRIVE@VANS presents a comprehensive approach to electric mobility. Mercedes-Benz Vans is developing innovative products and services – and once again defining the route to the future of transportation.

Delivers revolutionary concepts: With its fully automatic cargo area, delivery drones and other innovations, the intelligent Vision Van defines the requirements for the networked delivery chains and vans of the future.

Fleet managers are connected with all the vehicles and drivers in their fleets via the web-based service Mercedes PRO connect.

PIONEERING CONCEPTS

Mercedes-Benz Vans is electrifying all of its commercial van model series. It has already begun with the mid-size eVito van, which has been available for ordering since November 2017. Deliveries are scheduled to start in the second half of 2018. The battery-electric Vito will be followed by the eSprinter in 2019. The holistic electric drive strategy eDRIVE@VANS focuses not only on the electric van itself, but also on an ecosystem geared to provide economic benefits to electrified fleets. The customized system solutions, which will cover the entire value chain, include a powerful and intelligent charging infrastructure, rental vehicles, a driver training program for efficient vehicle use, and connectivity solutions that will ensure optimal vehicle capacity in relation to an individual vehicle's state of charge and battery range, as well as route planning in real time.

Connected delivery processes for more efficiency in the last mile. As part of the future-oriented adVANce initiative, Mercedes-Benz Vans is combining vans with delivery drones and delivery robots. In a pilot project, a Mercedes-Benz Sprinter became a mobile loading and transport hub for eight autonomously operating robots. The overall concept is now being extensively tested in cooperation with logistics companies. In the Vans & Drones pilot project in Zurich – a world first – products that have been ordered online are being delivered to customers by two drones and two Mercedes-Benz Vito vans with integrated landing platforms.

Mercedes PRO takes service for the transport sector to a new level. This online services platform provides centralized access to existing professional services as well as newly developed applications for daily operations. Here, commercial customers can receive customizable holistic solutions and services from Mercedes-Benz Vans. Plans call for the step-by-step expansion of the range of offers to include concepts that go far beyond traditional van features, ranging from connectivity, mobility and transport solutions to fleet and overall system solutions.

pro.mercedes-benz.com/uk/en

EMISSION-FREE

The countdown has started for the fully electric Mercedes-Benz Citaro. All over the world, the demand for clean and economical local public transport is growing. That is giving an additional boost to the development of our best-selling city bus, the Citaro. For Daimler Buses, the logical next step after the Citaro hybrid will be the fully electric Citaro. The new model will set milestones with its lithium-ion battery drive system and its modular battery package for diverse applications in city traffic. In addition to a network for powering the vehicles at wall sockets in the depots, Mercedes-Benz will also provide interim charging systems. A special feature of the new bus model is thermal management of the climate control and drive systems. The developers have significantly reduced the model's energy consumption, thus expanding its range without having to enlarge the batteries. As a result, the new Mercedes-Benz Citaro will run locally emission-free in cities — and in the local public transportation network of the future.

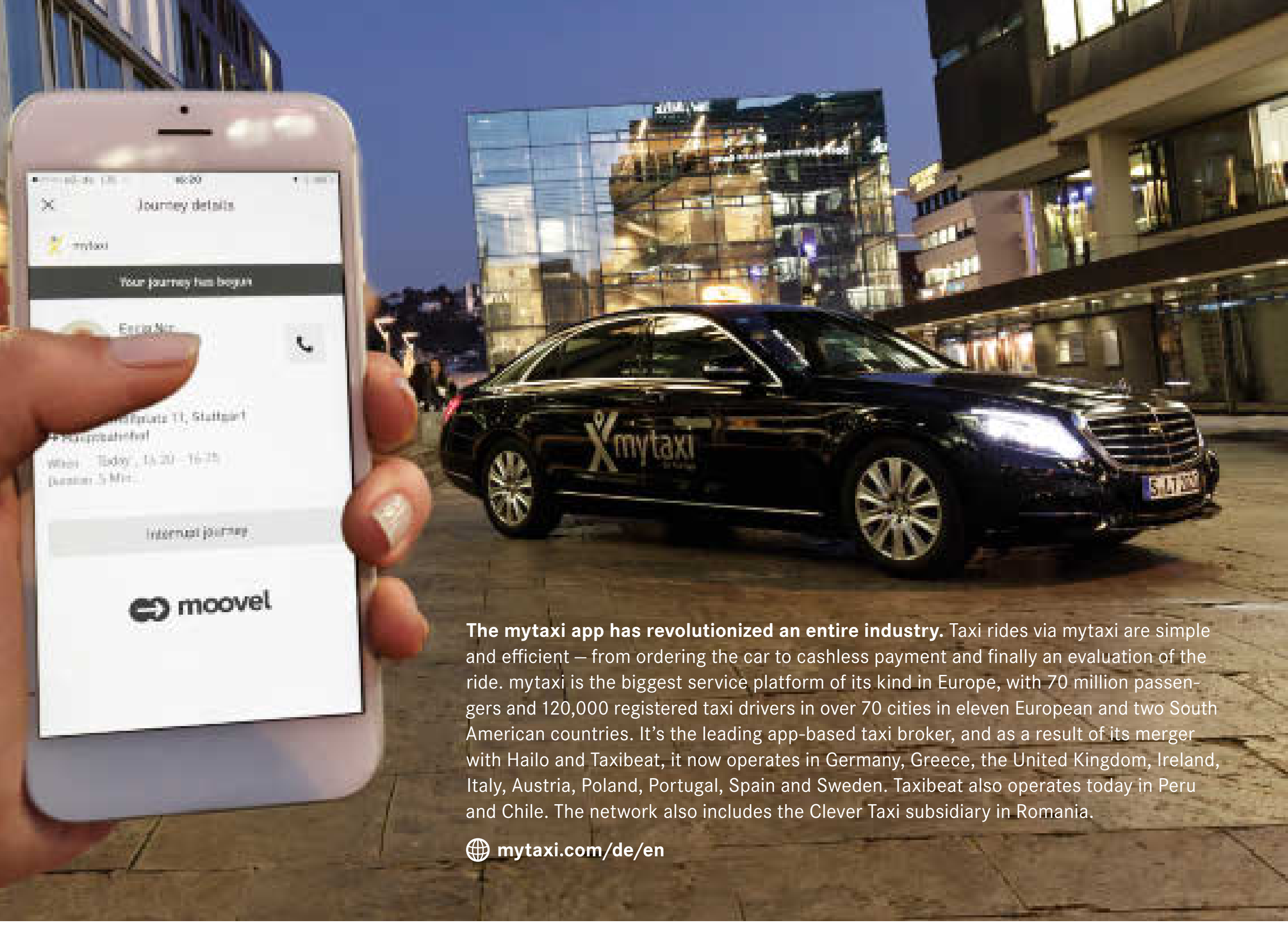
Daimler Buses is shaping the future of mobility through innovative vehicles and novel services. In a strategic partnership with the on-demand ride-sharing service CleverShuttle, Daimler Buses will offer flexible solutions for on-demand mobility. This will enable transport associations and companies to optimally adapt their services to passenger needs at any time.

Series production of the fully electric Mercedes-Benz Citaro will begin in late 2018.

GET IN AND DRIVE OFF

Innovative mobility services from Daimler are on an upswing. Demand is increasing in the area of future-oriented shared and services all over the world, especially in China. Our mobility services provider, Daimler Financial Services, has a wide range of responses to every need – for example, through the world's leading company for flexible car sharing, car2go, as well as moovel mobility services and transport services ranging from Blacklane to our stake in Flixbus. Thanks to mytaxi, Daimler is the leading app-based taxi broker in Europe. We've also become a full-service fleet management provider for cars and vans in Europe through our acquisition of Athlon Car Lease. We aim to continue expanding our mobility portfolio in the future. For example, our acquisition of shares in Turo is another step in our expansion of peer-to-peer car sharing. And our investment in Via has made Mercedes-Benz Vans a player in the field of on-demand ride sharing. In all of these ways, Daimler is using smartphone-based mobility concepts to support the optimal use of existing transportation infrastructures on the way to the flexible and environmentally friendly mobility of tomorrow.

daimler-financialservices.com/en



The mytaxi app has revolutionized an entire industry. Taxi rides via mytaxi are simple and efficient – from ordering the car to cashless payment and finally an evaluation of the ride. mytaxi is the biggest service platform of its kind in Europe, with 70 million passengers and 120,000 registered taxi drivers in over 70 cities in eleven European and two South American countries. It's the leading app-based taxi broker, and as a result of its merger with Hailo and Taxibeat, it now operates in Germany, Greece, the United Kingdom, Ireland, Italy, Austria, Poland, Portugal, Spain and Sweden. Taxibeat also operates today in Peru and Chile. The network also includes the Clever Taxi subsidiary in Romania.

mytaxi.com/de/en

FIND. BOOK. PAY.

car2go is an important part of Daimler's mobility strategy. car2go makes Daimler a pioneer and market leader in the field of flexible car sharing at 26 locations in eight countries on three continents: Europe, North America and Asia. In Europe and North America, car2go vehicles can be taken across national borders. Today, almost three million customers have access to the car2go fleet of more than 14,000 smart and Mercedes-Benz vehicles. Customers find, book and pay for car2go vehicles via their smartphones. There are fully electric fleets with a total of 1,400 vehicles in Stuttgart, Amsterdam and Madrid. That makes car2go one of the biggest providers of electric car sharing. In April 2016, car2go opened its first operation in the growth market of China in the city of Chongqing. Demand for the 600 smart fortwo vehicles at this car2go location developed rapidly within just one year: 234,000 customers were using car2go in Chongqing at the end of 2017. This makes Chongqing the metropolis with the most car2go customers, ahead of cities such as Berlin and Madrid.

car2go.com/de/en

Daimler's moovel is an operating system for urban mobility. The smart connection of diverse means of transportation is a trend of our time. Our moovel mobility app offers access to a wide range of mobility services and shows the duration and cost of trips made via local public transport, car sharing, mytaxi, rental bicycle and the Deutsche Bahn rail network. Most of these services can be directly booked and paid for via the app. Over 3.7 million customers in Germany and the United States use the moovel app and moovel transit, a worldwide service from the moovel Group which offers solutions that transit associations and companies can make available to their customers under their own brand names. In the USA, moovel transit is the market leader for mobile ticketing systems. More than 22.3 million transactions were conducted via moovel products in 2017.

moovel.com/de/en


STARTUPAUTOBAHN
powered by PLUGANDPLAY
TAGE
RINKS
XIT/WC
STAGE
DRINKS
EXIT/WC

IDEAS FOR TOMORROW

Even more drive for Daimler innovations – thanks to the entrepreneurial spirit of the startup community. We are forging ahead with new ideas for mobility, in many cases through our dialog with young companies. Our points of entry include initiatives such as CASE Invest, Lab1886, Startup Intelligence Center, DigitalLife@Daimler and STARTUP AUTOBAHN. As one of the leading European startup accelerators in the fields of mobility and Production 4.0, STARTUP AUTOBAHN works with established companies to support selected startups. Projects are rapidly advanced with space, a hardware lab and a network of investors and mentors. Daimler and the other founding partners have been joined by additional partners since 2016. A total of 41 startups conducting a large number of pilot projects have completed the first two STARTUP AUTOBAHN programs in Stuttgart. One of the first products to have been realized is the innovative address system "what3words," which makes every location on earth unmistakably identifiable by means of three words. Mercedes-Benz is the first auto manufacturer to use the system. In the third program at STARTUP AUTOBAHN, 34 young tech companies are developing their projects to market maturity. STARTUP AUTOBAHN is also widely established internationally: Alongside Stuttgart, startups are also being sought, sponsored and supported in Beijing, Singapore and South Africa.

daimler.com/innovation/venture/en

"DAIMLER'S CULTURE IS BEING TRANSFORMED TOO …"

CULT URE

"… INTO A VALUE-ORIENTED, EVEN MORE AGILE AND INNOVATIVE WORK ENVIRONMENT."

CULTURE

Innovative, flexible corporate culture

At Daimler, the expansion of our attractive core business operations is inseparable from our systematic development of the CASE fields. We want to safeguard and enhance our corporate success through optimal customer orientation and innovative business models. To this end, we are establishing a corporate culture that effectively supports transformation and keeps Daimler on its successful path. Integrity, one of our four corporate values, is its foundation. Together with our employees, we have developed future-oriented management principles and work methods within the framework of the Leadership 2020 program. This is how we can shape the mobility of the future from a position of leadership, flexibly address ever-changing customer requirements, and quickly establish ourselves in new markets. State-of-the-art office environments support agile Group-wide cooperation through the options offered by connectivity, communication and collaboration.

LEADERSHIP 2020

New forms of cooperation will make us even faster, more agile, and closer to our customers. Daimler has shaped the automotive sector for more than 130 years. But the markets are becoming increasingly fast-paced and focusing on customers even more than before. Daimler is adapting itself to this fundamental transformation. That's because the more precisely we know our customers, the faster we can react to their ever-changing requirements. The sooner we launch the right products on the market, the more we distinguish ourselves from our competitors. And the more flexibly we react to changes, the more effectively we can use trends to our advantage. We are shaping our future success by means of a new kind of cooperation: one that is faster and more flexible and involves more sharing and more innovation. An international Leadership 2020 team across hierarchies, locations and functions is shaping the new culture at Daimler. In eight focus areas – the "game changers" – we are creating completely new systems, processes and tools. Supported by a mandate from the Board of Management, this process is also deliberately altering previous structures and work methods – in order to prepare the way for a new era of mobility.

daimler.com/career/thats-us/leadership2020

FREE SPACE FOR INNOVATIONS!

Today's modern work environments already offer us scope for future operations. To supplement Leadership 2020 and our new work culture, we are developing our business premises into future-oriented office environments. Traditional single-occupancy offices are giving way to flexible, activity-oriented work settings. As a result of this reorganization, Daimler employees can work flexibly in terms of their work space and work organization. They can take advantage of all the potential offered by agile, project-related teamwork. We have transformed traditional offices into state-of-the-art work environments in pilot projects at various locations such as Mercedes-Benz in Sindelfingen and Daimler Financial Services at Pragsattel in Stuttgart. In the future, we will launch pilot projects at the new Daimler Trucks campus in Leinfelden-Echterdingen and the campus in Stuttgart-Vaihingen. Through these experiences and in line with the needs of the dynamically changing world of work, we are continuously developing our "me@work" concept. This is where we can implement the dynamic culture and values that we, the inventors of the automobile, have embodied for over 130 years and will continue to embody in the future.

daimler.com/career/thats-us/daimler-as-an-employer

This is where Daimler is enabling new forms of cooperation and direct communication across hierarchies and functions.

THE BASIS OF OUR CONDUCT

Integrity is our motivation — for balanced economic, environmental and social results. Together with passion, discipline and respect, integrity is one of our four corporate values at Daimler. In our understanding, integrity includes compliance with laws and regulations, as well as fairness, responsibility, mutual respect, openness and tolerance. Daimler’s management culture is based on this understanding. Integrity is also the basis of our respectful dealings with one another. It gives our employees orientation, even in difficult situations. That’s especially important in times of change and transformation. Integrity and Leadership 2020 are part of Daimler’s DNA, and they are essential if we are to remain on our successful course in the future.

daimler.com/sustainability/integrity

„WE WANT TO REALIGN OURSELVES...“

COMPANY

„...TO KEEP DAIMLER AT THE TOP OF THE AUTOMOTIVE SECTOR.“

PROJECT FUTURE

This is the right moment to prepare Daimler optimally for the future and to safeguard our employees. New competitors, breakneck technological change and increasingly diverse customer requirements – never before has the automotive sector changed so hard and fast. To stay competitive, we want to continuously develop – technologically, culturally and structurally. In the highly dynamic fields where we operate, we need an organization that enables us to act fast and flexibly, with the power of a globally operating company. In “Project Future”, we will strive to further focus and strengthen our structure. We are considering the formation of three legally independent business entities under the management of Daimler AG: Mercedes-Benz Cars & Vans, Daimler Trucks & Buses and Daimler Financial Services AG, which is already a successful legally independent company. This is how we want to create the preconditions for optimally utilizing market potential – with new cooperation partners as well – and to safeguard our employees at the Group. pages 93 f

daimler.com/company/strategy

The planned new structure

We continue to be a family under the roof of Daimler AG

Through our future-oriented strategy, we aim to boost our effectiveness and also set benchmarks in the global mobility sector as a corporate family.

OUR GOAL: TO PIONEER A NEW ERA OF MOBILITY

The next level of mobility will have many dimensions: People all over the world want to be mobile in highly individual ways. Vehicles will be connected and electric, drive autonomously and be shared with other individuals. As one of the world's leading auto manufacturers, Daimler is already shaping the mobility of tomorrow. Through the combination of our strategic fields of action – **CORE**, **CASE**, **CULTURE** and **COMPANY** – we will systematically write new chapters in our success story in the future.


SEASIDE SUSHI
Cafe
Call a Service

“With the four strategic areas for action – CORE, CASE, CULTURE and COMPANY – we are setting the course for a successful future.”

Stuttgart, February 2018

Dear Shareholders,

In 2017, Daimler once again succeeded in breaking its record of the previous year. I would therefore like to thank everyone at Daimler for their great efforts last year, as well as for their willingness and enthusiasm to actively push forward with our company's transformation. I would also like to thank you. You have placed your trust in our strategy. And you have given us the freedom to act and the time to implement that strategy. And it has been worthwhile!

In the year 2017, we sold more vehicles than ever before in our company's history of more than 130 years, nearly 3.3 million altogether. Revenue reached 164.3 billion euros and was thus 7 percent higher than in the previous year. EBIT increased by 14 percent to 14.7 billion euros. And at 9 percent, we achieved our targeted return on sales in the automotive business. The bottom line is a net profit of 10.9 billion euros. At the Annual Shareholders' Meeting, the Board of Management and the Supervisory Board will propose the distribution of a dividend of 3 euros and 65 cents per share.

Let's have a look at the development of the individual divisions.

Mercedes-Benz Cars remains on its path of profitable growth. In 2017, we sold nearly 2.4 million cars – an increase of 8 percent compared with the prior year. Mercedes-Benz continues to be the leading premium brand and further extended its lead over its direct competitors. A key reason for that is our success in China. In 2017, unit sales by Mercedes-Benz in the world's largest car market increased by 28 percent. This is the result of our hard work in recent years. smart was also very popular in China in 2017. The strong demand for the electric smart models is also very pleasing. Worldwide, the brand sold 136,000 cars.

Daimler Trucks sold 471,000 vehicles in 2017 – significantly more than in the previous year and significantly more than we had expected at the beginning of the year. As overall demand from the markets was only moderate, that is a strong performance, which was primarily driven by our positive business development in the NAFTA region. With the efficiency activities we have initiated, in particular at Mercedes-Benz Trucks, we have good prospects also of reaching our targeted level of profitability in the medium term.

At **Mercedes-Benz Vans**, the year featured further strong growth. All model series helped to achieve the fourth consecutive record year. Towards the end of the year, we had the successful launch of the X-Class, the world's first pickup from a premium manufacturer. In 2017, we also showed how we imagine the transformation from a van producer into a provider of system solutions. That ranges from ride-sharing projects to new delivery methods with vans and drones.

The development of **Daimler Buses** benefited from the improved economic situation in Latin America. We sold a total of 28,700 buses and bus chassis last year, which is 9 percent more than in 2016. At the same time, we continued our product offensive: With a new hybrid city bus, we would like to help make public transportation even more efficient. And with two new coaches, we aim to continue profiting from the growing long-distance bus market.

Daimler Financial Services has been delivering record results for many years now, and it was the same in 2017. We lease or finance half of the vehicles we sell. And we increasingly also broker suitable insurance policies: 20 percent more in 2017 than in the previous year. The core business of DFS now also includes mobility services. Nearly 18 million people in more than 100 cities around the world already use such services provided by Daimler: from flexible car sharing to an app-based taxi service and mobile ticketing solutions for transportation companies. And we plan to further strengthen this leading position.

The results for 2017 show that our company is in excellent shape and highly profitable. It stands for sustainable success in volatile times. We are proud of that. But it's no reason to stand still. That's why we are pushing forward with the transformation in all areas at Daimler.

The focus on our core business (**CORE**) is the foundation for our success today. It is the financial backbone of Daimler and we will make it even stronger. Above all, we are investing in new products. In the areas of cars alone, we will launch a total of more than a dozen new models in 2018.

We are making use of our technological expertise and the profitability of our core business to vigorously tackle the major future issues of our industry. We summarize them under the acronym **CASE**. It stands for a combination of connectivity, autonomous driving, sharing and electric mobility. So it's about nothing less than the reinvention of individual mobility. We showed what that could look like at the Frankfurt Motor Show in the fall: The smart vision EQ fortwo concept car that we presented there drives to you autonomously and emission-free whenever you need it. Along the route, it suggests ride sharers with similar destinations. It is constantly in contact with the other cars in the fleet. Thanks to artificial intelligence, it drives in good time to where it will be needed next. That might sound like science fiction. But in the early 2020s, we at Mercedes-Benz want to put the first self-driving taxis on the roads.

Working on the CASE topics requires of us a culture of openness (**CULTURE**). We are working on that with Leadership 2020. We wanted to make the transformation quickly tangible. That's why we focused right from the start on changing processes, rules and tools. A new phase is now starting. We are focusing on the basis of Leadership 2020: the principles according to which we manage and work together. This is also a matter of the right inner attitude, on cooperation or agile actions for example.

We want to reflect the entrepreneurial spirit that we promote with Leadership 2020 also in the structure of the Daimler Group (**COMPANY**). Because an inner attitude and the external image should complement each other. We would like to strengthen individual responsibility in our organization while maintaining the synergies that we have at Daimler.

CORE, CASE, CULTURE and COMPANY. Those are the four fundamental elements of our future strategy. But another "C" is still missing: the customers – our customers. They are at the center of everything. Because what convinces our customers is also good for our employees, for our business partners and for you, our shareholders.

Together, we have seen three phases in the development of our company in the past three years. The first phase was the restructuring. We focused on our core competence, the production of motor vehicles. In the second phase, we wanted to become the number one. We achieved that goal ahead of time and confirmed it in 2017. We are now in the phase of shaping the future. Our ambition is unchanged: Daimler belongs at the top. 132 years after the invention of the automobile, Daimler is once again a company on the move. And we will be delighted if you continue to accompany us on this journey.

Sincerely yours,

Dieter Zetsche

"CORE, CASE, CULTURE, COMPANY: WE HAVE SET THE COURSE FOR A SUCCESSFUL FUTURE!"

As the inventor of the automobile, we intend to shape the fundamental transformation of the automotive industry from the forefront. With a strong core business (CORE), we are creating the financial basis to invest in the future-oriented areas of connectivity, autonomous driving, the flexible use of vehicles and services, and electric mobility (CASE). In parallel, we are developing an innovation-friendly and flexible corporate culture under the roof of Leadership 2020 (CULTURE). In addition, we started "Project Future" in the year under review (COMPANY), with which we will strengthen the future viability of our divisions. We reached some important milestones in the implementation of our strategy last year, and we were once again very successful in our business operations. This is also to the benefit of our shareholders: in the form of an attractive dividend and an attractive share price.

A | To Our Shareholders

The Board of Management

Dieter Zetsche | 64
Chairman of the Board of Management, Head of Mercedes-Benz Cars, Appointed until December 2019

Renata Jungo Brüngger | 56
Integrity and Legal Affairs,
Appointed until December 2023

Martin Daum | 58
Daimler Trucks and Buses,
Appointed until February 2022

Ola Källenius | 48
Group Research & Mercedes-Benz Cars Development,
Appointed until December 2022

Wilfried Porth | 59
Human Resources and Director of Labor Relations,
Mercedes-Benz Vans, Appointed until April 2022

Britta Seeger | 48
Mercedes-Benz Cars Marketing & Sales,
Appointed until December 2019

Hubertus Troska | 57
Greater China,
Appointed until December 2020

Bodo Uebber | 58
Finance & Controlling, Daimler Financial Services,
Appointed until December 2019

Report of the Supervisory Board

Dear Shareholders, Daimler is a successful and strong company. Despite various challenges, Daimler AG concluded financial year 2017 with excellent results once again and, as in the previous years, with solid earnings. We can therefore strengthen our core business while investing in new technologies and businesses. From a position of strength, the company has initiated a far-reaching process of transformation. Daimler is actively shaping the future of mobility.

Supervisory and advisory activities of the Supervisory Board

The Supervisory Board of Daimler AG fully performed its tasks as defined by the law, the Company's Articles of Incorporation and rules of procedure. The Supervisory Board continually advised and supervised the Board of Management in the management of the Company and provided support with strategically important issues relating to the Group's further development. The Supervisory Board examined whether the annual company and consolidated financial statements, the combined management report and the other financial reporting were in conformance with the applicable requirements. In addition, it approved numerous business matters for which its consent was required following careful reviews and consultations. As well as approving the further review and initiating the first preparatory measures for the strengthening of the divisional structure by creating legally independent entities in the context of further developing the Daimler Group's structures, this also included finance and investment planning, major equity measures at companies of the Group, key individual investments and the conclusion of contracts with particular importance for the Group. The Board of Management informed the Supervisory Board about a large number of further measures and business transactions, and discussed them with it intensively and in detail, including the comprehensive future plan for diesel engines, which was approved by the Board of Management in July 2017. Finally, the Board of Management reported continually to the Supervisory Board on the current status of the main legal proceedings.

The Board of Management regularly informed the Supervisory Board about all significant economic developments of the Group and the divisions. It continually provided information to it on all fundamental questions of corporate planning, including finance, investment, sales and personnel planning, current developments at the companies of the Group, the development of revenue, the situation of the Company and the divisions, and legal risks. Furthermore, the Board of Management reported to the Supervisory Board continually on return on equity and the Group's liquidity situation, the development of sales and procurement markets, the overall economic situation, and developments in the capital markets and the area of financial services. Additional topics included the further development of the product portfolio, securing the Group's long-term competitiveness, and the ongoing implementation of measures for safeguarding sustainable and future-oriented mobility. The Supervisory Board also dealt in detail with the development of the share price and the related background, as well as the expected impact of strategic projects on the share price.

Daimler is a strong and successful company and systematically pushed forward with the implementation of its strategy also in financial year 2017. The Group's financial strength and sound balance sheet allow our growth strategy to be continued while paying out an attractive dividend to our shareholders. In addition to the core business, we have summarized the topics "Connected", "Autonomous", "Shared & Services", and "Electric" under the acronym CASE. From a position of strength, we have initiated a far-reaching transformation process in order to be active in shaping the upcoming fundamental changes facing the automotive industry in the coming years. For that purpose, high levels of advance expenditure will be made in the coming years. With the presentation of important products and concept vehicles in 2017, Daimler demonstrated its strong expertise in the core business and in the CASE areas. The Supervisory Board and the Board of Management are convinced that the new challenges require both a cultural change as well as a changed structure. The cultural change has been initiated with the involvement of all employee groups. Work is now being done at all levels to implement that change in order to be prepared for the challenges ahead of us. Daimler will become faster, more flexible and more digital in order to safeguard its future strength. For this purpose, a start has been made with the review and initiation of the first preparatory measures to strengthen the divisional structure by creating legally independent entities. The Supervisory Board firmly supports all of these steps.

Working culture and areas of Supervisory Board activity

In the year 2017, the Supervisory Board convened for nine meetings. Participation in the meetings by the members of the Supervisory Board was at a high level once again. All members of the Supervisory Board participated in significantly more than half of the meetings of the Supervisory Board and its committees of which they are members during the year under review. The work of the Supervisory Board featured open and intensive exchanges of information and opinions. The members of the Supervisory Board regularly prepared for upcoming resolutions with the use of documentation provided in advance by the Board

Dr. Manfred Bischoff, Chairman of the Supervisory Board

of Management. Furthermore, the members representing the employees and the members representing the shareholders regularly prepared the Supervisory Board meetings in separate discussions, which were attended by members of the Board of Management. The Supervisory Board was intensively supported by its committees and the members of the Supervisory Board intensively discussed the measures and business matters to be decided upon with the Board of Management. For the meetings, executive sessions were regularly arranged so that topics could be discussed also in the absence of the Board of Management.

The members of the Supervisory Board and of the Board of Management came together for the bilateral exchange of opinions also outside the regular meetings. The Board of Management informed the Supervisory Board with written reports about the most important indicators of business development and existing risks, and submitted the interim financial reports to the Supervisory Board. The Supervisory Board was informed of special occurrences also between the meetings.

The members of the Supervisory Board independently attend such courses of training and further training regarded as necessary for the performance of their tasks, relating for example to questions of corporate governance, changes in the legal framework, new products and future-oriented technologies, in which they are supported by the Company. In a special onboarding program, new members of the Supervisory Board have the opportunity to meet the members of the Board of Management and other senior executives for a bilateral exchange of opinions and information on the current topics of the various Board of Management areas, allowing them to gain an overview of the topics relevant to the Daimler Group.

In its meeting on February 1, 2017, which was attended by the external auditors, the Supervisory Board discussed, took note of and approved the preliminary key figures of the annual company and consolidated financial statements for 2016 and the dividend proposal to be made at the 2017 Annual Shareholders' Meeting. The Supervisory Board determined that no objections were to be raised to their publication. The preliminary key figures for the year 2016 and the proposal on the appropriation of profit were announced at the Annual Press Conference on February 2, 2017.

In the Supervisory Board meeting held on February 10, 2017, the Supervisory Board first decided on the personnel changes in the Board of Management described on page 68. Subsequently, it dealt with the annual company financial statements, the annual consolidated financial statements and the combined management report for Daimler AG and the Daimler Group for the year 2016, each of which had been issued with an unqualified audit opinion by the external auditors, as well as with the reports of the Audit Committee and the Supervisory Board, the declaration on corporate governance combined with the corporate governance report, the remuneration report and the proposal on the appropriation of profit. In preparation, the members of the Supervisory Board were provided with comprehensive documentation.

The Audit Committee and the Supervisory Board dealt with those documents in detail and discussed them intensively in the presence of the external auditors, who reported on the results of their audit and were available to answer questions and to provide further information. Following the final results of the review by the Audit Committee and its own review, the Supervisory Board declared its agreement with the results of the audit carried out by the external auditors. It determined that no objections were to be raised, approved the financial statements and the combined management report as presented by the Board of Management, and thus adopted the financial statements for the year 2016. On this basis, the Supervisory Board consented to the proposal made by the Board of Management on the appropriation of distributable profit. In addition, the Supervisory Board approved the report of the

Supervisory Board, the corporate government statement combined with the corporate governance report, and the remuneration report, as well as its proposed decisions on the items of the agenda for the 2017 Annual Shareholders' Meeting.

In connection with the adjustment of Supervisory Board remuneration proposed at the Annual Shareholders' Meeting, the Supervisory Board called for a self-commitment by the members of the Supervisory Board to purchase Daimler shares. In this self-commitment, the members of the Supervisory Board state to the Supervisory Board that they will purchase shares of the Company each year for 20% of their adjusted Supervisory Board remuneration (excluding committee remuneration and meeting fees and before taxes) and hold them at least until the end of the year following their departure from the Supervisory Board of the Company (self-commitment according to the principle of comply or explain). This does not apply for members of the Supervisory Board whose Supervisory Board remuneration is transferred to the Hans-Böckler-Stiftung due to compulsory or voluntary application of the guidelines of the German Federation of Trade Unions, or is transferred to the member's employer due to a contract of employment, or is credited to the member's contractual remuneration entitlement. All members of the Supervisory Board who are not subject to any of the described transfer or credit arrangements made the self-commitment in 2017.

In its meeting on February 10, 2017, the Supervisory Board dealt also with questions of corporate governance and discussed the results of the efficiency review carried out in financial year 2016, which once again confirmed the very good and constructive cooperation within the Supervisory Board and with the Board of Management. There was no fundamental need for action or change; however, some suggestions for further optimization were made, which were implemented during the financial year. Furthermore, the Supervisory Board dealt with matters pertaining to the remuneration of the members of the Board of Management and approved the memberships in other boards and further external secondary employments of the members of the Board of Management that were presented in the meeting. Finally, the Supervisory Board addressed at this meeting once again whether, in connection with the antitrust investigations of the European Commission against truck manufacturers, claims for compensation were to be made against former or current members of the Board of Management. On the basis of the reviews carried out so far and repeatedly updated by an independent law firm, a further review by an independent legal academic, as well as detailed discussions in the Supervisory Board taking into account the welfare of the Company, the Supervisory Board maintained its previous resolution, based on the information available, that no such claims were to be made at the present time. The grounds for this resolution did not change in the further course of the year.

The items on the agenda of the Annual Shareholders' Meeting held on March 29, 2017 included the reelection of Dr. Clemens Börsig and the election of Bader Mohammad Al Saad as members of the Supervisory Board representing the shareholders. In the subsequent meeting of the Supervisory Board, Dr. Clemens Börsig was reelected to the Audit Committee and was appointed as its Chairman.

In another meeting held in late April 2017, the Supervisory Board received detailed reports on current legal issues, also relating to the requests, inquiries, investigations and court proceedings in connection with the issue of diesel exhaust emissions. Furthermore, the Supervisory Board was informed about current business developments in China and Brazil and the respective economic and political situations, and discussed those matters in detail with the Board of Management.

In the meeting in late July 2017, the Board of Management informed the Supervisory Board about the review of the general feasibility and the advantages and disadvantages of the possibility of reflecting the divisional structure of the Group with legally independent entities. Also in this meeting, the Supervisory Board discussed in detail with the Board of Management about the course of business and the results of the first half of the year, and was informed in detail about current legal issues and about the antitrust accusations made in the press against the German automotive industry. Finally, also in this meeting, the Supervisory Board dealt with and approved the new product platform for construction vehicles from Western Star.

In a subsequent meeting of the Supervisory Board together with the Advisory Board for Integrity and Corporate Responsibility, the participants discussed the role of the Advisory Board as well as the cultural change, which constitutes an important success factor for Daimler, with the examples of Leadership 2020 and integrity.

Strategy meeting of the Supervisory Board

During a two-day strategy workshop held in Sindelfingen in late September 2017, the Supervisory Board was informed about the status of the transformation in relation to the individual divisions. The Supervisory Board discussed with the Board of Management about how, based on the existing core business and the new businesses summarized under CASE, the future challenges were to be mastered and the mobility of tomorrow was to be shaped. The four areas of CASE - "Connected", "Autonomous", "Shared & Services" and "Electric" - were discussed and it was explained with the use of examples where Daimler currently stands in these areas. Information was provided inter alia with regard to "Connected" on mercedes.me and the Fleetboard solutions, with regard to "Autonomous" among other things on the cooperation between Daimler and Bosch, and with regard to "Shared & Services" also on mobility services. The discussion with the Board of Management with regard to "Electric" focused on the EQ brand and brand strategy, as well as on the transition to electric mobility. The members of the Supervisory Board and the Board of Management, with participation by the senior executives responsible for the topics discussed, held a constructive and open dialog about how Daimler will adapt to new challenges and which further developments are imminent. The topic of the changing competitive environment was also discussed. In the context of a vehicle exhibition, various models were presented to the Supervisory Board. In this meeting, the Supervisory Board was also informed in detail about the current legal issues and about the subject of technical compliance management at Daimler. Furthermore, the members discussed the key financial metrics and the targets for the Group and the divisions.

At an extraordinary meeting held in mid-October 2017, the Supervisory Board was informed about the current status of the review of the future business structures at Daimler. In late October, the Supervisory Board granted its consent to the ongoing review and to the initiation of the first preparatory measures for strengthening the divisional structure.

Meeting on operational planning 2018/2019

On the day before the meeting in December 2017, the members of the Supervisory Board had the opportunity to participate in a product presentation and to be informed about new vehicle models, design studies and forward-oriented technologies. In the context of the actual meeting on December 7, 2017, the Supervisory Board dealt with, among other things, the implementation of non-financial reporting at Daimler resulting from the EU CSR Directive, and in this context decided that KPMG should be commissioned to carry out a voluntary review in the form of a limited assurance. The Supervisory Board then decided on the election proposals to be made to the Annual Shareholders' Meeting in 2018 as described on page 68. During the further course of the meeting, on the basis of comprehensive documentation, the Supervisory Board discussed in detail and approved the operational planning for the years 2018 and 2019. This included discussion of existing opportunities and risks as well as the Group's risk management.

Also in this meeting, the Supervisory Board dealt with various equity contributions at companies of the Group, including at Daimler India Commercial Vehicles Pvt. Ltd., and consented to the plans. Subsequently, the Supervisory Board was informed in detail on the status of the review and on the initiation of the first preparatory measures to strengthen the divisional structure. A further focus of the meeting was information on the current legal issues, also with regard to the requests, inquiries, investigations and legal proceedings in connection with the issue of diesel exhaust emissions. In the further course of the meeting, the Supervisory Board dealt with Leadership 2020 and the Personnel Strategy Digitalization, in particular the initiatives relating to the recruitment of digital talent, employees' digital qualification and the digitization of HR tools. Furthermore, the Supervisory Board approved the creation of a steering committee for the CASE future topics composed of members of the Board of Management. Other topics discussed at the December meeting were corporate governance, also with regard to the recommendations of the German Corporate Governance Code, and Board of Management remuneration. Thereby, the focus was on the qualifications profiles, including diversity concepts, for the Board of Management as well as for the Supervisory Board, which are explained on pages 210 ff of the declaration on corporate governance combined with the corporate governance report. Finally, the Supervisory Board dealt with the probable main topics of the year 2018 and with the planning of a meeting of the Supervisory Board abroad in 2018.

Corporate Governance and declaration of compliance

During the year 2017, the Supervisory Board was continually occupied with standards of good corporate governance.

In its meeting in December 2017, the Supervisory Board approved the 2017 declaration of compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG). With the exception explained there, all the recommendations of the Code have been complied with and continue to be complied with. In the same meeting, the Supervisory Board updated the rules of procedure for the Supervisory Board and its committees.

In accordance with good corporate governance, the members of the Supervisory Board of Daimler AG are obliged to disclose conflicts of interest – especially those that might arise due to an advisory or board function for a customer, supplier or creditor of Daimler, or for other third parties – to the entire Supervisory Board.

There were no indications of any actual conflicts of interest in 2017. In order to avoid individual conflicts of interest, some members of the Supervisory Board did not participate in discussions of certain items of the agendas in the year 2017: Dr. Bernd Bohr, Dr. Jürgen Hambrecht and Dr. Bernd Pischetsrieder left the room during the Supervisory Board meetings for discussion of the legal status report on the issue of diesel exhaust emissions. As a result, in compliance with the goals of the Supervisory Board, there were no potential conflicts of interest during the year under review for at least half of the members representing the shareholders and for at least 15 members of the entire Supervisory Board.

Law for the equal participation of women and men in management positions

For supervisory boards of listed companies subject to parity codetermination, like that of Daimler AG, the German Stock Corporation Act prescribes a binding gender ratio of at least 30% women. The ratio is to apply to the entire supervisory board. If the side of the supervisory board representing the shareholders or the side representing the employees objects to the chairman of the supervisory board before the election about the application of the ratio to the entire supervisory board, the minimum ratio is to apply separately to the shareholders' side and to the employees' side for that election.

As of December 31, 2017, the Supervisory Board of Daimler AG is composed of 30% women (the members Sari Baldauf, Andrea Jung and Petraea Heynike) and 70% men. On the employees' side, the proportions as of that date are 20% women (the members Elke Tönjes-Werner and Sibylle Wankel) and 80% men. In its meeting on December 7, 2017, the Supervisory Board dealt with the specific proposals for candidates for election to be made at the Annual Shareholders' Meeting in 2018 and, against this backdrop, stated that the shareholders' side and the employees' side should separately achieve the legally prescribed proportion of women. The members representing the shareholders and the members representing the employees stated that they object to the overall fulfilment of the statutory gender quota. Subsequently, based on the recommendation of the Nomination Committee, the Supervisory Board decided to nominate Sari Baldauf as well as Dr. Jürgen Hambrecht again and Marie Wieck for the first time for election to the Supervisory Board at the Annual Shareholders' Meeting in 2018. Marie Wieck is a General Manager at IBM Blockchain. If the proposed persons are elected, the statutory quota will be fulfilled on the shareholders' side, insofar as no other changes occur. The next election to the Supervisory Board of members representing the employees will also take place in 2018.

For the composition of the Board of Management, the Supervisory Board set the target in December 2016 of at least 12.5% women, which is applicable until December 31, 2020.

Corporate governance at Daimler is described in detail in the declaration on corporate governance combined with the corporate governance report on pages 203 ff and in the remuneration report on pages 136 ff of this Annual Report.

The work of the committees

The **Presidential Committee** convened eight times last year. It dealt primarily with corporate governance topics as well as Board of Management matters concerning remuneration and personnel. As in previous years, compliance targets constituted part of the individual target agreements of the members of the Board of Management. Once again, additional non-financial targets were also included as criteria in the target agreements. For the past financial year, they were the further development and permanent establishment of the corporate value integrity, diversity with regard to increasing the proportion of women in management positions, the maintenance and enhancement of a high level of employee satisfaction, and high product quality.

The **Audit Committee** met six times in 2017. Details of those meetings are provided in a separate report of that committee on pages 200 ff.

In two meetings in 2017, the **Nomination Committee** prepared recommendations for the Supervisory Board's proposals to be made at the Annual Shareholders' Meeting in 2018 on the candidates for election to the Supervisory Board. Among other things, and taking into consideration all circumstances of each individual case, the proposals are oriented towards the Daimler Group's interests and aim to fulfill the overall qualifications profile, including expertise profile and diversity concept, for the entire Supervisory Board.

There was no occasion to convene the **Mediation Committee** in 2017.

Personnel changes in the Supervisory Board and the Board of Management

In the meetings in December 2016 and on February 10, 2017, the members of the Supervisory Board representing the shareholders decided, on the basis of a recommendation by the Nomination Committee, to propose the election to the Supervisory Board of Dr. Clemens Börsig and Bader Mohammad Al Saad at the Annual Shareholders' Meeting in 2017. Dr. Bernd Bohr had previously stated that in the interests of the Daimler Group, he would step down from the Supervisory Board as of the end of the Annual Shareholders' Meeting in 2017. The Supervisory Board had stated its intention to propose Dr. Bernd Bohr for reelection to the Supervisory Board within the next two years.

On March 29, 2017, the Annual Shareholders' Meeting elected Bader Mohammad Al Saad and Dr. Clemens Börsig as members of the Supervisory Board representing the shareholders until the end of the Annual Shareholders' Meeting that decides on ratification of board members' actions for financial year 2021.

In the Supervisory Board meeting on February 10, 2017, Ola Källenius was reappointed as a member of the Board of Management Member with responsibility for "Group Research and Mercedes-Benz Cars Development", effective from January 1, 2018 for a period of another five years.

In advance of this meeting, Dr. Wolfgang Bernhard, who had been appointed as a member of the Board of Management with responsibility for "Daimler Trucks & Buses" until February 2018, stated that he would not be available for a contract extension. The appointment of Dr. Wolfgang Bernhard was terminated as of February 10, 2017. Until the appointment of his successor, Dr. Dieter Zetsche, the Chairman of the Board of Management, took charge of those divisions.

In its extraordinary meeting in late February 2017, the Supervisory Board appointed Martin Daum as a member of the Board of Management with responsibility for "Daimler Trucks & Buses" effective as of March 1, 2017 for a period of five years until February 28, 2022.

In the meeting in December 2017, the members of the Supervisory Board representing the shareholders decided, on the basis of a recommendation by the Nomination Committee, to propose the election to the Supervisory Board of Sari Baldauf, Dr. Jürgen Hambrecht and Marie Wieck at the Annual Shareholders' Meeting in 2018.

In the Supervisory Board meeting on February 9, 2018, Renata Jungo Brüngger was reappointed to the Board of Management of Daimler AG as the member responsible for "Integrity and Legal Affairs" for further five years effective from January 1, 2019.

Audit of the company and consolidated financial statements

The financial statements of Daimler AG and the combined management report for the Company and the Group for 2017 were duly audited by KPMG AG, Wirtschaftsprüfungsgesellschaft, Berlin, and were given an unqualified audit opinion. The same applies to the consolidated financial statements for 2017 prepared according to IFRS.

In a meeting held on January 31, 2018 attended by the external auditors, the Supervisory Board discussed, took note of and approved the preliminary key figures of the annual company and consolidated financial statements for 2017 and the the proposal on the appropriation of profit to be made at the 2018 Annual Shareholders' Meeting. The Supervisory Board determined that no objections were to be made to their publication. The preliminary key figures for the year 2017 as well as the proposal on the appropriation of profit were announced at the Annual Press Conference on February 1, 2018.

In the meeting held on February 9, 2018, the Supervisory Board dealt with the annual company financial statements, the annual consolidated financial statements and the combined management report for Daimler AG and the Daimler Group, each of which had been issued with an unqualified audit opinion by the external auditors, as well as with the reports of the Audit Committee and the Supervisory Board, the corporate government statement combined with the corporate governance report, the remuneration report, the proposal on the appropriation of profit and the non-financial report, the latter prepared for the first time and reviewed by the external auditors pursuant to ISAE 3000. In preparation, the members of the Supervisory Board had been provided with comprehensive documentation including the Annual Report with the consolidated financial statements according to IFRS, the combined management report for Daimler AG and the Daimler Group, the declaration on corporate governance combined with the corporate governance report, the remuneration report, the non-financial report, the annual company financial statements of Daimler AG, the proposal of the Board of Management on the appropriation of profit, the audit reports of KPMG on the annual company financial statements of Daimler AG and the consolidated financial statements, each including the combined management report, as well as drafts of the reports of the Supervisory Board and of the Audit Committee.

The Audit Committee and the Supervisory Board dealt with those documents in detail and discussed them intensively in the presence of the responsible external auditors, who reported on the results of their audit and were available to answer supplementary questions and to provide additional information. Following the final results of the review by the Audit Committee and its own review, the Supervisory Board declared its agreement with the results of the audit by the external auditors; it determined that no objections were to be raised and approved the financial statements and the combined management report as presented by the Board of Management. The company financial statements of Daimler AG for the year 2017 were thereby adopted. On this basis, the Supervisory Board consented to the proposal made by the Board of Management on the appropriation of distributable profit. Furthermore, it approved the report of the Supervisory Board, the declaration on corporate governance combined with corporate governance report, the remuneration report and the non-financial report, as well as its own proposed resolutions for the items of the agenda of the 2018 Annual Shareholders' Meeting.

Appreciation

The Supervisory Board warmly thanks all of the employees and the management of the Daimler Group for their committed contributions to the very successful year 2017.

The Supervisory Board also thanks Dr. Bernd Bohr, who closely supported the Daimler Group through his committed work in the Supervisory Board and who stepped down as of March 29, 2017.

In addition, the Supervisory Board thanks Dr. Wolfgang Bernhard for his successful work at the Group.

Stuttgart, February 2018

The Supervisory Board

Dr. Manfred Bischoff
Chairman

The Supervisory Board

Dr. Manfred Bischoff
Munich
elected until 2021
Chairman of the Supervisory Board of Daimler AG
Other supervisory board memberships/directorships:
SMS Holding GmbH

Michael Brecht*
Gaggenau
elected until 2018
Deputy Chairman of the Supervisory Board of Daimler AG;
Chairman of the General Works Council Daimler Group;
Chairman of the General Works Council Daimler AG;
Chairman of the Works Council, Gaggenau Plant, Daimler AG

Dr. Paul Achleitner
Munich
elected until 2020
Chairman of the Supervisory Board of Deutsche Bank AG
Other supervisory board memberships/directorships:
Deutsche Bank AG – Chairman
Bayer AG

Bader M. Al Saad
Kuwait
elected until 2022
(since March 29, 2017)
Former Chairman and Managing Director of the Executive Committee of the Board of Directors of Kuwait Investment Authority
Other supervisory board memberships/directorships:
Member of the Executive Committee of the Board of Directors of Kuwait Investment Authority

Sari Baldauf
Helsinki
elected until 2018
Chairwoman of the Supervisory Board of Fortum OYj
Other supervisory board memberships/directorships:
Deutsche Telekom AG
Fortum OYj – Chairwoman
Vexve Holding OY – Chairwoman
AkzoNobel N.V. (until December 1, 2017)

Michael Bettag*
Nuremberg
appointed until 2018
Chairman of the Works Council of the Nuremberg Dealership, Daimler AG

Dr. Clemens Börsig
Frankfurt am Main
elected until 2022
Former Chairman of the Supervisory Board of Deutsche Bank AG
Other supervisory board memberships/directorships:
Bayer AG (until April 28, 2017)
Linde AG
Emerson Electric Co.

Dr. Jürgen Hambrecht
Ludwigshafen
elected until 2018
Chairman of the Supervisory Board of BASF SE
Other supervisory board memberships/directorships:
BASF SE – Chairman
Fuchs Petrolub SE – Chairman
Trumpf GmbH + Co. KG – Chairman
Nyxoah SA (until December 31, 2017)

Petraea Heynike
Vevey
elected until 2021
Former Executive Vice President of the Executive Board of Nestlé S.A.

Andrea Jung
New York
elected until 2018
President and Chief Executive Officer of Grameen America, Inc.
Other supervisory board memberships/directorships:
Apple Inc.
General Electric Company

Joe Kaeser
Munich
elected until 2019
Chairman of the Board of Management of Siemens AG
Other supervisory board memberships/directorships:
Allianz Deutschland AG
NXP Semiconductors N.V.

Ergun Lümali*
Sindelfingen
elected until 2018
Chairman of the Works Council at the Sindelfingen Plant;
Deputy Chairman of the General Works Council of Daimler AG

Wolfgang Nieke*
Stuttgart
elected until 2018
Chairman of the Works Council, Untertürkheim Plant,
Daimler AG

Dr. Bernd Pischetsrieder
Munich
elected until 2019
Chairman of the Supervisory Board of the Münchener
Rückversicherungs-Gesellschaft Aktiengesellschaft
in München
Other supervisory board memberships/directorships:
Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft
in München – Chairman
Tetra Laval Group

Valter Sanches*
Geneva
elected until 2018
General Secretary IndustriALL Global Union

Jörg Spies*
Stuttgart
elected until 2018
Chairman of the Works Council, Headquarters, Daimler AG

Elke Tönjes-Werner*
Bremen
elected until 2018
Deputy Chairwoman of the Works Council, Bremen Plant,
Daimler AG

* Representative of the employees

Sibylle Wankel*
Frankfurt am Main
appointed until 2018
General Counsel of the German Metalworkers' Union
(IG Metall)
Other supervisory board memberships/directorships:
Siemens AG (until January 31, 2018)

Dr. Frank Weber*
Sindelfingen
elected until 2018
Director of the Press Shop, Sindelfingen Plant, Daimler AG;
Chairman of the Management Representatives Committee,
Daimler Group

Roman Zitzelsberger*
Stuttgart
appointed until 2018
German Metalworkers' Union (IG Metall), District Manager
Baden-Württemberg
Other supervisory board memberships/directorships:
Heidelberger Druckmaschinen AG

Retired from the Supervisory Board:

Dr. Bernd Bohr
Stuttgart
retired on March 29, 2017
Former Member of the Management Board of
Robert Bosch GmbH
Other supervisory board memberships/directorships:
Formula D GmbH

Committees of the Supervisory Board:

**Committee pursuant to Section 27 Subsection 3
of the German Codetermination Act (MitbestG)**
Dr. Manfred Bischoff – Chairman
Michael Brecht*
Dr. Jürgen Hambrecht
Roman Zitzelsberger*

Presidential Committee
Dr. Manfred Bischoff – Chairman
Michael Brecht*
Dr. Jürgen Hambrecht
Roman Zitzelsberger*

Audit Committee
Dr. Clemens Börsig – Chairman
Michael Brecht*
Joe Kaeser
Ergun Lümali*

Nomination Committee
Dr. Manfred Bischoff – Chairman
Dr. Paul Achleitner
Sari Baldauf

At the Frankfurt Motor Show, Mercedes-Benz presented pioneering solutions for the mobility of the future. The Mercedes-AMG Project ONE show car with its Formula 1 hybrid technology stands for the future of driving performance. And the smart vision EQ fortwo offers an electric and fully automated solution for highly efficient and flexible local transport.

Highlights of 2017

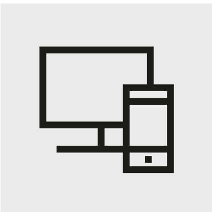
The year 2017 was very successful for Daimler. We strengthened our core business with attractive new products and services. Important new products included the upgraded S-Class and the new X-Class from Mercedes-Benz, the new FUSO Super Great and the new SETRA double-decker bus. We expanded our business portfolio with targeted acquisitions and joint operations. We made very good progress in the future strategic areas of connectivity, autonomous driving, flexible use and services and above all with electric mobility. Furthermore, we aim to strengthen Daimler's future viability with a new divisional Group structure.

Q1

Daimler Financial Services acquires PayCash Europe S.A.
With its entry into the e-payment business, Daimler will launch its own electronic payments service under the “Mercedes pay” brand name. Mercedes pay is a key component of Daimler’s mobility and digitization strategy. The new payment system demonstrates the goal of making Daimler even more attractive as the leading provider of digital mobility services.

Startup culture at Daimler
Daimler expands its “Knowledge College” program, a series of workshops for students, with a seminar on the subject of startup culture at the Group. The company has the clear goal of combining the strength of a global corporation with the flexibility of the startup scene. Daimler is creating new impetus to strengthen the entrepreneurial spirit at the Group with numerous initiatives. For this purpose, it has designed a new seminar at which students can acquire startup know-how.

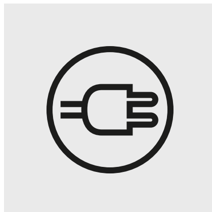
Daimler Financial Services invests in smartphone app for auto financing
Daimler Financial Services is continuing along its growth path with digital finance and mobility services. With the finance startup AutoGravity, which was founded in Irvine, California in late 2015, Daimler Financial Services is now starting the national rollout in 46 federal states of the USA. The customer-focused comparison app for automobile purchase and finance provides information on up to four tailored and binding offers within just a few minutes.



Launch of Truck Data Center and new digital services
The Truck Data Center facilitates the market launch of new digital services from Mercedes-Benz Trucks: the revolutionary service product Mercedes-Benz Uptime and the new Fleet-Board Manager app. A precondition for both services is the installation of the Truck Data Center, which will be the brain of the connected truck across all brands at Daimler Trucks. It communicates via Bluetooth, 3G mobile telephony or GPS with the infrastructure, other vehicles and other parties involved in the logistics process.

Daimler invests in ChargePoint
ChargePoint is regarded as the world’s leading provider in the segment of charging stations for electric vehicles, and is the market leader in the United States. Expansion of the business to the European market is planned. Strategic involvement in ChargePoint is another important step in the spread of electric mobility. The cooperation lays the foundation for a comprehensive, customer-oriented charging service.

1,500 Mercedes-Benz Sprinter and Vito vans with electric drive for Hermes
Hermes and Mercedes-Benz Vans agree on a strategic partnership to electrify the parcel service’s vehicle fleet. The focus is on the economy, sustainability and practicality of locally emission-free delivery vans used for the last mile. By 2020, Hermes plans to use 1,500 Mercedes-Benz electric vans of the Vito and Sprinter model ranges in urban areas all over Germany.



The Annual Shareholders’ Meeting approves a constant dividend of €3.25 per share.

Approximately 6,200 shareholders (2016: 5,500) come to the CityCube in Berlin on March 29. The resolutions proposed by the management are all approved with large majorities. The dividend payout amounts to €3,477 million and is the highest of the DAX companies.

Q2

Bosch and Daimler cooperate on highly automated driving in an urban environment
Bosch and Daimler are cooperating to advance the development of highly automated driving and driverless cars. The joint development aims to put highly automated driving and driverless cars on the road in urban environments by early in the next decade. The project combines the overall vehicle expertise of the world's leading premium carmaker with the system and hardware expertise of the world's biggest automotive supplier.

World premiere of the upgraded S-Class in Shanghai
Offering a wide range of improvements, the upgraded S-Class has its world premiere at Auto Shanghai. The highlights include an all-new, highly efficient family of engines with various new technologies for electrifying the drivetrain. Intelligent drive takes a further step towards autonomous driving. And in the interior, new standards are set for comfort and wellness in the premium segment.

50

50th record month in succession
Mercedes-Benz Cars sets an unprecedented series of records: It has now increased its unit sales every month for more than four years – without a break. In April, unit sales grow compared with the prior-year month for the 50th month in succession.

New FUSO Super Great for the Japanese market
With the latest generation of the FUSO flagship, the world's biggest truck manufacturer sets new standards in Japan for efficiency, safety and connectivity. Through the application of various new technologies, the new truck's fuel consumption can be reduced by up to 15 percent. The FUSO Super Great makes full use of Daimler Trucks' global platform strategy. This allows uniform quality standards, cost advantages through economies of scale, and flexibility in the utilization of production capacities.

New battery factory in Kamenz
Daimler takes a further step in its electric offensive by laying the foundation stone for one of the largest and most modern battery factories. The Group's second factory for lithium-ion batteries is being built at the 100-percent subsidiary ACCUMOTIVE in Kamenz with an investment of approximately €500 million.

€500m

Foundation stone for new car plant in Russia
Mercedes-Benz starts the construction work for a new, fully flexible car plant in the Moscow region, which is due to go into operation in 2019. The production facility is planned for maximum flexibility so that multiple architectures can be assembled on one line. A total of more than €250 million is to be invested.

World premiere for the Mercedes-Benz Tourismo RHD
With sales of more than 23,000 units, the Mercedes-Benz Tourismo is the most successful coach from Daimler Buses and a key driver for the division's success. The new model sets standards for economy, comfort and safety. With its four model versions and a broad spectrum of powertrains and equipment, it covers diverse customer requirements in the entire coach segment.

Start of construction for new engine plant in Jawor, Poland
The engine plant in Jawor is designed to combine the latest standards in the sector with Industry 4.0, and to be a benchmark for engine production. As well as state-of-the-art machinery and technology, it is also planned to utilize the potential of digitization, for example with app-based systems in the areas of human resources and energy management. Daimler is investing approximately €500 million in the new production facility for four-cylinder engines.

Q3

Production of battery-electric vehicles in China
Daimler and BAIC agree to jointly invest €650 million in the production of battery-electric Mercedes-Benz vehicles at the local production facility of Beijing Benz Automotive Co. (BBAC) in Beijing. As part of this strategic framework agreement, the partner companies will prepare for the local production of battery-electric vehicles at BBAC by 2020, and aim to establish the required infrastructure as well as research and development capacities in China.

New Setra double-decker bus continues coach initiative
World premiere of the Setra double-decker, the biggest and most comfortable coach from Daimler Buses. As a result of improved aerodynamics, it is significantly more fuel efficient than its predecessor. In addition, it is equipped as standard with an emergency braking system with obstacle and pedestrian recognition, and Sideguard Assist for taking the blind spot into account is offered as an optional extra.

Mercedes-Benz Vans founds joint venture ViaVan with US startup Via
Mercedes-Benz Vans enters the ride-sharing market. For this purpose, the van division of the Daimler Group has founded the joint venture ViaVan with Via, a New York-based startup. The technology from Via and the engineering from Mercedes-Benz Vans form a perfect combination for efficient, cost-effective and sustainable ride sharing.

Five years of BharatBenz
Daimler's Indian commercial-vehicle brand is on a successful path. The vehicles are specially tailored for the Indian market and the requirements of customers there. Meanwhile, BharatBenz has delivered more than 60,000 BharatBenz trucks to customers in India. In recent months, it achieved a double-digit market share for the first time. The brand is well established among the top 4 in the Indian market and is actually the number 3 in the heavy-duty segment.

Daimler Buses makes its production network fit for the future
In order to remain fit for the future at the sites in Europe, management and works council agree on a future package for efficiency enhancements in production. Furthermore, Daimler Buses will continue shaping the future of mobility. Within this context, in the years ahead, we aim to invest approximately €340 million.

World premiere of the Mercedes-Benz X-Class
With the "Mercedes-Benz Vans goes global" strategy, Mercedes-Benz Vans is entering a new market segment. The Mercedes-Benz X-Class is the first pickup from a premium manufacturer. The X-Class with space for up to five persons supplements the traditional strengths of a midsize pickup with the typical Mercedes-Benz characteristics of driving dynamics, comfort, design, safety, connectivity and comprehensive individualization.

Full speed ahead into the future: 1,900 young people start their vocational training at Daimler

1,900

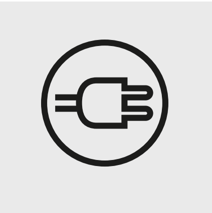
Investing today in the qualified personnel of tomorrow: In Germany alone, approximately 1,900 young people start their careers at 50 Daimler locations. Dr. Dieter Zetsche visits the 279 new apprentices and students on their first day at the Mercedes-Benz plant in Sindelfingen.

Daimler Board of Management decides on plan for future diesel engines
The plan entails the massive expansion of the existing voluntary service actions on vehicles in customers' hands, as well as the rapid market launch of an all-new family of diesel engines. This package is extended with additional measures on the occasion of a summit meeting between politicians and representatives of the automotive industry.

Q4

Daimler starts with four new modules at the proving ground and technology center in Immendingen
With the operation of additional testing modules at the site in Immendingen, Daimler is taking an important step towards the mobility of the future. Test operations at the Daimler proving ground and technology center start on the four testing modules: urban environment, 4x4 ground, hill endurance, and the "Bertha area," a proving ground for autonomous vehicles.

The Board of Management and Supervisory Board decide on initial steps to strengthen the divisional structure
Daimler is working on how the divisions can be changed into legally independent entities. This "Project Future" is intended to strengthen the business units' future viability so that growth and earnings potential can be better utilized in the various markets. The project is to be continued in close consultation with the employee representatives. Subject to a final assessment, the goal is to obtain approval for the new entities at the Annual Shareholders' Meeting of Daimler AG in 2019.



Daimler Trucks presents E-FUSO and fully electric heavy truck Vision One
At the Tokyo Motor Show, Daimler Trucks announces the full electrification of all truck and bus model series of the FUSO brand in the coming years. Daimler Trucks is thus the first manufacturer with its own brand for electric trucks and buses. The first fully electric FUSO eCanter trucks are delivered to customers in December 2017.

Electric icons
Thomas Built Buses, the subsidiary of Daimler Trucks North America, presents the first fully electric school bus, which is to go into series production in early 2019. With the development of the "Saf-T-Liner C2 Electric Bus," Thomas Built Buses profited significantly from the electric-vehicle expertise of Daimler.

IONITY facilitates electric mobility on long distances
With the establishment of the IONITY joint venture for the development of a high-power charging (HPC) network for electric vehicles, Daimler is in cooperation with other companies to set the course for the installation of the largest fast-charging network in Europe. The installation and operation of up to 400 fast-charging stations by 2020 should guarantee electric mobility on long journeys and accelerate its market acceptance.

Investment in startup cooperation
Daimler Financial Services (DFS) presents its Startup Intelligence Center (SIC) in Lisbon. This is where cooperative ventures and partnerships are fostered with promising mobility, fintech and insurtech startups. With the Startup Intelligence Center, DFS is bringing together its various activities in the area of innovation cooperation management.

Electric vans from Mercedes-Benz Vans
Mercedes-Benz Vans plans to offer all of its commercial vans with electric drive. This starts with the eVito, which can be ordered as of November 2017 for delivery as of the second half of 2018. Further model series are to follow as of 2019. In addition to the actual vehicles, Mercedes-Benz Vans also offers a technical ecosystem, for example with an intelligent charging infrastructure for the vehicles' operation.

Formula 1 World Champion for the fourth time
Lewis Hamilton wins the Formula 1 World Championship for the fourth time and ensures that the Silver Arrows win the Driver's World Championship for the fourth time in succession! In addition, Mercedes-AMG Petronas Motorsport wins the Constructors' World Championship by a large margin.

Daimler and the Capital Market

Global stock markets significantly improved in 2017 and reached record levels in several regions. Daimler's share price was volatile during 2017 and closed the year at the level of a year earlier. The Board of Management and the Supervisory Board will propose to the Annual Shareholders' Meeting that an increased dividend of €3.65 (2016: €3.25) per share be paid for 2017.

A.01

Development of Daimler's share price and of major indices

	End of 2017	End of 2016	17/16
			% change
Daimler share price (in euros)	**70.80**	70.72	+0
DAX 30	**12,918**	11,481	+13
Dow Jones Euro STOXX 50	**3,504**	3,291	+6
Dow Jones Industrial Average	**24,719**	19,763	+25
Nikkei	**22,765**	19,114	+19
Dow Jones STOXX Auto Index	**615**	543	+13

A.02

Key figures per share

	2017	2016	17/16
Amounts in euros			% change
Net profit	**9.84**	7.97	+23
Dividend	**3.65**	3.25	+12
Equity (December 31)	**59.84**	54.17	+10
Xetra price at year end[1]	**70.80**	70.72	+0
Highest[1]	**73.25**	73.64	-1
Lowest[1]	**59.29**	51.97	+14

1 Closing prices

Global stock markets significantly improve in 2017

Global stock markets started the year 2017 in an optimistic mood, with many investors anticipating that the new administration in the Unites States would implement measures to stimulate the economy. In this environment, the key US stock-market indices rose to all-time highs. At the same time, investors in automotive stocks behaved in a very risk-averse manner. Following a short phase of uncertainty prior to the presidential elections in France, stock markets rose significantly at the end of April after the first round of the elections. During this period, the German DAX share index surpassed its previous record of 12,375 from the year 2015. The positive development that followed was supported by the ongoing expansionary monetary policy of the European Central Bank (ECB) and a course of rather moderate interest-rate increases in the United States on the part of the Federal Reserve, which, as expected, raised base interest rates by 25 basis points in March and then again in June. Market volatility increased in mid-August, partly due to the rising tension between the US and North Korea. Automotive stocks were also subject to major fluctuations in this environment, but markets as a whole then recovered strongly once again in September. Along with robust economic data and the strong US dollar, the prospect of a new business-friendly government in Germany had a stimulating effect on the German economy. During the rest of the year, the global economic recovery and positive financial reporting by European companies increased investors' propensity to purchase shares. Many stock-market indices around the globe reached all-time highs in the fourth quarter. Nevertheless, expectations regarding the future behavior of central banks worldwide remained very much on investors' minds.

The index of the most important shares in the euro zone, the Dow Jones Euro STOXX 50, rose by 6% in 2017. The leading German share index, the DAX, performed significantly better, rising by 13%. The DAX also broke the 13,000 mark for the first time ever in October 2017, and reached a new all-time high of 13,479 on November 3. In Japan, the Nikkei index also finished the year with a significant increase, to 22,765 (+19%), its highest level in several years. In the United States, the Dow Jones reached an all-time high of 24,719 in December 2017 and recorded a 25% increase for the year as a whole.

Volatile development of Daimler share price

Automotive stocks were able to carry over their momentum from the prior year in the early part of 2017, but this momentum began to dissipate once again at the beginning of the second quarter. Along with their general concern regarding the sustainability of demand for cars in Western Europe, North America and Japan, investors were also very much focused on the further development of the Chinese car market after adjustments to subsidies there in late 2016. The discussions regarding diesel technology and ongoing litigation also had an increasingly negative effect on automotive stocks. On the other hand, investors did recognize the fact that business continued to develop favorably in the automotive industry. Nevertheless, automotive stocks came under further pressure on global markets in the months that followed. Discussions regarding the future of diesel engines now spread to many other countries with a negative impact on the entire sector, and thus on our share price as well. Investors believe that the expansion of drivetrain electrification in the coming years will lead to a high level of capital investment and a comparatively lower level of profitability. Investors and analysts also continued to pay close attention to the various automotive markets during the year under review. The focus here was on the development of the car market in the United States, where a declining number of new registrations and concerns about residual values led to increased uncertainty on the capital market as to whether demand could be sustained. In general, the appreciation of the euro against the dollar had a negative effect on the shares of companies with a high proportion of exports to dollar-based markets. In this situation, the Daimler share price dropped to its lowest point of the year 2017 when it fell to €59.29 on July 31. Following the diesel summit in Germany at the beginning of August, the debate on diesel technology took on a more objective tone, and greater clarity was also achieved regarding the measures planned by the German federal government and automakers. This led to greater investor confidence in the automotive sector, and many investors took advantage of the favorable opportunity to purchase automotive shares. Investors' new share-price expectations were also reinforced by the innovations presented at the Frankfurt International Motor Show (IAA) and by the strategic course adopted by the automotive industry. Our ongoing product offensive and the solid financial results that we recorded once again in the third quarter of 2017 led to further increases in our share price in September and October. On November 3, Daimler's share price reached €73.25, which was the highest price for the year. The Daimler share closed at €70.80 on December 29. At the end of the year, the company had a market capitalization of €75.7 billion (2016: €75.7 billion). Daimler's share price was thus at the same level as a year earlier year and therefore failed to keep pace with the development of the German share index DAX (+13%) and the Dow Jones STOXX Auto Index (+13%). When the dividend payout of €3.25 per share is included, our shareholders saw the value of their investment increase by 5%. In the first few weeks of the year 2018 our share price developed very positively. Daimler's shares were listed at €73.73 at the end of January, which is 4% above the closing price at the end of 2017.

Dividend of €3.65 ↗ A.02

The Board of Management and the Supervisory Board will recommend an increased dividend payment of €3.65 per share for financial year 2017 at the Annual Shareholders' Meeting on April 5, 2018. The total dividend amount will thus reach the new record level of €3,905 million (2016: €3,477 million).

A broad shareholder structure ↗ A.07

Daimler continues to have a broad shareholder base of approximately 0.9 million shareholders. Shareholder numbers decreased slightly during the reporting year, particularly as fewer private investors purchased our shares. The Kuwait Investment Authority (KIA) currently owns 6.8% of the company's shares, making it Daimler AG's largest individual shareholder. The Renault-Nissan Alliance continues to hold 3.1% of Daimler's shares. BlackRock Inc., New York, still holds a stake above the 5% reporting limit as defined by Germany's Securities Trading Act (WpHG). In November 2017, BlackRock notified us that its proportion of the voting rights was 5.95% on November 8, 2017. In March 2017, Harris Associates L. P., Wilmington, notified us that its proportion of the voting rights rose above the 3% reporting limit to 3.01% on March 9, 2017.

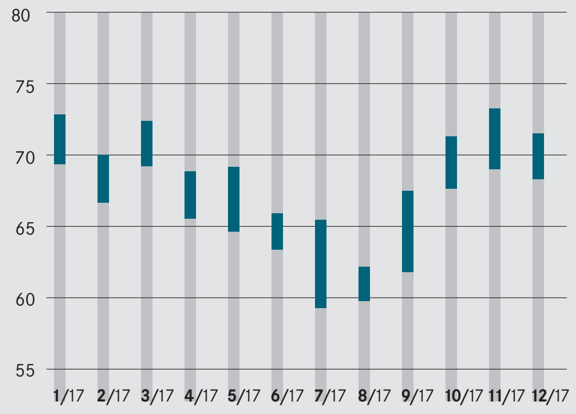
The aforementioned and all other voting-rights notifications are published on the Internet at daimler.com/investors/share/voting-rights.

Institutional investors hold a total of 71% of our equity capital, while private investors own 19%. Approximately 65% of our capital is in the hands of European investors and around 23% is held by US investors.

A.03

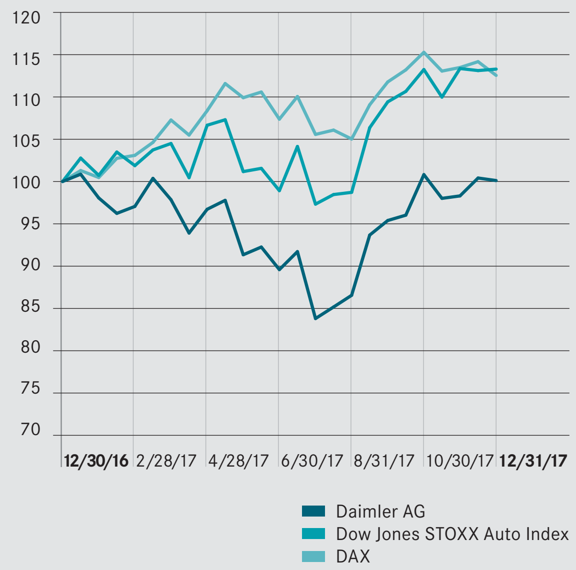
Daimler share price (high/low), 2017

In euros



A.04

Share price index



A.05

Key figures for Daimler shares

	End of 2017	End of 2016	17/16 % change
Share capital (in millions of euros)	**3,070**	3,070	0
Number of shares (in millions)	**1,069.8**	1,069.8	0
Market capitalization (in billions of euros)	**75.7**	75.7	+0
Number of shareholders (in millions)	**0.9**	1.0	-10
Weighting in share indices			
DAX 30	**6.79%**	7.52%	
Dow Jones Euro STOXX 50	**2.92%**	3.18%	
Long-term credit ratings			
Standard & Poor's	**A**	A	
Moody's	**A2**	A3	
Fitch	**A-**	A-	
Scope	**A**	–	
DBRS	**A**	**A (low)-**	

A.06

Stock-exchange data for Daimler shares

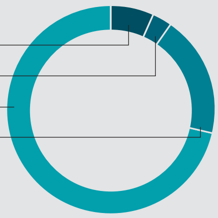
ISIN	DE0007100000
German Securities Identification Number	710000
Stock exchange symbol	DAI
Reuters ticker symbol	DAIGn.DE
Bloomberg ticker symbol	DAI:GR

A.07

Shareholder structure as of December 31, 2017

By type of shareholder

Kuwait Investment Authority	6.8 %
Renault-Nissan	3.1 %
Institutional investors	71.2 %
Retail investors	18.9 %

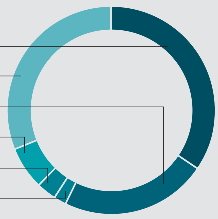


A.08

Shareholder structure as of December 31, 2017

By region

Germany	34.5 %
Europe, excluding Germany	30.9 %
USA	22.8 %
Kuwait	6.8 %
Asia	2.9 %
Rest of the world	2.1 %



With a weighting of 6.79% (2016: 7.52%), Daimler was ranked sixth in the German share index DAX30 at the end of 2017. In the Dow Jones Euro STOXX 50 index, our shares had a weighting of 2.92% (2016: 3.18%), which put Daimler in eleventh place. Daimler shares are listed on the stock exchanges in Frankfurt and Stuttgart. A total volume of 942 million shares were traded in Germany in 2017 (2016: 1,210 million). Daimler shares are also increasingly being traded on multilateral trading platforms and in the over-the-counter market.

Employee share purchase plan implemented once again

Staff members entitled to purchase employee shares were able to do so once again in March 2017. As was the case in the previous year, price-reduced shares as well as bonus shares were offered. At 19.8%, the participation rate in the year under review was significantly higher than in previous years (2016: 11.7%). A total of 36,200 employees took part in the program (2016: 34,500), which is the highest number since 2008. The total number of shares purchased by employees also increased substantially once again, from 576,000 in 2016 to approximately 604,000 (of which just under 54,400 were bonus shares) in the year under review. The high degree of participation in the employee share-purchase plan was likely due to the positive outlook for the company, a high profit-sharing payout once again, and the attractiveness of dividend yields in the current low interest-rate environment.

Annual Shareholders' Meeting in the CityCube in Berlin

Our Annual Shareholders' Meeting was held on March 29, 2017 in the CityCube in Berlin. Some 6,200 shareholders (2016: 5,500) attended the meeting. A total of 49.18% (2016: 50.77%) of equity capital was represented at the meeting (actual attendees and shareholders who voted by absentee ballot). A large majority of the shareholders approved each of the agenda points proposed by the company's management. For example, the Annual Shareholders' Meeting once again approved a very attractive dividend of €3.25 per share (2016: €3.25) and reelected Dr. Clemens Börsig as a member of the Supervisory Board of Daimler AG representing the shareholders. At its subsequent meeting, the Supervisory Board reelected Dr. Börsig to the Audit Committee, which in turn elected Dr. Börsig as Chairman of the Audit Committee. The Annual Shareholders' Meeting also elected Bader Mohammad Al Saad, a member of the Executive Committee of the Board of Directors of Kuwait Investment Authority (KIA), as a member of the Supervisory Board of Daimler AG representing the shareholders. The terms for both newly elected Supervisory Board members will expire at the end of the Annual Shareholders' Meeting held in 2022. Important documents and information related to the Annual Shareholders' Meeting can be found on the Internet at daimler.com/investors/events/annual-meetings/2017. In the exhibition areas of the CityCube, Daimler presented its technological expertise and a broad range of products and services under the motto "Future Mobility." The exhibition highlights showcased future mobility: Along with the elegant Vision Mercedes Maybach 6 and the first model from the EQ brand, as well as a Mercedes-Benz electric truck for heavy-duty distribution transportation, the presentation also featured the Vision Van, which attracted a great deal of attention. The vehicle boasts a fully automated cargo compartment, integrated drones for autonomous air deliveries and state-of-the-art joystick control. The Mercedes-Benz Future Bus, a partially automated city bus with the CityPilot system, offered a preview of local public transportation in the future. Daimler Financial Services was also on hand at the Annual Shareholders Meeting to present its mobility services, and Mercedes me and various connectivity services were on display as well. Some of our trainees were also at the meeting to provide an insight into their work. The presentation of our program for the further development of our corporate culture, Leadership 2020, showed how Daimler is responding to the changes occurring with regard to products, customer expectations and the working world.

Continuation of comprehensive investor relations activities
In 2017, we once again provided institutional investors, analysts, rating agencies and private investors with timely information regarding the company's business development. We organized road shows for institutional investors and analysts in the finance capitals of Europe, North America, Asia and Australia. We also held many one-on-one meetings at investor conferences. This was especially the case at the international motor shows in Geneva and Frankfurt. Sustainability-focused investors were also able to meet and talk with company representatives at two events held at the IAA in Frankfurt and at conferences in Frankfurt in February and in Paris in November. We reported on our quarterly results in conference calls and webcasts. The presentations can be viewed on our website at daimler.com/investors/events/presentations. The talks with analysts and investors focused on the latest earnings expectations for 2017, as well as on business developments and the profitability of the individual divisions and regions. In addition, top-level managers from Daimler Financial Services discussed the strategies and goals for financial services and mobility services at a capital market event held in London in February. In September, numerous analysts and investors attended an event in Sindelfingen, where Daimler presented an overview of the latest business developments and offered a look at the future strategy of the Mercedes-Benz Cars division with speeches, discussions and workshops. The audio recordings and charts and illustrations from the events are available at daimler.com/investors/events/capital-market-days.

Awards once again for online version of the Annual Report
Our Annual Report, which boasted numerous additional features for 2016 (annualreport2016.daimler.com), won prestigious international awards once again in 2017, including the Stevie Award. The online report also captured Gold at the 2016 LACP Vision Awards.

Continual further development of the corporate website
Since December 2016, we have upgraded both the content and the visuals of numerous sections of our Investor Relations site at daimler.com/investors. Among other things, we have introduced key-figure modules, information charts, detailed explanations and quotes. A representative online user survey revealed that visitors to the Investor Relations site are very satisfied with what they find there. The survey also yielded valuable information on user structure, information requirements and the potential for further improvement. The additional optimization measures we implemented for Internet search engines also now make it easier for users to find and access the content they need.

Number of online shareholders remains at a high level
Our shareholders continue to make good use of our range of personalized electronic information and communication. The increase in online shareholders was particularly high in 2017, as a total of 95,000 (2016: 86,500) shareholders received the invitation and the agenda for the Annual Shareholders' Meeting by e-mail rather than by post. We would like to thank those shareholders for helping to protect the environment and cut costs. As was the case in the past, those shareholders once again had the opportunity to win attractive prizes in a lottery. Access to the e-service for shareholders and additional information can be found at https://register.daimler.com.

Refinancing benefits from high level of capital-market liquidity and good ratings
Central banks' ongoing expansionary monetary policies also impacted bond markets during the year under review. As a result of the high level of liquidity, companies with investment-grade ratings saw their risk premiums remain at a moderate level.

In 2017, the Group primarily covered its refinancing needs by issuing bonds. A large proportion of those bonds were sold as benchmark bond issuances (bonds with high nominal volumes) in euro and dollar markets. In the US capital market, for example, Daimler Finance North America LLC issued bonds worth a total of $6.5 billion in January, May and November 2017. The bonds had terms of 18 months and three, five and ten years. In addition, Daimler AG issued euro bonds in benchmark format with a total volume of €6.3 billion and terms of seven, eight, ten, 12 and 20 years. In 2017, Daimler AG also issued four bonds in China (so-called Panda bonds) worth a total of CNY 16.0 billion. Furthermore, many smaller bonds were issued by the Daimler Group in a variety of currencies and markets.

At the end of 2017, Daimler Group companies had issued bonds that were still outstanding in a volume of €67.1 billion (2016: €63.1 billion). Besides raising funds through the issuance of bonds, Daimler also issued a small volume of commercial paper in 2017.

During the year under review, Daimler conducted asset-backed security (ABS) transactions in two new countries in addition to the existing ABS platforms in the United States, Canada, Germany and China. In the United Kingdom, for example, GBP 0.4 billion was successfully placed with investors, while the first transaction in Australia had a volume of AUD 0.75 billion. In the United States, the company generated a refinancing volume of $4.7 billion through three transactions in 2017; in Canada, a volume of CAD 0.4 billion was generated in one transaction. In addition, Mercedes-Benz Bank used the Silver Arrow Platform to sell €1.1 billion in ABS bonds to European investors. And in China, two ABS transactions were successfully conducted with a total volume of CNY 10.2 billion.

Objectives and Strategy

Today, the automotive industry is on the verge of a fundamental transformation. Four future-oriented fields are set to radically change the nature of mobility: greater vehicle connectivity, advances in autonomous driving, the development of digital mobility and transport services, and electric mobility. Our goal as one of the leading vehicle manufacturers is to become a leading provider of mobility services as well. To this end, we will further strengthen our core business and lead the way in these four future-oriented fields. Our efforts will be supported by a cultural and organizational transformation. We have not lost sight of our overriding corporate objective: to achieve profitable growth and increase the value of our company.

Our objectives

Number one in our core business
We want all of our divisions to be the leaders in their business segments. Our goal for Mercedes-Benz Cars is to play the leading role in the worldwide premium segment over the long term. We also aim to enhance the smart brand's pioneering role in urban, electric mobility. Daimler Trucks intends to further strengthen its position as the leading truck manufacturer in the global truck business. Mercedes-Benz Vans is striving to achieve further profitable growth with the help of its "Mercedes-Benz Vans goes global" divisional strategy. Daimler Buses wants to strengthen its leading position in the segment for buses above eight metric tons gross vehicle weight. Daimler Financial Services plans to maintain its position as the best captive financial and mobility services provider; it will continue to expand its mobility services and continue growing in close cooperation with our other divisions. Through our core business, we are creating the financial foundation for investments in the future of our company. To this end, we intend to achieve a 9% return on sales (EBIT in relation to revenue) for the automotive business on a sustained basis. This overall figure is based on the return targets for the individual divisions: 8–10% for Mercedes-Benz Cars, 8% for Daimler Trucks, 9% for Mercedes-Benz Vans and 6% for Daimler Buses. For Daimler Financial Services, we have set a target of 17% for return on equity. In general, we want to achieve profitable growth on a sustained basis, thus increasing the value of our company.

Leading in the CASE fields
Connected, Autonomous, Shared & Services and Electric: Our goal is to play the leading role in each one of these future fields and to generate additional potential by linking the four fields together. We want to expand **vehicle connectivity** even further, thus creating added value for our customers. We also seek to be the leader in the use of digital technologies, both in our products and services and along the entire value chain. The digitization of our core processes is the key to our ability to link individual customer needs with the technologies of the future and with mobility requirements. We seek to play the leading role in **autonomous driving** at all of our divisions. This will result in the creation of new and attractive business models for private car customers, fleet customers, and the public transport and commercial cargo transport sectors. We are expanding our strong portfolio in the field of **mobility services**. With our broad customer base and presence in all of the relevant mobility segments, Daimler Mobility Services already has a strong foundation for future success. We remain on course for growth through innovative mobility services and strong cooperation partners. We are also forging ahead with the development of new mobility and transport services in the commercial vehicle segment. In the field of **electric mobility**, we are establishing an ecosystem of products and services in order to make electric vehicles as convenient and pleasant to use as those with combustion engines. We plan to offer the best electric vehicles on the market in the coming years and to significantly increase our market share in the sector. The smart brand intends to offer solely cars with electric drive systems in Europe and North America as of 2020, with the other regions to follow soon after. We also plan to become the leader in the area of electric commercial vehicles for urban applications.

A cultural and organizational transformation for a successful future
The increasingly dynamic developments and growing challenges in the automotive sector require rapid innovation as well as operations that are quick, agile, market-oriented and customer-focused. We are systematically promoting new approaches to vehicle development and interdisciplinary cooperation models. We support and implement promising innovations that are developed by our employees and external partners. We are also safeguarding our transformation with new management tools and team-oriented remuneration systems. We aim to change our divisions into legally independent entities, thus further focusing and strengthening the divisional structure of the Daimler Group. With "Project Future", we are pursuing the goal of strengthening the future viability of the divisions so that we can better utilize the growth and earnings potential of the respective markets.

Integrity is extremely important for our company, especially as we are undergoing a phase of fundamental transformation. Integrity guides our dealings with respect to our company and its employees, business partners and customers. We are firmly convinced that conducting business with integrity provides us with orientation in times of major transformation as well. It makes us more successful over the long term – and it also benefits society as a whole.

Four strategic focus areas

We plan to achieve our goals through four strategic focus areas:
- strengthening our global core business (**CORE**)
- leading in new future fields (**CASE**)
- adapting our corporate culture (**CULTURE**), and
- strengthening our divisional structure (**COMPANY**).

Strengthening our global core business (**CORE**)

Mercedes-Benz Cars will continue to implement its growth strategy with the goal of safeguarding its leading position in the global premium segment. We will inspire our customers with our leading brands and outstanding products. New and innovative models in the compact segment, a C-Class model upgrade and new versions of our iconic G-Class series will be part of this campaign. We are pursuing three different technological approaches as we move ahead on the road to emission-free driving: the further improvement of ultra-modern combustion engines, hybridization, and locally emission-free vehicles with batteries and fuel cells. One important lever for the improvement of combustion engines is the full electrification of the drivetrain through the use of new technologies such as the integrated starter-generator (ISG) and the 48-volt electrical system. Systematic hybridization is another important interim solution on the road to emission-free mobility. We continue to expand our range of currently eight hybrid vehicles on the road. By 2022, we plan to offer at least one electrified option in each segment, with more than 50 variants in total. This includes more than ten fully electric vehicles, the plug-in hybrid versions, and the models with 48-volt technology. We are systematically implementing our architectural and modular strategy in order to ensure that we can continue our model initiative efficiently, rapidly and at a high level of quality. Our global development network and the establishment of new technology centers and digital hubs keep us close to our customers, our markets and new technologies. We have also designed our global production network to with the aim to achieve uniform standards and the high quality of “Made by Mercedes” worldwide. Within the framework of our growth strategy, we are expanding our production network and thus improving our global competitiveness.

Our “Best Customer Experience” initiative is designed to offer our customers the best experience compared to all other automakers. All of our sales, service and financial services activities are aligned with each other, from the first contact throughout the entire duration of the customer relationship. Depending on our customers’ needs, we make use of physical and digital channels for customer communication.

Our market position in China plays a key role in safeguarding our market leadership. We have already transformed China into thebiggest market for Mercedes-Benz cars, thanks to products that are aligned with Chinese customers’ requirements and our establishment of local development and manufacturing facilities. We want to strengthen this position even further.

In order to safeguard the future profitability of Mercedes-Benz Cars, we intend to optimize the business system and processes in the context of the “Fit for Leadership” efficiency program with the goal of a further earnings improvement of €4 billion by 2025.

Daimler Trucks is focusing on global growth, technology leadership and the continued implementation of its platform strategy. In everything we do, we focus on our customers. We want to safeguard our strong position in Europe and North America and to grow in Brazil in line with the market recovery we expect to see there. We will therefore invest in our product program in Brazil during the coming years, as well as in vehicle connectivity and the modernization of our plants in São Bernardo do Campo and Juiz de Fora. We plan to achieve significant growth in Asia. We launched assembly operations for the Mercedes-Benz Axor in Indonesia in 2017, so that we will be present with two strong brands in this Southeast Asian market. We are well established in India with our local BharatBenz brand. Using this good position as a starting point, we plan to further develop through an updated product program as well as in export markets. Our platform strategy has generated substantial synergy benefits for us as a vehicle manufacturer. Our customers also benefit from this strategy, as it speeds up the broad availability of technologies that are relevant for trucks.

Fuel efficiency is a key selling point for commercial vehicles. In order to improve fuel efficiency even further, we are continuously developing new measures for vehicles and drivetrains. With a number of measures, the new FUSO Super Great sets standards in terms of efficiency. Additional measures for reducing the fuel consumption of the Mercedes-Benz Actros and the new Freightliner Cascadia are planned to be implemented in 2018 and 2019.

The Daimler Trucks division works continuously on improving its efficiency. Levers in this regard are optimizing our production network and supply chain, integrating new technologies and reducing our product portfolio’s complexity. We plan to optimize our fixed costs by €400 million by the end of 2018 in order to strengthen our competitiveness. This will be achieved through a range of measures, including the restructuring and optimization of Mercedes-Benz Trucks’ development, production and sales organizations in Germany and Brazil. Together with the cost optimizations previously planned, some of which have already been implemented, we aim to achieve improvements for Daimler Trucks with a direct impact on earnings in an amount of €1.4 billion by the end of 2018. Our goal is for these measures to become fully effective in the year 2019.

Mercedes-Benz Vans is pursuing three approaches with its “Mercedes-Benz Vans goes global” strategy: the implementation of market strategies for global expansion, the use of product strategies for the further expansion and differentiation of its product portfolio, and the adVANce future initiative, which bundles the development and commercialization of customer-focused, holistic transport and mobility solutions. Mercedes-Benz Vans plans to continue to grow profitably and conquer new markets in the future. The continued growth of online retail sales of goods can be expected to lead to increased sales of commercial vans in the future as well. Our product pipeline is in outstanding shape with the new Mercedes-Benz X-Class – the first premium pickup from Mercedes-Benz Vans – and the new Sprinter, which will be launched in 2018. We are modernizing our plants in Ludwigsfelde and Düsseldorf in preparation for the new Sprinter. Ludwigsfelde is also set to become our first fully connected manufacturing facility. Our objective is to completely digitize all of our van plants worldwide by 2025. We are also building a new production plant in North Charleston, South Carolina. This will expand our existing assembly operations and support our growth on the North American market.

Daimler Buses continues to grow around the globe with the help of its regional strategies and new products in the city bus and touring coach segment. With its new flagship model, the Setra double-decker coach, Daimler Buses aims to safeguard its current market leadership in this market segment. And with the new Citaro hybrid city bus, we want for the first time anywhere in the world to offer hybrid technology as optional equipment for a wide range of city buses with both diesel and natural-gas engines, rather than in the form of stand-alone models. The Daimler Buses European production network, which has manufacturing locations in Germany, France, Spain and the Czech Republic, is being reorganized to make it more efficient and more competitive. Within the framework of this reorganization, the Mannheim plant is being expanded into the center of competence for city buses and electric mobility. Meanwhile, the plant in Neu-Ulm is being transformed into the center of competence for touring coaches, connectivity and autonomous driving. We are also strengthening our development expertise in the fields of electric mobility and autonomous driving. Through new regional centers, the production of school buses and fully equipped buses in India and the use of the Brazilian production location as a hub for exports to other countries in South America, Africa and Asia, Daimler Buses continues to expand its international business operations, particularly in emerging markets. The success of Daimler Buses is primarily the result of its position as a global manufacturer and distributor of products featuring cutting-edge technologies. As one of the leaders in safety technology and with highly efficient vehicles, Daimler Buses offers an impressive overall package of new and used vehicles, service and maintenance contracts, financing plans and new mobility solutions.

Daimler Financial Services plans to strengthen its core business in the context of its “balancedSTRATEGY”, while also investing in mobility and digitalization. Daimler Financial Services will continue to grow in its core business areas of financing, leasing and insurance by offering customized services and making use of increasing vehicle connectivity. About half of all the vehicles delivered by Daimler around the world today are either financed or leased by Daimler Financial Services. At the end of 2017 the division was financing or leasing 4.8 million cars and commercial vehicles worldwide, and it plans to increase this number in the future. Daimler Financial Services supports the worldwide sales of Daimler vehicles in approximately 40 countries. In line with the motto “Engaging customers for life”, the division focuses on the highest possible degree of customer satisfaction and on enhancing customer loyalty. This is to be achieved by offering a holistic ecosystem and relevant financing and mobility services – ideally throughout the customer’s entire life. In order to focus our business activities even more effectively on the needs of existing and new customers, we have expanded the Board of Management of Daimler Financial Services with the position of Customer Experience Officer (CXO). The division is also looking to completely digitize its business processes in order to become an even faster and more efficient organization.

Leading in new future fields (**CASE**)

As a pioneer of automotive engineering, we seek to be the leader in all CASE fields (**C**onnected, **A**utonomous, **S**hared & Services, **E**lectric), and to generate additional potential by linking up these four fields.

Connected

Mercedes-Benz Cars customers experience connectivity through the digital brand, Mercedes me. The digital platform of the same name brings together all mobility, financing and other services (connect, assist, move and finance), and also provides information and news about the Mercedes-Benz brand (inspire). Customers should be able to access their vehicles online at any time and from any location. We are also digitalizing the value chain in order to benefit from the full scope of connectivity. Such digitization is the only way to effectively link individual customer requirements with value-adding potential. And the smart brand is offering a range of digital services for urban mobility with “smart ready to …”

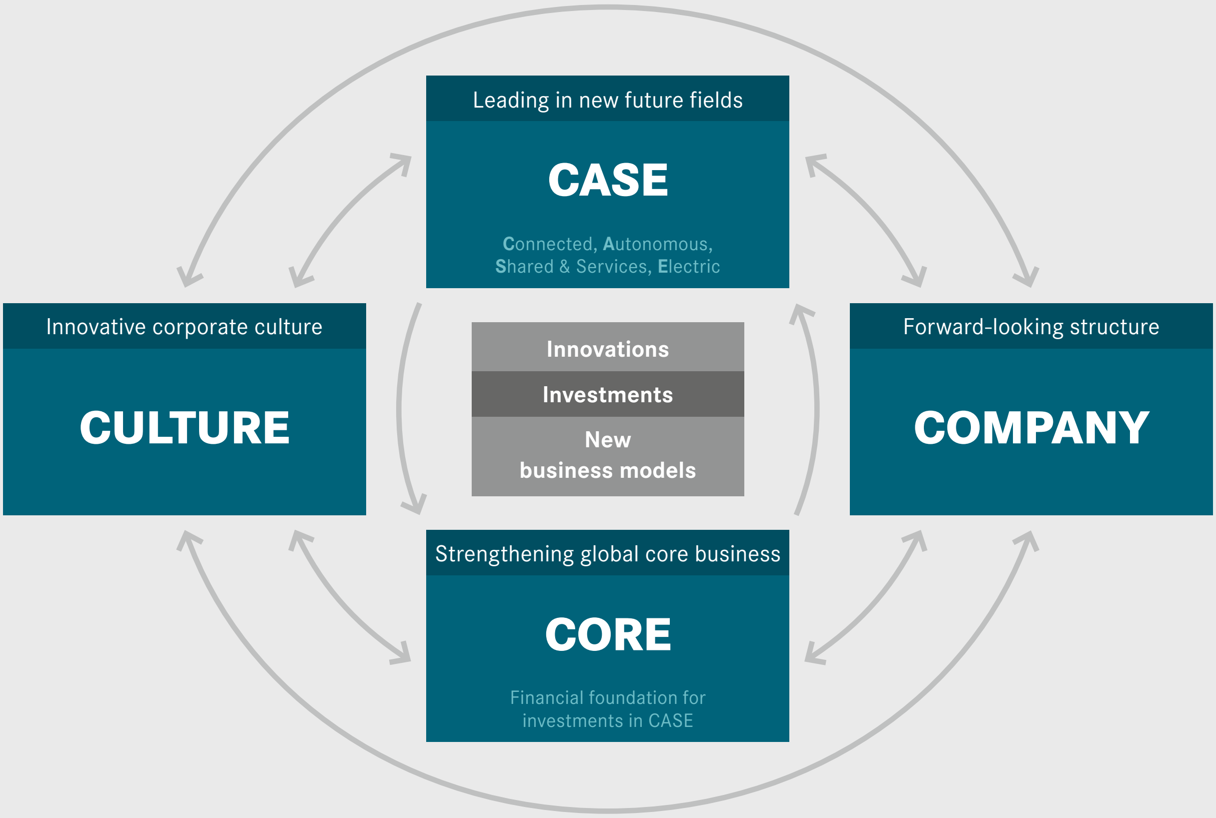
Connectivity will be a crucial success factor also in the logistics sector in the future. Truck connectivity plays an important role at **Daimler Trucks**. Our goal is to create a seamless transport logistics system with connected trucks and technologies to ensure that all vehicles are ideally always fully loaded, with no downtimes or waiting periods. Our new Truck Data Center connectivity hardware is the foundation for such a logistics system. The module records all internal truck data and serves as the interface for external communication as well. With FleetBoard for Mercedes-Benz Trucks, Detroit Connect for Freightliner and Truckonnect for FUSO, we offer digital platforms in all of the world’s major regions on the basis of the Truck Data Center. These platforms can be gradually expanded to include additional services.

With its adVANce strategic initiative, **Mercedes-Benz Vans** is underscoring its transformation from a pure vehicle manufacturer into a provider of holistic and customer-focused transport and mobility solutions. Our Vision Van concept vehicle offers a preview of future delivery transport. Thanks to full connectivity, the supply chain will be optimized down to the last mile. Mercedes-Benz Vans Mobility GmbH, which was established under the roof of Daimler Financial Services in 2017, puts us at the center of a future business model between connectivity and sharing, which will enable us to meet the growing demand for flexible and innovative concepts for the utilization of our vehicles. The new Mercedes PRO overarching service brand brings together all commercial transport services on a digital platform. Mercedes PRO connect is the first innovative connectivity solution launched by this umbrella brand.

Connectivity at **Daimler Buses** also offers benefits for everyone involved – for example, bus operators in terms of fleet management and maintenance costs, bus drivers traveling their routes, and passengers using the e-ticketing service. In 2018, Daimler Buses will bring together all of its current and future digital services for buses on its “OMNIplus ON” digital portal, and will also launch a new preventive maintenance system known as OMNIplus Uptime. The wide-ranging telematics services from Fleetboard will also be integrated into the digital portal in the future.

Daimler Financial Services aims to expand digital business models in the area of financing and mobility services in the context of its balancedSTRATEGY, and is utilizing connectivity to further develop its services. For example, the InScore insurance feature analyzes driving data by means of a factory-installed telematic control unit. This allows customers who drive safely to receive a discount of up to 20% on their insurance premium. With Mercedes pay, our own electronic payment system, customers

A.09
Strategic focus areas



can easily pay for our mobility and other services using their smartphone. In this way, Daimler Financial Services is implementing another stage of its "mobility at your fingertips" philosophy. Furthermore, Mercedes-Benz Connectivity Services, which was established in 2017, offers specialized connectivity services for vehicle fleets, and the "Connect Business" brand provides connectivity services for individual companies and large fleets.

Autonomous
Our approach to autonomous driving is based on the use of comprehensive safety and assistance systems combined with vehicle connectivity technology and real-time digital maps. We have demonstrated our leading position at **Mercedes-Benz Cars** with the upgraded S-Class. Our driving assistance systems have been significantly expanded in many of their functions and are currently regarded as the benchmark in the industry. We are developing fully automated systems without a driver, which can be used exclusively or shared with others. With our research vehicle Mercedes-Benz F 015 Luxury in Motion, we demonstrated at an early stage the kinds of technological and social changes that this will bring about. The vehicle's fully connected digital interior concept shows how people can use the additional time that autonomous driving will make available to them. Our smart Vision EQ concept car offers another preview of the future of shared and fully automated mobility. In order to accelerate the development of autonomous driving, we have launched a number of partnerships – for example with HERE for high-resolution digital maps and with Bosch for the joint development of technology for highly automated and driverless driving. These new technologies can only be rolled out on a broader scale if changes are made to the current regulatory framework.

Daimler Trucks is consolidating its excellent position in the area of safety through the further development of tried-and-tested safety technologies. With the fourth-generation Active Brake Assist system and Sideguard Assist – both of which feature pedestrian detection – Mercedes-Benz Trucks is one of the leaders for active safety technology. We are also among the technological pioneers with automated and autonomous driving systems for trucks, which should lead to another step in the improvement of transport safety and efficiency. Platooning – the electronic linking of several trucks – is becoming more important as an interim step on the road to autonomous driving for trucks. Daimler Trucks is one of the leaders for innovative platooning concepts. In 2016, we successfully tested our platooning system under real conditions in Europe. In 2017, we were the first manufacturer to test digitally connected trucks on public highways in the United States, and we also want to test platooning under real conditions with our fleet customers in the United States as of 2018.

Mercedes-Benz Vans is also benefiting from the further development throughout the Group of safety and assistance systems related to automated and autonomous driving. Our plans here cover everything from automated and autonomous cargo transport and passenger transport systems.

With its Mercedes-Benz Future Bus with CityPilot, **Daimler Buses** has demonstrated the highly advanced stage its research has reached in the area of partially automated driving on a BRT route (bus rapid transit) near Amsterdam. BRT systems are an important element of future urban mobility, and already facilitate efficient, fast and cost-effective public transport in many cities of the world.

Shared & Services

Daimler Financial Services offers mobility services that make the division a pioneer in the area of Shared & Services. We are enlarging our customer base by expanding existing services and creating additional services for new mobility segments. At the same time, we are working both independently and with partners to develop the core expertise we need to establish new business with fleets of automated and autonomous vehicle vehicles. With car2go, we are currently the world's leading company for flexible car-sharing services. The Daimler subsidiary mytaxi is the leader in the taxi-ordering app market in Europe, while moovel offers our customers a platform that enables them to optimally compare, combine, book and pay for various mobility services. With our strategic partner Via, we are now testing flexible shuttle services and pooling concepts that can complement local public transport systems. We plan to continue growing in the business customer segment as well. Mercedes-Benz Van Rental offers customers flexible rental services for vans and commercial vehicles.

Electric

At **Mercedes-Benz Cars**, we have significantly expanded our activities in the area of electric mobility. We believe that by 2025, between 15% and 25 % of our new vehicles will be all-electric models. All of the electric vehicles and electric mobility services offered to Mercedes-Benz Cars customers have been consolidated under our new EQ brand, which stands for "Electric Intelligence". We aim to offer more than ten battery-electric models by 2022, and to this end we will invest approximately €10 billion. Our modular and scalable electric-vehicle platform will enable us to offer impressive designs and a high degree of flexibility in terms of variants and models. The EQC, a sporty SUV model, is to be launched in 2019. After that, we aim to launch a new model every six to eight months. In 2017, we presented a pre-series model of the new Mercedes-Benz GLC F-CELL at the IAA, a fuel-cell vehicle with plug-in hybrid technology. In addition to hydrogen, the purely electric version of the popular SUV was also able to "fill up" with electricity. The smart brand plans to offer cars solely with electric drive systems in Europe and North America by 2020; the other regions are to follow a short time later. We are establishing a production network to permit the flexible manufacture of electric vehicles at all of our key production locations worldwide. This is the only way to ensure that we can react fast enough to fluctuations in demand.

Daimler Trucks is also focusing more strongly on vehicle electrification. Worsening traffic congestion in urban distribution transportation and more restrictions for vehicles with combustion engines are making the development of alternative drive systems also for commercial vehicles increasingly important. As early as 2006, we started series production of the FUSO Canter Eco Hybrid for the Japanese market. The FUSO eCanter is our first light-duty series-produced truck with fully electric drive; we delivered the first units to customers in 2017 and large-scale production is to begin in 2019. With its Mercedes-Benz Electric Truck concept vehicle, Daimler Trucks is demonstrating the viability of all-electric transport. The E-FUSO Vision One shows how electric mobility can be successfully launched also in the heavy-duty truck segment. Daimler Trucks North America is also working on an electric Freightliner eCascadia for long-distance haulage. And Daimler Trucks' North American subsidiary Thomas Built Buses has presented an all-electric school bus that is to be launched in 2019.

Mercedes-Benz Vans believes the future of delivery transport will be increasingly electric, and it is making use of the modular system employed by Mercedes-Benz Cars for electric vehicles. Mercedes-Benz Vans plans the electrification of all its commercial model series. The eVito will be available in the second half of 2018 and the eSprinter is to follow in 2019.

Daimler Buses is increasingly focusing on the development of electric drive systems. In late 2018, the division plans to start series production of a city bus with a fully electric drive system on the basis of the Mercedes-Benz Citaro. The modular design of the lithium-ion battery pack will allow individualized solutions for various applications and requirements in urban transport. The Mannheim plant shall be developed as the center for electric mobility at Daimler Buses. In addition, Daimler Buses provides comprehensive advice to its customers on the subject of electric mobility with its "eMobility Consulting" initiative.

Daimler Financial Services has been operating a system for flexible car sharing with electric vehicles for about six years with car2go, and we are the largest provider in the field of flexible, electric car sharing. Of a total of 14,000 vehicles at 26 locations worldwide, we have 1,400 electric vehicles and three all-electric fleets in Stuttgart, Amsterdam and Madrid. car2go thus offers millions of city dwellers an easy way to experience electric cars for the first time. Furthermore, Daimler Financial Services supports risk-free access to electric mobility through leasing plans and overall packages for electric vehicles and accessories.

Adapting our corporate culture (**CULTURE**)

We are also addressing the cultural challenge associated with the transformation of the automotive industry by adapting our corporate culture accordingly. Together with our employees, we have developed a new management culture within the framework of the Leadership 2020 program. We support interdisciplinary work that is pursued outside of hierarchical structures. To this end, we enable new teams to be put together for limited periods of time in order to work on specific projects (swarming). We also promote the development of innovations through the use of modern techniques such as scrum and design thinking. With our Incubator, which is an internal startup concept for employee ideas, as well as our STARTUP AUTOBAHN initiative, we are supporting the development and implementation of new business ideas and innovations from employees and external partners. We develop digital solutions for our customers at our divisions' digital units and at our digital hubs. In order to promote our employees' enthusiasm for digital technologies and to enable them to use such technologies effectively, we create learning programs that teach digital skills. We also promote knowledge sharing through new event formats and platforms such as our Social Intranet, blogs and communities. And we offer hands-on experience with digital technologies during our DigitalLife Days and road shows at our sites. This is how we are cooperating with our employees to lay the foundations for our company's cultural transformation.

Strengthening our divisional structure (**COMPANY**)

In order to respond appropriately to the highly dynamic development of our industry, its markets, new competitors and new technologies, we need to have an organization that enables rapid and agile action. In our fourth strategic column, "Project Future", we are working on how to transform our divisions into legally independent entities to further focus and strengthen the Group's divisional structure. It is intended to form three legally independent three legally independent business units with greater business responsibility under the shared roof and overall management of Daimler AG. These new units would be Mercedes-Benz Cars & Vans, Daimler Trucks & Buses and Daimler Financial Services AG, which is already a successful legally independent company."Project Future" pursues the goal of strengthening the divisions as they prepare for the future so that they can more effectively exploit the growth and earnings potential of their respective markets. The project will be continued in close consultation with the employee representatives. In this context, the main focus of a balance of interests is on the extension of the employment guarantee until the end of 2029. Following the preparation and final assessment of an implementation plan, the Board of Management and the Supervisory Board must make a decision to implement it and the plan must be approved by the Shareholders' Meeting. The goal is to present a draft proposal for the separations to the Annual Shareholders' Meeting of Daimler AG in 2019.

By focusing on these goals and on our strategic focus areas of CORE, CASE, CULTURE and COMPANY, we will successfully transform our company from a leading automaker into a leading provider of mobility services.

A.10
Investments in property, plant and equipment

Amounts in billions of euros	2016	2017	**2018 – 2019**
Daimler Group	5.9	6.7	**14.8**
Mercedes-Benz Cars	4.1	4.8	**11.0**
Daimler Trucks	1.2	1.0	**2.4**
Mercedes-Benz Vans	0.4	0.7	**0.7**
Daimler Buses	0.1	0.1	**0.3**
Daimler Financial Services	0.04	0.04	**0.1**
Corporate	0.0	0.0	**0.3**

A.11
Research and development expenditure

Amounts in billions of euros	2016	2017	**2018 – 2019**
Daimler Group	7.6	8.7	**17.8**
Mercedes-Benz Cars	5.7	6.6	**14.0**
Daimler Trucks	1.3	1.3	**2.5**
Mercedes-Benz Vans	0.4	0.6	**0.9**
Daimler Buses	0.2	0.2	**0.4**

Extensive investments in our company's future

In the coming years, we will continue to forge ahead with our innovation offensive in order to implement our growth strategy through the introduction of new products, innovative technologies and modern manufacturing capacities. The future-oriented CASE fields (Connected, Autonomous, Shared & Services and Electric) will play a key role here. We will invest almost €15 billion in property, plant and equipment in 2018 and 2019, as well as nearly €18 billion in research and development projects. With this plan, we are once again increasing our investment in order to safeguard the future of our company. ↗ **A.10 and A.11**

The investments in property, plant and equipment will mainly be used to prepare for the production launches of our new models. We will also use our investment to realign our manufacturing facilities in Germany, increase local production in the growth markets and expand our global production network for electric vehicles and batteries.

Most of our expenditure for research and development flows into new products. Important individual projects include the successor models of the current compact-class cars, as well as the GLS and GLE off-road vehicles and the new Sprinter. Other focus areas at all of our automotive divisions include innovative drive-system and safety technologies, vehicle connectivity and the further development of autonomous driving. The plans also call for substantial funds to be invested in our comprehensive electric mobility offensive.

Daimler achieved record levels of unit sales and revenue in the year 2017, and Group EBIT also increased significantly. On the basis of solid finances and a strong core business, we are focusing our businesses on the future: with outstanding vehicles and services, with pioneering technologies and business models, with an innovative and flexible corporate culture, and with an organization that meets the needs of the markets' growing dynamism. In 2017, we invested more than €15 billion in the future of the company, thus creating the right conditions for further profitable growth.

B | Combined Management Report

Corporate Profile

Business model

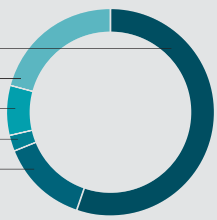
Daimler can look back on a tradition covering more than 130 years – a tradition that goes back to Gottlieb Daimler and Carl Benz, the inventors of the automobile, and features pioneering achievements in automotive engineering. Today, the Daimler Group is a globally leading vehicle manufacturer with an unparalleled range of premium automobiles, trucks, vans and buses. Its product portfolio is rounded out by a range of customized financial services and mobility services. Daimler's goal is to continue playing a leading role in the development of products and services for the future of mobility. The automotive industry is in the process of a fundamental transformation, and we intend to play a major role in promoting and shaping that change. With our strong core business, we are creating the financial foundation for our investments in the future-oriented fields of Connected, Autonomous, Shared & Services (flexible use) and Electric – "CASE" for short. Innovations from the future-oriented CASE fields enable us to safeguard the attractiveness and profitability of our core business.

Daimler AG is the parent company of the Daimler Group, and has its headquarters in Stuttgart (Mercedesstraße 137, 70327 Stuttgart, Germany). The main business of Daimler AG is the development, production and distribution of cars, trucks and vans in Germany and the management of the Daimler Group. The management reports for Daimler AG and for the Daimler Group are combined in this management report.

B.01

Consolidated revenue by division

Mercedes-Benz Cars	55.4%
Daimler Trucks	20.8%
Mercedes-Benz Vans	7.7%
Daimler Buses	2.6%
Daimler Financial Services	13.5%



Thanks to its strong brands, Daimler is active in nearly all the countries of the world. The Group has production facilities in a total of 19 countries and more than 8,500 sales centers all over the world. The global networking of its research and development activities as well as its production facilities and sales organizations gives Daimler considerable competitive advantages internationally, and also offers additional growth opportunities.

In 2017, Daimler increased its revenue by 7% to €164.3 billion. The Group's five divisions contributed to this total as follows: Mercedes-Benz Cars 55%, Daimler Trucks 21%, Mercedes-Benz Vans 8%, Daimler Buses 3% and Daimler Financial Services 13%. At the end of 2017, Daimler employed a total workforce of more than 289,000 people worldwide.

The products supplied by the **Mercedes-Benz Cars** division comprise a broad spectrum of premium automobiles of the Mercedes-Benz brand, the Mercedes-AMG high-performance brand and the Mercedes-Maybach luxury brand. These automobiles range from compact models to a highly varied program of off-road vehicles, roadsters, coupes and convertibles, as well as S-Class luxury sedans. The portfolio is rounded out by the Mercedes me brand and the high-quality small cars of the smart brand. In 2016, we introduced the new EQ brand, which consolidates all of our activities related to electric mobility. The most important markets for Mercedes-Benz Cars in 2017 were China with 26% of unit sales, the United States (14%), Germany (13%) and the other European markets (29%). Within the framework of its growth strategy, the division continuously refines its flexible and efficient production network consisting of more than 30 plants on four continents. At the same time, we are preparing our worldwide production network to meet the requirements of electric mobility. We will manufacture our future electric vehicles of the EQ product and technology brand within the framework of normal series production, on the same assembly lines that are used to produce vehicles with combustion engines. In the future, our sites for the production of electric vehicles will be our plants in Bremen, Sindelfingen and Rastatt, Germany; Tuscaloosa, Alabama; and Hambach, France. We will also manufacture electric vehicles for the Chinese market at Beijing Benz Automotive Co., Ltd.(BBAC) in China. In the future, Mercedes-Benz Cars will thus build electric vehicles at six different locations. In parallel, we will expand our global battery network to five sites on three continents.

As the world's largest manufacturer of trucks above 6 metric tons gross vehicle weight, **Daimler Trucks** develops and produces vehicles in a global network under the brands Mercedes-Benz, Freightliner, Western Star, FUSO and BharatBenz. The division's 26 production facilities are located in the NAFTA region (14), Europe (7), Asia (3) and South America (2). In China, Beijing Foton Daimler Automotive Co., Ltd. (BFDA), a joint venture with our Chinese partner Beiqi Foton Motor Co., Ltd., has been producing trucks under the Auman brand name since 2012. Daimler Trucks' product range includes light-, medium- and heavy-duty trucks for long-distance, distribution and construction-site haulage, as well as special vehicles that are used mainly in municipal applications. Due to close links in terms of production technology, the division's product range also includes buses of the Thomas Built Buses and FUSO brands. In the future, Daimler Trucks intends to offer vehicles with locally emission-free electric drive across the entire product portfolio: The product portfolio will be supplemented with the FUSO eCanter for light-duty distribution, fully electric trucks from the Mercedes-Benz brand for heavy-duty distribution, the new product brand E-FUSO and the fully electric school bus from Thomas Built Buses. Daimler Trucks' most important sales markets in 2017 were the NAFTA region with 35% of unit sales, Asia with 32% and the EU30 region (European Union, Switzerland and Norway) with 17%.

Mercedes-Benz Vans is a global supplier of a complete range of vans and associated services. The division's product range in the commercial vans segment comprises the Sprinter large van, the Vito mid-size van (marketed as the "Metris" in the United States) and the Mercedes-Benz Citan urban delivery van. The range of Mercedes-Benz vans in the private-customer segment consists of the V-Class full-size MPV and the Marco Polo camper vans and recreational vehicles. With the launch of the Mercedes-Benz X-Class in November 2017, we became the first premium manufacturer to introduce a model series in the very promising segment of mid-size pickups. The Mercedes-Benz Vans division has manufacturing facilities on four continents: in Germany, Spain, the United States, Argentina, China and Russia. The division is active in the Chinese market through a joint venture, Fujian Benz Automotive Co., Ltd. The production of the Citan and the Mercedes-Benz X-Class is part of the strategic alliance with Renault-Nissan. In Russia, the Sprinter Classic is built for Mercedes-Benz Vans by the GAZ and YaMZ companies. The most important markets for vans at present are in the EU30 region, which accounts for 68% of unit sales, and the NAFTA region (11% of unit sales in the year under review).

The **Daimler Buses** division with its Mercedes-Benz and Setra brands is the undisputed industry leader for buses above 8 metric tons in its most important traditional core markets: the EU30 region, Brazil, Argentina and Mexico. The division's product range comprises city and inter-city buses, touring coaches and bus chassis. The largest of the division's 14 production plants are located in Germany, France, Spain, Turkey, Argentina, Brazil, Mexico and, since 2015, in India as well. In 2017, Daimler Buses generated 67% of its revenue in the EU30 region and 17% in Latin America (excluding Mexico). Whereas we mainly sell complete buses in Europe, our business in Latin America, Mexico, Africa and Asia focuses on the production and distribution of bus chassis.

B.02

Daimler Group structure 2017

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services
Revenue	€94.7 billion	€35.7 billion	€13.2 billion	€4.4 billion	€23.8 billion
Employees	142,666	79,483	25,255	18,292	13,012
Brands	AMG MAYBACH smart Mercedes me EQ	FREIGHTLINER FUSO WESTERN STAR Thomas BUILT BUSES BHARATBENZ	FREIGHTLINER	SETRA BHARATBENZ	Mercedes-Benz Bank Mercedes-Benz Financial Services Daimler Truck Financial moovel CAR2GO mytaxi

The **Daimler Financial Services** division supports the sales of the Daimler Group's automotive brands in approximately 40 countries. Its product portfolio primarily consists of customized financing and leasing packages for end customers and dealers. It also includes insurance brokering, fleet management services, investment products and credit cards, as well as various mobility services such as the moovel mobility platform, the mytaxi app and car2go, the world's leading company for flexible car-sharing services. The total number of users of our mobility services increased to 17.8 million in 2017. During the year under review, Daimler Financial Services financed or leased around 50 % of the vehicles sold by Daimler. The division's contract volume of €139.9 billion covers more than 4.8 million vehicles. Daimler Financial Services also holds a 45% interest in the Toll Collect consortium, which operates an electronic road-charging system for trucks on highways in Germany.

Daimler is also active in the global automotive industry and related sectors through a broad network of subsidiaries, associated companies and joint operations. The statement of investments of Daimler AG in accordance with Section 313 of the German Commercial Code (HGB) can be found in Note 40 of the Notes to the Consolidated Financial Statements.

Portfolio changes and strategic partnerships

By means of targeted investments and future-oriented partnerships, we strengthened our core business and made use of additional growth potential in 2017. We also focused on continuously developing our business portfolio and improving our competitiveness in our core business areas. Our activities revolve around the future-oriented strategic fields of Connected, Autonomous, Shared & Services and Electric (CASE), all of which will play a major role in shaping the future of mobility. In order to strengthen our position in these areas, we forged ahead with our partnerships and made a large number of investments during the year under review. The most important projects are briefly described below.

Cooperation with Bosch on the development of highly automated and driverless driving

In March 2017, the two companies entered into a development agreement that will bring highly automated and driverless driving to city streets by the beginning of the next decade. The objective is to jointly develop software and algorithms for a highly automated driving system. By introducing highly automated and driverless driving in the urban environment, Bosch and Daimler aim to improve the flow of traffic in cities, enhance safety on the road and provide an important building block for the traffic systems of the future.

Intelligent charging solutions for electric mobility

Daimler AG became an investor in the American charging solutions provider ChargePoint Inc. in March 2017. ChargePoint's core areas of expertise include both the development and production of innovative infrastructure solutions for electric vehicles – ranging from conventional AC (alternating current) systems to ultra-fast DC (direct current) charging systems with up to 400 kilowatts. All of the products from ChargePoint are networked via software and can be expanded as needed. Along with hardware, the US market leader also provides its customers with customized cloud-based solutions, ranging from user-specific energy management systems to well-proven payment services, and a mobile app for private customers that provides innovative features previously unavailable in the European market. Daimler and ChargePoint are systematically pursuing the same goal: to promote the breakthrough of electric mobility through the targeted expansion of infrastructure and services. The strategic partnership of the two companies supplements existing Daimler AG alliances and joint ventures that are designed to build and expand an ecosystem for electric mobility.

With the establishment of the IONITY joint venture in November 2017, the BMW Group, Daimler, Ford Motor Company and Volkswagen with Audi and Porsche laid the foundation for the creation of the most powerful charging network for electric vehicles in Europe. The establishment and operation of approximately 400 high-power charging (HPC) stations by 2020 will be a major step toward enabling long-distance journeys with electric vehicles, thus helping to establish these vehicles in the market.

Expansion of strategic partnership with BAIC

In June 2017, Daimler AG and its Chinese partner BAIC Group signed a framework agreement that will strengthen their strategic cooperation through investments in the production of vehicles with alternative drive systems in China. As part of the investment agreement, Daimler intends to acquire a minority share in Beijing Electric Vehicle Co., Ltd. (BJEV), a subsidiary of the BAIC Group. The goal is to strengthen the strategic collaboration with BAIC on vehicles with alternative drive systems. China is already the world's biggest market for electric vehicles.

In July 2017, the two partners also signed an agreement that will further strengthen their cooperation within the framework of the production joint venture Beijing Benz Automotive Co., Ltd.(BBAC). The companies plan to jointly invest around RMB 5 billion (approximately €655 million) in the production of battery-electric Mercedes-Benz brand vehicles at the BBAC manufacturing facility in Beijing. As part of this strategic framework agreement, Daimler and BAIC Motor are to prepare for the local production of battery-electric vehicles at BBAC between now and 2020. The partners also intend to provide the infrastructure needed for the local production of battery cells in China, as well as the required research and development capacities.

Daimler launches e-payment business

In January 2017, Daimler Financial Services acquired the electronic payment services provider PayCash Europe SA. With its entry into the e-payment sector, Daimler is launching its own electronic payment services provider under the brand name "Mercedes pay". The "Mercedes pay" brand is a key component of Daimler's mobility and digitization strategy. The new payment system underscores Daimler's goal, as a leading provider of digital mobility services, of making its products and services even more attractive.

mytaxi invests in international expansion
Daimler's mytaxi subsidiary – Europe's leading taxi app – acquired 100% of the Greek taxi app operator Taxibeat LTD in February 2017. Through this acquisition, Daimler is investing in the further development and expansion of urban mobility systems in Europe. Daimler will initially continue to use the Taxibeat brand name. In June 2017, Daimler also acquired a 100% interest in Clever Taxi, the taxi app market leader in Romania. As a result, mytaxi now operates in 11 European countries. In the third quarter of 2017, we introduced a pooling service known as mytaxi match, which allows several customers to share a taxi. The pilot project for the service was launched in Warsaw.

Targeted investments in mobility services
During the year under review, we expanded our range of innovative mobility services in a targeted manner. In August, the moovel Group acquired the Hamburg startup Familonet, which offers a locator app. Private car-sharing services have also been expanded through the acquisition of a minority interest in Turo, which is the leading peer-to-peer (P2P) marketplace for vehicle rentals in the United States. Turo plans to enter the German market in 2018. At the same time, Daimler integrated its Croove private car-sharing platform into the Turo organization. With the acquisition of flinc, the leading provider of door-to-door ride-sharing services, Daimler added yet another component to its portfolio of forward-looking mobility solutions.

ViaVan joint venture with the US startup company Via
Mercedes-Benz Vans entered the ride-sharing sector in October 2017 through the establishment of the ViaVan joint venture with the US startup company Via, which has its headquarters in New York. Via's intelligent algorithm enables the creation of a dynamic mass transportation system that supplements public transport systems and reduces traffic volumes in cities. Technology from Via and engineering from Mercedes-Benz Vans thus form a perfect combination for efficient, affordable and sustainable ride-sharing services. Furthermore, Daimler acquired an equity interest in Via Transportation Inc. in 2017.

Important events

Initial steps taken to strengthen the divisional structure
Daimler AG seeks to further focus and strengthen the business structure of the Group by establishing legally independent entities. The plan calls for Mercedes-Benz Cars & Vans and Daimler Trucks & Buses to become legally independent entities with greater business responsibility alongside the legally independent Daimler Financial Services division. This project is designed to strengthen the divisions as they prepare for the future, so that they can more effectively utilize the growth and earnings potential of their respective markets. Daimler's plan for safeguarding the future of the company is based on three components: maintaining and increasing business success, continuing to prepare employees for the future, and keeping investors committed to the company over the long term.

Daimler plans to invest a three-digit million euro amount in the initial measures of this plan. None of the aspects of this project involve cost-cutting or efficiency programs, and the Group has no plans to reduce workforce numbers. Daimler AG is also not planning to divest itself of individual business units. The company will consult closely with employee representatives throughout the project. It has already reached an agreement in a position paper that addresses ways to balance the interests of the employees and those of the company. The key points include the extension of the employment guarantee to the end of 2029 ("Safeguarding the Future 2030") and measures that will ensure nearly full funding of the company's pension obligations. With regard to balancing the interests of the employees and those of the company, Daimler contributed €3 billion in liquid funds to the pension plan assets of Daimler AG in the fourth quarter of the year under review.

This project will be continued in close consultation with the employee representatives. Following the preparation of an implementation plan and a final assessment, the actual implementation will have to be decided on by the Board of Management and the Supervisory Board and approved by the Annual Shareholders' Meeting. The goal is for the draft proposal on the separation to be presented to the Annual Shareholders' Meeting for its approval in 2019.

Performance measurement system

Financial performance measures
The financial performance measures used at Daimler are oriented toward our investors' interests and expectations. They provide the foundation for value-based management.

Value added
Value added is a key element of our performance measurement system, which is applied at both the Group and the divisional levels. It is calculated as the difference between operating profit and the cost of capital of the average net assets. Alternatively, the value added of the industrial divisions can be determined using the main value drivers of return on sales (quotient of EBIT and revenue) and net assets' productivity (quotient of revenue and net assets). ↗ B.03

Using a combination of return on sales and net assets' productivity within the context of a strategy of profitable revenue growth provides a basis for the positive development of value added. Value added shows the extent to which the Group and its divisions achieve or exceed investors' minimum return requirements, thus creating additional value. The quantitative development of value added and the other financial performance measures is explained in the "Profitability" chapter.
pages 105 f

B.03
Calculation of value added

$$\textbf{Value added} = \text{Profit measure} - \underbrace{\text{Net assets} \times \text{Cost of capital (\%)}}_{\text{Cost of capital}}$$

$$\textbf{Value added} = \left[\text{Return on sales} \times \text{Net assets productivity} - \text{Cost of capital (\%)}\right] \times \text{Net assets}$$

Profit measure

The measure of operating profit at the divisional level is EBIT (earnings before interest and income taxes). EBIT thus reflects the divisions' responsibility for profit and loss. The measure of operating profit that is used at the Group level is the net operating profit. It comprises the EBIT of the divisions as well as profit and loss effects for which the divisions are not held responsible. The latter include income taxes and other reconciliation items. ↗ B.19 on page 105

Net assets

Net assets are the basis for the investors' required return. The industrial divisions are accountable for the net operating assets; all assets, liabilities and provisions for which they are responsible in day-to-day operations are therefore allocated to them. Performance measurement at Daimler Financial Services is implemented on an equity basis. Net assets at the Group level include the net operating assets of the industrial divisions and the equity of Daimler Financial Services, as well as assets and liabilities from income taxes and other reconciliation items which cannot be allocated to the divisions. Average annual net assets are calculated on the basis of average quarterly net assets. page 106

Cost of capital

The required rate of return on net assets, and hence the cost of capital, is derived from the minimum rates of return that investors expect on their invested capital. The cost of capital of the Group and of the industrial divisions comprises the cost of equity as well as the costs of debt and net pension obligations of the industrial business. The expected returns on liquidity of the industrial business are considered with the opposite sign. The cost of equity is calculated according to the capital asset pricing model (CAPM), using the interest rate for long-term risk-free securities (such as German government bonds) plus a risk premium reflecting the specific risks of an investment in Daimler shares. Whereas the cost of debt is derived from the required rate of return for obligations the Group enters into with external lenders, the cost of capital for net pension obligations is calculated on the basis of discount rates used in accordance with IFRS. The expected return on liquidity is based on money-market interest rates. The Group's cost of capital is the weighted average of the individually required or expected rates of return. During the year under review, the cost of capital amounted to 8% after taxes. For the industrial divisions, the cost of capital amounted to 12% before taxes; for Daimler Financial Services, a cost of equity of 13% before taxes was applied. ↗ B.04

B.04
Cost of capital

	2017	2016
In percent		
Group, after taxes	8	8
Industrial business, before taxes	12	12
Daimler Financial Services, before taxes	13	13

Return on sales

As one of the main factors influencing value added, return on sales is of particular importance for assessing the industrial divisions' profitability. The combination of net profitability and net assets' productivity results in the return on net assets (RONA). If RONA exceeds the cost of capital, value is created for our shareholders. The measure of profitability for Daimler Financial Services is not return on sales, but return on equity.

Key performance indicators

The important financial indicators for measuring our operating financial performance, in addition to EBIT and revenue, are the free cash flow of the industrial business, investments, and expenditure for research and development. Along with the indicators of financial performance, we also use various non-financial indicators to help us manage the Group. Of particular importance in this respect are the unit sales of our automotive divisions, which we also use as the basis for our capacity and human resources planning and workforce numbers.

Non-financial performance indicators are also used to determine the remuneration of our Board of Management members. Important criteria for annual target achievement also include integrity and compliance, employee satisfaction and the high quality of our products.

Details of the development of non-financial performance indicators can be found in the chapters "Economic Conditions and Business Development" and "Non-Financial Report". pages 95 ff and pages 214 ff

Corporate governance statement

The corporate governance statement pursuant to Section 289f and Section 315d of the German Commercial Code (HGB) can be found in this Annual Report on pages 203 ff and can also be viewed on the Internet at daimler.com/corpgov/en. Pursuant to Section 317 Subsection 2 Sentence 6 of the German Commercial Code (HGB), the purpose of the audit of the statements pursuant to Section 289f Subsections 2 and 5 and Section 315d of the HGB is limited to determining whether such statements have actually been provided.

Economic Conditions and Business Development

The world economy

With real growth of more than 3% in the year under review, the world economy had its strongest growth performance since 2011. ↗ B.05 Both the industrialized countries and the emerging markets contributed to this positive development, as the economic upturn was once again relatively broad-based and synchronized for the first time in several years. During the year under review, the economic situation of the emerging markets, which accounted for nearly two thirds of global growth, improved significantly. A key driver of this development was the increase in prices for industrial raw materials, which were approximately 20% higher on average compared with the previous year. The acceleration of global growth was even more remarkable in view of the fact that the risks associated with geopolitical developments remained relatively high.

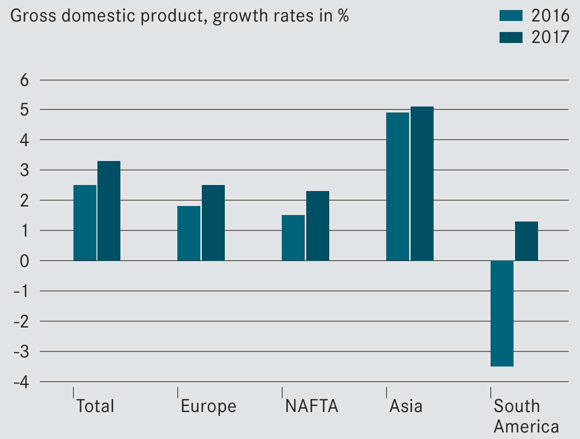
The industrialized countries also benefited from the favorable global economic environment, as these nations increased their growth rates to just over 2%. The US economy played a major role here, posting growth in output of 2.5%, which was significantly higher than the growth recorded in 2016. Increased investment by companies following the decrease in 2016 served as a key driver of growth, while private consumption remained stable. Developments were very positive also in Japan, where gross domestic product (GDP) rose by about 1.8%.

The economy of the European Monetary Union was particularly strong in the year under review: Growth of around 2.5% represents a significant improvement on the figure for 2016. This was largely due to a higher contribution from exports. The European Central Bank (ECB) also supported this development with its ongoing expansionary monetary policy in response to low inflation rates. The German economy recorded above-average growth (2.2%) in a long-term comparison for the fourth consecutive year. Despite a significant decrease in private consumption, the economy of the United Kingdom posted GDP growth of 1.8%, so the economic impact of the Brexit negotiations continued to be limited.

With a real growth rate of just over 4.5%, the emerging markets finally succeeded in overcoming the economic difficulties they had experienced over the previous two years. The turnaround was particularly pronounced in South America, which recorded slight growth of just over 1% in 2017 after undergoing a substantial downturn in the prior year. The economies of Eastern Europe also bounced back noticeably during the year under review. The growth rate for the region more or less doubled, largely due to the recovery of the Russian economy. Despite receiving less support from fiscal and monetary policy, the Chinese economy continued to benefit from previous measures in this regard, and with a growth rate of 6.9%, China actually posted a slight increase in growth compared with the prior year. The economic situation in the Middle East remained problematic, with growth clearly below the long-term trend.

Currency exchange rates remained volatile despite the favorable global economic environment. Against the US dollar, the euro moved during the year between \$1.03 and \$1.21. At the end of the year, the euro stood at \$1.20, making it around 14% stronger than at the end of 2016. The range of fluctuation of the Japanese yen against the euro was 116 to 135. By the end of the year, the euro had appreciated against the yen by about 9%. The British pound once again fell against the euro (by approximately 3.5%), but this decrease was not nearly as pronounced as the decrease recorded in 2016. The euro also appreciated against other key currencies such as the Russian ruble, the Brazilian real and the Turkish lira, in some cases recording double-digit increases.

B.05
Economic growth
Gross domestic product, growth rates in %



Source: IHS Global Insight, own calculations

Automotive markets

Global demand for cars continued to develop favorably in 2017, with the worldwide market volume increasing for the eighth consecutive year. While the previous high market volume led to slower growth compared with the previous year, the increase of more than 2% was nevertheless impressive. Once again, the growth of the world market was primarily due to contributions from the Chinese and Western European markets, while sales in the United States decreased slightly. Key emerging markets were able to overcome their weaknesses and developed in a much more positive manner during the year under review. ↗ B.06

Once again, the Chinese market made the biggest contribution to the growth of the world market, although growth was significantly lower than in previous years due to the very high market volume in 2016. A substantial number of advance purchases were made towards the end of the year because state tax incentives for purchasers of cars with small engines ended in January 2018, as had been previously announced, but market growth for the full year was just over 3%.

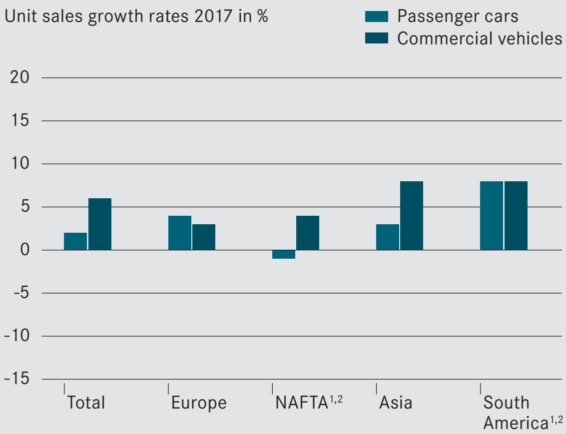
Car demand in Europe was slightly higher than in the previous year. Following the recovery of recent years, the Western European car market has now reached a solid level and was able to record slight growth in 2017. Most of the Western European core markets grew once again; only the UK car market suffered a decrease (of approximately 6%) after reaching a record volume in 2016. Sales in Germany were up by nearly 3% from the prior year. The overall market situation in Eastern Europe improved considerably. This was largely due to developments in the Russian market, which posted a significant increase of approximately 12% after recording substantial contraction over the previous four years.

The US market volume for cars and light trucks decreased by almost 2% and thus did not quite reach the record volume of the prior year. Nevertheless, at just over 17 million units, market demand remains at an unusually high level. Whereas sales of SUVs and pickups increased once again, demand for traditional sedans was relatively weak by comparison. The Japanese market displayed a solid performance, with market volume increasing by about 6%. Sales in India were significantly higher than in the prior year. A recovery trend was observed in Brazil, where the market expanded by just over 9%.

B.06

Global automotive markets

Unit sales growth rates 2017 in %



1 Cars segment includes light trucks
2 Medium- and heavy-duty trucks

Source: German Association of the Automotive Industry (VDA), various institutions

During the year under review, worldwide **demand for medium- and heavy-duty trucks** gradually recovered from its previous weak phase, and experienced an upswing as 2017 progressed. It should be pointed out, however, that overall demand in the full year in markets relevant to our operations was only slightly above the prior-year level.

The pace of recovery on the North American market picked up in the second half of the year. However, as demand in the first half of the year was significantly lower than in the same period of 2016, the full-year market volume in weight classes 6-8 was only slightly higher (+1%) than in the previous year. Sales in the heavy-duty Class 8 segment were at about the same level as in 2016.

Demand in the EU30 region (European Union, Switzerland and Norway) approximately maintained the solid market volume of the previous year. Sales in Western Europe rose somewhat, while markets in the EU states of Central and Eastern Europe contracted slightly overall. Demand for trucks in Brazil stabilized following the slight improvement of overall economic conditions in the country. No significant recovery occurred in Brazil, however, so the market volume therefore only slightly surpassed the very low level of the prior year. Following the severe market slump in Turkey in 2016, demand improved during 2017, but also here, the market was only slightly larger than the weak volume of the previous year. The Russian market underwent a strong recovery and expanded at a significantly double-digit rate.

Developments in Daimler's most important Asian markets were varied. The Japanese market for light-, medium- and heavy-duty trucks was slightly larger than the solid volume of the prior year (+1%). In India, on the other hand, demand for medium- and heavy-duty trucks fell by about 10%. Here, the introduction of new regulatory and tax measures during the year led to uncertainty and weak demand that could not be offset in the final months of 2017. Truck sales in China once again rose sharply, largely due to the favorable economic situation and regulatory measures that led many truck operators to replace many older vehicles.

Demand for vans continued to develop positively in the EU30 region in 2017. Market volume for mid-size and large vans increased by 9%, while demand for small vans rose by 3%. In Germany as well, sales in the combined segment for mid-size and large vans increased by 8%. Demand for large vans in the US was slightly below the prior year's level. Demand in the segment of the van market that we serve in China also decreased slightly. The market for large vans in Latin America recovered strongly from the low level of the previous year.

Market volume for **buses** in the EU30 region was at the high level of the previous year. The market recovery in Latin America (excluding Mexico) led to a significant improvement in the bus segment, especially in Brazil, where market volume increased by 10% after bottoming out in 2016. As a result of the ongoing difficult situation in Turkey, domestic demand in that country once again decreased significantly compared with the prior year.

Business development

Unit sales
Daimler increased its total unit sales in the year 2017 by 9% to 3.3 million vehicles, thus surpassing its growth target. The Mercedes-Benz Cars and Mercedes-Benz Vans divisions exceeded the forecasts made at the beginning of the year by recording significant growth (8% and 12% respectively). Daimler Trucks also posted a significant increase of 13% in unit sales. At the beginning of the year, the division had anticipated unit sales similar to those of the previous year. Our sales forecast was successively adjusted as a result of more favorable market developments in some markets important for us. As we expected at the beginning of the year, unit sales at Daimler Buses were also significantly higher than in the prior year (+9%).

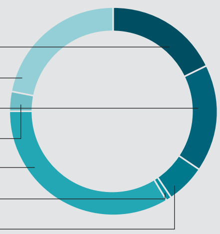
The **Mercedes-Benz Cars** division continued along its growth path in the year under review. Unit sales rose by 8% to the new record of 2,373,500 vehicles. The Mercedes-Benz brand increased its unit sales by 9% to 2,238,000 vehicles and was once again the strongest-selling premium brand in the automobile industry. Mercedes-Benz is the number one brand in the premium segment in Germany and numerous other key European markets, as well as in the United States, Canada, South Korea and Japan. In addition, we once again significantly improved our position in China.

Unit sales in Europe increased by 5% to 911,700 vehicles. Significant growth was achieved in the volume markets of France (+9%), Italy (+9%), Spain (+8%) and the United Kingdom (+4%), and we also increased our unit sales in Germany by 2% to 282,600 vehicles. Mercedes-Benz continued its success in China during the year under review. Unit sales in the country rose by 28% to 595,200 vehicles – much faster growth than the overall market and our most important competitors. We set new records for unit sales also in other Asian markets – for example in Thailand (+31%) India (+14%), South Korea (+9%) and Taiwan (+7%). Total unit sales in the NAFTA region were at the prior-year level. Here, sales increased significantly in Canada and Mexico but decreased slightly in the United States as in the market overall.

The growth was primarily driven by our new E-Class. After all model variants became available, sales reached the new record level of 398,200 units (+31%). Our off-road vehicles were also very successful once again. Total unit sales in the SUV segment increased by 16% to 823,000 vehicles. Demand for our C-Class models also remained very strong, with sales of these vehicles increasing slightly to 492,700 sedans, wagons, coupes and convertibles in 2017. Unit sales of A- and B-Class models did not quite reach the previous year's high level. Including the CLA and CLA Shooting Brake, a total of 420,200 units were delivered. Sales of the S-Class reached a total of 79,400 sedans, coupes and convertibles. The upgraded S-Class generated additional sales momentum in the second half of the year. ↗ B.07

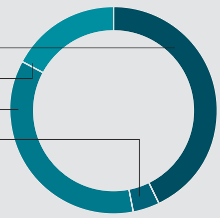
B.07
Unit sales structure of Mercedes-Benz Cars

A-/B-Class	18%
C-Class	21%
E-Class	17%
S-Class	3%
SUVs*	34%
Sports Cars	1%
smart	6%



* including GLA

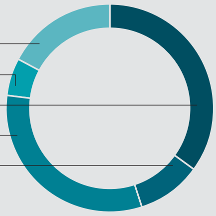
Europe	43%
NAFTA	17%
Asia	36%
Other markets	4%



B.08

Unit sales structure of Daimler Trucks

EU30	17%
Latin America	6%
NAFTA	35%
Asia	32%
Other markets	10%



B.09

Market share[1]

in %	2017	2016	17/16 Change in % points
Mercedes-Benz Cars			
European Union	6.3	6.2	+0.1
thereof Germany	10.5	10.4	+0.1
United States	2.0	2.0	0.0
China	2.6	2.1	+0.5
Japan	1.7	1.7	0.0
Daimler Trucks			
Medium- and heavy-duty trucks EU30	21.0	20.7	+0.3
thereof Germany	36.4	37.2	-0.8
Heavy-duty trucks NAFTA region (Class 8)	40.0	40.0	0.0
Medium-duty trucks NAFTA region (Classes 6 and 7)	39.3	37.9	+1.4
Medium- and heavy-duty trucks Brazil	27.6	29.8	-2.2
Trucks Japan	19.6	20.4	-0.8
Medium- and heavy-duty trucks India	9.1	6.8	+2.3
Mercedes-Benz Vans			
Mid-size and large vans EU30	16.7	16.8	-0.1
thereof Germany	27.3	27.3	0.0
Small vans EU30	3.1	3.1	0.0
Large vans United States	7.5	7.6	-0.1
Daimler Buses			
Buses over 8 tons EU30	28.4	29.6	-1.2
thereof Germany	51.6	50.1	+1.5
Buses over 8 tons Brazil	52.5	58.4	-5.9

1 Based on estimates in certain markets.

The smart brand sold a total of 135,500 vehicles in 46 markets worldwide in 2017. The smart was particularly popular in China, which is now the smart brand's third-biggest sales market after Germany and Italy. pages 178 ff

Unit sales by **Daimler Trucks** in 2017 were significantly higher than in the previous year. In total, we delivered 470,700 heavy-, medium- and light-duty trucks as well as buses of the Thomas Built Buses and FUSO brands in the year under review (2016: 415,100). Daimler Trucks continues to be the world's biggest manufacturer of trucks above 6 tons. ↗ **B.08**

In the EU30 region (European Union, Switzerland and Norway), we sold 82,300 vehicles in the year under review, slightly higher than the 79,800 sold in 2016. Our Mercedes-Benz brand remained the market leader in the medium-duty and heavy-duty segments, with a share of 21.0% (2016: 20.7%). Following the slump in Turkey in 2016, we were able to significantly increase our sales in the country to 11,800 units in the year under review (2016: 9,300). Developments were also very positive in Russia, where unit sales more than tripled to 8,000 trucks (2016: 2,300). ↗ **B.09**

Our unit sales in Latin America increased to 30,500 from the low level of 27,500 vehicles sold in 2016. With sales of 5,600 units (2016: 3,900), the market in Argentina made a major contribution to this positive development. Sales in our main Latin American market, Brazil, rose significantly to 13,400 units (2016: 12,100). With our Mercedes-Benz trucks, we achieved a market share of 27.6% in the medium- and heavy-duty segments (2016: 29.8%).

In the NAFTA region, we were able to record a significant increase in sales to 165,000 units in the year under review (2016: 145,700). We further increased our market share in Classes 6–8 with a market share of 39.8% (2016: 39.3%). In Class 8 for heavy-duty trucks, we once again achieved a market share of 40.0% (2016: 40.0%). We also remained the undisputed market leader in Classes 6–8. At the beginning of 2017, we started production of the new Freightliner Cascadia, which offers a number of new features for fuel efficiency, connectivity and safety.

We increased our sales in Asia by 18% to 148,600 trucks. At 44,800 units, sales in Japan were slightly lower than in the previous year (46,400). Our FUSO brand achieved an overall market share of 19.6% (2016: 20.4%) in Japan. The new Super Great heavy-duty truck underscores our determination to further strengthen our position in the Japanese truck market. Our sales of 42,700 units in Indonesia were substantially higher than in the prior year (28,000). Although the volume of the truck market in India was below the prior-year level, we were able to increase our sales in the fifth year since the establishment of the BharatBenz brand to 16,700 trucks (2016: 13,100) and our market share increased to 9.1% (2016: 6.8%). At 23,600 units (2016: 17,600), our sales in the Middle East were also substantially higher than the low prior-year level.

In China, the world's biggest truck market, Daimler AG holds a 50% interest in Beijing Foton Daimler Automotive Co. Ltd. (BFDA), a joint venture with Beiqi Foton Motor Co. Ltd. Medium- and heavy-duty trucks of the Auman brand have been produced there since 2012. In line with the significant recovery of the Chinese truck market, Auman posted a substantial sales increase to 112,400 units (2016: 77,800). pages 184 ff

Mercedes-Benz Vans achieved record sales once again in 2017. Unit sales of 401,000 vehicles surpassed the prior-year figure by 12%. Whereas we mainly focus on commercial customers with the Sprinter, Vito and Citan models, the V-Class is primarily designed for private use. With the X-Class, our new mid-size pickup, we are addressing various customers for both private and commercial applications. In the EU30 region, which is our core region, we increased our unit sales by 9% to 273,300 vehicles, and we continue to be the market leader for mid-size and large vans with a share of 16.7% (2016: 16.8%). Double-digit growth was achieved in several European markets, and the division also set a new record in Germany with sales of 105,800 units (2016: 96,100). Sales in the NAFTA region increased to 44,800 units (2016: 43,400) and the division's market share for large vans in the United States reached 7.5% (2016: 7.6%). Business development was very favorable in Latin America, where sales rose by 31% to 16,400 units. Unit sales in China also increased significantly, by 75% to 23,800 vans. This development was largely due to the success of the Vito and the V-Class, both of which were launched in China in 2016. In total, we sold 200,500 Sprinter vans worldwide (2016: 193,400) in the reporting period, which was the last full year of the current model's lifecycle. Vito sales rose significantly, by 21% to 111,800 units, while sales of the Mercedes-Benz Citan reached 26,100 units (2016: 24,900). The V-Class full-size MPV was very successful; sales of 59,300 units surpassed the previous year's figure by 22%. The X-Class also got off to a good start at the end of the year with sales of 3,300 units. pages 189 ff

Daimler Buses sold 28,700 buses and bus chassis worldwide in 2017 (2016: 26,200). The significant increase is due in particular to the gradual recovery of the economy in Brazil. The division maintained its clear market leadership in its most important traditional markets (EU30, Brazil, Argentina and Mexico). Continued high demand for complete buses meant that the division achieved sales in the EU30 region of 8,700 units sold in the year under review (2016: 8,800). At 28.4% (2016: 29.6%), market share was once again at a very high level. Sales of 3,100 Mercedes-Benz and Setra buses in Germany were at the prior year level (2016: 3,100), while the ongoing difficult situation in Turkey resulted in a significant decrease in unit sales, to 400 vehicles (2016: 600). The market situation in Latin America (excluding Mexico) improved considerably; bus market volume in Brazil grew by 10% after having bottomed out in 2016. Sales of Mercedes-Benz bus chassis in Brazil rose by a double-digit rate (+46%) to 7,200 units. We were also able to maintain our leading market position in Brazil with a market share of 52.5% (2016: 58.4%). In Mexico, sales of 3,400 units (2016: 3,800) were significantly lower than in the previous year. pages 192 ff

Business at **Daimler Financial Services** continued to develop very positively in the year under review. As we had forecast in the 2016 Annual Report, worldwide contract volume continued to grow, reaching the new record level of 139.9 billion (+6%) in 2017. Adjusted for currency-translation effects, contract volume increased by 12%. New business increased by 14% to €70.7 billion, growing at a much faster rate than we had anticipated at the beginning of the year. Significant growth was recorded in Europe (+15%), while new business in the Americas region was of the prior-year magnitude (+1%). The growth of new business in the Africa and Asia-Pacific region (excluding China) was once again very dynamic at a rate of 16%. In China, new business actually increased by 56%. In the insurance business, we brokered approximately 2.1 million policies, representing an increase of 20% compared with the prior year. In financial year 2017, Daimler Financial Services was active in fleet management with the two brands Daimler Fleet Management and Athlon. In Europe, Daimler Financial Services had a total of 383,300 contracts with fleet customers on its books at the end of 2017, representing an increase of 6% compared with a year earlier. Contract volume amounted to €6.4 billion. The total number of registered users of our mobility services rose to 17.8 million in the year under review. car2go increased its number of registered users to 3.0 million at the end of the year and thus strengthened its position as the world's leader for flexible car sharing. The app-based taxi-ordering service mytaxi is Europe's biggest taxi network and also continued its growth in 2017; the number of registered users rose by 85% to 11.1 million at the end of the year. We further developed the moovel app, with which customers in Germany can find the best way of traveling from A to B using various modes of transport and can also directly book and pay for services from providers such as car2go, mytaxi and Deutsche Bahn (German Railways). With moovel transit, moovel North America is the leading provider of mobile ticket solutions for the apps of public transport companies in the United States. The number of registered moovel users in Germany and the United States had risen to 3.7 million by the end of 2017 (2016: 2.2 million). pages 195 ff

Order situation

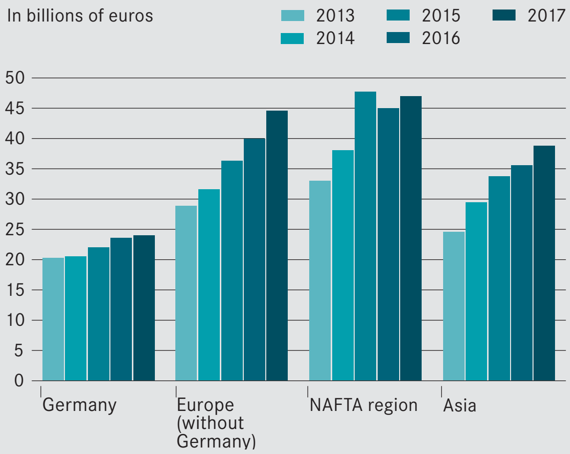
The Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans and Daimler Buses divisions produce vehicles predominantly to order in accordance with customers' specifications. While doing so, we flexibly adjust the production capacities for the individual models to changing levels of demand. Due in particular to strong demand in China and the European markets, the number of orders placed with Mercedes-Benz Cars during the year under review was once again above the high level of orders recorded in the previous year. This was driven on the product side primarily by the new E-Class, all variants of which are now available, as well as by the continued strong success of our off-road vehicles. Due to the positive development of demand, we once again increased our production volumes. Nonetheless, the order backlog at the end of 2017 was higher than a year before. At Daimler Trucks, both orders received and the order backlog at year-end were significantly higher than a year earlier. This was primarily due to the revival of demand in North America and Asia. We increased production volumes mainly in the second half of the year in response to the higher demand.

Revenue

In the year 2017, Daimler increased its total revenue by 7% to €164.3 billion; adjusted for currency-translation effects, revenue grew by 8%. This means we surpassed our expectations from the beginning of the year. The divisions Mercedes-Benz Cars (+6%) and Daimler Financial Services (+15%) increased their business volumes by significant margins. The Daimler Trucks division also recorded a significant increase in revenue of 8%, primarily due to positive sales development in North America. Exchange-rate effects had a negative impact on revenue. We had originally expected a business volume similar to that of the previous year. Revenue at Mercedes-Benz Vans (+3%) and Daimler Buses (+4%) rose slightly. At Mercedes-Benz Vans, we had only expected revenue to stabilize and unit sales to increase slightly at the beginning of the year, because contract manufacturing of vans for Volkswagen had been discontinued at the end of 2016.

In regional terms, Daimler achieved revenue growth in Europe (+8% to €68.4 billion), in the NAFTA region (+4% to €46.9 billion) and in Asia (+9% to €38.8 billion).

B.10
Consolidated revenue by region



B.11
Revenue by division and region

In millions of euros	2017	2016	17/16 % change
Daimler Group	**164,330**	153,261	+7
Divisions			
Mercedes-Benz Cars	**94,695**	89,284	+6
Daimler Trucks	**35,707**	33,187	+8
Mercedes-Benz Vans	**13,164**	12,835	+3
Daimler Buses	**4,351**	4,176	+4
Daimler Financial Services	**23,775**	20,660	+15
Regions			
Europe	**68,437**	63,417	+8
thereof Germany	**23,939**	23,509	+2
NAFTA region	**46,916**	44,960	+4
thereof United States	**40,459**	39,169	+3
Asia	**38,766**	35,562	+9
thereof China	**18,280**	15,984	+14
Other markets	**10,211**	9,322	+10

Profitability

EBIT

The **Daimler Group** achieved EBIT of €14.7 billion in 2017 (2016: €12.9 billion), which surpassed the prior-year figure significantly. ↗ B.12 ↗ B.13

The development of earnings reflects primarily the very good situation of unit sales in the automotive segments. Accordingly, the Mercedes-Benz Cars division increased its earnings due in particular to further growth in unit sales, especially of the SUV models and the new E-Class. Daimler Trucks also significantly improved its earnings compared with the previous year, mainly due to increased unit sales in the NAFTA region and the sale of real estate in Japan. Mercedes-Benz Vans and Daimler Buses achieved EBIT at the prior-year level. EBIT at Daimler Financial Services increased significantly. Exchange-rate effects had a net positive impact on operating profit.

The reconciliation of segment earnings to Group EBIT resulted in income slightly above the prior-year level.

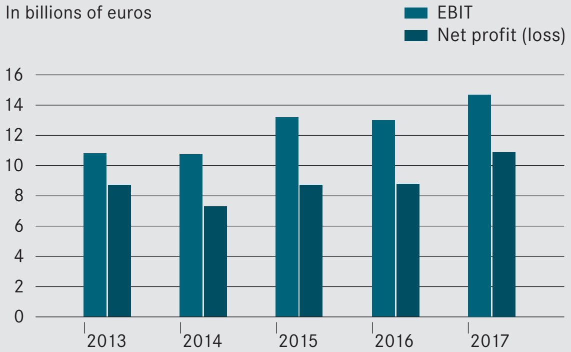
The Mercedes-Benz Cars division significantly increased its EBIT in 2017 and thus met the forecasts made in Annual Report 2016. For the Daimler Trucks division, the EBIT forecast in Annual Report 2016 was slightly below the prior-year figure. We adjusted those assessments gradually upwards as the year progressed in the context of our quarterly reporting, as the division's unit sales increased faster than expected in some key markets and as expenses for the fixed-cost optimization were below our expectations. The earnings of Mercedes-Benz Vans also developed better than we had forecast at the beginning of the year. We had anticipated a significant decrease compared with the previous year. As the year 2017 progressed, we adjusted that assessment upwards in the context of our quarterly reporting to EBIT in the magnitude of the previous year, as the division's unit sales increased faster than expected. Daimler Buses also achieved EBIT at the prior-year level. It thus did not meet the forecast made in Annual Report 2016 of EBIT slightly above the prior-year level. Daimler Financial Services significantly increased its EBIT and thus surpassed the forecast made in Annual Report 2016.

B.12
EBIT by segment

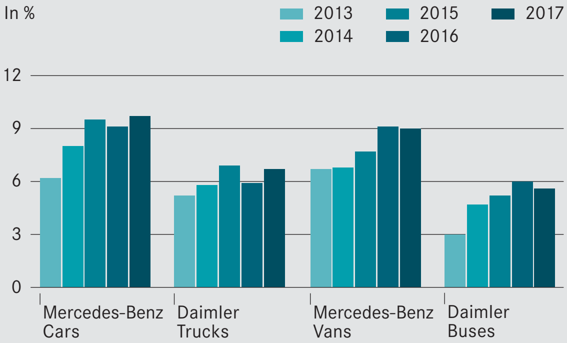
In millions of euros	2017	2016	17/16 % change
Mercedes-Benz Cars	9,207	8,112	+13
Daimler Trucks	2,380	1,948	+22
Mercedes-Benz Vans	1,181	1,170	+1
Daimler Buses	243	249	-2
Daimler Financial Services	1,970	1,739	+13
Reconciliation	-299	-316	+5
Daimler Group[1]	14,682	12,902	+14

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 33 of the Notes to the Consolidated Financial Statements.

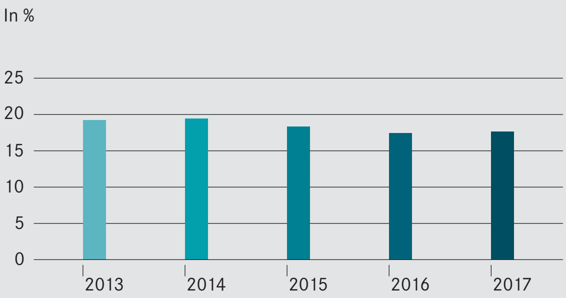
B.13
Development of earnings



B.14
Return on Sales



B.15
Return on Equity
Daimler Financial Services



B.16
Reconciliation of Group EBIT to profit before income taxes

In millions of euros	**2017**	2016
Group EBIT	**14,682**	12,902
Amortization of capitalized borrowing costs[1]	**-13**	-12
Interest income	**214**	230
Interest expense	**-582**	-546
Profit before income taxes	**14,301**	12,574

1 Amortization of capitalized borrowing costs is not included in the internal performance measure EBIT, but is a component of cost of sales.

The **Mercedes-Benz Cars** division posted EBIT of €9,207 million in 2017, which is significantly above the prior-year figure of €8,112 million. The division's return on sales was 9.7% (2016: 9.1%) ↗ B.14

The positive earnings development primarily reflects the increased unit sales of new vehicles. The main drivers were the SUV segment and the new E-Class. Additional positive effects on EBIT resulted from exchange-rate effects and income of €183 million in connection with the remeasurement of the investment in THERE Holding B.V. now using the equity method. Negative effects resulted from advance expenditure for new technologies and future vehicles and from expenses for the expansion of production capacities. Higher expenses for raw materials also had a negative impact on EBIT. Furthermore, expenses for voluntary service activities and expenses for a specific vehicle recall (€425 million) had a significant impact on earnings. In the year 2016, EBIT included expenses in connection with Takata airbags (€480 million) and expenses in connection with remeasurement of inventories (€238 million).

Daimler Trucks' EBIT in the year 2017 of €2,380 million was significantly above the prior-year figure of €1,948 million. The division's return on sales was 6.7% (2016: 5.9%). ↗ **B.14**

The positive development of earnings was primarily the result of increased unit sales in the NAFTA region. EBIT was also boosted by income from the sale of real estate at the Kawasaki site in Japan (€267 million) and by efficiency improvements. Higher expenses for raw materials and expenses of €172 million for the fixed-cost optimization had a negative impact on EBIT.

Mercedes-Benz Vans achieved EBIT in 2017 of €1,181 million, similar to the prior-year level (2016: €1,170 million). The division's return on sales was 9.0% (2016: 9.1%). ↗ **B.14**

EBIT was affected by higher expenses for product ramp-ups and new technologies. Furthermore, earnings were reduced by the termination of a contract-manufacturing arrangement. These effects were offset by the positive development of unit sales, especially in Europe, China and Latin America, and by exchange-rate effects. Prior-year EBIT included expenses in connection with Takata airbags (€83 million) and expenses from a voluntary severance program at the Düsseldorf plant (€38 million).

The **Daimler Buses** division's EBIT of €243 million in 2017 (2016: €249 million) was at the high prior-year level. The return on sales decreased slightly to 5.6% (2016: 6.0%). ↗ **B.14**

Further efficiency enhancements and higher unit sales in Latin America almost offset the inflation-related cost increase in Latin America and the negative exchange-rate effects.

Daimler Financial Services posted EBIT of €1,970 million in 2017, thus significantly surpassing its prior-year earnings of €1,739 million. The division's return on equity was 17.6% (2016: 17.4%). ↗ B.15

This positive development was the result of increased contract volume and a further improvement in the cost-of-risk situation. On the other hand, there were negative effects from a higher interest-rate level, increased expenses for the expansion of mobility services and the digitization of the business system.

The **reconciliation** of the divisions' EBIT to Group EBIT comprises gains and/or 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 €254 million (2016: €333 million). In 2017, this primarily comprises expenses related to legal proceedings. On the other hand, the reversal of an impairment of €240 million of Daimler's equity investment in BAIC Motor had a positive effect on earnings. In the previous year, there were expenses of €400 million in connection with a legal proceeding, the impairment of €244 million of Daimler's equity investment in BAIC Motor, and losses of €241 million from currency transactions not allocated to business operations. The gain of €605 million recognized on the contribution of the Renault S.A.(Renault) and Nissan Motor Company Ltd.(Nissan) shares into the German pension-plan assets did not offset those expenses.

The elimination of intra-group transactions resulted in expenses of €45 million in 2017 (2016: income of €17 million).

The reconciliation of Group EBIT to profit before income taxes is shown in table. ↗ B.16

Statement of income

The Group's **total revenue** increased by 7.2% to €164.3 billion in 2017; adjusted for exchange rate effects, it increased by 7.8%. The revenue growth primarily reflects the strong demand for our products at Mercedes-Benz Cars and Daimler Trucks, as well as the increased contract volume at Daimler Financial Services. Further information on the development of revenue is provided in the "Business development" section of this Combined Management Report. ↗ B.17

Cost of sales amounted to €130.0 billion in 2017, increasing by 7.2% compared with the previous year. The rise in cost of sales was caused by higher business volumes and consequentially higher material expenses. The higher material expenses also reflect increased prices of raw materials. Personnel expenses and depreciation of equipment on operating leases also increased. At Daimler Financial Services, the higher interest-rate level led to higher refinancing costs. Cost of sales also includes expenses for voluntary service activities and expenses for a specific vehicle recall of €0.4 billion. Further information on cost of sales is provided in Note 5 of the Notes to the Consolidated Financial Statements. ↗ B.17

Overall, **gross profit** of 20.9% was at the same level as in the previous year.

Due to the growth in unit sales, **selling expenses** increased by €0.7 billion to €13.0 billion and includes higher expenses for marketing. As a percentage of revenue, selling expenses decreased slightly from 8.0% to 7.9%. ↗ B.17

General administrative expenses of €3.8 billion were above the level of the previous year (2016: €3.4 billion). The increase was mainly due to higher expenses for personnel and consulting. As a percentage of revenue, general administrative expenses increased slightly to 2.3% (2016: 2.2%). ↗ B.17

Research and non-capitalized development costs increased by €0.7 billion to €5.9 billion in 2017. They were mainly related to the development of new models, advance expenditure for the renewal of existing models, and the further development of fuel-efficient and environmentally friendly drive systems, as well as safety technologies, autonomous driving and the digital connectivity of our products. As a proportion of revenue, research and non-capitalized development costs increased from 3.4% to 3.6%. Further information on the Group's research and development costs is provided in the "Research and development" section of the "Sustainability" chapter of this Combined Management Report. ↗ B.17

Other operating income increased to €2.8 billion (2016: €2.4 billion). This is primarily attributable to income of €0.4 billion from the sale of property, plant and equipment. **Other operating expense** decreased in the year 2017 to €1.0 billion (2016: €1.3 billion), due in particular to expenses connected with a legal proceeding of €0.4 billion in 2016. Further information on the composition of other operating income and expense is provided in Note 6 of the Notes to the Consolidated Financial Statements. ↗ B.17

In 2017, our **share of profit from equity-method investments** was significantly higher than the prior-year level at €1.5 billion (2016: €0.5 billion). The increase was primarily due to improved earnings at Beijing Benz Automotive Co. Ltd.(BBAC) and the reversal of the impairment of €0.2 billion of the shares in BAIC Motor (2016: negative impact from the impairment of €0.2 billion of the investment in BAIC Motor). ↗ B.17

Other financial expense/income worsened from income of €0.3 billion to an expense of €0.2 billion. This significant change is primarily the result of the gain of €0.6 billion recognized in the previous year from the contribution of the equity interests in Renault and Nissan at fair value into the German pension-plan assets. Those gains were previously presented within other comprehensive income/loss. ↗ B.17

Net interest expense amounted to €0.4 billion (2016: €0.3 billion). ↗ B.17

The tax expense of €3.4 billion (2016: €3.8 billion) stated under **income tax expense** decreased despite the increase in profit before income taxes. The effective tax rate for 2017 was 24.0% (2016: 30.1%). This was mainly a result of the law signed in 2017 for a comprehensive tax reform in the United States. Due to the reduction in the nationwide federal corporate income tax rate for US companies, the future net tax liabilities of the US-subsidiaries of Daimler had to be remeasured with the new tax rate. The remeasurement resulted in an income tax benefit of €1.7 billion. Opposing the positive impact from the US tax reform, tax expenses were recognized in 2017 in connection with the interpretation of tax laws. ↗ B.17

Net profit for the year improved to €10.9 billion (2016: €8.8 billion). Net profit of €0.3 billion is attributable to non-controlling interests (2016: €0.3 billion). Net profit **attributable to the shareholders of Daimler AG** amounts to €10.5 billion (2016: €8.5 billion), representing an increase in **earnings per share** to €9.84 (2016: €7.97). ↗ B.17

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

B.17

Statement of income[1]

	Consolidated		Industrial Business[2]		Daimler Financial Services	
	2017	2016	**2017**	2016	**2017**	2016
In millions of euros						
Revenue	**164,330**	153,261	**140,555**	132,601	**23,775**	20,660
Cost of sales	**-129,999**	-121,298	**-109,767**	-103,600	**-20,232**	-17,698
Gross profit	**34,331**	31,963	**30,788**	29,001	**3,543**	2,962
Selling expenses	**-12,965**	-12,226	**-12,224**	-11,577	**-741**	-649
General administrative expenses	**-3,809**	-3,419	**-2,816**	-2,702	**-993**	-717
Research and non-capitalized development costs	**-5,938**	-5,257	**-5,938**	-5,257	**-**	-
Other operating income	**2,824**	2,350	**2,621**	2,200	**203**	150
Other operating expense	**-1,042**	-1,298	**-999**	-1,267	**-43**	-31
Share of profit from equity-method investments, net	**1,498**	502	**1,497**	503	**1**	-1
Other financial expense, net	**-230**	275	**-230**	250	**0**	25
Interest income	**214**	230	**214**	229	**-**	1
Interest expense	**-582**	-546	**-577**	-540	**-5**	-6
Profit before income taxes	**14,301**	12,574	**12,336**	10,840	**1,965**	1,734
Income taxes	**-3,437**	-3,790	**-4,151**	-3,235	**714**	-555
Net profit	**10,864**	8,784	**8,185**	7,605	**2,679**	1,179
thereof attributable to non-controlling interests	**339**	258				
thereof attributable to shareholders of Daimler AG	**10,525**	8,526				

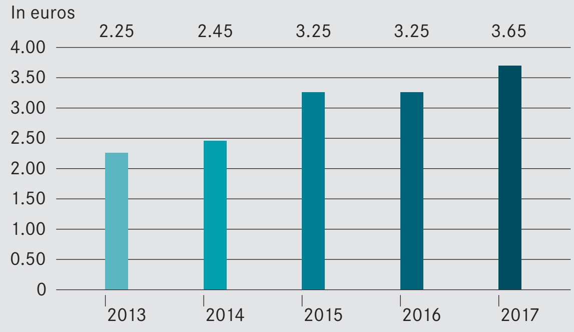
1 The columns „Industrial business“ and „Daimler Financial Services“ represent a business point of view.
2 The industrial business comprises the vehicle segments Mercedes-Benz Cars, Mercedes-Benz Trucks, Mercedes-Benz Vans and Daimler Buses. Intra-group eliminations between the industrial business and Daimler Financial Services are generally allocated to the industrial business.

Dividend

In the light of the positive business development in 2017, the Board of Management and the Supervisory Board will propose to the Annual Shareholders' Meeting to be held on April 5, 2018 that the dividend per share for the 2017 financial year be increased to €3.65 (prior year €3.25). This corresponds to a total dividend distribution of €3.9 billion to our shareholders, which is significantly above the high level of €3.5 billion distributed in the previous year. We aim to achieve a sustainable dividend development also in the coming years. ↗ **B.18**

B.18

Dividend per share



Net operating profit

Table ↗ **B.19** shows the reconciliation of the EBIT of the divisions to net operating profit. In addition to the EBIT of the divisions, net operating profit also includes earnings effects for which the divisions are not accountable, such as income taxes and other reconciliation items.

B.19

Reconciliation to net operating profit

	2017	2016	17/16
In millions of euros			% change
Mercedes-Benz Cars	**9,207**	8,112	+13
Daimler Trucks	**2,380**	1,948	+22
Mercedes-Benz Vans	**1,181**	1,170	+1
Daimler Buses	**243**	249	-2
Daimler Financial Services	**1,970**	1,739	+13
EBIT of the divisions	**14,981**	13,218	+13
Income taxes[1]	**-3,555**	-3,895	-9
Other reconciliation	**-299**	-316	-5
Net operating profit	**11,127**	9,007	+24

1 Adjusted for tax effects on interest income/expense and amortization of capi-talized borrowing costs.

Value added

As described in the "Performance measurement system" section of the "Corporate Profile" chapter in chart ↗ **B.03,** the cost of capital is the result of net assets and cost of capital expressed as a percentage, which is subtracted from earnings in order to calculate value added. The tables ↗ **B.20** and ↗ **B.21** show value added and net assets for the Group and for the individual divisions. Table ↗ **B.22** shows how net assets are derived from the consolidated statement of financial position.

The **Group's value added** increased by €2.0 billion to €7.2 billion in 2017, representing a return on net assets of 22.9% (2016: 19.1%). This was once again substantially higher than the minimum required rate of return of 8%. The significant increase in value added was mainly due to the growth in the divisions' EBIT. In addition, a positive effect came from the decrease in income-tax expenses caused by the reduction in the nationwide federal corporate income tax rate for US companies as a result of the law signed in 2017 for a comprehensive tax reform in the United States. The increase in average net assets was mainly attributable to higher investment in fixed assets and had only a slight negative impact on value added.

Value added at **Mercedes-Benz Cars** increased by €0.9 billion to €6.3 billion, primarily reflecting the positive earnings development due to the increased sales of new vehicles, positive exchange-rate effects and income in connection with the remeasurement in the equity investment in THERE Holding B.V. Opposing effects resulted from advance expenditure for new technologies and future vehicles, expenses for the expansion of production capacities and a disadvantageous development of raw-material prices. Furthermore, expenses for voluntary service activities and for a specific vehicle recall had a negative impact on earnings. In the year 2016, EBIT included expenses in connection with Takata airbags and expenses in connection with the remeasurement of inventories. There was a slight negative impact on value added from the increase in average net assets to €24.0 billion primarily caused by higher investments in fixed assets.

B.20

Value added

	2017	2016	17/16
In millions of euros			% change
Daimler Group	**7,246**	5,243	+38
Mercedes-Benz Cars	**6,330**	5,431	+17
Daimler Trucks	**1,369**	935	+46
Mercedes-Benz Vans	**895**	962	-7
Daimler Buses	**126**	143	-12
Daimler Financial Services	**518**	439	+18

B.21
Net assets (average)

In millions of euros	2017	2016	17/16 % change
Mercedes-Benz Cars	23,975	22,345	+7
Daimler Trucks	8,421	8,448	-0
Mercedes-Benz Vans	2,385	1,739	+37
Daimler Buses	978	887	+10
Daimler Financial Services[1]	11,165	10,000	+12
Net assets of the divisions	46,924	43,419	+8
Equity method investments[2]	941	555	+70
Assets and liabilities from income taxes[3]	2,141	3,372	-37
Other reconciliation[3]	-1,492	-292	+411
Daimler Group	48,514	47,054	+3

1 Total equity.
2 To the extent not allocated to the segments.
3 To the extent not allocated to Daimler Financial Services.

B.22
Net assets of the Daimler Group at year-end

In millions of euros	2017	2016	17/16 % change
Net assets[1]			
Intangible assets	12,742	11,145	+14
Property, plant and equipment	27,914	26,314	+6
Leased assets	18,711	17,433	+7
Inventories	24,492	24,426	+0
Trade receivables	9,737	8,977	+8
Less provisions for other risks	-16,512	-15,325	+8
Less trade payables	-11,655	-10,853	+7
Less other assets and liabilities	-27,789	-26,727	+4
Assets and liabilities from income taxes[1]	1,719	2,935	-41
Total equity of Daimler Financial Services	12,378	10,448	+18
Daimler Group	51,737	48,773	+6

1 To the extent not allocated to Daimler Financial Services.

Daimler Trucks' value added was significantly higher than in the previous year at €1.4 billion (2016: €0.9 billion). This development was primarily the result of the positive development of earnings due to increased unit sales in the NAFTA region, the sale of real estate in Japan and efficiency improvements. Higher expenses for raw materials and expenses for the fixed-cost optimization had a negative impact on EBIT. Average net assets were close to the prior-year level.

At **Mercedes-Benz Vans**, value added decreased by €0.1 billion to €0.9 billion. This development was the result of the increase in average net assets caused by higher investments in fixed assets and higher inventories. Despite increasing expenses for product ramp-ups and production material, as well as the negative impact of the termination of a contract-manufacturing arrangement, EBIT remained at the prior-year level due to the positive development of unit sales.

The value added of the **Daimler Buses** division was slightly lower than in the previous year at €126 million (2016: €143 million). This primarily reflects the increase in average net assets due to higher inventories. EBIT was at the high prior-year level, due to further efficiency enhancements and increasing unit sales in Latin America.

Daimler Financial Services' value added of €0.5 billion was above the prior-year level at €0.4 billion. The division's return on equity amounted to 17.6% (2016: 17.4%). The development of value added primarily reflects the higher earnings resulting from increased contract volume and a better cost-of-risk situation. On the other hand, a higher interest-rate level, the expansion of businesses activities and exchange-rate effects impacted earnings negatively. In addition, average equity increased by €0.1 billion.

Liquidity and Capital Resources

Principles and objectives of financial management

Financial management at Daimler consists of capital structure management, cash and liquidity management, pension asset management, market-price risk management (foreign exchange rates, interest rates, commodity prices) and credit and financial country risk management. Worldwide financial management is performed within the framework of legal requirements consistently for all Group entities by Treasury. Financial management operates within a framework of guidelines, limits and benchmarks, and on the operational level is organizationally separate from other financial functions such as settlement, financial controlling, reporting and accounting.

Capital structure management designs the capital structure for the Group and its subsidiaries. Decisions regarding the capitalization of financial services companies – as well as production, sales and financing companies – are based on the principles of cost-optimized and risk-optimized liquidity and capital resources. In addition, it is necessary to comply with restrictions on capital transactions and on the transfer of capital and currencies.

The purpose of **liquidity management** is to enable the Group to meet its payment obligations at any time. For this purpose, the Group records the cash flows from operating and financial activities in a rolling plan. The resulting financial requirements are covered by the use of appropriate instruments for liquidity management (e.g. bank credits, commercial paper and notes); liquidity surpluses are invested in the money market or the capital market taking into account risk and return expectations. The goal is to ensure the level of liquidity regarded as necessary at optimal costs. Besides operational liquidity, Daimler maintains additional liquidity reserves, which are available in the short term. Those additional financial resources include a pool of receivables from the financial services business which are available for securitization in the capital market, as well as a contractually confirmed syndicated credit facility with a volume of €9 billion.

Cash management determines the Group’s cash requirements and surpluses. Via cash-pooling procedures, liquidity is centrally concentrated on bank accounts of Daimler in various currencies. Most of the payments between Group companies are made via internal clearing accounts, so that the number of external cash flows is reduced to a minimum. Daimler has established standardized processes and systems to manage its bank accounts and internal cash-clearing accounts, and to execute automated payment transactions.

Management of market price risks aims to minimize the impact of fluctuations in foreign exchange rates, interest rates and commodity prices on the results of the divisions and the Group. The Group’s overall exposure to these market-price risks is determined to provide a basis for hedging decisions, which include the definition of hedging volumes and corresponding periods, as well as the selection of hedging instruments. Decisions regarding the management of risks resulting from fluctuations in foreign exchange rates and commodity prices, as well as decisions on asset/liability management (liquidity and interest rates), are regularly made by the relevant committees.

Management of pension assets includes the investment of pension assets to cover the corresponding pension obligations. Pension assets are legally separated from the Group’s assets and are invested primarily in funds; pension assets are not available for general business purposes. The funds are allocated to different asset classes such as equities, fixed-interest securities, alternative investments and real estate, depending on the expected development of pension obligations and with the help of a risk-return optimization. The performance of asset management is measured by comparing with defined reference indices. Local custodians of the pension assets are responsible for the risk management of the individual pension assets. The Global Pension and Healthcare Committee limits these risks by means of Group-wide binding guidelines. Additional information on pension plans and similar obligations is provided in Note 22 of the Notes to the Consolidated Financial Statements.

B.23

Condensed statement of cash flows[1]	Consolidated		Industrial Business[2]		Daimler Financial Services	
	2017	2016	**2017**	2016	**2017**	2016
In millions of euros						
Cash and cash equivalents at beginning of period	**10,981**	9,936	**8,751**	8,369	**2,230**	1,567
Profit before income taxes	**14,301**	12,574	**12,336**	10,840	**1,965**	1,734
Depreciation and amortization/impairments	**5,676**	5,478	**5,521**	5,398	**155**	80
Other non-cash expense and income and gains/losses on disposals of assets	**-1,960**	-1,110	**-2,028**	-1,141	**68**	31
Change in operating assets and liabilities						
Inventories	**-1,455**	-1,272	**-1,264**	-1,356	**-191**	84
Trade receivables	**-1,592**	-962	**-1,082**	-697	**-510**	-265
Trade payables	**1,288**	757	**1,159**	581	**129**	176
Receivables from financial services	**-11,145**	-6,848	**200**	194	**-11,345**	-7,042
Vehicles on operating leases	**-3,681**	-4,209	**642**	-132	**-4,323**	-4,077
Other operating assets and liabilities	**-48**	2,150	**-644**	1,650	**596**	500
Dividends received from equity-method investments	**843**	103	**842**	103	**1**	–
Income taxes paid	**-3,879**	-2,950	**-3,715**	-2,797	**-164**	-153
Cash used for/provided by operating activities	**-1,652**	3,711	**11,967**	12,643	**-13,619**	-8,932
Additions to property, plant and equipment and intangible assets	**-10,158**	-8,833	**-10,025**	-8,720	**-133**	-113
Investments in and disposals of shareholdings	**-687**	-3,905	**-626**	-216	**-61**	-3,689
Acquisitions and sales of marketable debt securities	**537**	-2,330	**435**	-2,311	**102**	-19
Other	**790**	402	**791**	344	**-1**	58
Cash used for investing activities	**-9,518**	-14,666	**-9,425**	-10,903	**-93**	-3,763
Change in financing liabilities	**16,794**	15,763	**8,976**	9,876	**7,818**	5,887
Dividends paid	**-3,727**	-3,678	**-3,723**	-3,674	**-4**	-4
Other transactions with shareholders	**62**	-76	**-20**	-111	**82**	35
Internal equity and financing transactions	**–**	–	**-6,233**	-7,444	**6,233**	7,444
Cash used for/provided by financing activities	**13,129**	12,009	**-1,000**	-1,353	**14,129**	13,362
Effect of foreign exchange rate changes on cash and cash equivalents	**-868**	-9	**-778**	-5	**-90**	-4
Cash and cash equivalents at end of period	**12,072**	10,981	**9,515**	8,751	**2,557**	2,230

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, Mercedes-Benz 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.

The risk volume that is subject to **credit risk management** includes all of Daimler’s worldwide creditor positions with financial institutions, issuers of securities, and customers in the financial services business and the automotive business. Credit risks with financial institutions and issuers of securities arise primarily from investments executed as part of our liquidity management and from trading in derivative financial instruments. The management of these credit risks is mainly based on an internal limit system that reflects the creditworthiness of the respective financial institution or issuer. The credit risk with customers of our automotive business relates to contracted dealerships and general agencies, other corporate customers and retail customers. In connection with the export business, general agencies that according to our creditworthiness analyses are not sufficiently creditworthy are generally required to provide collateral such as first-class bank guarantees. The credit risk with end-customers in the financial services business is managed by Daimler Financial Services on the basis of a standardized risk management process. In this process, minimum requirements are defined for the sales-financing and leasing business and standards are set for credit processes as well as for the identification, measurement and management of risks. Key elements for the management of credit risks are appropriate creditworthiness assessments, supported by statistical risk-classification methods, as well as structured portfolio analysis and portfolio monitoring.

Financial country risk management includes various aspects: the risk from investments in subsidiaries and joint ventures, the risk from the cross-border financing of Group companies in risk countries, and the risk from direct sales to customers in those countries. Daimler has an internal rating system that divides all countries in which it operates into risk categories. With equity capital transactions in risk countries, the Group hedges against political risks with the use of investment protection insurance such as the German government’s investment guarantees. Risks from cross-border receivables are partially protected with the use of export credit insurance, letters of credit and bank guarantees in favor of Daimler AG. In addition, a committee sets and restricts the level of hard-currency credits granted to financial services companies in risk countries.

Further information on the management of market-price risk, credit-default and liquidity risk is provided in Note 32 of the Notes to the Consolidated Financial Statements.

Cash flows

Cash used for/provided by operating activities ↗ B.23 resulted in a cash outflow of €1.7 billion in 2017 (2016: cash inflow of €3.7 billion). The decrease was primarily due to effects from the leasing and sales-financing business. In addition, a cash outflow of €3.0 billion resulted from the extraordinary contribution to the German pension plan assets. Cash used for operating activities also reflects higher income taxes paid. Opposing effects were due to the positive business performance. A cash inflow of €0.8 billion resulted from the dividend distributed by Beijing Benz Automotive Co., Ltd. The payment of the fine of €1.0 billion imposed on Daimler by the European Commission in the context of the settlement in the truck antitrust proceedings led to a cash outflow in the prior-year period.

Cash used for investing activities ↗ B.23 amounted to €9.5 billion (2016: €14.7 billion). The change compared with the prior-year period resulted primarily from lower cash outflowsfor investments in shareholdings. The reporting period was affected by the acquisition of an interest in LSH Auto International Limited (LSHAI). In the prior-year period, the acquisition of 100% of the shares of Athlon Car Lease International B.V. (Athlon) and the settlement of financing liabilities of Athlon led to cash outflows. Positive effects resulted from acquisitions and disposals of securities in the context of liquidity management. Those transactions led to a net cash inflow in 2017, whereas acquisitions exceeded disposals in the previous year. The sale of real estate in Japan led to a cash inflow of €0.3 billion. Cash used for investing activities also reflects increased investments in property, plant and equipment and intangible assets.

B.24
Free cash flow of the industrial business

	2017	2016	17/16
In millions of euros			Change
Cash provided by operating activities	**11,967**	12,643	-676
Cash used for investing activities	**-9,425**	-10,903	+1,478
Change in marketable debt securities	**-435**	2,311	-2,746
Other adjustments	**-102**	-177	+75
Free cash flow of the industrial business	**2,005**	3,874	-1,869

Cash provided by financing activities ↗ B.23 amounted to €13.1 billion (2016: €12.0 billion). The increase was primarily caused by higher net cash inflows from financing liabilities in the context of refinancing the leasing and sales-financing business.

Cash and cash equivalents increased by €1.1 billion compared with December 31, 2016, after taking currency-translation effects into account. Total liquidity, which also includes marketable debt securities, increased by €0.4 billion to €22.1 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 ↗ B.24**, which is derived from the reported cash flows from operating and investing activities. The cash flows from the acquisition and sale of marketable debt securities included in cash flows from investing activities are deducted, as those securities are allocated to liquidity and changes in them are thus not a part of the free cash flow.

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

The free cash flow of the industrial business amounted to €2.0 billion in 2017 and was lower than the prior-year level of €3.9 billion. The free cash flow of the industrial business was thus in line with the adjusted forecast made in the Outlook section of the Interim Report on the third quarter of 2017, and was primarily influenced by the cash outflow of €3.0 billion for the extraordinary contribution to the German pension plan assets. Excluding this payment, which was announced in the Outlook section of the Interim Report on the third quarter of 2017, the free cash flow of the industrial business was significantly higher than in the previous year and thus significantly surpassed our forecast as adjusted during the year.

B.25
Net liquidity of the industrial business

In millions of euros	Dec. 31, 2017	Dec. 31, 2016	17/16 Change
Cash and cash equivalents	9,515	8,751	+764
Marketable debt securities	8,894	9,498	-604
Liquidity	18,409	18,249	+160
Financing liabilities	-1,600	1,451	-3,051
Market valuation and currency hedges for financing liabilities	-212	37	-249
Financing liabilities (nominal)	-1,812	1,488	-3,300
Net liquidity	16,597	19,737	-3,140

B.26
Net debt of the Daimler Group

In millions of euros	Dec. 31, 2017	Dec. 31, 2016	17/16 Change
Cash and cash equivalents	12,072	10,981	+1,091
Marketable debt securities	10,063	10,748	-685
Liquidity	22,135	21,729	+406
Financing liabilities	-127,124	-117,686	-9,438
Market valuation and currency hedges for financing liabilities	-229	61	-290
Financing liabilities (nominal)	-127,353	-117,625	-9,728
Net debt	-105,218	-95,896	-9,322

The €1.9 billion decrease in the free cash flow to €2.0 billion resulted primarily from the cash outflow for the extraordinary contribution to the pension plan assets and the higher income taxes paid. In addition, the free cash flow of the industrial business was affected by increased investments in property, plant and equipment and intangible assets and the acquisition of an interest in LSHAI. Opposing effects were due to the positive business performance and the development of operating leases in the industrial business. A cash inflow of €0.8 billion resulted from the dividend distributed by Beijing Benz Automotive Co., Ltd. and the sale of real estate in Japan led to a cash inflow of €0.3 billion. The payment of the fine of €1.0 billion imposed on Daimler by the European Commission in the context of the settlement in the truck antitrust proceedings led to a cash outflow in the prior-year period.

In 2017, the **free cash flow of the Daimler Group** led to a cash outflow of €11.9 billion (2016: €9.3 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. In the prior-year period, there was an additional effect due to the acquisition of 100% of the shares of Athlon, including the settlement and assumption of Athlon's financing liabilities.

The **net liquidity of the industrial business** ↗ B.25 is calculated as the total amount as shown in the statement of financial position of cash, cash equivalents and the marketable debt securities included in liquidity management, less the currency-hedged nominal amounts of financing liabilities.

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

Compared with December 31, 2016, the net liquidity of the industrial business decreased from €19.7 billion to €16.6 billion. The dividend payment to the shareholders of Daimler AG and negative exchange-rate effects led to a decrease in net liquidity that was only partially offset by the positive free cash flow.

Net debt at Group level, which primarily results from refinancing the leasing and sales-financing business, increased compared with December 31, 2016 from €95.9 billion to €105.2 billion. ↗ B.26

Financial guarantees, contingent liabilities and other financial obligations

Within the context of **financial guarantees**, Daimler generally guarantees the settlement of the payment obligations of the main debtor vis-à-vis the holder of the guarantee. The maximum potential obligation resulting from these guarantees amounts to €0.7 billion at December 31, 2017 (2016: €0.8 billion); the liabilities recognized in this context amount to €0.1 billion at the end of the year (2016: €0.2 billion). The financial guarantees that the Group has issued relating to bank loans of Toll Collect GmbH, the operator company for the electronic toll-collection system in Germany, remain unchanged at €0.1 billion. For information on risks arising from guarantees, we refer to our Risk and Opportunity Report in the section "Risks from guarantees, legal and tax risks".

The contingent liabilities principally constitute buyback obligations. At December 31, 2017, the best possible estimate for the loss risk from these guarantees amounted to €1.6 billion (2016: €1.7 billion). The amounts of the buyback commitments are close to the fair values of the vehicles to be taken back. Warranty and goodwill commitments (product guarantees) provided by the Group in connection with its vehicle sales are not included in the contingent liabilities. Other contingent liabilities are also included. The best possible estimate for an obligation from the other contingent liabilities is €0.6 billion (2016: €0.3 billion).

In the context of its ordinary business operations, the Group has also entered into **other financial obligations** in addition to the liabilities shown in the consolidated balance sheet at December 31, 2017.

Detailed information on financial guarantees, contingent liabilities and other financial obligations are provided in Note 30 of the Notes to the Consolidated Financial Statements.

Investment

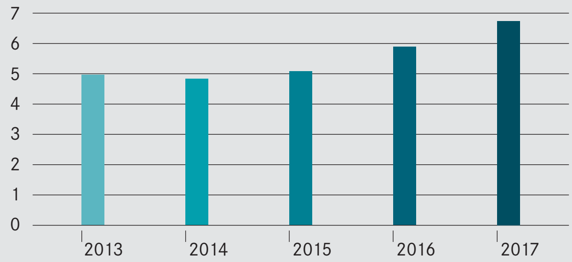
In the context of our strategy of strengthening our core business, we aim to make good use of the opportunities presented by the global automotive markets. At the same time, we intend to play a major role in shaping the fundamental technological change occurring in the automotive industry, and to assume a leading role with the development of the future areas of CASE (Connected, Autonomous, Shared & Services and Electric). This requires substantial investment in innovative products and new technologies, as well as in the expansion of our worldwide production network. In 2017, we therefore once again significantly increased our investment in property, plant and equipment – as already announced in Annual Report 2016 – from an already high level to €6.7 billion (2016: €5.9 billion).

At December 31, 2017, financial obligations of €4.0 billion exist in connection with future investments in property, plant and equipment.

B.27

Investment in property, plant and equipment

In billions of euros



B.28

Investment in property, plant and equipment by division

In millions of euros	**2017**	2016	16/15 % change
Daimler Group	**6,744**	5,889	+15
in % of revenue	**4.1**	3.8	
Mercedes-Benz Cars	**4,843**	4,147	+17
in % of revenue	**5.1**	4.6	
Daimler Trucks	**1,028**	1,243	-17
in % of revenue	**2.9**	3.7	
Mercedes-Benz Vans	**710**	373	+90
in % of revenue	**5.4**	2.9	
Daimler Buses	**94**	97	-3
in % of revenue	**2.2**	2.3	
Daimler Financial Services	**43**	37	+16
in % of revenue	**0.2**	0.2	

At Mercedes-Benz Cars, investment in property, plant and equipment of €4.8 billion in 2017 was significantly above the prior-year level (2016: €4.1 billion). The most important projects included the model upgrade of the S-Class and the successor models in the compact class, as well as new combustion engines and transmissions. We also made substantial investments in the reorganization of our German production facilities as competence centers and in the expansion of our international production network. At the same time, we are preparing our worldwide production network for electric mobility. The main areas of investment at Daimler Trucks in 2017 were successor generations for existing products, new products, global component projects and the optimization of the worldwide production network. Total investment in property, plant and equipment at Daimler Trucks decreased to €1.0 billion (2016: €1.2 billion). At the Mercedes-Benz Vans division, the focus of investment was on the next-generation Sprinter in Germany and the United States. The main investments at Daimler Buses in the reporting period were in alternative drive systems, new products and the modernization of the production network.

In addition to property, plant and equipment, we also invested in associated companies and joint ventures in the reporting period. Through targeted investments, we strengthened our position especially in the area of mobility services and in the development of a charging infrastructure for electric mobility. Also in 2017, Daimler acquired an equity interest of 15% in LSH Auto International Limited (LSHAI) for €0.3 billion. LSHAI is a subsidiary of Lei Shing Hong Group and is one of the biggest Mercedes-Benz dealers worldwide. With this transaction, the two partners are strengthening their longstanding cooperation.

Furthermore, we capitalized development costs of €2.8 billion in 2017 (2016: €2.3 billion); this is presented under intangible assets. page 264.

Refinancing

The funds raised by Daimler in the year 2017 primarily served to refinance the leasing and sales-financing business. For that purpose, Daimler made use of a broad spectrum of various financing instruments in various currencies and markets. They include bank loans, commercial paper in the money market, bonds with medium and long maturities, customer deposits at Mercedes-Benz Bank, and the securitization of receivables from customers in the financial services business (asset backed securities).

Various issuance programs are available for raising longer-term funds in the capital market. They include the Euro Medium Term Note program (EMTN) with a total volume of €50 billion, under which Daimler AG and several subsidiaries can issue **bonds** in various currencies. Other local capital-market programs exist, which are significantly smaller than the EMTN program. Capital-market programs allow flexible, repeated access to the capital markets.

The continued expansive monetary policy of the central banks also affected the situation in the bond markets in the reporting period. The high volumes of available liquidity meant that risk premiums for companies with investment-grade credit ratings remained moderate.

In the year under review, the Group covered its refinancing requirements mainly through the issuance of bonds. A large proportion of those bonds were placed in the form of so-called benchmark emissions (bonds with high nominal volumes) in the US dollar and euro markets. ↗ B.30

In the Chinese market, Daimler placed four so-called panda bonds with a total volume of CNY 16.0 billion. In addition, a large number of smaller bonds were issued in various currencies and markets.

Daimler also issued small volumes of **commercial paper** in 2017.

In 2017, **asset-backed securities (ABS)** were issued in two new countries in addition to the already established ABS platforms in the United States, Canada, China and Germany.

In the United Kingdom, ABS of GBP 0.4 billion were successfully placed with investors, while the volume of the first transaction in Australia was AUD 0.75 billion. In the United States, a total refinancing volume of $4.7 billion was generated in 2017 in three transactions, and CAD 0.4 billion was generated in a transaction in Canada. In addition, Mercedes-Benz Bank sold €1.1 billion worth of ABS bonds to European investors through the Silver Arrow platform. In China, two ABS transactions with a total volume of CNY 10.2 billion were successfully placed.

Bank credit was another important source of refinancing in 2017. Loans were provided by globally active banks as well as by nationally operating banks. The lenders also included supranational banks such as the European Investment Bank and the Brazilian Development Bank (BNDES).

In order to secure sufficient financial flexibility, Daimler concluded a €9 billion syndicated credit facility with a consortium of international banks in September 2013. This provides the Group with financial flexibility until the year 2020. More than 40 European, American and Asian banks participated in the consortium. Currently, Daimler does not intend to utilize the credit line.

At the end of 2017, Daimler had not utilized short- and long-term credit lines totaling €21.0 billion (2016: €18.1 billion). They include the syndicated credit facility arranged in September 2013 with a consortium of international banks with a volume of €9 billion.

The carrying values of the main refinancing instruments and the weighted average interest rates are shown in table ↗ B.29. At December 31, 2017, they are mainly denominated in the following currencies: 43% in euros, 25% in US dollars, 8% in Chinese renminbi, 4% in Canadian dollars, 4% in British pounds and 3% in Japanese yen.

At December 31, 2017, the total of financial liabilities shown in the consolidated statement of financial position amounted to €127,124 million (2016: €117,686 million).

Detailed information on the amounts and terms of financing liabilities is provided in Note 24 and 32 of the Notes to the Consolidated Financial Statements. Note 32 also provides information on the maturities of the other financial liabilities.

B.29
Refinancing instruments

	Average interest rates		Carrying values	
	Dec. 31, 2017	Dec. 31, 2016	**Dec. 31, 2017**	Dec. 31, 2016
	in %		In millions of euros	
Notes/bonds and liabilities from ABS transactions	**1.88**	1.64	**78,110**	73,648
Commercial paper	**2.64**	2.71	**1,045**	1,701
Liabilities to financial institutions	**3.09**	2.96	**34,555**	29,674
Deposits in the direct banking business	**0.42**	0.65	**11,460**	11,642

B.30
Benchmark issuances

Issuer	Volume	Month of emission	Maturity
Daimler Finance North America LLC	US$1,400 million	Jan. 2017	Jan. 2020
Daimler Finance North America LLC	US$850 million	Jan. 2017	Jan. 2022
Daimler Finance North America LLC	US$750 million	Jan. 2017	Jan. 2027
Daimler AG	€1,250 million	Feb. 2017	Feb. 2025
Daimler Finance North America LLC	US$500 million	May 2017	Nov. 2018
Daimler Finance North America LLC	US$1,250 million	May 2017	May 2020
Daimler Finance North America LLC	US$250 million	May 2017	Jan. 2022
Daimler AG	€1,250 million	Jun. 2017	Jul. 2024
Daimler AG	€1,500 million	Jun. 2017	Jul. 2029
Daimler AG	€1,300 million	Jun. 2017	Jul. 2037
Daimler AG	€1,000 million	Nov. 2017	Nov. 2027
Daimler Finance North America LLC	US$1,500 million	Nov. 2017	Feb. 2021

Credit ratings

In financial year 2017, the long-term credit ratings of Daimler AG were upgraded by the two rating agencies Moody's Investors Service and DBRS from A3 to A2 and from A (low) to A respectively. Concurrently, Moody's also upgraded the short-term rating from P-2 to P-1. For the first time, Daimler received a credit rating from the European rating agency Scope Ratings AG. Scope assigned a corporate issuer rating of A and a stable outlook to Daimler AG and its financing subsidiaries, with a short-term rating of S-1. The other agencies did not change our credit ratings compared with the previous year. At the end of 2017, the outlook for Daimler AG was assessed as "stable" by all five of the agencies it has engaged. ↗ B.31

B.31

Rating

	End of 2017	End of 2016
Long-term credit rating		
Standard & Poor's	A	A
Moody's	A2	A3
Fitch	A-	A-
Scope	A	-
DBRS	A	A (low)
Short-term credit rating		
Standard & Poor's	A-1	A-1
Moody's	P-1	P-2
Fitch	F2	F2
Scope	S-1	-
DBRS	R-1 (low)	R-1 (low)

On February 3, 2017, Moody's Investors Service (Moody's) upgraded its long-term rating for Daimler AG and its rated subsidiaries from A3 to A2. It also upgraded its short-term rating from P-2 to P-1. The outlook was changed from "positive" to "stable". The upgrade was explained with the robust operational performance in recent years as well as the successful and ongoing product renewal program. As assessed by Moody's, Daimler is well prepared to weather the future challenges facing the automotive industry such as autonomous driving, alternative drive systems, fuel consumption and emissions.

Daimler AG for the first time engaged the European rating agency Scope Ratings (Scope) to issue a corporate rating. On April 27, 2017, Scope assigned an A rating for the creditworthiness of Daimler AG and its financing companies. The short-term rating was assessed as S-1 and the outlook as "stable". Scope stated that its corporate rating reflects the company's track record in recent years and Scope's expectation for a continuation of the strong market positions held by the Daimler Group's leading divisions, Mercedes-Benz Cars and Daimler Trucks. Scope stated that its positive risk assessment was supported by the Group's geographic diversification and the added benefit from the captive finance business at Daimler Financial Services. Furthermore, it assessed Daimler's financial risk profile as very strong.

On May 26, 2017, Fitch Ratings (Fitch) affirmed its long-term issuer default rating of A- with a stable outlook for Daimler AG. Fitch referred to Daimler's strong business profile and robust credit metrics. In addition, Fitch mentioned the Group's wide geographic and business diversification as well as the strengthened profitability of the automotive divisions in recent years. Fitch expects that increased technological convergence in the fields of autonomous driving and electric mobility will provide more synergies between the divisions in the medium term.

On September 15, 2017, S&P Global Ratings (S&P) also confirmed its long-term corporate rating of A for Daimler AG with reference to the leading position that the Group has achieved in the automotive business. The rating agency referred in particular to the strength of the Mercedes-Benz Cars division. S&P assumes that Daimler will maintain its competitive position in the coming years. Furthermore, S&P expects a continuation of very good financial metrics. The business risk of Daimler AG is assessed as "satisfactory" and the financial risk as "minimal".

On November 29, 2017, the Canadian agency DBRS upgraded its long-term rating for Daimler AG from A (low) to A, with a stable outlook. DBRS stated that this change reflects the continually improving earnings over the past number of years, which has caused Daimler's financial risk assessment to strengthen to a higher level.

The short-term ratings issued by S&P, Fitch and DBRS remained unchanged in 2017.

Financial Position

The **balance sheet total** increased compared with December 31, 2016 from €243.0 billion to €255.6 billion; adjusted for the effects of currency translation, the increase amounted to €25.3 billion. Daimler Financial Services accounted for €150.0 billion of the balance sheet total (2016: €141.8 billion), equivalent to 59% of the Daimler Group's total assets (2016: 58%).

The increase in total assets was primarily due to the growth of the financial services business and higher trade receivables. In addition, the higher volume of capital expenditure led to an increase in intangible assets and property, plant and equipment. On the liabilities side, the increased refinancing requirement resulting from the portfolio growth led to increased financing liabilities. Furthermore, there was an increase in shareholders' equity. Current assets accounted for 42% of the balance sheet total, which was at the prior-year level. Current liabilities amounted to 34% of total equity and liabilities, which was slightly below the prior-year level (2016: 35%).

Intangible assets of €13.7 billion (2016: €12.1 billion) included €10.3 billion of capitalized development costs (2016: €8.8 billion), €2.0 billion (2016: €1.4 billion) of franchises, industrial property and similar rights, as well as €1.1 billion of goodwill (2016: €1.2 billion). The Mercedes-Benz Car division accounted for 79% (2016: 76%) and Daimler Trucks for 10% (2016: 14%) of development costs. Capitalized development costs amounted to €2.8 billion in 2017 (2016: €2.3 billion), and accounted for 32% of the Group's total research and development expenditure (2016: 31%) see page 264.

Property, plant and equipment see page 265 increased to €28.0 billion (2016: €26.4 billion). In 2017, €6.7 billion was invested worldwide (2016: €5.9 billion), in particular at our production and assembly sites for new products and technologies and for the expansion and modernization of production facilities. The sites in Germany accounted for €4.0 billion of the capital expenditure (2016: €3.6 billion).

Equipment on operating leases and receivables from financial services rose to a total of €133.5 billion (2016: €127.4 billion). The increase adjusted for exchange-rate effects of €14.5 billion was primarily caused by the higher level of new business at Daimler Financial Services. The growth in business operations reflected the successful course of business, especially in Asia and Europe. The growth in the sales-financing business was especially significant in China and other Asian countries. The leasing and sales-financing business as a proportion of total assets was at the prior-year level of 52%.

Equity-method investments of €4.8 billion (2016: €4.1 billion) mainly comprised the carrying amounts of our equity interests in Beijing Benz Automotive Co., Ltd., BAIC Motor Corporation Ltd., There Holding B.V. and LSH Auto International Limited. See Note 13 of the Notes to the Consolidated Financial Statements for further information.

Inventories increased from €25.4 billion to €25.7 billion, equivalent to 10% of total assets, and were thus at the prior-year level. The increase adjusted for exchange-rate effects of €1.4 billion applied to all automotive divisions.

Trade receivables amounted to €12.0 billion, which is above the prior-year level of €10.6 billion. The Mercedes-Benz Cars division accounted for 43% of these receivables and the Daimler Trucks division accounted for 24%.

Cash and cash equivalents increased compared with the end of 2016 by €1.1 billion to €12.1 billion.

Marketable debt securities decreased compared with December 31, 2016 from €10.7 billion to €10.1 billion. Those assets included the debt instruments that are allocated to liquidity, most of which are traded in active markets. They generally had an external rating of A or better.

Other financial assets increased by €1.1 billion to €6.8 billion. They primarily consisted of derivative financial instruments, equity instruments in non-consolidated subsidiaries and other investments, as well as loans and other receivables due from third parties. The increase was primarily attributable to higher positive fair values of currency derivatives.

Other assets of €9.0 billion (2016: €9.5 billion) primarily comprised deferred tax assets and tax refund claims. The decrease in deferred tax assets primarily related to effects from the measurement of derivatives not recognized in profit and loss.

The **Group's equity** increased compared with December 31, 2016 from €59.1 billion to €65.3 billion; adjusted for the effects of currency translation, the increase amounted to €8.8 billion. The increase in equity was mainly due to net profit of €10.9 billion see page 104 and the remeasurement of derivative financial instruments not recognized in profit and loss of €1.7 billion. The increase was partially offset by the dividend of €3.5 billion paid out to Daimler's shareholders and effects from currency translation of €2.7 billion. Equity attributable to the shareholders of Daimler AG increased to €64.0 billion (2016: €58.0 billion).

In relation to the 5% increase in the balance sheet total, equity increased by the disproportionally high rate of 10%. Due to the effects described above, the Group's **equity ratio** of 24.0% was above the level at the end of 2016 (22.9%); the equity ratio for the industrial business was 46.4% (2016: 44.7%). It is necessary to consider that the equity ratios at the end of 2016 and 2017 are adjusted for the paid and proposed dividend payments.

Provisions decreased from €26.8 billion to €24.6 billion; as a proportion of the balance sheet total, they were slightly below the prior-year level at 10% (2016: 11%). They primarily comprised provisions for pensions and similar obligations of €5.8 billion (2016: €9.0 billion), which mainly consists of the difference between the present value of defined benefit pension obligations of €31.7 billion (2016: €31.2 billion) and the fair value of the pension-plan assets applied to finance those obligations of €27.2 billion (2016: €23.4 billion). The decrease in provisions for pensions and similar obligations is primarily due to the extraordinary contribution of €3.0 billion into the German pension plan assets. Provisions also related to liabilities from income taxes of €1.6 billion (2016: €1.7 billion), from product warranties of €6.7 billion (2016: €6.1 billion) and for personnel and social costs of €4.4 billion (2016: €4.3 billion), as well as other provisions of €6.2 billion (2016: €5.7 billion).

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Statement of financial position[1]	Consolidated		Industrial Business[2]		Daimler Financial Services	
	2017	At December 31, 2016	2017	At December 31, 2016	2017	At December 31, 2016
in millions of euros						
Assets						
Intangible assets	**13,735**	12,098	**12,789**	11,199	**946**	899
Property, plant and equipment	**27,981**	26,381	**27,914**	26,314	**67**	67
Equipment on operating leases	**47,714**	46,942	**18,711**	17,433	**29,003**	29,509
Receivables from financial services	**85,787**	80,507	**-109**	-87	**85,896**	80,594
Equity-method investments	**4,818**	4,098	**4,670**	4,043	**148**	55
Inventories	**25,686**	25,384	**24,492**	24,426	**1,194**	958
Trade receivables	**11,990**	10,614	**9,737**	8,977	**2,253**	1,637
Cash and cash equivalents	**12,072**	10,981	**9,515**	8,751	**2,557**	2,230
Marketable debt securities	**10,063**	10,748	**8,894**	9,498	**1,169**	1,250
thereof current	**9,073**	9,648	**8,893**	9,497	**180**	151
thereof non-current	**990**	1,100	**1**	1	**989**	1,099
Other financial assets	**6,801**	5,736	**-10,933**	-11,045	**17,734**	16,781
Other assets	**8,958**	9,499	**-61**	1,637	**9,019**	7,862
Total assets	**255,605**	242,988	**105,619**	101,146	**149,986**	141,842
Equity and liabilities						
Equity	**65,314**	59,133	**52,936**	48,685	**12,378**	10,448
Provisions	**24,617**	26,810	**23,591**	25,768	**1,026**	1,042
Financing liabilities	**127,124**	117,686	**1,600**	-1,451	**125,524**	119,137
thereof current	**48,746**	47,288	**-19,435**	-20,480	**68,181**	67,768
thereof non-current	**78,378**	70,398	**21,035**	19,029	**57,343**	51,369
Trade payables	**12,474**	11,567	**11,655**	10,853	**819**	714
Other financial liabilities	**11,522**	12,869	**7,622**	9,645	**3,900**	3,224
Other liabilities	**14,554**	14,923	**8,215**	7,646	**6,339**	7,277
Total equity and liabilities	**255,605**	242,988	**105,619**	101,146	**149,986**	141,842

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, Mercedes-Benz 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.

Financing liabilities of €127.1 billion were above the prior-year level (€117.7 billion). The increase of €16.2 billion adjusted for exchange-rate effects was primarily due to the refinancing of the growing leasing and sales-financing business. 53% of the financing liabilities were accounted for by bonds, 27% by liabilities to financial institutions, 9% by deposits in the direct banking business and 9% by liabilities from ABS transactions.

Trade payables increased to €12.5 billion due to the higher volume of business (2016: €11.6 billion). The Mercedes-Benz Cars division accounted for 63% of those payables and the Daimler Trucks division accounted for 20%.

Other **financial liabilities** of €11.5 billion (2016: €12.9 billion) mainly consisted of liabilities from residual-value guarantees, liabilities from wages and salaries, deposits received and accrued interest on financing liabilities. The decrease was primarily caused by lower negative fair values of currency derivatives.

Other liabilities of €14.6 billion (2016: €14.9 billion) primarily comprise deferred income, tax liabilities and deferred taxes. The tax reform in the United States affected the deferred tax liability. This was offset in particular by an increase in deferred income due to the expansion of business activity.

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 see page 240, the Consolidated Statement of Changes in Equity see page 242 and the related notes in the Notes to the Consolidated Financial Statements.

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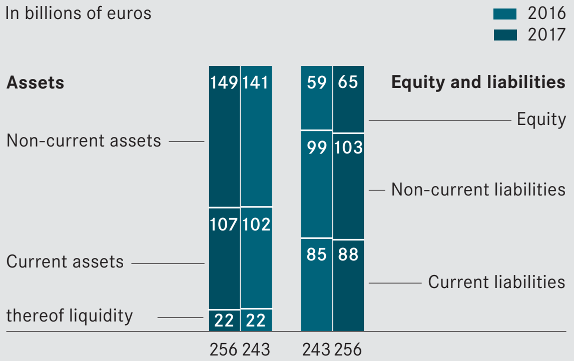
Balance sheet structure Daimler Group

In billions of euros



Daimler AG

Condensed version according to the German Commercial Code (HGB)

In addition to reporting on the Daimler Group, the development of Daimler AG is also described in this section.

Daimler AG is the parent company of the Daimler Group and is domiciled in Stuttgart. Its principal business activities comprise the development, production and distribution of cars, vans and trucks in Germany and the management of the activities of the Daimler Group.

The vehicles are produced at the domestic plants of Daimler AG, as well as under contract-manufacturing agreements by domestic and foreign subsidiaries and by producers of special vehicles. Daimler AG distributes its products through its own sales-and-service network, which is organized in seven regional centers for cars and seven for commercial vehicles, through foreign sales subsidiaries and through third parties.

The annual financial statements of Daimler AG are prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). This results in some differences with regard to recognition and measurement, primarily relating to intangible assets, provisions, financial instruments, the leasing business and deferred taxes.

The main performance indicators for Daimler AG are unit sales, revenue and net profit.

Profitability

The development of **profitability** was affected in financial year 2017 by the decrease in operating profit by €0.7 billion to €1.1 billion, as well as by the increase in financial income by €0.4 billion to €5.9 billion. ↗ B.34

Daimler AG slightly increased its unit sales in 2017, as had been forecast in the previous year. Unit sales in the car business increased by 3% to 1,870,000 vehicles[1]. The SUV segment was particularly successful in 2017, with a 16% increase in sales to 639,000 units[1]. The E-Class segment recorded growth of 11% to 274,000 units[1]. Due to the lifecycle of the C-Class, sales of 336,000 units[1] in this segment were lower than in the previous year (2016: 375,000). Sales of trucks amounted to 106,000 (2016: 101,000) units[1] and sales of vans increased by 5% to 357,000 units[1].

Revenue increased by €5.5 billion to €112.7 billion and was thus higher than our expectations as stated in the "Outlook" section of last year's Annual Report. Revenue in the car business increased by 6% to €87.0 billion due to higher unit sales of vehicles and components. Despite the termination of a contract-manufacturing agreement, revenue in the commercial-vehicle business increased by 1% to €25.7 billion.

Cost of sales increased by 6% to €101.9 billion. Increases in unit sales and expenses for new products and technologies led to higher cost of sales. Research and development expenses, which are included in cost of sales, were significantly higher than in the previous year at €7.6 billion (2016: €6.6 billion); as a proportion of revenue, they amounted to 6.8% (2016: 6.1%). Research and development expenses were primarily related to the renewal and expansion of the product portfolio, especially with regard to the model series of the SUVs, the compact class and the S-Class, as well as the successor model of the Sprinter. In addition, work is continuing on new generations of engines, alternative drive systems and the intensification of the module strategy. At the end of the year, approximately 20,000 people were employed in the area of research and development.

1 Unit sales relate solely to new vehicles. The unit sales of Daimler AG include vehicles invoiced to companies of the Group which have not yet been sold on to external customers by those companies. Vehicle sales by production companies of the Daimler Group to external customers and to subsidiaries of Daimler AG, as well as contract manufacturing by Daimler AG are not counted in unit sales.

Selling expenses increased by €0.9 billion to €7.3 billion. This was primarily due to higher expenses for marketing, commissions and outgoing freight. As a proportion of revenue, selling expenses increased from 6.0% to 6.5%.

General administrative expenses of €2.0 billion were slightly above the prior-year level (2016: €1.8 billion). In relation to revenue, they amounted to 1.8% (2016: 1.7%).

Other operating expense, net amounted to €0.4 billion (2016: €0.7 billion). The prior-year figure mainly comprised expenses in connection with a legal proceeding. ↗ B.34

Financial income increased by €0.4 billion to €5.9 billion, primarily due to improved income from investments in subsidiaries and associated companies. This mainly reflects increased dividend distributions as well as lower impairments of investments in subsidiaries. On the other hand, financial income was affected by increased interest expense relating to pensions. This primarily resulted from a decrease in the discount rate. In the previous year, there was a positive effect from a change in the law on the calculation of the discount rate.

The **income tax expense** amounts to €2.0 billion (2016: €1.4 billion). The increase primarily reflects tax expenses for prior periods relating to tax assessments of previous years. The figure for 2016 includes tax benefits recognized for prior periods.

Net profit decreased from €5.9 billion to €5.0 billion, and was thus in line with the expectations stated in the "Outlook" section of last year's Annual Report. The development primarily reflects the lower operating profit as well as a higher income tax expense. There was an opposing effect from the improved financial income.

The **economic situation** of Daimler AG is primarily determined by its business operations and those of its subsidiaries. Daimler AG participates in the operating results of its subsidiaries through profit distributions. The economic situation of Daimler AG is therefore fundamentally the same as that of the Daimler Group, which is described in the chapter "Overall Assessment of the Economic Situation". page 134

Financial position, liquidity and capital resources

The **balance sheet total** of €107.3 billion is €9.1 billion higher than at year-end 2016. ↗ B.35

Non-current assets increased by €2.6 billion to €42.7 billion, mainly due to the higher amounts of financial assets and fixed assets. Investment in property, plant and equipment (excluding leased assets, approximately €3.1 billion) mainly comprises investments for the production of the new A-Class models and the new Sprinter, as well as investments in engine and transmission projects.

Inventories increased compared with December 31, 2016 by €0.4 billion to €9.5 billion. The increase is mainly related to finished products and goods.

Receivables, securities and other assets increased compared with December 31, 2016 by €3.4 billion to €49.5 billion. The main reason for this development was growth of €2.3 billion in receivables due from subsidiaries and associated companies, as well as the increase in securities of €0.8 billion. **Cash and cash equivalents** increased by €0.1 billion to €1.8 billion.

Gross liquidity – defined as cash and cash equivalents and other marketable securities as well as fixed-term deposits presented under other assets – of €9.6 billion was higher than a year earlier (2016: €8.5 billion).

The net defined-benefit plan asset results from the fair value of the special-purpose assets in excess of the settlement amount of the pension obligations. The increase in financial year 2017 to €3.5 billon (2016: €0.9 billion) is primarily due to the extraordinary contribution of €3.0 billion to the German pension plan assets.

B.34
Condensed income statement of Daimler AG

	2017	2016
In millions of euros		
Revenue	112,685	107,178
Cost of sales (including R&D expenses)	-101,874	-96,271
Selling expenses	-7,312	-6,454
General administrative expenses	-2,010	-1,844
Other operating expense, net	-355	-749
Operating profit	1,134	1,860
Financial income	5,866	5,430
Income taxes	-2,018	-1,422
Net profit	4,982	5,868
Transfer to retained earnings	-1,077	-2,391
Distributable profit	3,905	3,477

Cash provided by operating activities amounted to €7.2 billion in 2017 (2016: €8.5 billion). The decrease primarily reflects higher cash-effective contributions to pension plan assets, increased working capital and higher income tax payments. On the other hand, utilization of provisions was lower than in the previous year.

Cash flows from investing activities resulted in a net cash outflow of €6.5 billion in 2017 (2016: €6.1 billion). The increase is primarily a reflection of capital measures within financial assets as well as increased investment in property, plant and equipment. Positive effects resulted from acquisitions and sales of securities within the framework of liquidity management.

Cash flows from financing activities resulted in a net cash outflow of €0.6 billion (2016: €2.7 billion). This is explained by the reduction compared with the previous year in the cash outflow from the Group's internal transactions in connection with central finance and liquidity management. There were opposing effects of reduced cash inflows from the lower assumption of external financing liabilities than in the previous year. Cash flows from financing activities include the payment of the dividend for the year 2016 in an amount of €3.5 billion.

B.35
Balance sheet structure of Daimler AG

	Dec. 31, 2017	Dec. 31, 2016
In millions of euros		
Assets		
Non-current assets	42,700	40,107
Inventories	9,466	9,071
Receivables, securities and other assets	49,516	46,120
Cash and cash equivalents	1,782	1,660
Current assets	60,764	56,851
Prepaid expenses	384	339
Net defined-benefit plan asset	3,462	891
	107,310	98,188
Equity and liabilities		
Share capital	3,070	3,070
(Conditional capital €500 million)		
Capital reserve	11,480	11,480
Retained earnings	23,637	22,560
Distributable profit	3,905	3,477
Equity	42,092	40,587
Other provisions	13,981	11,847
Provisions	13,981	11,847
Trade payables	6,499	6,077
Other liabilities	43,838	38,935
Liabilities	50,337	45,012
Deferred income	900	742
	107,310	98,188

Equity increased in 2017 by €1.5 billion to €42.1 billion. This change primarily resulted from the net profit for 2017, of which, in accordance with Section 58 Subsection 2 of the German Stock Corporation Act (AktG), €1.1 billion was transferred to retained earnings. The equity ratio at December 31, 2017 was 39.2% (December 31, 2016: 41.3%). As stated in the notes to the annual financial statements according to the German Commercial Code (HGB), Daimler AG holds no treasury shares at December 31, 2017.

Provisions increased compared with December 31, 2016 by €2.1 billion to €14.0 billion. This was primarily due to increased obligations from sales transactions, provisions for warranty obligations, and provisions relating to legal proceedings.

Liabilities increased by €5.3 billion to €50.3 billion, primarily due to increased financing liabilities, as well as trade payables.

Risks and opportunities

The business development of Daimler AG is fundamentally subject to the same risks and opportunities as that of the Daimler Group. Daimler AG generally participates in the risks of its subsidiaries and associated companies in line with the percentage of each holding. Risks and opportunities are described in the "Risk and Opportunity Report". pages 155 ff Risks may additionally arise from relations with subsidiaries and associated companies in connection with statutory or contractual obligations (in particular with regard to financing), as well as from the impairment of investments in subsidiaries and associated companies.

Outlook

Due to the interrelations between Daimler AG and its subsidiaries and the relative size of Daimler AG within the Group, we refer to the statements in the "Outlook" chapter, which largely reflect our expectations also for the parent company. pages 170 ff For financial year 2018, we expect Daimler AG to achieve net profit at the level of 2017. This will result from a higher planned operating profit and a lower income tax expense, which will be offset by the anticipated decrease in financial income. We expect Daimler AG to achieve unit sales and revenue in 2018 at the prior-year level.

Sustainability and Integrity

Sustainability at Daimler

Sustainability is one of the basic principles of our corporate strategy as well as a benchmark for our success as a company. As a vehicle manufacturer with global operations, we face industry-specific challenges. To ensure that our business success is sustainable, we need to exploit the associated opportunities and minimize the risks. To this end, we have drawn up a Group-wide sustainability strategy, which is part of our corporate strategy and makes sustainability a fundamental corporate principle. Additional information on sustainability at Daimler can be found in the “Non-Financial Report” section of this Annual Report pages 214ff. The “Non-Financial Report” is also available on the Internet at daimler.com/nonfinancial-report. The new Daimler Sustainability Report for financial year 2017 will available on the Group’s website in late March 2018. daimler.com/sustainability

Research and development

Research and development as key success factors
Research and development have always played a key role at Daimler. Gottlieb Daimler and Carl Benz invented the automobile more than 130 years ago. Today, we are shaping the future of mobility. Our goal is to offer our customers fascinating products and customized solutions for needs-oriented, safe and sustainable mobility. Our technology portfolio and our key areas of expertise are focused on this objective.

The expertise, creativity and motivation of our employees in research and development are key factors behind our vehicles’ market success. At the end of 2017, Daimler employed 24,600 men and women at its research and development units around the world (2016: 24,200). A total of 16,800 of those employees (2016: 16,300) worked at Group Research & Mercedes-Benz Cars Development, 5,300 (2016: 5,600) at Daimler Trucks, 1,300 (2016: 1,200) at Mercedes-Benz Vans and 1,200 (2016: 1,200) at Daimler Buses. Around 5,200 researchers and development engineers (2016: 5,400) worked outside Germany.

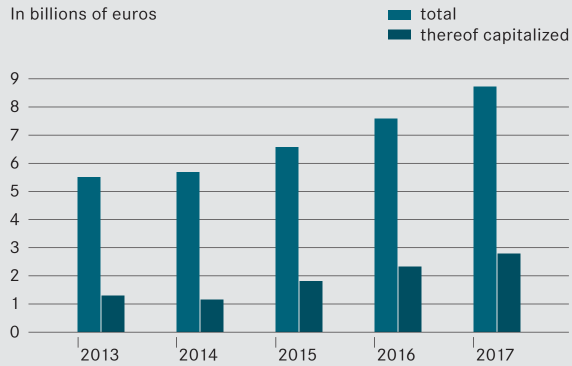
Our international research and development network
Our global research and development network comprises 35 locations in 15 countries. Our biggest facilities are in Sindelfingen and Stuttgart-Untertürkheim in Germany. Our most important research facilities in North America are the US R&D headquarters in Sunnyvale, California; in Long Beach, California; in Portland, Oregon; and in Redford, Michigan. Our most important facilities in Asia are in Bangalore, India; the Global Hybrid Center in Kawasaki, Japan; and our research and development center in Beijing. Mercedes-Benz Research & Development India (MBRDI), with headquarters in Bangalore) is Daimler’s largest R&D center outside Germany. Activities at MBRDI focus on digitization, simulations and data science. Mercedes-Benz Research & Development China is also an integral part of the Daimler Group’s research network. Among other things, it plays an important role in understanding Chinese customers’ expectations and local requirements. Along with our internal activities, we also maintain close contacts with external research institutions. For example, we work together with various renowned research institutes around the world and participate in international exchange programs for next-generation scientists. In November 2017, we opened new digital hubs in Tel Aviv and Seattle.

Targeted involvement of the supplier industry
In order to achieve our ambitious goals, we also cooperate very closely with research and development units in the supplier industry. Daimler must be closely intermeshed with supplier companies in order to deal with the rapid pace of technological change in the automotive industry and the need to quickly bring new technologies to market maturity. Such cooperation is all the more important in light of the increasing digitization of processes throughout all stages of the value chain. Strong partners from the supplier industry are also essential for our efforts to develop and offer new concepts for future mobility. As part of our joint research and development work, we aim to ensure that the Group retains the key technological expertise it needs to maintain the uniqueness of our brands and safeguard the future of the automobile in general.

B.36

Research and development expenditure

In billions of euros



B.37

Research and development expenditure by division

In millions of euros	**2017**	2016	17/16 % change
Daimler Group	**8,711**	7,572	+15
thereof capitalized	**2,773**	2,315	+20
Mercedes-Benz Cars	**6,642**	5,671	+17
thereof capitalized	**2,388**	2,008	+19
Daimler Trucks	**1,322**	1,265	+5
thereof capitalized	**45**	57	-21
Mercedes-Benz Vans	**565**	442	+28
thereof capitalized	**310**	238	+30
Daimler Buses	**194**	202	-4
thereof capitalized	**30**	11	+173

Patents ensure freedom of action and safeguard our brands

On January 29, 1886, Carl Benz registered a patent for a “vehicle powered by a gas engine”. Since then, we have refined automobiles with more than 114,000 patents and have launched pioneering innovations. We continued this tradition in 2017 by registering nearly 1,900 new ideas for patents, with an increasing focus on the CASE technologies. These patents are important to the company primarily for two reasons: Firstly, the patents secure Daimler a certain amount of “freedom of action” that enables us to manufacture and sell our products around the world and avoid legal conflicts with third parties. Secondly, they enable “exclusivity”, the goal of which is to establish exclusive positioning of selected Daimler features on the market and thus differentiate ourselves from the competition. In addition to industrial property rights, which safeguard our innovations for future mobility over the long term, the unique visual aspects of our products are protected with more than 7,800 designs registered in 2017 (2016: 9,100). The decrease primarily reflects a review of our intellectual-property strategy. Our portfolio of more than 35,800 trademarks worldwide (2016: 32,800), serves to protect the Mercedes-Benz brand, our new EQ brand for electric mobility and all our other product brands in each relevant market.

€8.7 billion for research and development

We want to continue shaping mobility through our pioneering innovations in the years ahead, while moving ahead with digitization throughout the Group. As announced in our Annual Report 2016, we therefore increased our very high level of investment in research and development by 15% to €8.7 billion in 2017. Of that amount, €2.8 billion (2016: €2.3 billion) was capitalized as development costs, which amounts to a capitalization rate of 32% (2016: 31%). The amortization of capitalized research and development expenditure totaled €1.3 billion during the year under review (2016: €1.3 billion). With a rate of 5.3% (2016: 4.9%), research and development expenditure also remained at a high level in comparison with revenue. Research in the year under review focused on new vehicle models, extremely fuel-efficient and environmentally friendly drive systems, new safety technologies, autonomous driving systems and the digital connectivity of our products.

The most important development projects at Mercedes-Benz Cars focused on the successor models of the GLS and GLE off-road vehicles, the new compact class, the EQ electric brand and the new generation of diesel and gasoline engines. We also invested in vehicle connectivity and autonomous driving systems and in the development of additional innovative safety technologies. Mercedes-Benz Cars spent a total of €6.6 billion on research and development in 2017, which once again marked a significant increase from the prior-year figure (€5.7 billion). Daimler Trucks invested €1.3 billion in research and development projects. The division’s most important projects were in the areas of emission standards and fuel efficiency, customized products and technologies for important growth markets, and the successor generations for existing products. R&D expenditure at Mercedes-Benz Vans focused mainly on the new Sprinter generation, the expansion of the portfolio in the form of the new X-Class pickup, and the further development of the Vito and the V-Class. Daimler Buses primarily focused its development activities on new products, the fulfillment of future emissions standards and measures to further reduce fuel consumption. Alternative drive systems, in particular electrification technology, also played a key role in our development activities during the year under review.
↗ B.36 ↗ B.37

Innovation, safety and environmental protection

Innovations for the future of mobility

We aim for the best possible customer utility, high standards of safety, environmental compatibility and efficiency. In order to work on achieving these goals in parallel, we rely on innovative concepts and environmentally sound product development.

In this context, we are focusing on CASE – these four letters stand for the four future-oriented strategic fields of connectivity (Connected), autonomous driving (Autonomous), flexible use and services (Shared & Services) and electric drive systems (Electric). We are moving ahead consistently in all of these areas at all of our divisions, and we are also linking them in an intelligent way to create a comprehensive target concept for our vehicles, services and business models. In this manner, we are underlining our claim to play a dominant role in the mobility of the future.

Our “road to emission-free driving”
Our “Road to Emission-free Driving” initiative defines the primary focal points for developing new, extremely fuel-efficient and environmentally friendly drive-system technologies at all of our automotive divisions. We are pursuing this approach along the entire value chain. To this end, we are addressing all relevant aspects and exploiting potential in all areas of development for everything from lightweight engineering to optimized aerodynamics, the use of clean and efficient fuels, the creation of electric drive systems, and the implementation of sustainable mobility concepts.

Our drive system strategy for reducing emissions has three components. First, highly efficient combustion engines remain part of the solution for us, and this applies to both gasoline and diesel engines. We are also focusing on additional plug-in-hybrid and electric vehicle models.

We believe that combustion engines will continue to form the backbone of personal mobility until electric vehicles can achieve a breakthrough in the market. This is one of the main reasons why we continue to invest in the improvement of combustion engine technology, thus making a contribution to reducing the fuel consumption and emissions of each and every vehicle. At the same time, we have launched a broad-based electric-mobility offensive at all of our divisions. We are pursuing a holistic approach here. For example, along with partial and fully electric drive systems, we are also investing in fast-charging networks, hydrogen infrastructure and software solutions.

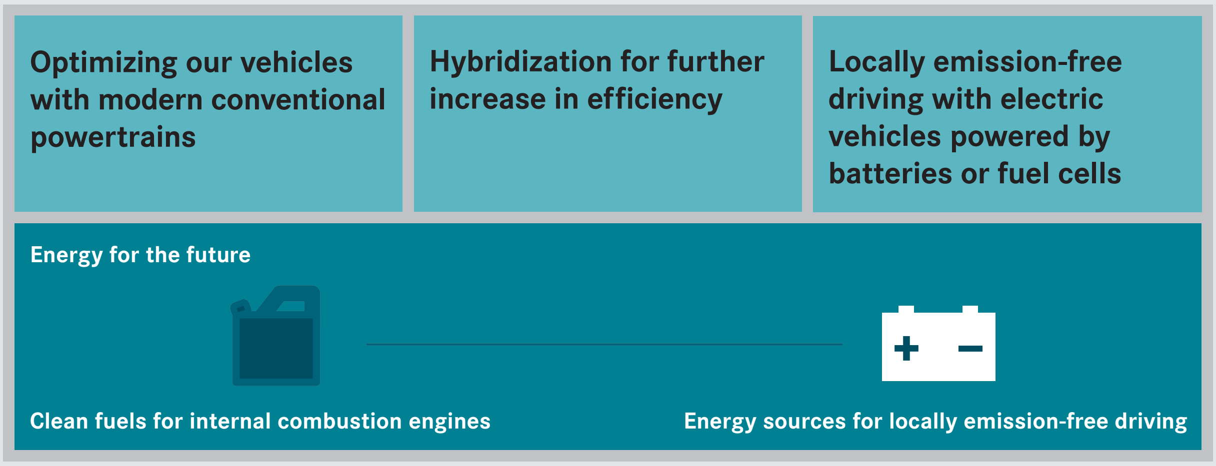
Innovative vehicle and drive-system technologies from Daimler demonstrate what we have already achieved in this regard. The following examples illustrate our approach to the mobility of the future.

Biggest engine offensive in the history of Mercedes-Benz
The new OM 654 four-cylinder diesel engine, which was launched in the new E-Class in 2016, is the first member of the modular engine family that will be utilized across the product range of Mercedes-Benz Cars and also at Mercedes-Benz Vans. Several different output ratings are planned for the engine, which will be installed either longitudinally or transversely in vehicles with front, rear or all-wheel drive. In this way, Mercedes-Benz intends to equip its range of diesel cars in Europe with this engine generation by 2019.

Four more members of the all-new engine family made their debut in 2017: an inline six-cylinder engine (diesel and gasoline variants), a new four-cylinder gasoline engine and a new biturbo V8. Forward-looking new technologies such as the integrated starter-generator (ISG), the 48-volt electrical system and the electric auxiliary compressor also had their world premieres. The ISG is responsible for hybrid functions, such as boost effect and energy recovery, and thus enables fuel savings that were previously typical of high-voltage hybrid technology. Our new S-Class models, which have been delivered to customers since mid-2017, are a particularly good example of how we have been able to increase fuel efficiency even further. For example, the Mercedes-Benz S 350 d 4MATIC (fuel consumption in l/100 km urban: 6.9–6.7/extra-urban: 5.0–4.8/combined: 5.7–5.5; CO_2 emissions, combined: 150–145 g/km) with its new six-cylinder diesel engine consumes significantly less fuel than its predecessor, despite higher output, while the Mercedes-Benz S 450 4MATIC (fuel consumption in l/100 km urban: 9.6–9.3/extra-urban: 6.0–5.6/combined: 7.3–7.0; CO_2 emissions, combined: 167–159 g/km) achieves outstanding fuel efficiency with the newly developed M 256 six-cylinder gasoline engine.

Fuel-efficient trucks
In recent years, we have also continuously reduced the fuel consumption of our commercial vehicles as well as their CO_2 emissions. For example, since 2011, we have been able to reduce the average fuel consumption of the Mercedes-Benz Actros heavy-duty truck by a total of about 15% compared to the proven Actros predecessor model through the introduction of the new Euro VI model, the Predictive Powertrain Control (PPC)

B.38
Road to emission-free mobility



anticipatory cruise control system, our latest generation of engines and the Actros with a second-generation drivetrain, which we presented at the IAA Commercial Vehicles Show in 2016. The new drivetrain technologies will also be used in the Antos and Arocs truck models.

The fact that Mercedes-Benz provides its customers with particularly fuel-efficient vehicles has been demonstrated by the more than 4,000 comparison drives that had been carried out throughout Europe by the end of 2017. In these comparison drives, customers tested Mercedes-Benz trucks in their fleet against vehicles manufactured by the main competitors. The results speak for themselves: The Mercedes-Benz trucks came out on top more than 90% of the time, with 11% lower fuel consumption on average.

Our trucks also set the standards for fuel efficiency in North America, where we presented the Freightliner New Cascadia, our flagship in North America, in the fall of 2016. The truck's aerodynamic shape and state-of-the-art drivetrain components have helped to reduce fuel consumption by up to 8% compared to the predecessor model, the Cascadia Evolution, which was already an extremely economical vehicle.

In Europe, we plan to reduce the fuel consumption of our truck fleet by an average of 20% over the period of 2005 to 2020. We are confident that we will achieve this ambitious target, and we took a clear step in that direction with the introduction of the new generation of the OM 471 heavy-duty truck engine in 2015 and the slightly smaller OM 470 in 2016.

New FUSO Super Great truck sets efficiency standards
With the latest generation of the FUSO flagship, the world's largest manufacturer of commercial vehicles is setting new standards for efficiency, safety and connectivity in Japan. A range of new technologies has reduced the truck's fuel consumption by up to 15%. The powertrain components in the new FUSO Super Great were taken from the current product platforms and were only slightly adjusted to meet the specific requirements of the Japanese market. Daimler Trucks' global platform strategy enables consistent quality standards, cost benefits through economies of scale, and flexibility in the utilization of production capacity. The 10.7-liter OM470 engine used in the new FUSO Super Great complies with the JP17 emission standard in Japan. It also comes with the HDEP (Heavy Duty Engine Platform) Fuel Efficiency Package and has been further optimized in terms of fuel consumption, emission efficiency and payload compared with the previous drivetrain. Deliveries to customers of the new truck started in May 2017.

Clean and efficient drive technology for buses
Daimler is also very advanced in terms of exhaust aftertreatment technology for the bus sector. For example, all Mercedes-Benz and Setra model series were made available with Euro VI technology at a very early stage. Despite the use of this complex exhaust treatment technology, we were able to achieve a further reduction in the fuel consumption of our already economical buses with the application of the new Mercedes-Benz engines. For example, various vehicle optimization measures have led to further significant reductions in the fuel consumption of our touring coaches equipped with the new OM 471 diesel engine, despite higher performance.

The new Mercedes-Benz Tourismo coach is also much more efficient than the predecessor model. Its fuel consumption was reduced primarily through optimized aerodynamics and an all-new and lighter body. New optional extras such as Predictive Powertrain Control (PPC) and Eco Driver Feedback (EDF) enable fuel consumption and thus emissions to be reduced even further.

The Mercedes-Benz Citaro NGT with natural-gas drive is even cleaner and quieter than the already efficient Citaro equipped with the ultra-modern Euro VI diesel engine. Moreover, the Citaro NGT's all-new M 936 natural-gas engine makes the bus the benchmark in its segment. The Citaro NGT is also even more efficient than its predecessor model – and when organic natural gas is used, the vehicle is virtually CO_2-neutral. In parallel with the further optimization of the combustion engine, the next step along the path into the future is the battery-electric Mercedes-Benz Citaro – an all-electric city bus which Daimler Buses plans to have ready for series production and on the road by the end of 2018.

Comprehensive electric mobility offensive
Daimler launched a broad-based electric mobility offensive at all of its divisions back in 2016. The models include new plug-in hybrids from Mercedes-Benz Cars, new electric smart models, the DENZA 400, which we developed with our partner BYD for the Chinese market, the new FUSO eCanter and the new GLC pre-series model with fuel cells, which we presented at the Frankfurt Motor Show (IAA) in September 2017. The electric mobility offensive also includes new concept vehicles that offer a clear preview of the future of electric mobility: the Concept EQ, the Concept EQA and the smart vision EQ fortwo, as well as the Mercedes-Benz electric truck and the E-FUSO Vision One truck - both for heavy-duty distribution transport.

EQ – our electric mobility brand
Mercedes-Benz has consolidated all of its activities in the area of electric mobility into the new EQ product brand. EQ stands for Electric Intelligence, which in turn is derived from the Mercedes-Benz brand values of emotion and intelligence. EQ offers a comprehensive electric mobility ecosystem of products, services, technologies and innovations. The new brand was heralded by the near-production Concept EQ from 2016 and the compact Concept EQA, which was presented at the Frankfurt Motor Show (IAA) in September 2017.

With the Concept EQA study, Mercedes-Benz has shown what an EQ model in the compact-car segment could look like. In combination with the intelligent operating strategy from Mercedes-Benz, the concept car achieves a range of approximately 400 kilometers. The Concept EQA provides a glimpse of the technological future. It can be charged using a wall box and is also prepared for rapid charging. Thanks to an integrated on-board fast charger, it should be possible in the future to charge an electric car in about ten minutes so that it can drive another 100 kilometers.

By 2022, Daimler intends to offer more than ten all-electric models in the passenger-car segment alone: from the smart to a large SUV. The first series-produced battery-electric model under the EQ brand will be launched in the SUV segment before the end of this decade. It will be followed by a model initiative that will gradually expand the product range of Mercedes-Benz Cars with all-electric models. The new generation of electric vehicles will be based on an architecture developed especially for battery-electric models. This architecture is scalable in every respect and can be used in all model series: Wheelbase and track width as well as all other system components, especially the battery, are variable thanks to the modular system.

Broad range of plug-in hybrid cars

Plug-in hybrid vehicles combine the best aspects of combustion engines and electric drive systems. This helps to reduce overall consumption and increase performance, as the electric motor is used to take over from or support the combustion engine in situations where the latter is less efficient. With eight plug-in hybrid models, we already offer a broad range of plug-in hybrid vehicles in the premium segment. Our powerful battery already enables all-electric driving. The battery can be recharged externally. The new S-Class with hybrid drive, which we plan to launch in 2018, already has an all-electric range of up to 50 kilometers. We aim to achieve significantly longer ranges for plug-in hybrids as technological advances are made. This will enable our customers to drive locally emission-free to a very large extent in everyday situations. In such a setup, the combustion engine is used for longer distances, which means our plug-in hybrids are perfect for any driving requirement. We believe that plug-in hybrid technology will be extremely successful as we move into the next decade, and that is why hybrid systems are a key component of our drive-system strategy.

The use of 48-volt on-board electrical systems enables hybrid functions ranging from energy recovery and boost effect to initial acceleration and maneuvering in the all-electric mode. This means that such functions can be used for the first time without high-voltage components, which eliminates the need for the additional safety equipment that normally has to be used in high-voltage networks. This enables us to noticeably reduce the fuel consumption of our high-volume models and to offer customers greater agility and comfort.

E-Class plug-in hybrid impressive in environmental audit

In February 2017, the Mercedes-Benz E 350 e plug-in hybrid model (fuel consumption in l/100 km, combined: 2.1; CO_2 emissions in g/km: 49; electricity consumption in kWh/100 km: 11.5) successfully completed the TÜV validation audit for the German Environmental Certificate. This certificate is awarded on the basis of a lifecycle assessment in which independent experts at the TÜV Süd technical inspection authority assess the integration of environmental aspects into the product design and development process, as well as the environmental impact of a car throughout its entire life cycle.

The E 350 e also makes a big impression in other areas besides driving. For example, during its lifecycle (material manufacture, production, driving for 250,000 kilometers calculated with certified consumption figures and recycling) and when the hybrid model is charged externally with the European electricity mix, the vehicle emits around 44% less CO_2 than the predecessor model, the E 350 CGI, which has comparable performance data and a conventional engine. If the calculation is based on the use of renewable energy for external charging, CO_2 emissions can be reduced by 63%. The picture is much the same in terms of energy consumption, as the E 350 e consumes 31%/48% less primary energy over all of its lifecycle phases.

Preproduction phase begins for the GLC F-CELL

With the unveiling of the two GLC F-CELL preproduction cars at the Frankfurt Motor Show in 2017, Daimler presented yet another milestone on the road to emission-free driving. The GLC F-Cell is a fuel-cell electric car using a lithium-ion battery as an additional energy source that can be externally charged by means of plug-in technology. Intelligent interplay between the battery and the fuel cells, as well as a short refueling time, will make the GLC F-CELL a practical vehicle for long-distance travel in the future. The preproduction model carries 4.4 kilograms of hydrogen on board and produces enough energy to achieve a range of more than 400 kilometers in the New European Driving Cycle (NEDC). Daimler has developed a completely new fuel-cell system for this world first. Compared to the B-Class F-CELL, which has been on the market since 2010 (fuel consumption: 0.97 kg H_2/100 km; CO_2 emissions, combined: 0 g/km), the overall drive system offers around 40 percent more output. The fuel-cell system is around 30 percent more compact than before; it can be housed entirely in the engine compartment for the first time, and is installed on the usual mounting points like a conventional engine. In addition, the use of platinum in the fuel cells has been reduced by 90 percent, which conserves resources and also lowers system costs – without any compromises in terms of performance.

To date, fuel-cell vehicles from Mercedes-Benz, which include the B-Class F-CELL and the Mercedes-Benz Citaro FuelCELL Hybrid city bus, have driven more than 18 million kilometers and have thus demonstrated the market maturity of this drive configuration. The pre-series version of the GLC F-CELL represents a further milestone on the road to series-produced fuel-cell vehicles. Market-specific sales concepts, including the option of a rental model, are currently being evaluated.

smart vision EQ fortwo: car sharing for the city of tomorrow

At the Frankfurt Motor Show in September 2017, the smart brand presented the smart vision EQ fortwo, offering a preview of car sharing in the future. The concept car is our vision of the form future urban mobility might take. As a fully autonomous vehicle connected in swarms with other cars in the fleet, the smart vision EQ fortwo could move on its own through a city and drive to locations where it is needed at a given time. The electric car could be equipped with a 30kWh lithium-ion battery that is recharged autonomously and inductively. It would do this by driving to one of many hub stations located around a city.

Vehicles not in use could store energy, and a bidirectional charging system would allow cars with surplus energy to return it to the power grid. In this manner, smart is assuming responsibility for an important function for the energy transition.

Electric trucks for heavy-duty distribution transportation
In July 2016, we became one of the first commercial vehicle manufacturer to present an all-electric truck for heavy-duty distribution transportation. The planned key specifications of this Mercedes-Benz vehicle are as follows: a battery output of 212 kWh, a range of up to 200 kilometers and a payload of 12.8 metric tons with a gross vehicle weight of 26 metric tons.

Our electric truck concept met with a very positive response, as evidenced by the many inquiries we received from our customers after we presented the truck at the IAA Commercial Vehicles Show in October 2016. We forged ahead with the development, establishment and testing of our Customer Innovation Fleet in 2017. In 2018, we intend to begin practical tests of our Mercedes-Benz Electric Truck Innovation Fleet for heavy-duty distribution transportation with customers under real-life conditions. These tests will allow us to gain further knowledge about logistics processes and operating costs with electric trucks. The results will be incorporated into new business models for all-electric trucks for heavy-duty distribution transportation within cities.

All-electric trucks are a component of Daimler Trucks' comprehensive electric offensive, which includes the light-duty FUSO eCanter, which we launched in a small production series on a global scale in July 2017. The first 150 vehicles are destined for selected customers in Europe, Japan and the United States.

We plan to deliver more than 500 of these trucks to customers over the coming years. All the experience we gain with the small production series will flow into the further development of the battery-electric Canter, with plans for volume production to begin in 2019. The eCanter can make a contribution to reducing noise in large cities.

During the Tokyo Motor Show in October 2017, Daimler announced that it will completely electrify its full range of FUSO trucks and buses in the years ahead. With E-FUSO, we are now the first truck manufacturer to launch a product brand for electric mobility with trucks and buses. The E-FUSO Vision One, which was presented for the first time in Tokyo, is a concept for an all-electric heavy-duty truck with a GVW of approximately 23 metric tons and a payload of around 11 metric tons – which is only two tons less than the payload of the diesel version. With a battery capacity of 300 kWh, the E-FUSO Vision One has a range of up to 350 kilometers. One potential application for the electric heavy-duty truck is regional inner-city and intra-city distribution. Growing customer interest, the development of the necessary infrastructure, and new regulatory measures are promoting the electrification of road transport. In this situation, it may be possible to launch the series-produced version of the E-FUSO Vision One within the next four years in highly developed markets such as Japan or Europe.

In the future, Daimler plans to offer its commercial vehicle customers a comprehensive lineup of battery-electric vehicles ranging from vans and light trucks to heavy-duty distribution trucks and electric city buses.

Electric vehicles from Mercedes-Benz Vans
Mercedes-Benz Vans plans to offer all of its commercial van models with electric drive systems. This has already started with the mid-size eVito, which has been available for ordering since the end of November 2017; deliveries are scheduled to start in the second half of 2018. The eVito is the second all-electric production model from Mercedes-Benz Vans; the first was the Vito E-Cell from 2010. With an installed battery capacity of 41.4 kWh, the new eVito will have a range of up to 150 kilometers. Even under unfavorable conditions, such as low outside temperatures and with a full payload, the van will have a range of up to 100 km. The mid-size van is thus perfect for inner-city deliveries and other commercial operations, as well as for passenger transport. The battery can be fully charged in around six hours, and dynamic performance is ensured by an output of 84 kW and torque of up to 300 Nm. In terms of top speed, customers can choose between two options: The first is a maximum speed of 80 km/h, which meets all requirements in city traffic and metropolitan areas, while also conserving energy and increasing the vehicle's range. If things need to move faster, the customer can choose a top speed of up to 120 km/h. The electric Vito is to be followed by the eSprinter in 2019; the electric van product range will then be rounded out by the Citan.

The holistic electric drive strategy at Mercedes-Benz Vans focuses not only on the electric van itself, but also on a technological ecosystem that is optimally aligned with customers' business needs. This holistic strategy provides for an innovative complete system solution that covers the entire value chain for commercial applications. For this reason, strategic partners and their sector expertise are being incorporated into the development process at an early stage. One example of this is our partnership with the Hermes logistics services company. This partnership was launched with pilot programs in Hamburg and Stuttgart at the beginning of 2018. After those programs are completed, we want to spread the application of the electric fleet, which is to be used for parcel deliveries and encompass a total of 1,500 electric Vito and Sprinter vans by 2020, to other urban areas. The strategic partnership also involves the joint development of a concept for an efficient charging infrastructure at Hermes logistics centers, as well as IT services to ensure optimum management of the electric fleet.

Intelligent charging solutions for electric mobility
For the electrification of the drivetrain, we are employing a holistic approach that includes both electric vehicles and a broad range of services needed for electric mobility. Our approach ranges from the provision of green electricity to intelligent charging solutions for the home that include customized services and home energy storage units operating in tandem with photovoltaic units on roofs, for example.

In March 2017, Daimler acquired an equity interest in the American charging solutions provider, ChargePoint Inc. This investment ensures the Group's access to other customer-focused electric mobility services. ChargePoint offers solutions for every segment of the electric mobility charging ecosystem, which includes companies, the retail sector, public institutions, fleet customers and private households. In terms of technology, ChargePoint makes use of the standardized Combined Charging System (CCS) in Europe, which will enable it to offer maximum compatibility for future electric vehicle models of all brands.

With the establishment of the IONITY joint venture, the BMW Group, Daimler, Ford Motor Company and the Volkswagen Group with Audi and Porsche have laid the foundation for the creation of the most effective rapid-charging network for electric vehicles in Europe. The goal is to install about 400 rapid-charging stations along major routes in Europe by 2020.

Our vision of accident-free driving

Vehicle safety is one of our core areas of expertise and a key component of our product strategy. The Mercedes-Benz brand has been shaping the development of safety systems for decades. The company's innovations, especially those for protecting vehicle occupants and other road users, have saved countless lives. Today, Daimler continues to set standards with regard to safety. Our vision of accident-free driving will continue to motivate us to make mobility as safe as possible for everyone in the future.

Partially automated driving in the upgraded S-Class

With the upgraded S-Class, Mercedes-Benz has taken a further step toward autonomous driving. For example, new and modified features have been added to the DISTRONIC active proximity control and the Active Steering Assist systems. Another highlight in the new S-Class is the route-based speed adaptation system, which uses map and navigation data to control handling. With these and other intelligent equipment features, the new luxury sedan marks another major step toward autonomous driving. Improved systems with a range of up to 250 meters enable even more comfortable automated driving on all types of roads. In addition, Mercedes-Benz uses Active Body Control with ROAD SURFACE SCAN system and the CURVE curve-tilting function to improve ride comfort even further with the help of intelligent sensors.

Cooperation with Bosch

During the year under review, we entered into a partnership with Bosch that focuses on the joint development of software and algorithms for a highly automated driving system. The objective here is to bring highly automated and driverless driving to city streets by the beginning of the next decade. The project combines the comprehensive vehicle expertise of Daimler with the system and hardware expertise of the world's biggest automotive supplier. The resulting synergies are expected to lead to the early series production of a safe and secure technology.

By introducing highly automated and driverless driving to the urban environment, Bosch and Daimler aim to improve the flow of traffic in cities, enhance safety on the road and provide an important building block for the traffic system of the future. Among other things, the technology will enhance the appeal of car sharing. It will also allow people to make the best possible use of their time in cars and will open up new mobility opportunities for people without a driver's license, for example. The main objective is to develop a production-ready system that will enable cars to drive in highly automated mode in cities. The idea here is that the vehicle should come to the driver, rather than the other way round. Within a predefined area of a city, customers will be able to order a car-sharing vehicle or a robot taxi with their smartphones; the vehicle will then drive driverless to the user's location.

X-ray vision for crash tests

The Mercedes-Benz Vehicle Safety unit is cooperating with various partners from the fields of research and industry on the use of ultra-fast X-ray technology to examine specific areas of the vehicle body and the interior during a crash test. The X-ray images can be combined with computer-aided simulation models to improve the forecasting reliability of crash simulations. In addition to analyzing the deformation of vehicle bodies and components, the goal here is to develop alternative passenger restraint concepts. Interdisciplinary teams in the project are addressing the challenges of new mobility systems – for example, the issue of passive safety in conditionally automated driving systems.

Active Brake Assist 4

An active emergency braking system with pedestrian recognition that can prevent many accidents and protect more vulnerable road users is being used for the first time in Mercedes-Benz trucks. It will also be introduced in Mercedes-Benz and Setra touring coaches in 2018. The new Active Brake Assist 4 (ABA 4) system with pedestrian recognition uses acoustic and visual signals to warn the driver of a potential collision with pedestrians, in which case it also automatically triggers partial braking.

Active Brake Assist 4 with pedestrian recognition is based on a new generation of radar technology that is also used in current Mercedes-Benz car models. This electronically scanning multi-mode system uses both long and short-range radar. The long-range radar detects vehicles in multiple lanes and stationary obstacles at a distance of up to 250 meters in a direct line in front of the coach. It also registers single-track vehicles, such as bicycles, at a distance of up to 160 meters, and pedestrians at up to 80 meters. The short-range radar has a maximum range of 70 meters and can even recognize pedestrians and vehicles in front of the coach but at each side of it.

A comprehensive approach to environmental protection
Protecting the environment is a primary corporate objective of the Daimler Group. Environmental protection is not separate from other objectives at Daimler; instead, it is an integral component of a corporate strategy aimed at long-term value creation. The environmental and energy-related guidelines approved by the Board of Management define the environmental and energy-related policy of the Daimler Group. This expresses our commitment to integrated environmental protection that begins with the underlying factors with an impact on the environment, assesses the environmental effects of production processes and products in advance, and takes these findings into account in corporate decision-making.

A vehicle's environmental impact is largely decided in the first stages of development. The earlier we integrate environmentally responsible product development (design for environment or DfE) into the development process, the more efficiently we can minimize the impact on the environment. pages 218 ff

Car CO_2 emissions: 125 g/km
Daimler makes great efforts to reduce the fuel consumption of its vehicles while enhancing their performance – thus increasing driving pleasure and safety reserves. As early as 2015, we were able to reduce the CO_2 emissions of newly registered vehicles from Mercedes-Benz Cars in the EU to an average of 123 grams per kilometer. This means we achieved our 2016 target of 125 g/km ahead of schedule. We were able to maintain 123 g/km in 2016 as well, despite a shift in our sales structure toward medium-sized and large automobiles. Emissions rose to 125 g/km in 2017, primarily due to a further increase in the proportion of sales in the EU accounted for by vehicles with high levels of optional equipment. More detailed information can be found in the "Non-Financial Report" section of this Annual Report. pages 218 ff

Plan for the future of diesel vehicles
We are convinced that diesel engines will continue to be a firm element of the drive-system mix, not least due to their low CO_2 emissions. The public debate surrounding diesel engines is leading to increasing uncertainty among customers, however. For this reason, the Daimler Board of Management approved a comprehensive plan for diesel engines in July 2017.

The plan calls for an expansion of the current voluntary service measures for vehicles in customers' hands, as well as the rapid market launch of a completely new diesel engine family. As early as March 2017, Mercedes-Benz began offering its compact-class customers an improvement in NO_X emissions for one engine variant. In order to effectively reduce the emissions of other model series, the Daimler Board of Management decided in July to extend the service measures to include more than three million Mercedes-Benz vehicles. The measures are being carried out for most Euro 5 and Euro 6 vehicles in Europe and other markets in close cooperation with vehicle registration authorities. Daimler is investing around €285 million in these measures. The service measures are being implemented at no charge to customers. The company is also carrying out voluntary service measures for V-Class customers. Additional measures were added to the package following a summit meeting between the government and the automotive industry in August 2017. Additional information on this topic can be found in the "Non-Financial Report" section of this Annual Report. pages 218 ff

Conservation of resources: Consistently high recyclability
To make our vehicles more environmentally friendly, we are working to continuously reduce the resources our automobiles consume over their entire lifecycles.

During vehicle development, we also prepare a recycling concept in which all components and materials are examined with a view to their suitability for the various stages of the recycling process. As a result, all Mercedes-Benz car models are 85 percent recyclable and 95 percent recoverable.

The key aspects of our activities in this area are:
- the resale of tested and certified used parts through the Mercedes-Benz Used Parts Center,
- the remanufacturing of used parts, and
- the workshop waste disposal system MeRSy (Mercedes-Benz Recycling System).

Environmental protection in production
Our commitment to the environment is an integral component of our corporate strategy, which focuses on increasing the value of the company over the long term. For this reason, we have established environmental management systems at our manufacturing facilities with the goal of ensuring that we can produce our vehicles safely, efficiently, at a high level of quality and in an environmentally friendly manner that complies with all legal stipulations. We also carry out environmental risk assessments at all production locations in which the Group has a majority interest in the ownership structure. We have achieved a high level of air quality control, climate protection and resource conservation (in terms of water consumption, waste management and soil conservation), and we maintain this high level with the help of Daimler Group standards. The environmental and energy-related guidelines approved by the Board of Management define the environmental and energy-related policy of the Daimler Group. The guidelines also express our commitment to integrated environmental protection that begins with the assessment of the causes of environment problems and takes into account the environmental effects of production processes and products as early as the planning and development phases. Additional information on this topic can be found in the "Non-Financial Report" section of this Annual Report. pages 214 ff

The workforce

Slight increase in the number of employees
On December 31, 2017, the Daimler Group employed a total of 289,321 men and women (2016: 282,488). As was forecast in Annual Report 2016, the number of employees increased slightly (+2%). This increase was primarily a result of the positive business situation throughout the Group. Workforce numbers increased at all divisions in 2017. ↗ **B.40**

The number of employees in Germany increased from 170,034 in 2016 to 172,089 in the year under review. Whereas employee numbers rose in the United States to 23,513 (2016: 21,857), workforce numbers remained constant in Brazil at 9,800 (2016: 9,782) and in Japan at 10,016 (2016: 10,535). ↗ **B.39** Our consolidated subsidiaries in China had a total of 4,099 employees at the end of the year (2016: 3,696). At the end of the year under review, Daimler AG employed a total of 148,953 men and women (2016: 148,704).

Around the world, we have combined in-house services, such as those for financial processes, human resources (HR), IT and development tasks, sales functions and certain location-specific services, into shared service centers. Some of the shared service centers are not consolidated because they do not affect our financial position, cash flow or profitability; those companies employed around 10,000 men and women at the end of 2017.

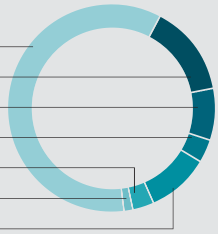
The Group's total workforce also does not include the employees of companies that we manage together with Chinese partners; on December 31, 2017, they numbered approximately 19,900 people (2016: 19,500).

Human resources strategy
The key aims of our human resources strategy are to further increase our attractiveness as an employer and to safeguard the competitiveness of our workforce. Because our executives should motivate their employees to achieve top performance, it is crucial that we further develop our management culture and establish outstanding leadership capabilities in our management. In addition, we want to take on social responsibility and let diversity flourish in our global company.

High attractiveness as an employer
Our activities and measures for enhancing our attractiveness as an employer are designed to enable us to recruit and retain a sufficient number of specialized employees and qualified managers in the global competition for talented staff. Our primary objectives here are to ensure attractive and fair compensation and to establish and maintain a work culture that enables outstanding performance and a high level of motivation and satisfaction among our employees and management staff. Today's living and working conditions require working times to be flexibly organized in accordance with individual needs. Our approach is therefore to challenge our employees to achieve top performance and support their efforts to do so, rather than focusing on their mere presence at work. For this reason, we also seek to improve performance by helping employees reconcile their professional and personal responsibilities.

B.39
Employees at 12/31/2017
By region

Germany	59.5%
Europe, excluding Germany	14.3%
USA	8.1%
Brazil	3.4%
Japan	3.5%
China*	1.4%
Other	9.8%



* excluding non-consolidated associated companies and joint ventures

B.40
Employees by division

	2017	2016	17/16
Employees (December 31)			% change
Daimler Group	**289,321**	282,488	+2
Mercedes-Benz Cars	**142,666**	139,947	+2
Daimler Trucks	**79,483**	78,642	+1
Mercedes-Benz Vans	**25,255**	24,029	+5
Daimler Buses	**18,292**	17,899	+2
Daimler Financial Services	**13,012**	12,062	+8
Group Functions & Services	**10,613**	9,909	+7

Diversity management
The statement "diversity shapes our future" underscores the importance of diversity management as a strategic factor for success at Daimler. The various skills and talents of our workforce enable us as a global company to effectively reflect the diversity of our customers, suppliers and investors around the world.

Daimler's more than 289,000 employees from over 160 countries provide the Group with a vibrant mixture of cultures and ways of life. We have committed ourselves to raising the proportion of women in senior management positions at the Group to 20% by the year 2020. The proportion of women in such positions has continually risen in recent years to reach 17.6% at the end of 2017 (2016: 16.7%). Our instruments for supporting the targeted promotion of women include mentorships, special events and training measures, as well as employee networks.

In order to fulfill the requirements of new legislation on the equal participation of women and men in management positions, the Board of Management has set targets for the proportion of women at the two executive levels below the Board of Management and a deadline for achieving those targets. In setting all targets, we have taken industry-specific circumstances into consideration.

Further details are provided in the Corporate Governance Report on pages 203 ff of this Annual Report.

Securing young talent
Daimler takes a holistic approach to securing young talent. Our "Genius" initiative gives children and teenagers valuable insights into future technologies and information about jobs in the automotive industry. Along with technical and commercial apprenticeships and dual courses of study, we also conduct various activities that address young talent. In addition, we offer extensive possibilities to personally interact with the company via social media, hackathons, competitions and internships. After university students graduate, we offer them attractive opportunities to join our company directly or launch their careers at Daimler by taking part in our global CAReer training program.

We had 8,097 apprentices and trainees throughout the Group at the end of 2017 (2016: 7,960). Of that number, 4,409 were in a training program at Daimler AG (2016: 4,824). A total of 1,278 young people began their vocational training at Daimler during the year under review (2016: 1,662), and 1,197 of them were hired after completing their apprenticeships (2016: 1,448).

Employee qualification
We support our staff with training and continuing education opportunities throughout their entire careers in order to safeguard the long-term innovative capability and outstanding performance of our workforce. Our range of qualification measures includes practical training courses, e-learning, seminars, workshops, specialist conferences and financial support for employees who conduct a course of study while continuing to work.

Health management and occupational safety
Healthy and motivated employees are important for our competitiveness. We therefore promote the health and safety of our employees through numerous programs that focus on adequate protective measures, ergonomics, the provision of medical care, nutritional advice, individual exercise courses and much more. Daimler has a separate function – the Health & Safety department – that is dedicated to promoting and ensuring occupational health and safety. This department defines, coordinates and monitors all measures associated with occupational safety, occupational healthcare and the promotion of good health and a healthy lifestyle.

Further information on employee matters can be found in the Non-Financial Report of this Annual Report. pages 222 ff

Social responsibility

The goals associated with our social commitment
As a group of companies with global operations, we regard it as both our responsibility and our obligation to support social progress around the world. That is because for us, business success and social responsibility go hand in hand. As a company, we strive to contribute to the advancement of society and to effectively shape, help and promote its development in order to create recognizable benefits.

In 2017, we spent more than €60 million on donations to non-profit institutions and on sponsorships of socially beneficial projects. This does not include our foundations and corporate volunteering activities or self-initiated projects.

DaimlerWeCare
It is very important to us that our various locations and the people who work there identify with our activities. We therefore support the efforts of our employees to promote the common good, and we also work to improve the social environment in the communities where we operate. In this context, we focus on the one hand on fields of action that arise from our role as a "good neighbor". On the other hand, we are involved in projects in which we can contribute specific expertise and our core competencies as an automaker.

We also initiate a variety of aid and assistance projects around the globe. For example, we implement measures to strengthen communities and promote education, science, the arts and culture, and nature conservation, and we also support initiatives that improve road safety. ↗ B.41 All of these issues are addressed in various projects organized and managed under the DaimlerWeCare brand. Our approach here is based on three pillars: "For our employees", "For our locations" and "Worldwide".

For our employees

Since 2006, Daimler Financial Services has been staging a Day of Caring that focuses on non-profit projects that help local communities. Under the motto “Offering help where help is needed”, thousands of employees around the world once again rolled up their sleeves and lent a hand in 2017 by leaving their offices and picking up a paintbrush, hammer or garden rake. A wide variety of social institutions and initiatives were supported – from hospitals and kindergartens to the SOS Children’s Villages organization.

The ProCent initiative is another example of our employees’ commitment to society. In this initiative, Daimler employees voluntarily donate the cent amounts of their net salaries to socially beneficial projects. The company matches every cent that is donated. More than €800,000 was collected in this manner in 2017. One of the recipients of donations from the ProCent initiative in 2017 was the Spitalverein Offenburg voluntary hospital aid association, which used a donation of around €10,000 to help build a new 250-square-meter playground for young patients at Ortenau Hospital in Offenburg-Gengenbach.

For our locations

We support a wide variety of initiatives that strengthen the communities at our locations. The integration of refugees is a very important issue in Germany, for example. Here, we support not only labor market integration with our “bridge internships”, but also the social integration of people who have been forced to flee their homes. A key aspect here involves improving access to education with programs such as our Genius knowledge community and the Daimler Children's University in Sindelfingen.

We want to help preserve the diversity of natural habitats for future generations. For many years now, we have therefore been supporting projects and initiatives carried out by environmental organizations near our locations around the world. One such project, which is being conducted in cooperation with the Global Nature Fund, is helping to restore severely damaged mangrove forests in Asia. Environmental protection measures and specific funding programs – near our production location in Chennai in southern India, for example – are being implemented to get the local population extensively involved in the project. The goal here is to work with local partner organizations to restore the mangrove forests to their original state and then ensure that they remain protected.

Worldwide

Another environmental project that Daimler is supporting in cooperation with the Global Nature Fund is EcoKarst. The objective of this project is to contribute to the protection and sustainable economic development of seven protected karst areas in the Danube region. The idea is to achieve a balance between the maintenance and strengthening of ecosystems and their sustainable use.

In India, Brazil and Mozambique, we are carrying out projects with Caritas International that promote the sustainable use of water resources. Climate change is threatening to make entire tracts of land uninhabitable in those three countries. Project workers are creating reliable water supply systems and providing training and useful knowledge to local farmers. As a result, the farmers can now cultivate plants that do not require additional irrigation, such as tamarind and passion fruit.

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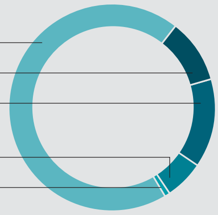
Donations and sponsoring in 2017

Charity & Community	69%
Arts & Culture	10%
Education	14%
Science & Technology & Environment	6%
Political dialog	1%



Funding through foundations

Our activities in areas such as sports, science and research are carried out under the auspices of foundations. For example, we use the Daimler and Benz Foundation to fund interdisciplinary research that addresses issues related to the interaction between humans, the environment and technology. We also support interdisciplinary research projects with the Daimler Fund in the Donors’ Association. This fund has helped create several endowed professorships, such as the one for “Electrified Commercial Vehicle Drive Systems” at Esslingen University of Applied Sciences, the junior endowed professorship for “Sensor Merging and Tracking Driver Assistance Systems” at Ulm University of Applied Sciences, and the junior endowed professorship for “Digital Transformation” at Freie Universität Berlin.

The Laureus Sport for Good Foundation uses sports to help achieve sustained improvement of the lives of socially disadvantaged or sick children and teenagers. A large number of children and teenagers around the world have participated in Laureus sports projects and in this manner have been able to discover their own strengths and potential for the first time. For example, donations from the Laureus Sport for Good Foundation were used to fund the Indigo Youth Movement project in South Africa. Here, a camp was set up near Durban in which young villagers were taught how to skateboard. The camp community offers them a protected environment in which they can develop greater self-confidence and learn how to improve their lives.

More information on the projects promoted by the Group and the activities related to our social commitment can be found in the Daimler Sustainability Report and on our website under “Sustainability”. daimler.com/sustainability

Further information on social matters can be found in the Non-Financial Report of this Annual Report. pages 227 ff

Integrity, compliance and legal responsibility

For Daimler, integrity, compliance and legal responsibility are not merely abstract concepts – they are inseparable from our daily business activities. That is because only those who act responsibly can achieve sustained success over the long term. For us, this involves more than just obeying laws, as we also seek to align our activities with shared principles and values.

Organizationally established at the highest level
Because of their strategic significance, we have combined the responsibilities for integrity, compliance and legal affairs within a single area headed by a member of the Board of Management. This division supports the business divisions and units in their efforts to ensure that these issues remain an integral component of their organizations. We view integrity and compliance as firm elements of our corporate culture that contribute to our company's lasting success and are already a natural part of our daily business. The basis for this is our Integrity Code, which defines guidelines for our everyday business conduct, offers our employees orientation, and helps them make the right decisions even in difficult business situations. The Integrity Code is supplemented by other in-house principles and guidelines.

A culture of integrity
Integrity is one of the four corporate values that form the foundation of our business activities. For us, integrity means acting in accordance with ethical principles. This also includes our determination to ensure compliance with all applicable laws, internal regulations and voluntary commitments. We expect all of our employees and business partners to adhere to the principles of our culture of integrity out of a sense of conviction. Our goal is to make integrity a permanent part of our corporate culture.

Organization of integrity management
The Integrity Management unit is responsible for the long-term promotion of the culture of integrity at our company. The unit's experts for change management, corporate-responsibility management, training, consulting and communication develop innovative and employee-focused approaches that promote a culture of integrity at the company. These experts also support disseminators throughout the Daimler organization in their integrity-related activities. The unit's goal is to further establish and maintain a common understanding of integrity in order to reduce risks and help ensure the sustained success of the company. The Head of Integrity Management reports directly to the member of the Board of Management responsible for Integrity and Legal Affairs.

Our Integrity Code forms the basis of our business conduct. The Integrity Code is one of the most important results of the employee dialogues we have been conducting since 2011. It is based on a shared understanding of values agreed upon with our employees, and it lays out the principles for our everyday business conduct. These principles are based on compliance with laws. They include fairness, responsibility, mutual respect, transparency and openness. The Code applies for all employees of Daimler AG and the Group and is available in 23 languages. A guide is available on the Group's intranet to support the employees in their application of the Code in everyday situations, providing answers to frequently asked questions.
daimler.com/sustainability/integrity/at-a-glance.html

Requirements for management staff
Our Integrity Code also defines requirements for executives and managers, who are expected to serve as role models in terms of ethical behavior and to provide employees with orientation. To help them optimally fulfill their responsibilities, the new web-based Integrity@Work training program includes a management module that is compulsory for all management staff and which communicates a shared understanding of the role of our executives and managers with regard to integrity, compliance and the law. Furthermore, selected seminars during the training of new managers and the further training of senior executives include modules on the subject of integrity.

In addition, integrity and compliance requirements are important criteria for the target achievement of our executives. They are also part of the agreed objectives for the remuneration of the Board of Management. page 138

Contact and advice center
Our "Infopoint Integrity" is available to our employees around the world as a central contact and advice center. The Infopoint team offers advice on integrity-related issues in the daily working environment and puts employees in touch with the right contact partner if necessary. A worldwide network of local compliance and legal contact persons is also available to our employees.

Communication measures
We conduct an ongoing open dialogue with our employees in order to ensure that ethical behavior continues to be established in the company's daily business. We regularly address integrity issues in our internal media and make a wide range of materials available to our business units. During the year under review, we introduced an app that provides information on integrity, compliance and legal affairs. We also place great value on face-to-face discussions. For this reason, we regularly conduct individually designed dialogue events with employees at all levels of the hierarchy, as well as with external stakeholders. These events are held both in Germany and at our locations abroad.

We use various event formats to get employees to think about integrity by approaching the issue from different perspectives. At these events, we also increase the participants' awareness of the importance of making ethical decisions. For example, we conduct business simulations that enable employees to experience and discuss the relevance of integrity to daily business operations from a new viewpoint. The things we focused on in 2017 included events that addressed the topic of integrity in technical fields. We also have a network of integrity contact persons who help the business units address specific issues in a targeted manner. In addition, we produce target-group-specific materials for managers who wish to raise awareness of integrity and potential ethical dilemma situations in their departments.

Compliance and legal responsibility

Compliance is an indispensable part of the culture of integrity at Daimler. For us, compliance means acting in accordance with laws and regulations. Our objective here is to ensure that all Daimler employees worldwide are always able to carry out their work in a manner that is in compliance with applicable laws, regulations, voluntary commitments and our basic values, as is set out in binding form in our Integrity Code. Our compliance activities focus on adhering to all applicable anti-corruption regulations, the maintenance and promotion of fair competition, adherence to legal and regulatory stipulations related to product development, the observance of and respect for human rights, compliance with data protection laws and our own data protection policy, adherence to sanctions and the prevention of money laundering. Our Legal and Compliance department advises and supports all of our corporate units worldwide with regard to their business operations, processes and services, in order to minimize legal and business risks.

Our Compliance Management System (CMS) serves as the foundation

Our Compliance Management System (CMS) is designed to prevent inappropriate or illegal behavior by Daimler and its employees. The measures needed for this are defined by Group Compliance and the Legal department in a process that also takes the company's business requirements into account. Our CMS consists of basic principles and measures that aim to ensure compliant behavior throughout the company. The CMS is based on national and international standards and is applied on a global scale at all Daimler AG units and majority holdings. The systematic minimization of compliance risks is also extremely important, and for this reason we analyze and assess the compliance risks of all our business units every year. These analyses are based on centrally compiled information on all business units; specific additional details are taken into account in line with the given risk assessment. The results of the analyses form the basis of our risk management.

More detailed information on the Daimler Compliance Management System can be found in the "Non-Financial Report" section of this Annual Report. pages 229 ff

In order to ensure an independent external assessment of our Antitrust Compliance Program, KPMG AG Wirtschaftsprüfungsgesellschaft audited the Compliance Management System for antitrust law in accordance with the 980 standards of the Institute of Public Auditors in Germany. This audit, which was based on the principles of appropriateness and effective implementation, was successfully completed at the end of 2016.

Overall Assessment of the Economic Situation

In the opinion of the Board of Management, the Daimler Group's economic situation continues to be very satisfactory at the time of publication of this Annual Report. In recent years, we have implemented our strategy effectively and with great determination. This has led us onto a stable and profitable growth path, along which we have made great progress, also in the past year. We will continue along that path in order to remain sustainably competitive and profitable. Against this backdrop, we intend to take the lead in shaping the fundamental transformation process of the automotive industry.

For that purpose, we have prioritized four strategic areas for action, which are closely interrelated:
1. CORE (strengthening the global core business)
2. CASE (leading in new future fields)
3. CULTURE (adapting the corporate culture)
4. COMPANY (strengthening the divisional structure)

We continue to expand our core business as a basis for us to take a leading role in the new CASE areas. CORE and CASE are inseparably connected and mutually dependent. In this context, we need a corporate culture that strengthens and supports both areas. In order to enhance our focus on markets and customers and to facilitate cooperation with other companies, we are reviewing whether we should make our divisions even more independent.

We succeeded in strengthening our core business also in the year 2017, with significant increases in the Daimler Group's revenue, unit sales and EBIT. The growth targets we announced at the beginning of the year were in some cases actually surpassed.

In the year under review, we increased our unit sales to a total of 3.3 million cars and commercial vehicles (2016: 3.0 million), enabling us to further strengthen our market positon in the core business. Thanks to numerous new and successful products, Mercedes-Benz Cars and Mercedes-Benz Vans sold more vehicles than ever before. The consistency of our growth path is demonstrated by the fact that December 2017 was the 58th consecutive record month for sales to end-customers at Mercedes-Benz Cars. The Daimler Trucks and Daimler Buses divisions also significantly increased their unit sales. And driven above all by the positive development of the automotive business and a further increase in the proportion of those vehicles leased or financed by Daimler, the Daimler Financial Services division also continued to grow in 2017. The Daimler Group's revenue therefore also increased significantly: by 7% to €164.3 billion. Adjusted for exchange-rate effects, revenue actually grew by 8%.

The Daimler Group's operating profit (EBIT) of €14.7 billion was significantly higher than in the previous year (€12.9 billion). The divisions Mercedes-Benz Cars, Daimler Trucks and Daimler Financial Services all achieved significant EBIT growth, while Mercedes Benz Vans and Daimler Buses maintained their high level of prior-year earnings. In the overall vehicle business, return on sales we achieved our target value of 9%. Daimler Financial Services' return on equity of 17.6% surpassed its target of 17%.

As a result of the positive development of earnings, we once again achieved a very good return on net assets of 22.9% (2016: 19.1%). We therefore once again earned substantially more than our targeted minimum return on capital employed (8%). This is reflected by our value added of €7.2 billion, which was significantly higher than the prior-year figure (2016: €5.2 billion).

In line with the ongoing high level of earnings, we continue to have very sound key financial metrics. This was confirmed by the rating agencies in their publications during the year. In early February 2017, Moody's raised Daimler's long-term credit rating from A3 to A2 and the short-term rating from P-2 to P-1. And in November 2017, the Canadian rating agency DBRS also raised the long-term rating from A (low) to A.

The Group's overall equity ratio and the equity ratio of the industrial business increased in the year under review to 24.0% and 46.4% respectively (2016: 22.9% and 44.7%). The net liquidity of the industrial business decreased to €16.6 billion at the end of 2017 (2016: €19.7 billion). This decrease is almost entirely explained by an extraordinary contribution of €3 billion to the German pension plan assets of Daimler AG. Mainly for the same reason, the free cash flow of the industrial business – the parameter we use to measure financial strength – decreased to €2.0 billion (2016: €3.9 billion). Without this effect, at €5.0 billion the free cash flow of the industrial business would have been higher than in the previous year and higher than the dividend distribution in the year 2017, despite a significant increase to in advance expenditure for new products and technologies.

We want our shareholders to participate appropriately in the very good level of earnings achieved by Daimler once again in 2017. At the Annual Shareholders' Meeting on April 5, 2018, the Board of Management and the Supervisory Board will therefore propose a dividend of €3.65 per share (prior year: €3.25). The dividend distribution will thus increase to the record level of €3.9 billion (prior year: €3.5 billion).

On the basis of our profitable core business, we increased the expenditure for securing our future in 2017 from an already very high level by a total of €2.0 billion to €15.5 billion: €8.7 billion for research and development (2016: €7.6 billion) and €6.7 billion for investment in property, plant and equipment (2016: €5.9 billion).

This substantial expenditure is necessary because we, as the inventor of the automobile, intend to play a major role in shaping the mobility of the future. To achieve this goal, we are increasingly focusing on CASE – the four strategic areas for the future: connected, autonomous, shared and services, and electric. We intend to be leaders in each of these areas and to utilize additional potential by linking up the four areas.

We see great growth opportunities in the area of electric mobility in particular. By the year 2022, we aim to electrify each segment across the entire Mercedes-Benz portfolio. Our goal is to offer our customers at least one electrified alternative in each segment – from the compact car to the large SUV. In total, we plan to launch more than 50 electrified versions, including more than ten fully electric vehicles, the plug-in hybrid versions and the models with 48-volt technology. Under the new brand EQ, which stands for electric intelligence, we offer Mercedes-Benz Cars' customers both vehicles and services in connection with electric mobility. We are progressing with electrification also with our commercial vehicles. With the FUSO eCanter, our first fully electric light-duty truck from a limited production series, we started deliveries to customers in 2017; unlimited large-series production is to start in 2019. The Mercedes-Benz electric truck concept vehicle shows how fully electric transport is possible with a gross vehicle weight of up to 26 tons. Electric drive will soon be available also for vans from Mercedes-Benz: The eVito will be available as of the second half of 2018 and the eSprinter is to follow in 2019. And Daimler Buses plans to put a fully electric bus on the road in 2018.

With the upgraded S-Class, Mercedes-Benz has taken another step towards automated driving. For example, Active Distance Assist DISTRONIC and Active Steering Assist have been further developed with new and modified functions. Daimler Trucks also has a leading position in the field of autonomous driving. Platooning concepts, electronically linking up several trucks driving in a convoy, are gaining importance as an intermediate stage. We successfully tested the system under real-life conditions in Europe on several occasions in 2016, and we plan to test platooning in real operation with fleet customers in the United States as of 2018.

Daimler Financial Services is a pioneer in the field of shared and services with its mobility services. We invested in the expansion of these businesses in 2017 and we aim to achieve further growth with them. The total number of registered users of our mobility services increased to 17.8 million at the end of 2017. With car2go, Daimler is the world's leading company for flexible car sharing. The Daimler subsidiary mytaxi is the market leader for taxi-ordering apps in Europe, and with moovel, we offer our customers a platform with which they can optimally compare, combine, book and pay for various mobility services.

In order to successfully make the transition from vehicle producer to full-range supplier of innovative mobility solutions, we must adapt our company to face the new challenges. In doing so, we aim to combine the flexibility and risk culture of the digital industry with the perfection and innovativeness of our company's strong traditions. Together with our workforce, we are therefore developing a new and flexible corporate culture under the roof of "Leadership 2020". In addition, we are working in "Project Future" on how we can change our divisions into legally independent entities, in order to further focus and strengthening the divisional structure of the Daimler Group.

With the four strategic areas for action – CORE, CASE, CULTURE and COMPANY – we have set the course for a successful future. Against this backdrop, we look to the coming years with great confidence, and aim to continue our profitable growth.

Events after the Reporting Period

Since the end of the 2017 financial year, there have been no further occurrences that are of major significance for Daimler. The course of business in the first weeks of 2018 confirms the statements made in the "Outlook" section of this Annual Report.

Remuneration Report

The Remuneration Report summarizes the principles that are applied to determine the remuneration of the Board of Management of Daimler AG, and explains both the level and the structure of its members' remuneration. It also describes the principles and level of remuneration of the Supervisory Board.

Principles of Board of Management remuneration

Goals

The remuneration system for the Board of Management aims to remunerate its members commensurately with their areas of activity and responsibility and in compliance with applicable law. The adequate combination of non-performance-related and performance-related components of remuneration is designed to create an incentive to secure the Group's long-term success. The fixed component of remuneration is paid as a base salary; the variable components are intended to reflect, clearly and directly, the joint performance of the members of the Board of Management as a whole, as well as the long-term performance of the Group. The interests of all stakeholders, in particular those of the shareholders as the owners of the Company and those of the employees, are harmonized through the focus on the Group's long-term success.

Practical implementation

For each upcoming financial year, the Presidential Committee at first prepares a review by the Supervisory Board of the system and level of remuneration on the basis of a comparison with competitors. The main focus is on checking for appropriateness, based on a horizontal and vertical comparison. In the horizontal comparison, the following aspects are given particular attention in relation to a group of comparable companies in Germany:

- the effects of the individual fixed and variable components, that is, the methods behind them and their performance parameters;
- the relative weighting of the components, that is, the relationship between the fixed base salary and the short-term and long-term variable components;
- and the target remuneration consisting of base salary, annual bonus and long-term variable remuneration, also with consideration of entitlement to a retirement pension and fringe benefits.

The vertical comparison focuses on the ratio of Board of Management remuneration to the remuneration of the senior executives and the entire workforce of Daimler AG in Germany, also in terms of development over time. The Supervisory Board has defined the group of senior executives for this purpose.

In carrying out this review, the Presidential Committee and the Supervisory Board consult independent external advisors.

If the review results in a need for changes to the remuneration system for the Board of Management, the Presidential Committee submits the relevant proposals to the entire Supervisory Board for its approval.

On the basis of the approved remuneration system, the Supervisory Board decides at the beginning of the year on the base and target remuneration for the individual members of the Board of Management as well as on total remuneration limits. It also decides on the relevant performance parameters and the respective targets that are to be used in the bonus calculations for the upcoming financial year. Furthermore, individual targets and compliance goals are decided upon for each member of the Board of Management and additional non-financial goals related to sustainability are drawn up for the Board of Management as a whole. Both the individual goals, including the compliance goals, and the non-financial goals for the Board of Management as a whole are taken into consideration along with the financial performance parameters after the end of the financial year when the annual bonus is decided upon by the Supervisory Board.

For the long-term variable component of remuneration, which is referred to as the Performance Phantom Share Plan (PPSP), the Supervisory Board sets an amount to be granted for the upcoming financial year in the form of an absolute amount in euros and sets the respective performance targets.

After the end of each year, the achievement of both financial and non-financial targets by the Board of Management as a whole is measured in order to determine the amount of the annual bonus. The degree of achievement of individual targets by members of the Board of Management is used as the basis for measuring target achievement for the Board of Management as a whole. The Presidential Committee then calculates the annual bonus and submits its proposal to the Supervisory Board for its approval.

The system of Board of Management remuneration in 2017
The fixed base salary and the annual bonus each comprise approximately 30% of the target remuneration, while the variable component of remuneration with a long-term incentive effect (PPSP) makes up approximately 40% of the target remuneration. ↗ B.42

As before, only 50% of the annual bonus is paid out in the March of the following financial year. The other 50% is paid out a year later (deferral) with the application of a bonus-malus rule, depending on the development of the Daimler share price compared with an automotive index (Dow Jones STOXX Auto Index) pages 78 f, which Daimler AG uses as a benchmark for the relative share-price development. Both the delayed payout of the portion of the annual bonus (with the use of the bonus-malus rule) and the variable component of remuneration from the PPSP with its link to additional, ambitious comparative parameters and to the share price reflect the recommendations of the German Corporate Governance Code and give due consideration to both positive and negative business developments.

The maximum amounts of remuneration of Board of Management members are limited, both overall and with regard to the variable components.

As in the prior year, the maximum amounts of remuneration of the members of the Board of Management were set for financial year 2017 at 1.9 times the target remuneration for its members and 1.5 times the target remuneration for its Chairman. The target remuneration consists of the base salary, the target annual bonus and the grant value of the PPSP, excluding fringe benefits and retirement benefit commitments. With the inclusion of fringe benefits and retirement benefit commitments from the respective financial year, the maximum limit of total remuneration increases by these amounts. The possible cap on the amount exceeding the maximum limit takes place with the payment of the PPSP issued in the relevant financial year, i.e. for the year 2017, with payment of the PPSP in 2021. ↗ B.43

The individual components of the remuneration system are as follows:

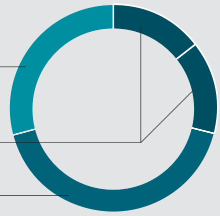
The **base salary** is fixed remuneration relating to the entire year, oriented towards the area of responsibility of each Board of Management member and paid out in twelve monthly installments. ↗ B.44

B.42

Remuneration structure

Target remuneration consists of non-performance-related and performance-related components:

base salary (non-performance-related)	approx. 30%
short- and medium-term performance-related components	approx. 30%
long-term performance-related components	approx. 40%



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Maximum limit of total remuneration[1] 2017

Chairman of the Board of Management	1.5 times the target remuneration[1]
Members of the Board of Management	1.9 times the target remuneration[1]

Base salary in 2017
+ target bonus = 100% of the 2017 base salary
+ PPSP value when granted for 2017

Target remuneration[1] in 2017

Base salary in 2017
+ annual bonus for 2017
(50% paid out in 2018 + 50% in 2019)
+ PPSP payment for 2017 (in 2021)
incl. dividend equivalent payments

Total remuneration[1] in 2017

The possible cap on the amount exceeding the maximum limit takes place with the payment of the PPSP for 2017 in 2021.

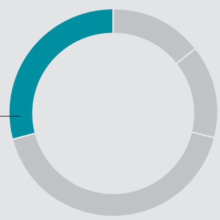
1 Excluding fringe benefits and retirement benefit commitments in all cases.

B.44

Base salary – fixed page 137

base salary – fixed – oriented towards the area of responsibility

base salary (non-performance-related) paid out in twelve monthly installments	approx. 30%



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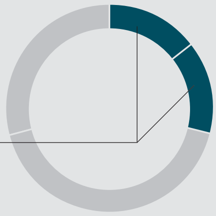
Annual bonus – short- and medium-term performance-related remuneration page 138



annual bonus 2017 = target bonus × overall target achievement

target bonus = 100% of base salary 2017

target achievement EBIT
+/- target achievement for the Board of Management as a whole (derived from individual targets)
+/- target achievement for the Board of Management as a whole: non-financial targets
- non-achievement of individual compliance targets

overall target achievement

time of payment of annual bonus 2017

50% of annual bonus = in March of the year after the reporting year (2018)

50% of annual bonus (deferral) = in March of the second year after the reporting year (2019)

amount paid out = 50% of annual bonus × "relative share performance"[1]

1 Depending on the development of the Daimler share price compared with the Dow Jones STOXX Auto Index.

B.46

Annual bonus[1] in 2017

dependent upon	
EBIT target achievement Range of possible target achievement: 0% – 200%	– 50% relates to a comparison of actual EBIT in 2017 with EBIT targeted for 2017 – 50% relates to a comparison of actual EBIT in 2017 with actual EBIT in 2016
Target achievement for the Board of Management as a whole (derived from individual targets) Range of possible target achievement: -25% – +25%	Individual target agreements in 2017
Target achievement for the Board of Management as a whole: non-financial targets Range of possible target achievement: -10% – +10%	For 2017: Further development and permanent establishment of the corporate value of integrity; diversity and the maintenance and enhancement of a high level of employee satisfaction and product quality.
Non-achievement of individual compliance targets Range of possible target achievement: -25% – 0%	Compliance agreements in 2017
Maximum target achievement (total cap):	**235% of the target bonus**

1 May be subject to retention or repayment claims

The **annual bonus** is variable remuneration, the level of which is primarily linked to the operating profit of the Daimler Group (EBIT). For the past financial year, the annual bonus was also linked to the target for the financial year determined by the Supervisory Board (derived from the level of return targeted for the medium term and the growth targets), the actual result compared with the prior year, the combined performance of the Board of Management members, additional non-financial sustainability-related targets for the Board of Management as a whole and, as a possible individual reduction component, the non-achievement of compliance targets. With the actual-actual comparison, achievement of EBIT at the prior year level constitutes target achievement of 100%. With the target-actual comparison, the particularly ambitious definition of the targeted EBIT that is oriented towards the competition constitutes target achievement of 150%. ↗ B.45 ↗ B.46

Primary reference parameters:

- 50% relates to a comparison of actual EBIT in 2017 with EBIT targeted for 2017.
- 50% relates to a comparison of actual EBIT in 2017 with actual EBIT in 2016.

Amount with 100% target achievement (target annual bonus):

In 2017, this is equivalent to the respective base salary.

Range of possible target achievement:

0 to 200%, that is, the annual bonus due to EBIT achievement has an upper limit of double the base salary and may also be zero. Both primary performance parameters, each of which relates to half of the bonus, can vary between 0% and 200%. For the primary performance parameter defining 50% of the annual bonus, "comparison of actual EBIT in the financial year with the EBIT targeted for the financial year", the limits of the unchanged possible range of 0 to 200% are defined as a deviation of +/- 3% from prior-year revenue.

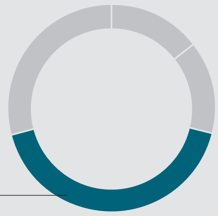
For the other primary performance parameter, which also relates to half of the annual bonus, "comparison of actual EBIT in the financial year with actual EBIT in the prior year", the limits of the unchanged possible range of 0 to 200% are defined as a deviation of +/- 2% of the prior-year revenue.

In addition, the Supervisory Board uses individual target agreements as a basis for measuring the target achievement for individual Board of Management members and then uses this target achievement value to measure the overall target achievement of the Board of Management as a whole. This overall target achievement result can lead to an addition or reduction of up to 25% from the degree of target achievement as measured on the basis of the primary performance parameters. Only in exceptional cases may the Supervisory Board deviate from this overall performance assessment and make individual additions or deductions within the range described above. In addition, on the basis of the sustainability-related non-financial targets for the Board of Management as a whole, an amount of up to 10% can be added or deducted, depending on the predefined key figures/assessment basis. The non-financial targets defined for 2017 were the further development and permanent establishment of the corporate value of integrity, the promotion of diversity in the sense of increasing the share of women in management positions and the maintenance and enhancement of a high level of employee satisfaction and product quality.

As was the case in previous years, further qualitative targets were agreed upon with the individual members of the Board of Management with regard to the sustained implementation and embedment of the compliance management system. The complete or partial non-achievement of individual compliance targets can be reflected by a deduction of up to 25% from the individual target achievement. However, the compliance targets cannot result in any increase in individual target achievement, even in the case of full accomplishment.

B.47

Performance Phantom Share Plan (PPSP) – long-term performance-related remuneration page 139



long-term performance-related remuneration approx. 40%

amount when granted in euros page 139
price of Daimler shares when issued

= **preliminary number of phantom shares (virtual shares)**
three-year dividend entitlement

after expiry of third plan year
preliminary number of phantom shares × performance factor
= **final number of phantom shares,** dividend entitlement in fourth year

after expiry of fourth plan year
final number of phantom shares × Daimler share price at end of plan
= **amount paid out**

Time of payment of Performance Phantom Share Plan 2017 in February of the year 2021

B.48

PPSP 2017

dependent upon	
Development of performance factors	– 50% relates to the “return on sales” achieved in a three-year comparison with the defined group of competitors page 140 Bandwidth of possible target achievement: 0% – 200%[1] – 50% relates to the “relative share performance”, i.e. the development of Daimler’s share price in a three-year comparison with the development of a share-price index for the defined group of competitors. Bandwidth of possible target achievement: 0% – 200%
Development of the Daimler share price	Price when issued and price at the end of the plan period Bandwidth of possible price development: maximum of 2.5 times the issue price

Maximum performance development (total cap):
2.5 times the amount granted
(including dividend equivalent payments throughout the plan period)

Stock ownership guidelines
Share purchase obligation of up to 25% of the gross remuneration until the defined number of shares (between 20,000 and 75,000) have been purchased (shares to be held until the end of the term of service)

1 Maximum of 195% if, in the event of target achievement of 195% – 200%, the strategic return target of 9% has not been reached.

In this context, agreements were reached with the members of the Board of Management allowing for the partial reduction or complete elimination of the annual bonus for any member who clearly violates our Integrity Code. If it is not possible to reduce a future bonus payment, or a payment that has yet to be made, the Board of Management member in question will be required to pay back the amount of the bonus reduction. The Supervisory Board has the final decision on all such bonus reductions.

The total amount to be paid out from the annual bonus is limited to 2.35 times the base salary of the respective financial year.

The **Performance Phantom Share Plan** (PPSP) is a variable element of remuneration with long-term incentive effects. At the beginning of the plan, the Supervisory Board specifies a grant value (absolute amount in euros) in the context of setting the individual annual target remuneration. This amount is divided by the relevant average price of Daimler shares calculated over a predefined long period of time, which results in the preliminary number of phantom shares allocated. Also at the beginning of the plan, performance targets are set for a period of three years (performance period). Depending on the achievement of these performance targets with a possible range of 0% to 200%, after three years the phantom shares allocated at the beginning of the plan are converted into the final number of phantom shares allocated.

After another plan year has elapsed (retention period), the amount to be paid out is calculated from this final number of phantom shares and the applicable share price at that time. The share price relevant for the payout under this plan is also relevant for allocating the preliminary number of phantom shares for the plan newly issued in the respective year. ↗ B.47 ↗ B.48

Performance parameters for Plan 2017:

- 50% relates to the Group's return on sales in a three-year comparison with a group of competitors comprising all listed vehicle manufacturers with an automotive component of more than 70% by revenue and an investment-grade credit rating (BMW, Ford, Fuji Heavy, Honda, Hyundai, Isuzu, Kia, Mazda, Nissan, Paccar, Suzuki, Toyota, Volvo and Volkswagen). For the measurement of success, the competitors' average return on sales is calculated over a period of three years. Target achievement occurs to the extent to which Daimler's return on sales deviates by a maximum of +/-2 percentage points from 105% of the calculated average of the competitors.
  - Target achievement of 100% only occurs when the average return on sales of the Daimler Group reaches 105% of the average return on sales of the group of competitors. Target achievement of 200% occurs if Daimler's return on sales exceeds 105% of the average of the competitors by 2 percentage points or more. An additional limitation was implemented starting with PPSP 2015: If a target achievement of between 195% and 200% occurs in the third year of the performance period, the maximum target achievement calculated from the performance parameter of return on sales compared to the group of competitors will only be deemed to be 200% if the actual return on sales for Daimler's automotive business reaches at least the strategic target for return on sales (currently 9%). Otherwise, target achievement will be limited to 195%.
  - Target achievement of 0% occurs if Daimler's return on sales is 2 percentage points or more lower. In the deviation range of +/- 2 percentage points, target achievement varies in proportion to the deviation.
- 50% relates to "relative share performance", i.e. the development of Daimler's share price in a three-year comparison with the development of a share-price index for the defined group of competitors. If the development of Daimler's share price (in percent) is the same as that of the index (in percent), target achievement is deemed to be 100%. If the development of Daimler's share price (in percent) is 50 percentage points or more below (above) the development of the index, target achievement is deemed to be 0% (200%). In the deviation range of +/- 50 percentage points, target achievement varies in proportion to the deviation.

Value upon allocation:
Determined annually by the Supervisory Board; for 2017, approximately 1.4 times the base salary.

Range of possible target achievement:
0 to 200%, that is, the plan has an upper limit. It may also be zero.

Value of the phantom shares on payout:
During the four-year period between the allocation of the preliminary phantom shares and the payout of the plan proceeds, the phantom shares earn a dividend equivalent in the amount of the actual dividend paid on ordinary Daimler shares.

The value of the phantom shares to be paid out depends on target achievement measured according to the criteria described above and on the share price relevant for the payout. This share price is limited to 2.5 times the share price at the beginning of the plan. In addition, the amount to be paid out is limited to 2.5 times the absolute euro amount specified at the beginning of the plan, which is relevant for the preliminary number of phantom shares allocated. This maximum amount includes the dividend equivalent paid out during the four-year plan period.

The terms governing the PPSP include a provision that allows for the partial reduction or complete elimination of the annual bonus for any member of the Board of Management who clearly violates the Integrity Code that applies to all employees and Board of Management members, or any other professional obligations, prior to the payout of the plan proceeds. The Supervisory Board has the final decision on all such bonus reductions.

Guidelines for share ownership
As a supplement to these three components of remuneration, "Stock Ownership Guidelines" exist for the Board of Management. These guidelines require the members of the Board of Management to invest a portion of their private assets in Daimler shares over several years and to hold those shares until the end of their Board of Management membership. The number of shares to be held is set between 20,000 and 75,000. In fulfillment of the guidelines, up to 25% of the gross remuneration out of each Performance Phantom Share Plan is generally to be used to acquire ordinary shares in the Company, but the required shares can also be acquired in other ways.

Appropriateness of Board of Management remuneration
In accordance with Section 87 of the German Stock Corporation Act (AktG), the Supervisory Board of Daimler AG once again had an assessment of the system of Board of Management remuneration carried out by an external remuneration expert in 2017. The result was that the remuneration system as described above was confirmed as being in conformance with the requirements of applicable law. The remuneration system was approved by the Annual Shareholders' Meeting in 2014 with an approval ratio of 96.8%.

Board of Management remuneration in financial year 2017

Board of Management remuneration in 2017 pursuant to Section 314 Subsection 1 No. 6 of the German Commercial Code (HGB)
The total remuneration granted by Group companies (excluding retirement benefit commitments) to the members of the Board of Management of Daimler AG is calculated as the total of the amounts of

- the base salary in 2017,
- the half of the annual bonus for 2017 payable in 2018 and measured as of the end of the reporting period,
- the half of the medium-term share-based component of the annual bonus for 2017 payable in 2019 with its value at the end of the reporting period (entitlement depending on the development of Daimler's share price compared with the Dow Jones STOXX Auto Index),
- the value of the long-term share-based remuneration (PPSP) at the time when granted in 2017, and
- the taxable non-cash benefits in 2017.

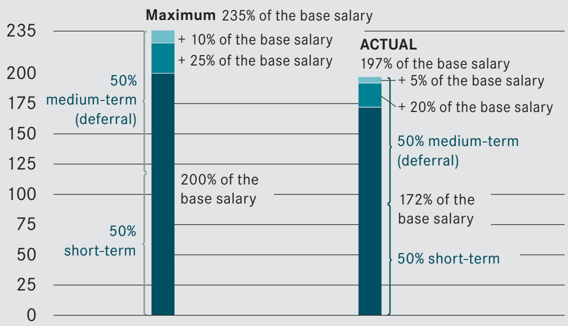
For both of the share-based components – the second 50% of the annual bonus and the PPSP with a long-term orientation – the amounts actually paid out can deviate significantly from the values described depending on the development of the Daimler share price and on the achievement of the relevant target parameters. Upward deviation is possible only as far as the maximum limits described above. Both components can also be zero.

The possible limits with regard to the annual bonus and the PPSP are shown in tables ↗ B.49 and ↗ B.50.

The total remuneration of the Board of Management for the financial year 2017 amounts to €35.0 million (2016: €31.8 million). Of that total, €9.5 million was fixed, that is, non-performance-related remuneration (2016: €10.0 million), €15.3 million (2016: €11.6 million) was short-term and medium-term variable performance-related remuneration (annual bonus with deferral), and €10.2 million was variable performance-related remuneration granted in the financial year 2017 with a long-term incentive effect (2016: €10.2 million). ↗ B.51

B.49

Annual bonus
(short- and medium-term variable remuneration of the Board of Management members active at year-end)



Non-achievement of compliance targets -25% - 0 % (not applied in 2017)

Joint performance +/- 25%

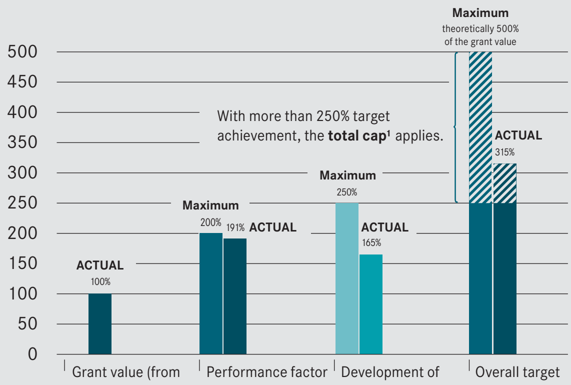
Non-financial success parameters +/- 10%

Financial success parameters 0% – 200%

1 Positive target achievement of the defined performance criteria “unit-sales development, revenue development, transformation in future technologies, change in the corporate culture (Leadership 2020)”

B.50

PPSP 2013 (paid in 2017)
(long-term variable remuneration ↗ B.55)



Grant value (from which is derived the preliminary number of phantom shares with the share price at beginning of plan)

Performance factor 0% - 200% (from which is derived the final number of phantom shares with the share price at beginning of plan)

Development of Daimler share price from beginning until end of plan, maximum 2.5 times the issue price (share price in €)

Overall target achievement final number of phantom shares times share price at end of plan (amount paid out in €)

1 Amount paid out including dividend-equivalent payments of PPSP 2013

B.51

Board of Management remuneration in 2017

		Base salary	Variable remuneration (annual bonus)		Remuneration (PPSP)		Total
			Short-term	Medium-term	Number	Value when granted (2017: at share price €67.49) (2016: at share price €62.94)	
In thousands of euros							
Dr. Dieter Zetsche	**2017**	**2,008**	**1,978**	**1,978**	**39,315**	**2,653**	**8,617**
	2016	2,008	1,516	1,516	40,838	2,570	7,610
Dr. Wolfgang Bernhard[1]	**2017**	**92**	**90**	**90**	**–**	**–**	**272**
	2016	824	622	622	18,236	1,148	3,216
Martin Daum[2]	**2017**	**677**	**667**	**667**	**15,446**	**1,043**	**3,054**
	2016	–	–	–	–	–	–
Renata Jungo Brüngger	**2017**	**812**	**800**	**800**	**15,446**	**1,043**	**3,455**
	2016	781	590	590	16,336	1,028	2,989
Ola Källenius	**2017**	**812**	**800**	**800**	**15,446**	**1,043**	**3,455**
	2016	781	590	590	16,336	1,028	2,989
Wilfried Porth	**2017**	**812**	**800**	**800**	**16,148**	**1,090**	**3,502**
	2016	781	590	590	17,078	1,075	3,036
Britta Seeger	**2017**	**812**	**800**	**800**	**15,446**	**1,043**	**3,455**
	2016	–	–	–	–	–	–
Hubertus Troska	**2017**	**812**	**800**	**800**	**15,446**	**1,043**	**3,455**
	2016	781	590	590	16,336	1,028	2,989
Bodo Uebber	**2017**	**947**	**932**	**932**	**18,464**	**1,246**	**4,057**
	2016	928	701	701	19,528	1,229	3,559
Dr. Thomas Weber	**2017**	**–**	**–**	**–**	**–**	**–**	**–**
	2016	781	590	590	17,345	1,092	3,053
Total	**2017**	**7,784**	**7,667**	**7,667**	**151,157**	**10,204**	**33,322**
	2016	7,665	5,789	5,789	162,033	10,198	29,441

1 Board of Management remuneration paid until Feb. 10, 2017
2 Board of Management remuneration paid from March 1, 2017

B.52

Taxable non-cash benefits and other fringe benefits

	2017	2016
In thousands of euros		
Dr. Dieter Zetsche[1]	167	618
Dr. Wolfgang Bernhard[2]	9	131
Martin Daum[3]	235	–
Renata Jungo Brüngger	108	107
Ola Källenius	95	393
Wilfried Porth	146	171
Britta Seeger	366	–
Hubertus Troska[4]	470	635
Bodo Uebber	107	163
Prof. Dr. Thomas Weber	–	129
Total	1,703	2,347

1 (2016: including an anniversary bonus of €418,464)
2 Board of Management remuneration paid until Feb. 10, 2017
3 Board of Management remuneration paid from March 1, 2017
4 For the fulfillment of disclosure obligations pursuant to Section 285 No. 9a of the German Commercial Code (HGB), this amount is reduced by €197,508 for the year 2017 (2016: €208,136). The corresponding fringe benefits were granted and borne by a subsidiary and are thus not included in the remuneration to be disclosed in the annual financial statements of the parent company, Daimler AG.

The granting of non-cash benefits in kind, primarily the reimbursement of expenses for security precautions and the provision of company cars, resulted in taxable benefits for the members of the Board of Management in 2017 as shown in table ↗ B.52.

Commitments upon termination of service

Retirement provision

In 2012, Daimler introduced a new company retirement benefit plan for new entrants and new appointments for employees paid according to collective bargaining wage tariffs as well as for executives: the “Daimler Pensions Plan”. This retirement benefit system features the payment of annual contributions by Daimler, but is oriented toward the capital market. Daimler makes a commitment to guarantee the total of contributions paid, which are invested in the capital market according to a precautionary investment concept.

The Supervisory Board of Daimler AG has approved the application of this system for all members of the Board of Management newly appointed since 2012. The amount of the annual contributions results from a fixed percentage of the base salary and the total annual bonus for the respective financial year calculated as of the balance sheet date. This percentage is 15%. This calculation takes into consideration the targeted level of retirement provision for each Board of Management member – also according to the period of membership – and the resulting annual and long-term expense for the Company. The contributions to the retirement provision are granted until the age of 62. The benefit from the pension plan is payable to surviving Board of Management members at the earliest at the age of 62, irrespective of their age upon retirement. If a member of the Board of Management retires due to disability, the benefit is paid as a disability pension, even before the age of 62.

The Pension Capital system was used from the beginning of 2006 until the end of 2011. The pension agreements of active Board of Management members that were valid until that time were modified accordingly. All Board of Management members newly appointed during that period were subject exclusively to the Pension Capital system.

Under this system, each Board of Management member is credited with a capital component each year. This capital component comprises an amount equal to 15% of the sum of the Board of Management member’s fixed base salary and the total annual bonus for the respective financial year on the balance sheet date, multiplied by an age factor equivalent to a rate of return of 6% until 2015 and 5% as of 2016 (Wolfgang Bernhard and Wilfried Porth: 5% for all years). These contributions to pension plans are granted only until the age of 60. The benefit from the pension plan is payable to surviving Board of Management members at the earliest at the age of 60, irrespective of their age upon retirement. If a member of the Board of Management retires due to disability, the benefit is paid as a disability pension, even before the age of 60.

Payments under the Pension Capital system and the Daimler Pensions Plan can be made in three ways:
- as a single amount;
- in twelve annual installments, whereby interest accrues on each partial amount from the time payments commence until the payout is complete (Pension Capital 6% or 5%; Daimler Pensions Plan in accordance with applicable law);
- as an annuity with annual increases (Pension Capital 3.5% or in accordance with applicable law; Daimler Pensions Plan in accordance with applicable law).

The contracts specify that if a Board of Management member passes away before retiring for reason of age, the spouse/registered partner or dependent children is/are entitled to the full committed amount in the case of the Pension Capital system, and to the credit amount reached plus an imputed amount until the age of 62 in the case of the Daimler Pensions Plan. If a Board of Management member passes away after retiring for reason of age, in the case of payment of twelve annual installments, the heirs are entitled to the remaining present value. In the case of a pension with benefits for surviving dependents, the spouse/registered partner or dependent children is/are entitled to 60% of the discounted terminal value (Pension Capital), or the spouse/registered partner is entitled to 60% of the actual pension (Daimler Pensions Plan).

Until the end of 2005, the pension agreements of Board of Management members included a commitment to an annual retirement pension, calculated as a proportion of the former base salary and depending on the number of years of service; an analogous implementation of this commitment for the corresponding hierarchical level applied to Wilfried Porth for the period prior to his serving as a member of the Board of Management. Such pension claims remained in effect after the conversion to the Pension Capital system but were frozen at the level reached at the beginning of 2006.

Payments of these retirement pensions start upon request when the term of service ends at or after the age of 60, or are paid as disability pensions if the term of service ends before the age of 60 due to disability. The respective agreements provide for 3.5% annual increases starting when benefits are received (with the exception that Wilfried Porth's benefits are adjusted in accordance with applicable law). The agreements include a provision by which a spouse of a deceased Board of Management member is entitled to 60% of that member's pension.

That amount can increase by up to 30 percentage points depending on the number of dependent children.

Departing Board of Management members with pension agreements (pension commitments) modified as of the beginning of 2006 receive, for the period between the end of the last contract period and reaching the age of 60, payments in the amounts of the pension commitments granted as described in the previous section. Departing Board of Management members are also provided with a company car, in some cases for a defined period. These payments are made until the age of 60, possibly reduced due to other sources of income, and are subject to annual percentage increases described above in the explanation of these pension agreements.

Service costs for pension obligations according to IFRS amounted to €2.0 million in financial year 2017 (2016: €2.8 million). The present value of the total defined benefit obligation according to IFRS amounted to €82.7 million as of December 31, 2017 (December 31, 2016: €95.7 million). Taking age and period of service into account, the individual entitlements, service costs and present values are shown in the table.
↗ B.53

Commitments upon early termination of service

In the case of early termination without an important reason, Board of Management service contracts include commitments to payment of the base salary and provision of a company car until the end of the original service period at a maximum. Such persons are only entitled to payment of the annual bonus pro rata for the period until the end of the contract of service or of the Board of Management membership takes effect. Entitlement to payment of the performance-related component of remuneration with a long-term incentive effect (PPSP) that has already been allocated is defined by the conditions of the respective plans. To the extent that the payments described above are subject to the provisions of the so-called severance cap of the German Corporate Governance Code, their total including fringe benefits is limited to double the annual remuneration and may not exceed the total remuneration for the remaining period of the service contract.

In the event of an early termination of the service contract, both the short-term and the delayed medium-term component (deferral) of the annual bonus, and the proceeds from the long-term PPSP, are paid out not when the contract is terminated but instead at the points in time agreed upon in the service contract or in the terms and conditions of the PPSP plan.

In connection with the early termination of the Board of Management membership of Dr. Wolfgang Bernhard by mutual agreement, effective midnight on February 10, 2017, it was agreed that the payments to be made by the Company pursuant

B.53

Individual entitlements, service costs and present values for members of the Board of Management

In thousands of euros		Annual pension (as regulated until 2005) as of age 60	Service cost (for pension, pension capital and Daimler Pensions Plan)	Present value[1] of obligations (for pension, pension capital and Daimler Pensions Plan)
Dr. Dieter Zetsche	**2017**	**1,050**	**–**	**42,738**
	2016	1,050	708	43,533
Dr. Wolfgang Bernhard[2]	**2017**	**–**	**46**	**–**
	2016	–	367	3,230
Martin Daum[3]	**2017**	**–**	**102**	**2,860**
	2016	–	–	–
Renata Jungo Brüngger	**2017**	**–**	**245**	**938**
	2016	–	117	654
Ola Källenius	**2017**	**–**	**248**	**2,651**
	2016	–	235	2,345
Wilfried Porth	**2017**	**156**	**282**	**10,280**
	2016	156	247	9,597
Britta Seeger	**2017**	**–**	**122**	**1,072**
	2016	–	–	–
Hubertus Troska	**2017**	**–**	**238**	**4,909**
	2016	–	239	4,611
Bodo Uebber	**2017**	**275**	**690**	**17,263**
	2016	275	649	17,007
Prof. Dr. Thomas Weber	**2017**	**–**	**–**	**–**
	2016	300	264	14,716
Total	**2017**	**1,481**	**1,973**	**82,711**
	2016	1,781	2,826	95,693

1 The amounts of the present values are primarily due to the low level of the relevant discount rate.
2 Dr. Bernhard pro rata until Feb. 10, 2017
3 Mr. Daum pro rata from March 1, 2017

to the contract of service would continue to be granted until the end of the original contract of service on February 28, 2018. Accordingly, Dr. Bernhard receives a base salary of €869,744, short-term variable remuneration of €721,430 (value at the contract date to be paid in 2018), medium-term variable remuneration of €721,430 (value at the contract date to be paid in 2019 with application of the bonus/malus rule), and fringe benefits of €11,570. Service cost amounts to €365,244 (in accordance with Section 285 No. 9a of the German Commercial Code (HGB) €306,077). Entitlement relating to long-term variable remuneration (PPSP) and the company pension are paid out pursuant to the contractual provisions.

Sideline activities of Board of Management members

The members of the Board of Management should accept management board or supervisory board positions and/or any other administrative or honorary functions outside the Group only to a limited extent. Furthermore, they require the consent of the Supervisory Board before commencing any sideline activities. This ensures that neither the time required nor the remuneration paid for such activities leads to any conflict with the members' duties to the Group. Insofar as such sideline activities are memberships of other statutory supervisory boards or comparable boards of business enterprises, they are disclosed in the notes to the annual financial statements of Daimler AG, which is published on our website. In general, Board of Management members have no right to separate remuneration for board positions held at other companies of the Group.

Loans to members of the Board of Management

In 2017, no advances or loans were made to members of the Board of Management of Daimler AG.

Payments made to former members of the Board of Management of Daimler AG and their survivors

Payments made in 2017 to former members of the Board of Management of Daimler AG and their survivors (including payments made to Dr. Bernhard after termination of his Board of Management membership) amounted to €19.0 million (2016: €15.6 million). Pension provisions according to IFRS for former members of the Board of Management and their survivors amounted to €270.5 million as of December 31, 2017 (2016: €252.9 million).

Details of Board of Management remuneration in 2017 pursuant to the requirements of the German Corporate Governance Code

The following tables show for each individual member of the Board of Management on the one hand the benefits granted for the financial year and on the other hand the payments made in or for the reporting year and the retirement pension expense in or for the year under review in accordance with the recommendations of Clause 4.2.5 paragraph 3 of the German Corporate Governance Code.

The total of "benefits granted" for financial year 2016 is calculated from
- the base salary in 2016,
- the taxable non-cash benefits and other fringe benefits in 2016,
- the half of the annual bonus payable in 2017 for 2016 at the value for target achievement of 100%,
- the half of the share-based annual bonus payable in 2018 for 2016 at the value for target achievement of 100%,
- the value of the long-term share-based remuneration (PPSP) at the time when granted in 2016 (payable in 2020), and
- the retirement pension expense in 2016 (service costs in 2016).

B.54

Benefits granted

	Dr. Dieter Zetsche Chairman of the Board of Management, Head of Mercedes-Benz Cars				Dr. Wolfgang Bernhard Daimler Trucks & Buses			
	Jan. 1 – Dec. 31		Jan. 1 – Dec. 31		Jan. 1 – Dec. 31		Jan. 1 – Feb. 10	
	2016	**2017**	min.	max.	2016	**2017**	min.	max.
In thousands of euros								
Base salary	2,008	**2,008**	2,008	2,008	824	**92**	92	92
Taxable non-cash benefits and other fringe benefits	618	**167**	167	167	131	**9**	9	9
Total	2,626	**2,175**	2,175	2,175	955	**101**	101	101
Annual variable remuneration (50% of annual bonus, short-term)	1,004	**1,004**	0	2,360	412	**46**	0	108
Deferral (50% of annual bonus, medium-term)	1,004	**1,004**	0	2,360	412	**46**	0	108
Long-term variable remuneration (plan period of 4 years)	2,570	**2,653**	0	7,000	1,148	**–**	–	–
Total	4,578	**4,661**	0	11,720	1,972	**92**	0	216
Retirement pension expense (service costs)	708	**–**	–	–	367	**46**	46	46
Total remuneration	7,912	**6,836**	2,175	13,895	3,294	**239**	147	363
Total limit[1] for components of remuneration granted in the reporting year Excluding – Taxable non-cash benefits and other fringe benefits – Retirement pension expense (service costs)	10,149			10,224	5,464			348

1 Total limit = maximum amount → 1.5 times (Dr. Zetsche)/1.9 times target remuneration (base salary, target annual bonus, value when granted of PPSP, excluding fringe benefits and retirement pension commitments).

Benefits granted

	Martin Daum Daimler Trucks & Buses				Renata Jungo Brüngger Integrity & Legal Affairs			
	Jan. 1 – Dec. 31 2016	2017	March 1 – Dec. 31 min.	max.	Jan. 1 – Dec. 31 2016	2017	Jan. 1 – Dec. 31 min.	max.
In thousands of euros								
Base salary	–	**677**	677	677	781	**812**	812	812
Taxable non-cash benefits and other fringe benefits	–	**235**	235	235	107	**108**	108	108
Total	–	**912**	912	912	888	**920**	920	920
Annual variable remuneration (50% of annual bonus, short-term)	–	**338**	0	795	391	**406**	0	954
Deferral (50% of annual bonus, medium-term)	–	**338**	0	795	391	**406**	0	954
Long-term variable remuneration (plan period of 4 years)	–	**1,043**	0	2,750	1,028	**1,043**	0	2,750
Total	–	**1,719**	0	4,340	1,810	**1,855**	0	4,658
Retirement pension expense (service costs)	–	**102**	102	102	117	**245**	245	245
Total remuneration	–	**2,733**	1,014	5,354	2,815	**3,020**	1,165	5,823
Total limit[1] for components of remuneration granted in the reporting year Excluding – Taxable non-cash benefits and other fringe benefits – Retirement pension expense (service costs)				4,662	5,058			5,176

1 Total limit = maximum amount → 1.5 times (Dr. Zetsche)/1.9 times target remuneration (base salary, target annual bonus, value when granted of PPSP, excluding fringe benefits and retirement pension commitments).

Benefits granted

	Ola Källenius Group Research & Mercedes-Benz Cars Development				Wilfried Porth HR and Labor Relations Director & Mercedes-Benz Vans			
	Jan. 1 – Dec. 31 2016	2017	Jan. 1 – Dec. 31 min.	max.	Jan. 1 – Dec. 31 2016	2017	Jan. 1 – Dec. 31 min.	max.
In thousands of euros								
Base salary	781	**812**	812	812	781	**812**	812	812
Taxable non-cash benefits and other fringe benefits	393	**95**	95	95	171	**146**	146	146
Total	1,174	**907**	907	907	952	**958**	958	958
Annual variable remuneration (50% of annual bonus, short-term)	391	**406**	0	954	391	**406**	0	954
Deferral (50% of annual bonus, medium-term)	391	**406**	0	954	391	**406**	0	954
Long-term variable remuneration (plan period of 4 years)	1,028	**1,043**	0	2,750	1,075	**1,090**	0	2,875
Total	1,810	**1,855**	0	4,658	1,857	**1,902**	0	4,783
Retirement pension expense (service costs)	235	**248**	248	248	247	**282**	282	282
Total remuneration	3,219	**3,010**	1,155	5,813	3,056	**3,142**	1,240	6,023
Total limit[1] for components of remuneration granted in the reporting year Excluding – Taxable non-cash benefits and other fringe benefits – Retirement pension expense (service costs)	5,058			5,176	5,153			5,271

1 Total limit = maximum amount → 1.5 times (Dr. Zetsche)/1.9 times target remuneration (base salary, target annual bonus, value when granted of PPSP, excluding fringe benefits and retirement pension commitments).

Benefits granted

	Britta Seeger, Mercedes-Benz Cars Marketing & Sales				Hubertus Troska, Greater China			
	Jan. 1 – Dec. 31 2016	2017	Jan. 1 – Dec. 31 min.	max.	Jan. 1 – Dec. 31 2016	2017	Jan. 1 – Dec. 31 min.	max.
In thousands of euros								
Base salary	–	**812**	812	812	781	**812**	812	812
Taxable non-cash benefits and other fringe benefits	–	**366**	366	366	635	**470**	470	470
Total	–	**1,178**	1,178	1,178	1,416	**1,282**	1,282	1,282
Annual variable remuneration (50% of annual bonus, short-term)	–	**406**	0	954	391	**406**	0	954
Deferral (50% of annual bonus, medium-term)	–	**406**	0	954	391	**406**	0	954
Long-term variable remuneration (plan period of 4 years)	–	**1,043**	0	2,750	1,028	**1,043**	0	2,750
Total	–	**1,855**	0	4,658	1,810	**1,855**	0	4,658
Retirement pension expense (service costs)	–	**122**	122	122	239	**238**	238	238
Total remuneration	–	**3,155**	1,300	5,958	3,465	**3,375**	1,520	6,178
Total limit[1] for components of remuneration granted in the reporting year Excluding – Taxable non-cash benefits and other fringe benefits – Retirement pension expense (service costs)				5,176	5,058			5,176

1 Total limit = maximum amount → 1.5 times (Dr. Zetsche)/1.9 times target remuneration (base salary, target annual bonus, value when granted of PPSP, excluding fringe benefits and retirement pension commitments).

Benefits granted

	Bodo Uebber, Finance & Controlling, Daimler Financial Services				Prof. Dr. Thomas Weber, Group Research & Mercedes-Benz Cars Development			
	Jan. 1 – Dec. 31 2016	2017	Jan. 1 – Dec. 31 min.	max.	Jan. 1 – Dec. 31 2016	2017	Jan. 1 – Dec. 31 min.	max.
In thousands of euros								
Base salary	928	**947**	947	947	781	**–**	–	–
Taxable non-cash benefits and other fringe benefits	163	**107**	107	107	129	**–**	–	–
Total	1,091	**1,054**	1,054	1,054	910	**–**	–	–
Annual variable remuneration (50% of annual bonus, short-term)	464	**473**	0	1,112	391	**–**	–	–
Deferral (50% of annual bonus, medium-term)	464	**473**	0	1,112	391	**–**	–	–
Long-term variable remuneration (plan period of 4 years)	1,229	**1,246**	0	3,288	1,092	**–**	–	–
Total	2,157	**2,192**	0	5,512	1,874	**–**	–	–
Retirement pension expense (service costs)	649	**690**	690	690	264	**–**	–	–
Total remuneration	3,897	**3,936**	1,744	7,256	3,048	**–**	–	–
Total limit[1] for components of remuneration granted in the reporting year Excluding – Taxable non-cash benefits and other fringe benefits – Retirement pension expense (service costs)	6,025			6,095	5,187			–

1 Total limit = maximum amount → 1.5 times (Dr. Zetsche)/1.9 times target remuneration (base salary, target annual bonus, value when granted of PPSP, excluding fringe benefits and retirement pension commitments).

The total of "benefits granted" for financial year 2017 is calculated from
- the base salary in 2017,
- the taxable non-cash benefits and other fringe benefits in 2017,
- the half of the annual bonus payable in 2018 for 2017 at the value for target achievement of 100%,
- the half of the share-based annual bonus payable in 2019 for 2017 at the value for target achievement of 100%,
- the value of the long-term share-based remuneration (PPSP) at the time when granted in 2017 (payable in 2021), and
- the retirement pension expense in 2017 (service costs in 2017).

The total of "payments made" for financial year 2016 is calculated from
- the base salary in 2016,
- the taxable non-cash benefits and other fringe benefits in 2016,
- the half of the annual bonus payable in 2017 for 2016 at the value as of the end of the reporting period in financial year 2016,
- the half of the share-based annual bonus paid in 2016 for 2014 (deferral),
- the value of the long-term share-based remuneration (PPSP 2012) paid in 2016,
- the dividend equivalent of the current PPSP (2013, 2014, 2015 and 2016) paid in 2016, and
- the retirement pension expense in 2016 (service costs in 2016).

The caps possible to ensure the total maximum amount shown in the table of benefits granted in financial year 2016 are implemented with the payout of PPSP 2016, which constitutes the last payment to be made of the components of remuneration granted in financial year 2016. For financial year 2016, therefore, the possible cap would take place in 2020, the year that PPSP 2016 is paid out.

The total of "payments made" for financial year 2017 is calculated from
- the base salary in 2017,
- the taxable non-cash benefits and other fringe benefits in 2017,
- the half of the annual bonus payable in 2018 for 2017 at the value as of the end of the reporting period,
- the half of the share-based annual bonus paid in 2017 for 2015 (deferral),
- the value of the long-term share-based remuneration (PPSP 2013) paid in 2017,
- the dividend equivalent of the current PPSP (2014, 2015, 2016 and 2017) paid in 2017, and
- the retirement pension expense in 2017 (service costs in 2017).

The caps possible to ensure the total maximum amount shown in the table of benefits granted in financial year 2017 are implemented with the payout of PPSP 2017, which constitutes the last payment to be made of the components of remuneration granted in financial year 2017. For financial year 2017, therefore, the possible cap would take place in 2021, the year that PPSP 2017 is paid out.

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Payments made

	Dr. Dieter Zetsche Chairman of the Board of Management, Head of Mercedes-Benz Cars		**Dr. Wolfgang Bernhard** Daimler Trucks & Buses	
	Jan. 1 – Dec. 31 2016	Jan. 1 – Dec. 31 **2017**	Jan. 1 – Dec. 31 2016	Jan. 1 – Feb. 10 **2017**
In thousands of euros				
Base salary	2,008	**2,008**	824	**92**
Taxable non-cash benefits and other fringe benefits	618	**167**	131	**9**
Total	2,626	**2,175**	955	**101**
Annual variable remuneration (50% of annual bonus, short-term)	1,516	**1,978**	622	**90**
Deferral (50% of annual bonus, medium-term)	1,727	**2,175**	670	**892**
Long-term variable remuneration				
Payment of PPSP 2012	6,417	**–**	2,567	**–**
Payment of PPSP 2013	–	**6,181**	–	**2,472**
Dividend equivalent PPSP 2013	395	**–**	158	**–**
Dividend equivalent PPSP 2014	141	**152**	60	**–**
Dividend equivalent PPSP 2015	121	**121**	54	**–**
Dividend equivalent PPSP 2016	133	**133**	59	**–**
Dividend equivalent PPSP 2017	–	**128**	–	**–**
Total	10,450	**10,868**	4,190	**3,454**
Retirement pension expense (service costs)	708	**–**	367	**46**
Total remuneration	13,784	**13,043**	5,512	**3,601**

Payments made

	Martin Daum[1] Daimler Trucks & Buses		Renata Jungo Brüngger[1] Integrity & Legal Affairs	
	Jan. 1 – Dec. 31 2016	March 1 – Dec. 31 **2017**	Jan. 1 – Dec. 31 2016	Jan. 1 – Dec. 31 **2017**
In thousands of euros				
Base salary	–	**677**	781	**812**
Taxable non-cash benefits and other fringe benefits	–	**235**	107	**108**
Total	–	**912**	888	**920**
Annual variable remuneration (50% of annual bonus, short-term)	–	**667**	590	**800**
Deferral (50% of annual bonus, medium-term)	–	**–**	–	**–**
Long-term variable remuneration				
Payment of PPSP 2012	–	**–**	320	**–**
Payment of PPSP 2013	–	**–**	–	**488**
Dividend equivalent PPSP 2013	–	**–**	22	**–**
Dividend equivalent PPSP 2014	–	**22**	8	**9**
Dividend equivalent PPSP 2015	–	**17**	7	**7**
Dividend equivalent PPSP 2016	–	**19**	53	**53**
Dividend equivalent PPSP 2017	–	**50**	–	**50**
Total	–	**775**	1,000	**1,407**
Retirement pension expense (service costs)	–	**102**	117	**245**
Total remuneration	–	**1,789**	2,005	**2,572**

1 Payments from the long-term variable remuneration also include amounts granted before the Board of Management membership.

Payments made

	Ola Källenius[1] Group Research & Mercedes-Benz Cars Development		Wilfried Porth HR and Labor Relations Director & Mercedes-Benz Vans	
	Jan. 1 – Dec. 31 2016	Jan. 1 – Dec. 31 **2017**	Jan. 1 – Dec. 31 2016	Jan. 1 – Dec. 31 **2017**
In thousands of euros				
Base salary	781	**812**	781	**812**
Taxable non-cash benefits and other fringe benefits	393	**95**	171	**146**
Total	1,174	**907**	952	**958**
Annual variable remuneration (50% of annual bonus, short-term)	590	**800**	590	**800**
Deferral (50% of annual bonus, medium-term)	–	**846**	652	**846**
Long-term variable remuneration				
Payment of PPSP 2012	411	**–**	2,567	**–**
Payment of PPSP 2013	–	**457**		**2,472**
Dividend equivalent PPSP 2013	21	**–**	158	**–**
Dividend equivalent PPSP 2014	15	**18**	59	**64**
Dividend equivalent PPSP 2015	48	**48**	50	**50**
Dividend equivalent PPSP 2016	53	**53**	56	**56**
Dividend equivalent PPSP 2017	–	**50**	–	**52**
Total	1,138	**2,272**	4,132	**4,340**
Retirement pension expense (service costs)	235	**248**	247	**282**
Total remuneration	2,547	**3,427**	5,331	**5,580**

1 Payments from the long-term variable remuneration also include amounts granted before the Board of Management membership.

Payments made

	Britta Seeger[1] Mercedes-Benz Cars Marketing & Sales Jan. 1 – Dec. 31 2016	Britta Seeger[1] Mercedes-Benz Cars Marketing & Sales Jan. 1 – Dec. 31 2017	Hubertus Troska Greater China Jan. 1 – Dec. 31 2016	Hubertus Troska Greater China Jan. 1 – Dec. 31 2017
In thousands of euros				
Base salary	–	**812**	781	**812**
Taxable non-cash benefits and other fringe benefits	–	**366**	635	**470**
Total	–	**1,178**	1,416	**1,282**
Annual variable remuneration (50% of annual bonus, short-term)	–	**800**	590	**800**
Deferral (50% of annual bonus, medium-term)	–	**–**	652	**846**
Long-term variable remuneration				
Payment of PPSP 2012	–	**–**	1,369	**–**
Payment of PPSP 2013	–	**123**	–	**2,472**
Dividend equivalent PPSP 2013	–	**–**	158	**–**
Dividend equivalent PPSP 2014	–	**2**	56	**61**
Dividend equivalent PPSP 2015	–	**2**	48	**48**
Dividend equivalent PPSP 2016	–	**5**	53	**53**
Dividend equivalent PPSP 2017	–	**50**	–	**50**
Total	–	**982**	2,926	**4,330**
Retirement pension expense (service costs)	–	**122**	239	**238**
Total remuneration	–	**2,282**	4,581	**5,850**

1 Payments from the long-term variable remuneration also include amounts granted before the Board of Management membership.

Payments made

	Bodo Uebber Finance & Controlling, Daimler Financial Services Jan. 1 – Dec. 31 2016	Bodo Uebber Finance & Controlling, Daimler Financial Services Jan. 1 – Dec. 31 2017	Prof. Dr. Thomas Weber Group Research & Mercedes-Benz Cars Development Jan. 1 – Dec. 31 2016	Prof. Dr. Thomas Weber Group Research & Mercedes-Benz Cars Development Jan. 1 – Dec. 31 2017
In thousands of euros				
Base salary	928	**947**	781	**–**
Taxable non-cash benefits and other fringe benefits	163	**107**	129	**–**
Total	1,091	**1,054**	910	**–**
Annual variable remuneration (50% of annual bonus, short-term)	701	**932**	590	**–**
Deferral (50% of annual bonus, medium-term)	775	**1,005**	652	**–**
Long-term variable remuneration				
Payment of PPSP 2012	3,068	**–**	2,725	**–**
Payment of PPSP 2013	–	**2,956**	–	**–**
Dividend equivalent PPSP 2013	189	**–**	168	**–**
Dividend equivalent PPSP 2014	67	**73**	60	**–**
Dividend equivalent PPSP 2015	58	**58**	51	**–**
Dividend equivalent PPSP 2016	63	**63**	56	**–**
Dividend equivalent PPSP 2017	–	**60**	–	**–**
Total	4,921	**5,147**	4,302	**–**
Retirement pension expense (service costs)	649	**690**	264	**–**
Total remuneration	6,661	**6,891**	5,476	**–**

Remuneration of the Supervisory Board

Supervisory Board remuneration in 2017
The remuneration of the Supervisory Board is determined by the Annual Shareholders' Meeting of Daimler AG and is governed by the Company's Articles of Incorporation. The new regulations for Supervisory Board remuneration approved by the Annual Shareholders' Meeting in March 2017 and effective for the financial year beginning on January 1, 2017 specify that the members of the Supervisory Board receive, in addition to the refund of their expenses and the cost of any value-added tax incurred by them in performance of their office, fixed remuneration of €144,000 after the conclusion of the financial year. The Chairman of the Supervisory Board receives an additional €288,000 and the Deputy Chairman of the Supervisory Board receives an additional €144,000. The members of the Audit Committee are paid an additional €72,000, the members of the Presidential Committee are paid an additional €57,600 and the members of the other committees of the Supervisory Board are paid an additional €28,800; an exception is the Chairman of the Audit Committee, who is paid an additional €144,000. Additional payments are made for activities in a maximum of three committees; any persons who are members of more than three such committees receive additional payments for the three most highly paid functions. Members of a Supervisory Board committee are only entitled to remuneration for such membership if the committee has actually convened to fulfill its duties in the respective year.

In connection with the remuneration adjustment, all members of the Supervisory Board have made a self-commitment to purchase Company shares in the amount of 20% of their gross annual salary (excluding committee remuneration and the meeting fee) every year and to hold these shares until the end of one year after they have left the Company's Supervisory Board (voluntary obligation in accordance with the "comply or explain" principle).

This does not apply to Supervisory Board members whose Supervisory Board remuneration is subject in a mandatory or voluntary manner to the guidelines of the German Trade Union Confederation on the transfer of supervisory board remuneration to the Hans Böckler Foundation, or to the same extent is subject to a transfer to the employer or claim to payment due to a service or employment contract. In the event that a lower amount of the Supervisory Board remuneration is transferred or credited, the voluntary commitment applies to 20% of the amount not transferred or credited. With this voluntary commitment, the members of the Supervisory Board are expressing their focus on and commitment to the long-term, sustainable success of the Company.

The members of the Supervisory Board and its committees receive a meeting fee of €1,100 for each Supervisory Board meeting and committee meeting that they attend. The meeting fee is paid only once if several meetings of the Supervisory Board and/or its committees are held on the same calendar day.

The individual remuneration of the members of the Supervisory Board is shown in table. ↗ B.56

In financial year 2017, no remuneration was paid for services provided personally beyond the aforementioned board and committee activities, in particular for advisory or agency services, except for the remuneration paid to the members of the Supervisory Board representing the employees in accordance with their contracts of employment.

The remuneration of all the activities of the members of the Supervisory Board of Daimler AG in the year 2017 was thus €4.2 million (2016: €3.5 million).

Loans to members of the Supervisory Board
No advances or loans were made to members of the Supervisory Board of Daimler AG in 2017.

B.56

Supervisory Board remuneration

Name	Function(s) remunerated	Total in 2017
In euros		
Dr. Manfred Bischoff	Chairman of the Supervisory Board, the Presidential Committee and the Nomination Committee	**536,000**
Michael Brecht[1]	Deputy Chairman of the Supervisory Board, the Presidential Committee and the Audit Committee	**436,300**
Dr. Paul Achleitner	Member of the Supervisory Board and the Nomination Committee	**183,800**
Bader M. Al Saad	Member of the Supervisory Board (since March 29, 2017)	**115,177**
Sari Baldauf	Member of the Supervisory Board and the Nomination Committee	**184,900**
Bettag, Michael[1]	Member of the Supervisory Board	**153,900**
Dr. Clemens Börsig	Member of the Supervisory Board and Chairman of the Audit Committee	**302,300**
Dr. Bernd Bohr	Member of the Supervisory Board (until March 29, 2017)	**38,018**
Dr. Jürgen Hambrecht	Member of the Supervisory Board and the Presidential Committee	**215,900**
Petraea Heynike	Member of the Supervisory Board	**153,900**
Andrea Jung	Member of the Supervisory Board	**152,800**
Joe Kaeser	Member of the Supervisory Board and the Audit Committee	**230,300**
Ergun Lümali[1]	Member of the Supervisory Board and the Audit Committee	**230,300**
Wolfgang Nieke[1]	Member of the Supervisory Board	**153,900**
Dr. Bernd Pischetsrieder	Member of the Supervisory Board	**152,800**
Valter Sanches[2]	Member of the Supervisory Board	**150,600**
Jörg Spies[1]	Member of the Supervisory Board	**153,900**
Elke Tönjes-Werner[1]	Member of the Supervisory Board	**153,900**
Sibylle Wankel[1]	Member of the Supervisory Board	**153,900**
Dr. Frank Weber	Member of the Supervisory Board	**153,900**
Roman Zitzelsberger[1]	Member of the Supervisory Board and the Presidential Committee	**217,000**

1 The employee representatives have stated that their board remuneration is to be transferred to the Hans-Böckler Foundation, in accordance with the guidelines of the German Trade Union Federation.
2 Mr. Sanches has directed that he receive no remuneration and that his board remuneration is to be paid to the Hans-Böckler Foundation.

Takeover-Relevant Information and Explanation

(Report pursuant to Section 315a Subsection 1 and Section 289a Subsection 1 of the German Commercial Code (HGB))

Composition of share capital
The share capital of Daimler AG amounted to approximately €3,070 million at December 31, 2017. It is divided into 1,069,837,447 registered shares, each of which accounts for approximately €2.87 of equity capital. Pursuant to Section 67 Subsection 2 of the German Stock Corporation Act (AktG), only those persons registered as shareholders in the register of shareholders are considered to be shareholders of the Company. With the exception of treasury shares, from which the Company does not have any rights, all shares confer equal rights to their holders. Each share confers the right to one vote and, with the possible exception of any new shares that are not yet entitled to a dividend, to an equal share of the profits in accordance with the dividend payout approved by the Annual Shareholders' Meeting. The rights and obligations arising from the shares are derived from the provisions of applicable law, in particular Sections 12, 53a ff, 118 ff and 186 of the German Stock Corporation Act. There were no treasury shares at December 31, 2017.

Restrictions on voting rights and on the transfer of shares
The Company does not have any rights from treasury shares. In the cases described in Section 136 of the German Stock Corporation Act (AktG), the voting rights of treasury shares are nullified by law.

Shares acquired by employees within the context of the employee share program may not be disposed of until the end of the following year. Eligible participants in the Performance Phantom Share Plans (PPSP) of Executive Level 1 and eligible members of the Board of Management are obliged by the Plans' terms and conditions and by the Stock Ownership Guidelines to acquire Daimler shares with a part of their Plan income up to a defined target volume and to hold them for the duration of their employment at the Daimler Group. For the other persons eligible for PPSP, this obligation no longer applies since payment of PPSP 2013 in February/March 2017.

Provisions of applicable law and of the Articles of Incorporation concerning the appointment and dismissal of members of the Board of Management and amendments to the Articles of Incorporation
Members of the Board of Management are appointed and dismissed on the basis of Sections 84 and 85 of the German Stock Corporation Act (AktG) and Section 31 of the German Codetermination Act (MitbestG). In accordance with Section 84 of the German Stock Corporation Act, the members of the Board of Management are appointed by the Supervisory Board for a maximum period of office of five years. However, the Supervisory Board of Daimler AG has decided generally to limit the initial appointment of members of the Board of Management to three years. Reappointment or the extension of a period of office is permissible, in each case for a maximum of five years.

Pursuant to Section 31 Subsection 2 of the German Codetermination Act (MitbestG), the Supervisory Board appoints the members of the Board of Management with a majority comprising at least two thirds of its members' votes. If no such majority is obtained, the Mediation Committee of the Supervisory Board has to make a suggestion for the appointment within one month of the vote by the Supervisory Board in which the required majority was not reached. The Supervisory Board then appoints the members of the Board of Management with a majority of its members' votes. If no such majority is obtained, voting is repeated and the Chairperson of the Supervisory Board then has two votes. The same procedure applies for dismissals of members of the Board of Management.

In accordance with Article 5 of the Articles of Incorporation, the Board of Management has at least two members. The number of members is decided by the Supervisory Board. Pursuant to Section 84 Subsection 2 of the German Stock Corporation Act (AktG), the Supervisory Board can appoint a member of the Board of Management as its Chairperson. If a required member of the Board of Management is lacking, an affected party can apply in urgent cases for that member to be appointed by the court pursuant to Section 85 Subsection 1 of the German Stock Corporation Act (AktG). Pursuant to Section 84 Subsection 3 of the German Stock Corporation Act (AktG), the Supervisory Board can revoke the appointment of a member of the Board of Management and of the Chairperson of the Board of Management if there is an important reason to do so.

Pursuant to Section 179 of the German Stock Corporation Act (AktG), the Articles of Incorporation can only be amended by a resolution of an Annual Shareholders' Meeting. Unless otherwise required by applicable law, resolutions of the Annual Shareholders' Meeting – with the exception of elections – are passed pursuant to Section 133 of the German Stock Corporation Act (AktG) and Article 16 Subsection 1 of the Articles of Incorporation with a simple majority of the votes cast and if required with a simple majority of the share capital represented. Pursuant to Section 179 Subsection 2 of the German Stock Corporation Act (AktG), any amendment to the purpose of the Company requires a 75% majority of the share capital represented at the Shareholders' Meeting; no use is made in the Articles of Incorporation of the possibility to stipulate a larger majority of the share capital. Amendments to the Articles of Incorporation that only affect the wording can be decided upon by the Supervisory Board in accordance with Article 7 Subsection 2 of the Articles of Incorporation. Pursuant to Section 181 Subsection 3 of the German Stock Corporation Act (AktG), amendments to the Articles of Incorporation take effect upon being entered in the Commercial Register.

Authorization of the Board of Management to issue or buy back shares

By resolution of the Annual Shareholders' Meeting of April 1, 2015, the Company was authorized to acquire its own shares during the period until March 31, 2020 for all legal purposes in a volume of up to 10% of the share capital at the time of the resolution of the Annual Shareholders' Meeting. The shares can be used, under the exclusion of shareholders' subscription rights, for, among other things, corporate mergers and acquisitions or else can be sold for cash to third parties at a price that is not significantly below the market price at the time of the sale. The shares can also be used to service debt on convertible bonds and/or bonds with warrants, or can be issued to employees of the Company and employees and members of executive bodies of affiliated companies pursuant to Section 15 ff of the German Stock Corporation Act (AktG). The Company's own shares can also be canceled.

In addition, the Board of Management is authorized under other defined circumstances and with the consent of the Supervisory Board to exclude shareholders' subscription rights for shares they acquire. The Company's own shares in a volume of up to 5% of the share capital existing at the time of the resolution of the Annual Shareholders' Meeting can also be acquired with the application of derivative financial instruments (put or call options, forwards or a combination of these financial instruments), whereby the terms of the derivatives may not exceed 18 months and must be terminated on March 31, 2020, at the latest.

No use was made of this authorization to acquire the Company's own shares during the reporting period.

By resolution of the Annual Shareholders' Meeting held on April 9, 2014, the Board of Management was authorized with the consent of the Supervisory Board to increase the share capital of Daimler AG in the period until April 8, 2019, wholly or in partial amounts, on one or several occasions, by up to €1 billion by issuing new registered shares of no par value in exchange for cash or non-cash contributions, and with the consent of the Supervisory Board under certain conditions and within defined limits to exclude shareholders' subscription rights (Approved Capital 2014). Subscription rights can, under these defined conditions, be excluded in the event of a capital increase through non-cash contributions for the purposes of an acquisition, and in the case of a capital increase through cash contributions, if the issue price of new shares is not significantly below the market price at the time of the issue.

No use has yet been made of Approved Capital 2014.

By resolution of the Annual Shareholders' Meeting held on April 1, 2015, the Board of Management, with the consent of the Supervisory Board, is authorized to issue during the period until March 31, 2020 convertible bonds and/or bonds with warrants or a combination of those instruments (commercial papers) in a total nominal amount of up to €10 billion with a maximum term of ten years, and to grant the owners/lenders ofthose bonds conversion or option rights to new, registered shares of no par value in Daimler AG with a corresponding amount of the share capital of up to €500 million, in accordance with the terms and conditions of those convertible bonds or bonds with warrants. The bonds may be issued in exchange for consideration in cash, but also for consideration in kind, in particular for a participation in other companies. The respective terms and conditions may also provide for mandatory conversion or an obligation to exercise the option rights. The bonds can be issued once or several times, wholly or in installments, or simultaneously in various tranches. They can also be issued by companies affiliated with Daimler AG pursuant to Section 15 ff of the German Stock Corporation Act (AktG).

Inter alia, the Board of Management was also authorized under certain circumstances, within certain limits and with the consent of the Supervisory Board to exclude shareholders' subscription rights to the bonds. Subscription rights can, under these defined conditions, be excluded when bonds are issued in exchange for non-cash contributions, particularly within the framework of a merger or acquisition, and when bonds are issued in exchange for cash contributions, if the issue price is not significantly below the theoretical market price of the bonds at the time of the issue. No use has yet been made of this new authorization to issue convertible bonds and/or bonds with warrants.

In order to service the debt of the convertible bonds and/or bonds with warrants issued as a result of the authorization, the Annual Shareholders' Meeting of April 1, 2015, also approved a conditional increase in the share capital of up to €500 million (Conditional Capital 2015).

Material agreements taking effect in the event of a change of control

Daimler AG has concluded various material agreements, as listed below, that include clauses regulating the possible event of a change of control, as can occur as a result of a takeover bid:

- A non-utilized syndicated credit line for a total amount of €9 billion, which the lenders are entitled to terminate if Daimler AG becomes a subsidiary of another company or comes under the control of one person or several persons acting jointly.
- Credit agreements with lenders for a total amount of €2.0 billion, which the lenders are entitled to terminate if Daimler AG becomes a subsidiary of another company or comes under the control of one person or several persons acting jointly.
- Guarantees and securities for credit agreements of consolidated subsidiaries for a total amount of €131 million, which the lenders are entitled to terminate if Daimler AG becomes a subsidiary of another company or comes under the control of one person or several persons acting jointly.
- An agreement concerning the acquisition of a majority (50.1%) of AFCC Automotive Fuel Cell Cooperation Corp., which has the purpose of further developing fuel cells for automotive applications and making them marketable. In the case of a change of control of Daimler AG, the agreement provides for the right of termination by the other main shareholder, Ford Motor Company. Control as defined by this agreement is the beneficial ownership of the majority of the voting rights and the resulting right to appoint the majority of the members of the Board of Management.
- A cooperation agreement with Ford concerning the joint predevelopment of a fuel-cell system. In the event of a change of control of one of the parties to the agreement, the agreement provides for the right of termination for the other party. A change of control is deemed to occur at a threshold of 50% of the voting rights of the company in question or upon authorization to appoint a majority of the members of its managing board.
- A master cooperation agreement on wide-ranging strategic cooperation with Renault S.A., Renault-Nissan B.V. and Nissan Motor Co., Ltd. In the case of a change of control of one of the parties to the agreement, each of the other parties has the right to terminate the agreement. A change of control as defined by the master cooperation agreement occurs if a third party or several third parties acting jointly acquire, legally or economically, directly or indirectly, at least 50% of the voting rights in the company in question or are authorized to appoint a majority of the members of its managing board. Under the master cooperation agreement, several cooperation agreements were concluded between Daimler AG on the one side and Renault and/or Nissan on the other, which provide for the right of termination for a party to the agreement in the case of a change of control of another party. These agreements primarily concern a new architecture for small cars, the shared use and development of fuel-efficient diesel and gasoline engines and transmissions, the development and supply of a small urban delivery van, the development, production and supply of pickups, the use of an existing architecture for compact cars, and the joint production of Infiniti/Nissan and Mercedes-Benz compact vehicles in a 50-50 joint venture in Mexico. A change of control is deemed to occur at a threshold of 50% of the voting rights of the company in question or upon authorization to appoint a majority of the members of its managing board. In the case of termination of cooperation in the area of the development of small cars due to a change of control in the early phase of the cooperation, the party affected by the change of control would be obliged to bear its share of the costs of the development of shared components even if the development were terminated for that party.
- An agreement with BAIC Motor Co., Ltd. related to a jointly held company for the production and distribution of cars of the Mercedes-Benz brand in China, by which BAIC Motor Co., Ltd. is given the right to terminate the agreement or exercise a put or call option in the case that a third party acquires one third or more of the voting rights in Daimler AG.
- An agreement related to the establishment of a joint venture with Beiqi Foton Motor Co., Ltd. for the purpose of producing and distributing heavy-duty and medium-duty trucks of the Auman brand. This agreement gives Beiqi Foton Motor Co., Ltd. the right of termination in the case that one of its competitors acquires more than 25% of the equity or assets of Daimler AG or becomes able to influence the decisions of its Board of Management.
- An agreement between Daimler and Robert Bosch GmbH related to the joint establishment and joint operation of EM-motive GmbH for the development and production of traction and transmission-integrated electric motors as well as parts and components for such motors for automotive applications and for the sale of those articles to the Robert Bosch Group and the Daimler Group. If Daimler should become controlled by a competitor of Robert Bosch GmbH, Robert Bosch GmbH has the right to terminate the consortium agreement without prior notice and to acquire all the shares in the joint venture held by Daimler at a fair market price.
- An agreement between Daimler AG, BMW AG and Audi AG related to the acquisition of the companies of the HERE Group and the associated establishment of There Holding B.V. In the event of a change of control of one of the parties to the agreement, the agreement obligates the party in question to offer its shares in There Holding B.V. to the other parties to the agreement (shareholders). A change of control of Daimler AG occurs if a person gains control over Daimler AG, whereby control is defined as (i) having control of more than 50% of the voting rights, (ii) being able to control more than 50% of the voting rights eligible to vote at the shareholders' meetings on all or nearly all matters, or (iii) the right to determine the majority of the members of the Board of Management or of the Supervisory Board. A change of control also occurs if competitors of the HERE Group or certain possible competitors of the HERE Group in the technology industry acquire a shareholding of at least 25% of Daimler AG. If none of the other parties acquire these shares, the agreement gives them the right to dissolve There Holding B.V.

Risk and Opportunity Report

The Daimler Group is exposed to a large number of risks that are directly linked with the business activities of its divisions or which result from external influences. A risk is understood as the danger that events, developments or actions will prevent the Group or one of its divisions from achieving its targets. At the same time, it is important for the Daimler Group to identify opportunities so that they can be utilized in the course of its business activities, thus safeguarding and enhancing the Group's competitiveness. An opportunity is understood as the possibility to safeguard or to surpass the planned targets of the Group or a division as a result of events, developments or actions. The divisions have direct responsibility for recognizing and managing business risks and opportunities at an early stage. As part of the strategy process, risks related to the planned long-term development and opportunities for further profitable growth are identified and integrated into the decision-making process. In order to identify business risks and opportunities at an early stage and to assess and manage them consequently, effective management and control systems, which are clustered into a risk and opportunity management system, are applied. Risks and opportunities are not offset. The system is described below.

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Assessment of probability of occurrence/possible impact

Level	Probability of occurrence		
Low	0% <	Probability of occurrence	≤ 33%
Medium	33% <	Probability of occurrence	≤ 66%
High	66% <	Probability of occurrence	< 100%

Level	Possible impact		
Low	€0 <	Impact	< €500 million
Medium	€500 million ≤	Impact	< €1 billion
High		Impact	≥ €1 billion

Risk and opportunity management system

The **risk management system** with regard to existence-threatening and other material risks is integrated into the value-based management and planning system of the Daimler Group. It is an integral part of the overall planning, management and reporting process in the legal entities, divisions and corporate functions. The risk management system is intended to systematically and continually identify, assess, control, monitor and report risks threatening Daimler's existence and other material risks, in order to support the achievement of corporate targets and to enhance risk awareness at the Group.

The **opportunity management system** at the Daimler Group is based on the risk management system. The objective of opportunity management is to recognize the possible opportunities arising in business activities as a result of positive developments at an early stage, and to use them in the best possible way for the Group by taking appropriate measures. By taking advantage of opportunities, planned targets should be secured or overachieved. Opportunity management considers relevant and realizable opportunities that have not yet been included in any planning.

In the context of operative planning, risks and opportunities – with consideration of appropriate risk and opportunity categories – are identified and assessed for a two-year planning period. Furthermore, the discussions for the derivation of mid-term and strategic targets in the context of strategic planning include the identification and assessment of risks and opportunities relating to a longer period. The reporting of risks and opportunities in the Management Report generally relates to a period of one year. Besides the reporting at specific times, risk and opportunity management is established as a continuous task within the Group. In addition to the regular reporting, there is also an internal reporting obligation within the Group for material risks arising unexpectedly. The central Group Risk Management regularly reports the identified risks and opportunities to the Board of Management and the Supervisory Board.

Risk assessment takes place on the basis of probability of occurrence and possible impact according to the levels low, medium and high. These levels also apply to the possible impact of opportunities. An analysis of the probability of occurrence is not considered here. When assessing the impact of a risk or opportunity, its effect on EBIT is generally considered.

Group level, risks and opportunities below €500 million are classified as low, between €500 million and €1 billion as medium, and above €1 billion as high. For the quantification of each risk and opportunity category in the Management Report, the individual risks and opportunities are summarized for each category. The assessment of the dimensions probability of occurrence and possible impact is based on the levels shown in table ↗ B.57 and is conducted before measures are implemented. In addition to the quantifiable risks and opportunities, risk management also considers qualitative risks and opportunities, which primarily comprise those risks connected with aspects presented in the non-financial report. In the context of describing the risk and opportunity categories, significant changes in comparison to the prior year are explained.

Risk management is based on the principle of completeness. This means that at the level of the individual entities, all concrete risks enter the risk management process. General uncertainties without any clear indication of a possible effect on earnings are monitored within the internal control system (ICS).

The scope of consolidation for risk and opportunity management corresponds to the scope of consolidation of the consolidated financial statements and goes beyond that if necessary. The risks and opportunities of the divisions and operating units, important associated companies, joint ventures, joint operations and the corporate departments are included.

The tasks of the employees responsible for risk and opportunity management include, besides the identification and assessment of risks and opportunities, the development of measures and the initiation of such measures, if necessary. The objective of such measures is to avoid, reduce or transfer risks. The utilization or enhancement of an opportunity, and its partial or full implementation, also require measures to be taken. The cost-effectiveness of a measure is assessed before its implementation. The development of all risks and opportunities of the individual entities and of the related measures that have been initiated are continually monitored. The management activities take place at the level of the divisions based on individual risks and opportunities.

The **internal control and risk management system** with regard to the accounting process has the objective of ensuring the correctness and effectiveness of accounting and financial reporting. It is designed in line with the internationally recognized framework for internal control systems of the Committee of Sponsoring Organizations of the Treadway Commission (COSO Internal Control – Integrated Framework), is continually developed further, and is an integral part of the accounting and financial reporting processes in all relevant legal entities and corporate functions.

The system includes principles and procedures as well as preventive and detective controls. Among other things, it is regularly checked, if

- the Group's uniform financial reporting, valuation and accounting guidelines are continually updated and regularly taught and adhered to;
- transactions within the Group are accounted for and properly eliminated;
- issues relevant for financial reporting and disclosure from agreements entered into are recognized and appropriately presented;
- processes are established to guarantee the completeness of financial reporting;
- processes are established for the segregation of duties and for the "four-eyes principle" (dual accountability) in the context of preparing financial statements, and authorization and access rules exist for relevant IT accounting systems.

The effectiveness of the internal control system is systematically assessed with regard to the corporate accounting process. The first step consists of risk analysis and the definition of control. Significant risks are identified relating to the processes of corporate accounting and financial reporting in the main legal entities and corporate functions. The controls required are then defined and documented in accordance with Group-wide guidelines. Random samples are regularly tested to assess the effectiveness of the controls. Those tests constitute the basis for self-assessment of the appropriate magnitude and effectiveness of the controls. The results of this self-assessment are documented and reported in a Group-wide IT system. Identified weaknesses are eliminated with consideration of their potential effects. At the end of the annual cycle, the selected legal entities and corporate functions confirm the effectiveness of the internal control and risk management system with regard to the corporate accounting process. The Board of Management and the Audit Committee of the Supervisory Board are regularly informed about the main control weaknesses and the effectiveness of the control mechanisms installed. However, the internal control and risk management system for the accounting process cannot ensure with absolute certainty that material false statements in accounting are avoided.

The **organizational embedding and monitoring of risk and opportunity management** takes place through the risk management organization established at the Group. In this context, the divisions, corporate functions and legal entities are requested to report on concrete risks and opportunities at regular intervals. This information is passed on to Group Risk Management, which processes the information and provides it to the Board of Management and the Supervisory Board as well as to the Group Risk Management Committee (GRMC).

In order to ensure the complete presentation and assessment of existence-threatening and other material risks of the Group, as well as the control and risk processes with regard to the corporate accounting process, Daimler has established the GRMC. It is composed of representatives of Accounting & Financial Reporting, the Legal Department, Group Compliance and Technical Compliance, and is chaired by the Board of Management Member for Finance & Controlling/Daimler Financial Services. The internal auditing department contributes material findings on the internal control and risk management system.

Responsibility for operational risk management and for the risk management processes lies directly with the divisions, corporate functions and legal entities.

Reports regarding the current risk situation and the effectiveness, functionality and appropriateness of the internal control and risk management system are regularly presented to the Board of Management and to the Audit Committee of the Supervisory Board of Daimler AG. Furthermore, the responsible managers regularly discuss risks and opportunities out of business operations with the Board of Management.

The Audit Committee of the Supervisory Board is responsible for **monitoring the internal control and risk management system**. The internal auditing department monitors whether the statutory conditions and the Group's internal guidelines concerning the internal control and risk management system of the Group are adhered to. If required, measures are then initiated in cooperation with the respective management. External auditors audit the system for the early identification of risks which is integrated in the risk management system for its general suitability to identify risks threatening the existence of the Group; in addition, they report to the Supervisory Board on any significant weaknesses that have been recognized in the internal control and risk management system.

Risks and opportunities

The following section describes the risks and opportunities that can have a significant influence on the profitability, cash flows and financial position of the Daimler Group. In general, the reporting of risks and opportunities takes place in relation to the individual segments. If no segment is explicitly mentioned, the risks and opportunities described relate to all the automotive divisions.

In addition, risks and opportunities that are not yet known or classified as not material can influence profitability, cash flows and financial position.

Industry and business risks and opportunities

The following section describes the industry and business risks and opportunities of the Daimler Group. A quantification of these risks and opportunities is shown in table ↗ B.58.

Economic risks and opportunities

Economic risks and opportunities constitute the framework for the risks and opportunities listed in the following categories and are integrated as premises into the quantification of these risks and opportunities. Overall economic conditions have a significant influence on vehicle sales markets and thus on the Group's success.

Like the majority of economic research institutes, Daimler expects the **world economy** to grow by more than 3% once again in 2018, following the perceptible acceleration of growth in 2017. Economic developments in 2017 are described in detail in the "Economic Conditions and Business Development" section of this Management Report; growth assumptions for 2018 are explained in the "Outlook" section pages 95 ff and 170 ff.

Economic risks and opportunities are linked with assumptions and forecasts concerning **general developments**. The relationship between risks and opportunities at the beginning of the year 2018 is more balanced than in the previous year; however, numerous risks continue to exist for the world economy.

In the United States, the tax reform recently passed and a generally more expansive fiscal policy could result in additional impetus that has not previously been considered. If a significantly more dynamic investment activity ensues there, leading to stronger growth in combination with positive employment and income effects, this could boost demand in all automotive divisions. As the Daimler Group generates a substantial proportion of its revenue in the United States, especially in the Mercedes-Benz Cars, Daimler Trucks and Daimler Financial Services divisions, these developments would have considerable consequences for the Group's success. Furthermore, stronger growth in the United States would also have spillover effects on the rest of the world. However, the disadvantages of such an expansionary fiscal policy are a worsening of the debt situation in the United States and the risk that the central bank ("Fed") might feel forced to raise interest rates more significantly than previously assumed in order to counteract strong inflationary pressure. This would increase the existing risks arising from the Fed's exit from its expansive monetary policy and from the increase in the federal funds rates. As a result, increasing lending rates could dampen the recovery of the real-estate market and companies' propensity to invest. There is also the risk of sharp falls in share prices triggering a chain reaction on global stock markets, resulting in major

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Industry and business risks and opportunities

Risk category	Probability of occurrence	Impact	Opportunity category	Impact
General market risks	Low	High	General market opportunities	High
Risks relating to leasing and sales financing	Low	Low	Opportunities relating to leasing and sales financing	Low
Procurement market risks	Low	High	Procurement market opportunities	Low
Risks relating to the legal and political framework	Low	High	Opportunities relating to the legal and political framework	Low

market adjustments and phases of exceptional volatility in the global financial markets. Such developments could have a negative impact on the investment climate worldwide, with negative effects on the world economy.

In **Europe**, political risks regarding the stability of the EU and the monetary union have decreased somewhat since the results of the elections in 2017. Nonetheless, separatist tendencies such as in Catalonia or upcoming parliamentary elections in Italy mean that a resurgence of the euro crisis cannot be ruled out. In addition, there are still significant risks in the banking sector of some member states and the volume of defaulting loans is very high in some countries. Another crucial factor for economic development in Europe is the ongoing progress of the Brexit negotiations. Failure to reach an agreement could have a negative impact on the business climate and thus on the development of the British economy and to a lower extent the euro zone, which would potentially make trading conditions more difficult. The European market continues to be very important for Daimler across all divisions; in fact, it is the biggest sales market for the Mercedes-Benz Cars and Mercedes-Benz Vans division. These risks exist along with opportunities for stronger growth due to even stronger dynamism from consumption and investment in the euro zone, which would also boost demand for motor vehicles in the important European market.

Due to China's enormous importance as a growth driver for the world economy in recent years, a downturn in **China's economy** would represent a considerable risk to the world economy. The enormous growth in debt that has been observed since the global financial crisis, especially in the corporate sector, represents a significant risk. If the government's efforts to restrict credit growth lead to a more significant growth slowdown than currently expected, this would result in a perceptible cooling-off for the world economy. Within China, a slowdown could result in an excessive increase in credit defaults, which would then lead to turbulence in the banking sector and the financial markets. In particular for the Mercedes-Benz Cars division, for which China is now the biggest individual sales market by a large margin, the aforementioned risks could result in significant negative effects on its unit sales. In addition, a drop in demand in China would trigger another fall in the price of oil and other (industrial) raw materials, with extremely disadvantageous effects for raw-material exporting countries worldwide, especially in Latin America, the Middle East and Sub-Saharan Africa. This would have a negative impact on demand for the automotive divisions in those regions. On the other hand, growth in 2018 could also turn out to be stronger than expected if the Chinese government pursues less tight monetary and fiscal policies than currently anticipated. The resulting stronger growth in overall economic consumption would create additional opportunities, especially for the Mercedes-Benz Cars division.

The prospects of the **emerging markets** remain stable compared with the previous year, but continue to be connected with some risks, primarily of an external nature. For example, a significant increase in interest rates in the United States could cause difficulties in particular for those emerging markets with high current account deficits and high levels of foreign debt, resulting in significant currency depreciation (e.g. Turkey, South Africa and Brazil). Financial-market turbulences going as far as currency crises would be possible consequences and could have a massive impact on the economies of the affected countries. Lower growth in world trade and lower raw-material prices (e.g. a drop in the oil price) than currently forecast would have a negative impact on growth for exporters of raw materials. As Daimler is already very active in those countries, or their markets play a strategic role, this would have significantly negative effects on the Group's prospective unit sales. However, import-dependent economies such as India would benefit from lower price levels. Furthermore, stronger growth in world trade and higher raw-material prices would create positive impetus in emerging markets that export raw materials, leading to stronger economic growth and thus increased demand for motor vehicles.

In view of the positive economic situation in many parts of the world, including Europe and some major emerging markets, the opportunity exists that the **world economy** will grow in 2018 at a higher rate than hitherto assumed. A stronger increase in worldwide demand would support raw-material prices and would have positive effects on raw-material exporters in South America, the Middle East and Africa.

Further risks exist from geopolitical tension, such as between Saudi Arabia and Iran or in North Korea, but countries like Russia and Turkey also continue to represent considerable conflict potential. Should further **terrorist attacks** or assassinations in Europe or other major economies lead to an additional high degree of uncertainty, investment and consumer confidence could be severely undermined with a resulting impact on the real economy. In addition, an increase in terrorist attacks would accelerate the already growing influx into populist parties, thereby promoting isolationism and adversely affecting world trade, with enormous costs to the world economy.

General market risks and opportunities

The risks and opportunities for the economic development of automotive markets are strongly affected by the cyclical situation of the global economy as described above. The assessment of **market risks and opportunities** is linked to assumptions and forecasts about the overall development of markets in the regions in which the Daimler Group is active. The possibility of markets developing better or worse than assumed in the planning, or of changing market conditions, generally exists for all divisions of the Daimler Group.

Potential effects of the **risks on the development of unit sales** are included in risk scenarios. The risks can cause changes in the planned business activities and the related vehicle sales and inventories. In particular, the partially unstable macroeconomic environment as well as political or economic uncertainty could be causes in this context. Differences between the divisions exist due to the partly varying regional focus of their activities. Discussions about the future of diesel technology and the related legal uncertainties are also responsible for changes in customer demand, which can have a negative impact on the sale of diesel vehicles and possibly also on earnings. The development of markets, unit sales and inventories is continually analyzed and monitored by the divisions; if necessary, specific marketing and sales programs are implemented. Clear strategies have been formulated for each division for profitable growth and efficient progress.

Volatilities with regard to market developments can also mean that the overall market or regional conditions for the automotive industry might develop better than assumed in the internal forecasts and premises upon which the Group's target planning is based. This can lead to **market opportunities**. Opportunities can also arise from an improvement in the competitive situation or a positive development of demand for the divisions. However, the existing market opportunities of the divisions of the Daimler Group can only be utilized if production can be aligned accordingly, and if this is enabled by regional conditions. In addition, any gaps between demand and supply have to be recognized and covered in good time. The measures that could be initiated by the Daimler Group to utilize potential opportunities include a combination of local sales and marketing activities, as well as central strategic product and capacity planning.

As the target achievement of the Daimler Financial Services division is closely connected with the business development in the automotive divisions, the existing **volume risks and opportunities** are reflected in the Daimler Financial Services segment.

Due to the partly difficult financial situation of some **dealerships and vehicle importers**, support actions might become necessary to ensure the performance of the business partners. The sources of these risks lie in the respective risk environment. Supporting actions would adversely affect the profitability, cash flows and financial position of the automotive divisions. Further risks may result from the dependency on certain dealerships. In certain circumstances, relationships with new business partners may have to be developed. The financial situation of strategically relevant dealerships and vehicle importers is continually monitored. If required, payment conditions are adjusted and additional guarantees are obtained. Risks of this kind exist for dealerships and vehicle importers of the divisions Mercedes-Benz Cars, Daimler Trucks and Mercedes-Benz Vans.

The successful product portfolio of the Daimler Group contributes to its advantageous positioning compared with the competitors. Possibly rising **competitive and price pressure** above all affect the segments Mercedes-Benz Cars and Daimler Trucks. Aggressive pricing policies, the introduction of new products by competitors, or pricing pressure in the aftersales business can make it more difficult to achieve expected prices. This might result in lower revenue, the failure to achieve the products' planned profitability, or lower market share. The extent of such risks is related to the magnitude of a division's sales volume. Continuous monitoring of competitors is carried out in order to recognize these risks at an early stage. Depending on the situation, product-specific and possibly regionally different measures are taken to support weaker markets. They include the use of new sales channels, actions designed to strengthen brand awareness and brand loyalty as well as sales and marketing campaigns. Daimler also applies various programs to boost sales, which include financial incentives for customers.

Further risks at Mercedes-Benz Cars, Mercedes-Benz Vans and Daimler Financial Services relate to the **development of used vehicle markets** and thus to the residual values of the vehicles produced. In particular, the uncertainty existing in connection with diesel vehicles can have a negative impact on residual values. As part of the established residual-value management process, certain assumptions are made at local and corporate levels regarding the expected level of prices, based upon which the cars to be returned in the leasing business are evaluated. If changing market developments lead to a negative deviation from assumptions, there is a risk of lower residual values of used cars. Depending on the region and the current market situation, the measures taken generally include continuous market monitoring as well as, if required, price-setting strategies or sales promotion measures designed to regulate vehicle inventories. The quality of market forecasts is verified by periodic comparisons of internal and external sources, and, if required, the determination of residual values is adjusted and further developed with regard to methods, processes and systems. On the other hand, opportunities can arise from a positive development of residual values caused by a favorable market environment for used vehicles as well as reductions in price reductions granted on new vehicles.

In addition, a residual-value risk from non-Daimler vehicles exists for the Daimler Financial Services companies that operate commercial fleet management and leasing management, because most of those vehicles are not covered by manufacturers' residual-value guarantees. Residual-value risk is taken into account through a high level of diversification with regard to brands, regions, customers and lease periods. Used-vehicle prices are continually monitored both locally and centrally, so that the residual-value risk from a drop in market prices can be forecast in good time and suitable countermeasures may be initiated.

Despite increasing residual-value risks, the probability of occurrence of general market risks across all segments has decreased compared with the previous year from “medium” to “low” as a result of the improved market positioning of the automotive divisions compared with their competitors.

Risks and opportunities relating to the leasing and sales-financing business

In connection with the sale of vehicles, Daimler offers its customers a wide range of financing possibilities – primarily of leasing and financing the Group’s products. The resulting risks for the Daimler Financial Services segment are mainly due to borrowers’ worsening creditworthiness, so receivables might not be recoverable in whole or in part because of customers’ insolvency **(default risk or credit risk)**. Daimler counteracts credit risks by means of creditworthiness checks on the basis of standardized scoring and rating methods and the collateralization of receivables, as well as an effective risk management with a firm focus on monitoring both internal and macroeconomic leading indicators. Other risks associated with the leasing and sales-financing business involve the possibility of increased refinancing costs due to changes in interest rates **(interest rate risk)**.

An adjustment of credit conditions for customers in the leasing and sales-financing business caused by higher refinancing costs could reduce the new business and contract volume of Daimler Financial Services, also reducing the unit sales of the automotive divisions. Risks and opportunities also arise from a lack of matching maturities with refinancing. The **risk of mismatching maturities** is minimized by coordinating refinancing with the periods of financing agreements, from the perspective of interest rates as well as liquidity. Any remaining risks from changes in interest rates are managed by the use of derivative financial instruments. Further information on credit risks and the Group’s risk-minimizing actions is provided in Note 32 of the Notes to the Consolidated Financial Statements.

Possible regard **residual-value risks** for the automotive divisions and the companies in the Daimler Financial Services division that operate commercial fleet management and leasing management are described in the section “General Market Risks and Opportunities.”

The extent of the risks and opportunities and the probability of occurrence of the risks relating to the leasing and sales-financing business continue to be assessed as low.

Procurement market risks and opportunities

Procurement market risks arise for the automotive divisions in particular from fluctuations in prices of raw materials and energy. There are also risks of financial bottlenecks of suppliers and of capacity bottlenecks caused by supplier delivery failures or by insufficient utilization of production capacities at suppliers. The risk situation relating to probability of occurrence and impact has not changed compared with the previous year. Opportunities in the raw-material markets continue to exist due to positive price developments for relevant raw materials. Compared with the previous year, however, the extent of those opportunities has decreased from “medium” to “low” as a result of more pessimistic assumptions concerning the future development of raw-material prices.

Raw-material prices continued to feature significant volatility in 2017. Due to almost completely unchanged macroeconomic conditions, price fluctuations are expected with uncertain and uneven trends in the near future. On the one hand, raw-material markets can be impacted by political crises and uncertainties – combined with possible supply bottlenecks – as well as by volatile demand for specific raw materials; this increases the risk from raw-material prices for the individual automotive segments. Generally, the ability to pass on the higher costs of commodities and other materials in the form of higher prices for the manufactured vehicles is limited because of strong competitive pressure in the international automotive markets.

Supplier risk management aims to identify potential **financial bottlenecks for suppliers** at an early stage and to initiate suitable countermeasures. Although the crisis of recent years is over, the situation of some of suppliers remains difficult due to a high degree of competitive pressure. This has necessitated individual or joint support actions by vehicle manufacturers to safeguard their production and sales. In the context of supplier risk management, regular reporting dates are set for suppliers for which we have received early warning signals and made corresponding internal assessments. On those dates, the suppliers report their key performance indicators to Daimler and decisions are made concerning any required support actions.

Due to the planned electrification of new model series and a shift in customer demand from diesel to gasoline engines, the Mercedes-Benz Cars segment in particular is faced with the risk that Daimler will require changed volumes of components from suppliers. This could result in **over- or under-utilization of production capacities** for certain suppliers. If supplier cannot cover their fixed costs, there is the risk that suppliers could demand compensation payments. Necessary capacity expansion at suppliers’ plants could also require cost-effective participation.

Risks and opportunities related to the legal and political framework

The automotive industry is subject to extensive governmental regulation worldwide. Risks and opportunities from the legal and political framework have a considerable impact on Daimler's future business success. Regulations concerning vehicles' **emissions, fuel consumption and certification** play a particularly important role. Complying with these varied and often diverging regulations all over the world requires strenuous efforts on the part of the automotive industry. In the future, Daimler expects to spend an even larger portion of its research and development budget to ensure compliance with these regulations. Nonetheless, it has been possible to reduce the assessment of risks and opportunities related to the legal and political framework to "low" for the probability of occurrence. This is mainly because issues for the year 2018 have been taken into consideration in the planning. The potential impact of the risks and opportunities remains unchanged at "high."

Many countries and regions have already implemented stricter **regulations to reduce vehicles' emissions and fuel consumption** or are currently preparing such laws. They relate for example to the environmental impact of vehicles, including emission levels, fuel economy and noise, as well as pollutants from the emissions caused by the production facilities. Noncompliance with regulations applicable in the various regions might result in significant penalties and reputational harm and in the case of violations of regulations concerning vehicles' environmental compatibility, might even mean that vehicles could not be or could no longer be registered in the relevant markets. The cost of compliance with these regulations is significant, especially for conventional engines, and Daimler expects a significant increase in costs in this context.

The **Mercedes-Benz Cars** segment faces risks with respect to regulations on average fleet fuel consumption in the Chinese market. In the European Union, the EU Commission made an ambitious proposal in November 2017 on future regulations concerning the CO_2 emissions of new vehicles (period of 2021 to 2030). Legislation in the United States on greenhouse gases and fuel consumption impacts German premium manufacturers and thus also the Mercedes-Benz Cars division harder than US manufacturers, for example. Similar legislation exists or is being prepared in many other countries, as in Japan, South Korea, India, Canada, Switzerland, Mexico, Saudi Arabia, Brazil and Australia. Daimler gives these targets due consideration in its product planning. The increasingly ambitious targets require significant proportions of plug-in hybrids or cars with other types of electric drive. The market success of these drive systems is greatly influenced by regional market conditions, for example the battery-charging infrastructure and state support.

If the negative headlines on diesel engines and the threat of driving bans on diesel vehicles were to unsettle customers, resulting in lasting shifts in the drive-system portfolio (fewer diesel and more gasoline engines), additional development and production measures would have to be taken to meet the CO_2 fleet limits applicable as of 2020. On the other hand, differentiating bans in cities that privilege diesel vehicles with good emission levels could result in competitive advantages for our new 4 and 6-cylinder engines (OM 654 and OM 656) with their very good exhaust emissions.

Pursuant to EU Directive 2006/40/EC, since January 1, 2011, vehicles only receive type approval if their air-conditioning units are filled with a **refrigerant** that meets certain criteria with regard to climate friendliness. For vehicles produced on the basis of type approvals granted previously, the directive allowed a period of transition until December 31, 2016. Mercedes-Benz vehicles fully comply with these legal requirements as of January 1, 2017 through the application of CO_2 air-conditioning and the refrigerant R1234yf in combination with a specially developed safety device that will be used depending on each vehicle's configuration. In December 2016, the EU Commission initiated infringement proceedings against the Federal Republic of Germany in the European Court of Justice (ECJ). The Commission sees a contravention of the European type-approval directive and of the Directive on emissions from air-conditioning systems in motor vehicles by the German authorities. In March 2017, Germany's Federal Motor Vehicle Transport Authority issued Daimler AG with an injunction requiring the changeover of those vehicles from the first half of 2013 in which the previously used refrigerant R134a was used for reasons of safety. Daimler considers the claim to be unfounded and has filed an objection to the order. At present, the Group does not assume that these issues will result in material effects on its profitability, cash flows or financial position.

Strict regulations for the reduction of vehicles' emissions and fuel consumption create potential risks also for the **Daimler Trucks and Daimler Buses** divisions, because it will be hard to fulfill the statutory requirements in some countries. For example, legislation has been in effect in Japan since 2006 and in the United States since 2011 on the reduction of greenhouse-gas emissions and fuel consumption by heavy-duty commercial vehicles. In China, fuel-consumption legislation was drafted in 2017 which affects our exports of heavy-duty trucks to that country with strict requirements as of 2019/2020. The European Commission is currently working on methods for measuring the CO_2 emissions of heavy-duty commercial vehicles that will have to be applied as of 2019. It has also decided to present a standard for limiting heavy-duty commercial vehicles' CO_2 emissions in the first half of 2018. We expect that the limits to be confirmed by the EU Parliament and Council will have to be met as of approximately 2025. Other countries such as India, South Korea and Brazil are also working on draft proposals for reducing the fuel consumption of heavy-duty commercial vehicles.

Furthermore, many countries such as China, India and Brazil are working on the regulation of emissions, which will raise their standards at least to the level of Euro VI limits. Daimler Trucks and Daimler Buses will therefore have to apply the latest technologies in order to fulfill these requirements.

Very demanding regulations for CO_2 emissions are also planned or have been approved for light commercial vehicles. This will present a challenge for **Mercedes-Benz Vans**, especially in the long term. In the United States, Mercedes-Benz Vans is affected to varying degrees by fuel-consumption and greenhouse-gas regulations for both light-duty and heavy-duty vehicles. The stricter limits planned for the years 2021 to 2027 will also affect Mercedes-Benz Vans. The proposals presented by the EU Commission in November 2017 for limiting the CO_2 emissions of light commercial vehicles, if confirmed by the EU Parliament and Council, are very ambitious.

In addition to the described emission and fuel-consumption regulations, **traffic-policy restrictions** for the reduction of traffic jams, noise and emissions are becoming increasingly important in cities and urban areas worldwide. In China for example, limited access to vehicle registration is continuing, and now also imported plug-in hybrid vehicles are being specifically excluded from access to registration (e.g. in Beijing, Guangzhou and Shenzhen). This development can have a dampening effect on the development of unit sales, especially in growth markets. Pressure to reduce personal transport is increasingly being applied in European cities through discussions of bans on vehicles entering or driving in inner cities, especially those with diesel engines.

These discussions or bans on vehicles with conventional drive systems can increase demand for vehicles with alternative drive systems, especially for electric vehicles, as well as for mobility services including car-sharing services. In order to utilize the resulting opportunities, Daimler is present in the market with the provision of innovative mobility services (including car2go, moovel, mytaxi and Via).

Daimler continually monitors the development of statutory and political conditions and attempts to anticipate foreseeable requirements and long-term targets at an early stage in the process of product development. The biggest challenge in the coming years will be to offer an appropriate range of drive systems and the right product portfolio in each market, while fulfilling customers' wishes, internal financial targets and statutory requirements. With an optimal product portfolio and market-launch strategy, competitive advantages may also arise.

The position of the Daimler Group in key foreign markets could also be affected by an **increase in bilateral free-trade agreements**. If bilateral agreements are concluded without the involvement of the European Union or without the conclusion of equivalent agreements by the EU, the position of the Daimler Group could be significantly impacted. At the same time, EU free-trade agreements could also result in opportunities for the Daimler Group vis-à-vis competitors in countries which are not parties to such agreements.

Furthermore, the danger exists that individual countries will attempt to defend and improve their competitiveness in the world's markets by resorting to **interventionist and protectionist actions**. This applies to the markets of developing countries and emerging economies, but also to Europe, the United States and China, and is manifested above all in the form of local-content rules affecting the entire value chain. In addition, attempts are being made to limit growth in imports through barriers to market access such as by making **certification processes** more difficult, delaying certification and imposing other complicated customers procedures, while attracting direct foreign investment by means of appropriate **industrial policies**. Changes in tax subsidies or the like have the potential to significantly influence the overall market development and increase uncertainty in the planning process.

In order to adapt to these requirements, Daimler has already increased its local value added in major markets, and has thus taken appropriate action in good time. However, on the basis of our production locations' increasing proximity to the various markets, further opportunities also exist for the Daimler Group, relating for example to the utilization of market potential or logistical advantages.

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Company-specific risks and opportunities

Risk category	Probability of occurrence	Impact	Opportunity category	Impact
Production and technology risks	Low	High	Production and technology opportunities	–
Information technology risks	Low	Medium	Information technology opportunities	–
Personnel risks	Low	Low	Personnel opportunities	–
Risks related to equity interests and joint ventures	Low	Medium	Opportunities related to equity interests and joint ventures	Low

Company-specific risks and opportunities

The following section describes the company-specific risks and opportunities of the Daimler Group. A quantification of these risks and opportunities is shown in table ↗ B.59.

Production and technology risks and opportunities
Key success factors for achieving the desired level of prices for the products of the Daimler Group – and hence for the achievement of corporate targets – are brand image, design and quality, and thus the acceptance of products by customers, as well as technical features based on innovative research and development. Convincing solutions, which for example support accident-free driving or further improve the products' fuel consumption and emissions, such as hybrid or electric vehicles, are of key importance for safe and sustainable mobility. Innovations and technology opportunities for the progressive and future-oriented design of the product range flow into the strategic product planning of the automotive divisions. However, due to increasing technical complexity, the continually rising extent of requirements in terms of emissions, fuel consumption and safety, as well as meeting and steadily raising the Daimler Group's quality standards, product launches and manufacturing in the automotive divisions are also subject to production and technology risks.

In the context of product launches, the required parts and equipment components have to be available. To avoid restrictions in this context, the related processes are continually evaluated and improved. In order to secure and enhance the long-term future viability of production facilities, modernization, expansion, construction and restructuring measures are carried out as required. The **execution of modernization activities and the launch of new products** are generally connected with high investments. For example, stipulations, plant reconstruction or delays in the ramp-up phase of an innovation or during a product's lifecycle can lead to a short-term reduction in production volumes. Those automotive segments are affected which are currently launching a new product or have planned a related production ramp up. In this context, it is also necessary to consider dependencies between contractual and cooperation partners, as well as possible changes in regional conditions, which have to be included in the local decision-making process.

In principle, there is a danger that infrastructure problems or the failure of **production equipment or production plants** may cause internal bottlenecks that would consequently generate costs. With the parallel failure of several production plants, the resulting effects could accumulate. These risks mainly exist for the Mercedes-Benz Cars segment. The production equipment is continually maintained and modernized. As a precaution, spare parts are held available or, if required, redundant machines are purchased for the production plants that might be at risk.

Insufficient availability of vehicle components at the right time, interruptions in the supply chain and possible interruptions in supply by energy providers can lead to bottlenecks, especially at the Mercedes-Benz Cars division. In order to avoid such **bottleneck situations**, importance is placed upon being able to compensate for capacity constraints through forward planning. In addition, supply chains and the availability and quality of products are continuously monitored within the context of managing the entire value chain. Supplier management is undertaken for the prevention of risks with the aim of increasing inventories in good time and building up alternative supply lines, as required.

Warranty and goodwill cases could arise in the Daimler Group if the quality of the products does not meet the requirements, regulations are not fully complied with, or support cannot be provided in the required form in connection with product problems and product care. Quality problems with components in vehicles from external suppliers – as for example in connection with the industry-wide problems with Takata airbags – can require technical adjustments that can lead to considerable expenses. Possible claims in connection with such risks are examined and, if necessary, the appropriate measures are initiated for the affected products. This can reduce the products' profitability and generate follow-up costs. The Daimler Group works continually and intensively to maintain product quality at a very high level, along with growing product complexity, in order to avoid the need for correction measures on end products and thus to supply customers with the best possible products.

The probability of occurrence and possible impact of production and technology risks are unchanged compared with the previous year across all segments.

Information technology risks and opportunities
The digitization strategy that is systematically pursued at Daimler offers new possibilities for enhancing customer benefits and enterprise value. However, it also includes risks from the increasing IT dependency of products and business and production processes. In addition, specific risks exist due to the use and availability of new technologies in connection with digitization, which amongst others can affect the products, their use, or business operations. In addition, risks from cybercrime and hacker attacks cannot be ruled out.

It is essential for a global company like Daimler AG that information is available and can be exchanged in an up-to-date, complete and correct form. Appropriately secure IT systems and a reliable IT infrastructure must be used to protect information. The Daimler Group intends to identify and evaluate risks that could result in the interruption of business processes due to the failure of IT systems or which could cause the loss or corruption of data, over the entire lifecycle of applications and IT systems.

Due to growing requirements concerning the confidentiality, integrity and availability of data, Daimler has defined various preventive and corrective measures so that the related risks are minimized and possible damage is limited. These measures are continually adapted to changing circumstances. For example, the Group minimizes potential interruptions of operating processes in data centers by means of mirrored data sets, decentralized data storage, outsourced data backups and IT systems designed for high availability. Emergency plans are developed, employees are trained sensitized, and further technical and organizational precautions are taken in order to maintain operating capability. Specific threats are analyzed and countermeasures are coordinated at a central cyber security center. The protection of products and services from danger caused by hacking and cybercrime is continually developed.

Despite all precautionary measures, disturbances in information processing and therefore negative impacts on the business processes and on IT-based services cannot be completely ruled out.

The impact and probability of occurrence of IT risks remain unchanged compared with the previous year.

Personnel risks and opportunities
The success of the Daimler Group is highly dependent on its employees and their expertise. They are involved in their respective activities and working processes with their ideas and suggestions, and thus make significant contributions to improvements and innovations every day.

Competition for highly qualified staff and management is still very intense in the industry and the regions in which Daimler operates. Future success also depends on the extent to which the Daimler Group succeed over the long term in recruiting, integrating and retaining specialist employees. The established human resources instruments take such personnel risks into consideration, while contributing toward the recruitment and retention of staff with high potential and expertise and ensuring transparency with regard to the resources of the Daimler Group. One focus of human resources management is the targeted personnel development and further training of the workforce. Employees benefit for example from the range of courses offered by the Daimler Corporate Academy and from transparency in the context of performance management. Management culture and principles are currently being further developed in a Group-wide project.

Due to demographic developments, the Group has to cope with changes relating to an aging workforce and has to secure a sufficient number of qualified young persons with the potential to become the next generation of highly skilled specialists and executives. This issue is addressed by taking appropriate measures in the area of generation management. If this risk occurs, depending on the extent of the personnel shortage, an impact is to be expected on the business activities and thus also on the earnings of the Daimler Group.

There is no segment-specific assessment of the human resources risk because the described risks are not related to any specific business segment, but are valid for all segments in the respective regions. Overall, personnel risks are reduced compared to the previous year in terms of impact from “medium” to “low”. The probability of occurrence remains unchanged.

Risks and opportunities related to associated companies, joint ventures and joint operations
Cooperation with partners in associated companies, joint ventures and joint operations and other types of partnership is of key importance for Daimler. Along with ensuring better access to growth markets and new technologies, these shareholdings and partnerships help to utilize synergies and improve cost structures in order to successfully respond to the competitive situation in the automotive industry. Through investments in startups, Daimler promotes innovative approaches in many areas of the Group.

The Daimler Group generally participates in the risks and opportunities of associated companies, joint ventures and joint operations in line with its ownership interest.

Risks and opportunities can arise from the remeasurement of an associated company, joint venture or joint operation relating to the corresponding carrying value for the segment to which it is allocated. Furthermore, the business activities of an associated company, joint venture or joint operation, or a disposal or acquisition of a stake in such an entity, could cause financial obligations or an additional financing requirement, but could also cause higher income or cash inflows in excess of the targets set. Such risks are also generally connected with startups whose further development is not yet foreseeable. Risks exist in the Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans and Daimler Financial Services segments, as well as in the associated companies, joint ventures and joint operations directly allocated to the Group.

All associated companies, joint ventures and joint operations are subject to a continuous monitoring process so that they can be promptly supported if required and their profitability can be ensured. The recoverable value of investments is also continually monitored.

Due to the development of the quoted portfolio and the increasing, risky investments in startups, the possible impact of risks in this category has increased compared with the previous year from “low” to “medium.” The probability of occurrence remains unchanged.

Financial risks and opportunities

The following section deals with the financial risks and opportunities of the Daimler Group. Risks and opportunities can have a negative or positive effect on the profitability, cash flows and financial position of the Daimler Group. The probability of occurrence and possible impact of these risks and opportunities is presented in table ↗ B.60.

In principle, the Group’s operating and financial risk exposures underlying its financial risks and opportunities can be divided into symmetrical and asymmetrical risk and opportunity profiles. With the symmetrical risk and opportunity profiles (e. g. currency exposures), risks and opportunities exist equally, while with the asymmetrical risk and opportunity profiles (e. g. credit and country exposures), the risks outweigh the opportunities.

Daimler is generally exposed to risks and opportunities from changes in market prices such as currency exchange rates, interest rates, commodity prices and share prices. Market price changes can have a negative or positive influence on the

Group's profitability, cash flows and financial position. Daimler manages and monitors market price risks and opportunities primarily in the context of its operational business and financing activities, and applies derivative financial instruments for hedging purposes where needed, thus limiting both market price risks and opportunities.

In addition, the Group is exposed to credit and country-related risks, risks of restricted access to capital markets and risks of early credit repayment requirements. As part of the risk management process, Daimler regularly assesses these risks by considering changes in key economic indicators and market information. Pension plan assets to cover retirement and healthcare benefits (market-sensitive investments including equities and interest-bearing securities) are not included in the following analysis.

Exchange rate risks and opportunities
The Daimler Group's global orientation means that its business operations and financial transactions are connected with risks and opportunities related to fluctuations in currency exchange rates. This applies in particular to fluctuations against the euro of the US dollar, Chinese renminbi, British pound and other currencies such as those of growth markets. An exchange rate risk or opportunity arises in business operations primarily when revenue is generated in a currency different from that of the related costs (transaction risk). This applies in particular to the Mercedes-Benz Cars division, as a major portion of its revenue is generated in foreign currencies while most of its production costs are denominated in euros. The Daimler Trucks division is also exposed to such transaction risks, but to a lesser degree because of its worldwide production network. Regularly updated currency risk exposures are successively hedged with suitable financial instruments (predominantly currency forwards and options) in accordance with exchange rate expectations, which are continually reviewed, whereby both risks and opportunities are limited. Any overcollateralization caused by changes in exposure is generally reversed by suitable measures without delay. Exchange rate risks and opportunities also exist in connection with the translation into euros of the net assets, revenues and expenses of the companies of the Group outside the euro zone (translation risk); these risks are not generally hedged.

Interest rate risks and opportunities
Changes in interest rates can create risks and opportunities for business operations as well as for financial transactions. Daimler employs a variety of interest-rate sensitive financial instruments to manage the cash requirements of its business operations on a day-to-day basis. Most of these financial instruments are held in connection with the financial services business of Daimler Financial Services, whose policy is generally to perform term-congruent refinancing. However, to a limited extent, the funding does not match in terms of maturities and interest rates, which gives rise to the risk of changes in interest rates. The funding activities of the industrial business and the financial services business are coordinated at Group level. Derivative interest rate instruments such as interest rate swaps are used to achieve the desired interest rate maturities and asset/liability structures (asset and liability management).

Equity price risks and opportunities
The Group is subject to equity price risks in connection with its listed associated companies and joint ventures. As of December 31, 2017, the only shares that Daimler holds are shares that are included in the consolidated financial statements using the equity method (primarily BAIC Motor). The Group does not include these investments in a market price risk analysis. The section "Risks and opportunities related to associated companies, joint ventures and joint operations" provides more information on equity risks and opportunities.

Commodity price risks and opportunities
As already described in the section "Procurement market risks and opportunities", the Group's business operations are exposed to changes in the market prices of purchased parts, components and raw materials. The Group addresses these procurement risks by means of concerted commodity and supplier risk management. To a minor degree, derivative financial instruments are used to reduce the Group's market price risks related to the purchase of certain metals.

B.60
Financial risks and opportunities

Risk category	Probability of occurrence	Impact	Opportunity category	Impact
Exchange rate risks	Low	High	Exchange rate opportunities	High
Interest rate risks	Low	Low	Interest rate opportunities	Low
Commodity price risks	Low	Low	Commodity price opportunities	Low
Credit risks	Low	Low	Credit opportunities	–
Country risks	Low	Low	Country opportunities	–
Risks of restricted capital-market access	Low	Medium	Opportunities of restricted capital-market access	–
Risks of credit repayment requirements	Low	Low	Opportunities of credit repayment requirements	–
Risks relating to pension plans	Low	High	Opportunities relating to pension plans	High
Risks from changes in credit ratings	Low	Low	Opportunities from changes in credit ratings	Low

Credit risks

The Group is exposed to credit risks which result primarily from its financial services activities and from the operations of its vehicle business. Credit risks also arise from the Group's liquid assets. The following statements pertain to risks arising from the Group's liquid assets; risks related to leasing and sales financing are addressed on page 160. Should defaults occur, this would adversely affect the Group's financial position, cash flows and profitability. In recent years, the limit methodology for exposures with financial institutions has been continually further developed in order to counteract the diminished creditworthiness of the banking sector since the financial crisis. In connection with investment decisions, priority is placed on the borrowers' very high creditworthiness and on balanced risk diversification. Most liquid assets are held in investments with an external rating of "A" or better.

Country risks

Daimler is exposed to country risks that primarily result from cross-border financing or collateralization for Group companies or customers (e.g. Turkey), from investments in subsidiaries and joint ventures, and from cross-border trade receivables (e.g. China). Country risks also arise from cross-border cash deposits with financial institutions. The Group addresses these risks by setting country limits (e.g. for cross-border financing of customers and for hard-currency portfolios from financial services companies) and through investment-protection insurance against political risks in high-risk countries. Daimler also has an internal rating system that divides all countries in which it operates into risk categories.

Risks of restricted access to capital markets

Daimler covers its refinancing needs, among other things, by means of borrowing in the capital markets. Access to capital markets in individual countries may be limited by government regulations or by a temporary lack of absorption capacity. In addition, pending legal proceedings as well as Daimler's own business policy considerations may temporarily prevent the company from covering any liquidity requirements by means of borrowing in the capital markets.

Risks of credit repayment requirements

Daimler may be required to make premature repayment of special-purpose loans in the case of adverse results of ongoing legal proceedings. It is to be expected that the resulting refinancing requirement will have to be concluded at a higher cost.

Further information on financial risks, risk-limiting measures and the management of these risks is provided in Note 32 of the Notes to the Consolidated Financial Statements. Information on the Group's financial instruments is provided in Note 31 of the Notes to the Consolidated Financial Statements.

Risks and opportunities relating to pension plans

Daimler has pension benefit obligations and to a lesser degree obligations relating to healthcare benefits, which are largely covered by plan assets. The balance of pension obligations less plan assets constitutes the carrying amount or funded status of those employee benefit plans. The measurement of pension obligations and the calculation of net pension expense are based on certain assumptions. Even small changes in those assumptions such as a change in the discount rate could have a negative or positive effect on the funded status and Group equity in the current financial year, or could lead to changes in the periodic net pension expense in the following financial year. The fair value of plan assets is determined to a large degree by developments in the capital markets. Unfavorable or favorable developments, especially relating to equity prices and fixed-interest securities, can reduce or increase the carrying value of plan assets. The currently increased volatility of financial markets raises the risks and opportunities relating to the measurement of both pension obligations and plan assets. The structure of pension obligations is taken into consideration with the determination of the investment strategy for the plan assets in order to reduce fluctuations of the funded status. A change in the composition of pension assets can have an additional positive or negative impact on the fair value of the plan assets. Further information on the pension plans and their risks is provided in Note 22 of the Notes to the Consolidated Financial Statements.

Risks and opportunities from changes in credit ratings

Daimler's creditworthiness is assessed by the rating agencies S&P Global Ratings, Moody's Investors Service, Fitch Ratings, Scope Ratings and DBRS. Risks and opportunities exist in connection with potential downgrades or upgrades to credit ratings by these rating agencies. Downgrades could have a negative impact on the Group's financing if such a downgrade leads to an increase in the costs for external financing or restricts the Group's ability to obtain financing. A credit rating downgrade could also damage the company's reputation or discourage investors from investing in Daimler AG. A risk to the credit rating of the Daimler Group could also arise if the earnings and cash flows anticipated from the Group's growth could not be realized. Credit rating upgrades could lead to lower borrowing costs for the Group and also facilitate its access to financing sources in the money and capital markets. If the positive development of the Group continues and its cash flow and profitability also develop positively, opportunities could arise for an upgrade of the credit rating on the part of the rating agencies.

Risks from guarantees, legal and tax risks

The Group continues to be exposed to risks from guarantees as well as legal risks and tax risks. Provisions are recognized for those risks if and insofar as they are likely to be utilized and the amounts of the obligations can be reasonably estimated. No quantitative assessment of these risks is carried out.

Risks from guarantees

Issuing guarantees results in liability risks for the Group. For example, Daimler holds an equity interest in the road-charging system in Germany, which records the use of autobahns and selected federal highways by commercial vehicles and charges tolls accordingly. The operation of the electronic toll-collection system is the responsibility of the operator company, Toll Collect GmbH, in which Daimler holds a 45% stake through Daimler Financial Services AG and which is included in the consolidated financial statements using the equity method of accounting. In addition to Daimler's membership of the Toll Collect consortium and its equity interest in Toll Collect GmbH, risks also arise from guarantees that Daimler Financial Services AG has assumed with the other partners in the Toll Collect consortium (Deutsche Telekom AG and Cofiroute S.A.) supporting obligations of Toll Collect GmbH toward the Federal Republic of Germany. These guarantees are connected with the toll system and a call option of the Federal Republic of Germany, i.e. the possibility of the Federal Republic of Germany to take over the shares in Toll Collect GmbH. Claims could be made under those guarantees if toll revenue is lost for technical reasons, if certain contractually defined performance parameters are not fulfilled, if additional claims are made by the Federal Republic of Germany, if the final operating permit is not granted, if Toll Collect GmbH fails to meet contractual obligations, if it fails to have the required equipment available, or if the Federal Republic of Germany takes over Toll Collect GmbH. The maximum loss risk for the Group from these risks can be substantial. Additional information is provided in Note 29 (Legal proceedings) and Note 30 (Financial guarantees, contingent liabilities and other financial obligations) of the Notes to the Consolidated Financial Statements.

Legal risks

Various legal proceedings, claims and government investigations (legal proceedings) are pending against Daimler AG and its subsidiaries on a large number of topics, including vehicle safety, emissions, fuel economy, financial services, dealer, supplier and other contractual relationships, intellectual property rights, warranty claims, environmental matters, antitrust matters (including actions for damages) and shareholder litigation. Product-related litigation involves claims alleging faults in vehicles, some of which have been made as class actions. If the outcome of such legal proceedings is detrimental to Daimler, the Group may be required to pay substantial compensatory and punitive damages or to undertake service actions, recall campaigns, monetary penalties or other costly actions. Some of these legal proceedings may have an impact on the Group's reputation.

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

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

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

Although the final result of any such litigation may influence the Group's earnings and cash flows in any particular period, Daimler believes that any resulting obligations are unlikely to have a sustained effect on the Group's cash flows, financial position or profitability. Further information on legal proceedings is provided in Note 29 of the Notes to the Consolidated Financial Statements.

Tax risks
Daimler AG and its subsidiaries operate in many countries worldwide and are therefore subject to numerous different statutory provisions and tax audits. Any changes in legislation and jurisdiction, as well as different interpretations of the law by the fiscal authorities – especially in the field of cross-border transactions, may be subject to considerable uncertainty. It is therefore possible that the provisions recognized will not be sufficient, which could have negative effects on the Group's net profit and cash flows.

Any changes or interventions by the fiscal authorities are continuously monitored by the tax department and measures are taken if required.

Non-financial risks

As a company with worldwide activities, Daimler AG is at the focus of public interest. In this context, the relevant stakeholders' perception is of crucial importance and can affect the reputation of the entire Daimler Group page 214 "Non-Financial Report." A key role in the public's current perception is played by the company's approach to environmental, employee and social matters, fighting corruption and bribery, and respecting human rights.

Risks arise above all in connection with the public debate about diesel vehicles and the related fundamental reconsideration of methods for measuring emissions. Due to the replacement of the NEDC (New European Driving Cycle) with the new measuring method WLTP (Worldwide Harmonized Light Vehicles Test Procedure), the fleet CO_2 average has worsened. In light of today's knowledge, this would make it more difficult to achieve the CO_2 targets as of 2020. Furthermore, there has been some pressure in the past two years on diesel technology, which is important for compliance with the challenging CO_2 targets in the EU, because of air-quality problems in cities (exceeding the NOx limits). For this reason, the Real Driving Emissions (RDE) legislation entered into force in the EU in July 2017. Complying with emission limits under real driving conditions (on the road and not, as previously, only on the test bench) is very ambitious legislation that since September 2017 has required very complex technology for exhaust-gas aftertreatment, as well as detailed documentation. The current public focus on vehicle emissions as well as their measurement and impact on people and the environment jeopardizes the reputation of the automotive industry and in particular of the diesel engine, and could result in damage to Daimler's reputation. With the development of a new generation of diesel engines, Daimler has found a convincing technical solution with regard to reducing emissions and will successively introduce this innovation throughout the product range.

Overall assessment of the risk and opportunity situation

The overall view of the Group's risk and opportunity situation is the sum of the described individual risks and opportunities of all risk and opportunity categories for the divisions, the corporate functions and the legal entities.

As well as the risk categories described above, unpredictable events such as natural disasters, political instability or terrorist attacks can disturb production and business processes. Emergency plans are therefore prepared to allow the resumption of business operations as soon as possible. As far as possible, precautionary measures are taken and insurance policies are arranged. Risks relating to compliance are also included in the risk management process and are continually monitored. Regular training courses are carried out to prevent compliance violations. In addition to the described risks, other risks can occur that adversely affect the public perception and therefore the reputation of the Daimler Group. Public interest is focused on Daimler's position with regard to individual issues in the fields of sustainability, integrity and social responsibility. Furthermore, customers, business partners and capital markets are interested in how the Group reacts to the technological challenges of the future, how it succeeds in offering up-to-date and technologically leading products in the markets, and how business operations take place under the given conditions. As one of the fundamental principles of business activity, Daimler places particular priority – also in the selection of suppliers – on adherence to applicable laws and ethical standards. Furthermore, the secure handling of sensitive data is a precondition for business relationships with customers and suppliers in a trusting and cooperative environment.

Compared with the previous year, risks from associated companies, joint ventures and joint operations have increased as a result of increasing in risky investments in startups. However, the overall view of the Daimler Group's risk and opportunity situation remains essentially unchanged. No risks are recognizable – neither on the balance sheet date nor at the time of preparing the consolidated financial statements – that either alone or in combination with other risks could endanger the continued existence of the Group. But since considerable economic and industry risks still exist, setbacks on the way to sustainably achieving growth and profitability targets cannot be completely ruled out. New competitors in the IT sector for example and the Group's current strategy, among other things in connection with electric mobility, pose further challenges for the Daimler Group and are connected with risks and opportunities. By effectively and flexibly focusing production and sales activities on changing conditions, the divisions of the Daimler Group strive to utilize the opportunities offered so that they can fulfill or surpass their respective targets and plans. As far as can be influenced by the Daimler Group and provided that the required measures are financially viable, the Group takes appropriate action to realize those opportunities.

In order to recognize risks and opportunities at an early stage and to deal successfully with the current risk and opportunity situation, the established risk and opportunity management system is continually monitored and further developed.

Outlook

The statements made in the Outlook chapter are based on the operational planning of Daimler AG as approved by the Board of Management and the Supervisory Board in December 2017. That planning is based on the premises we set regarding the economic situation and the development of automotive markets. It involves assessments made by Daimler, which are based on relevant analyses by various renowned economic research institutes, international organizations and industry associations, as well as on the internal market analyses of our sales companies. The prospects for our future business development as presented here reflect the targets of our divisions as well as the opportunities and risks presented by the anticipated market conditions and the competitive situation during the planning period. Against this backdrop, we adjust our expectations for business development to reflect updated forecasts for the development of the various automotive markets. The statements made below are based on the facts known to us at the beginning of 2018.

Our assessments for the year 2018 are based on the assumption of generally stable economic conditions and the expectation that the positive trend of the global economy and of worldwide demand for motor vehicles will continue. The development we have outlined is subject to various opportunities and risks, which are explained in detail in the Risk and Opportunity Report. pages 155 ff

The world economy

At the beginning of 2018, the world economy continues to develop with solid growth. We assume that this dynamism will also continue as the year progresses. Growth prospects for both the advanced economies and the emerging markets are similarly positive as they were last year.

Most economic indicators suggest that the economy of the European Monetary Union (EMU) will grow at an above-average rate also in 2018. On the basis of robust domestic demand and a solid contribution from foreign trade, economic growth of close to 2.5% should be possible. The European Central Bank will make use of the favorable economic outlook to gradually cut back its very expansive monetary policy of recent years. This applies in particular to the probable phasing out of the extensive bond-buying program. From today's perspective, however, increases in key interest rates are not yet on the agenda. Growth prospects for the German economy are also positive and it could expand by 2.5% this year. As the year 2018 will probably continue to be impacted by uncertainty relating to the EU exit conditions for the United Kingdom, the British economy is likely to continue its rather moderate development, an economic slump in the UK is unlikely.

In the United States, the available leading indicators point towards a continuation of the economy's solid upswing. In view of stable domestic demand, moderate inflation and low unemployment, the US Federal Reserve is likely to maintain its slightly restrictive monetary policy with only small interest-rate rises. In connection with stimulus from the tax reform passed in late 2017, this could result in overall growth of just above 2.5%, and thus slight acceleration compared with 2017.

The growth prospects of the Japanese economy also remain relatively stable. Although growth in private consumption and investment should weaken slightly, an increase in gross domestic product (GDP) of between 1 and 1.5% is expected.

The emerging economies should achieve aggregate growth in output of just over 4.5% in 2018, as in the previous year and thus in line with their long-term trend. The prospects of the Chinese economy, based on its very robust development in the year 2017, are favorable for this year as well. However, due to reduced state economic stimulus and rather more restrictive lending, most analysts anticipate a slight decrease in growth to about 6.5%. While the economies of Central and Eastern Europe will probably not quite match their strong growth of the previous year, an acceleration of growth is expected for the

South American economies. But with anticipated GDP growth of 2 to 2.5%, South America remains below its potential. The further stabilization of raw-material prices should help the countries of the Middle East, but their expected growth rates of just under 3% remain below average for that region.

Overall, the world economy should grow in 2018 by significantly more than 3%, a similarly favorable rate of expansion as in the previous year.

Automotive markets

In 2018, worldwide **demand for cars** is likely to increase again from an already high level. According to current forecasts, slight growth of approximately 2% is to be expected. Slight market growth is expected once again in Europe and China. The US market will be similar to its prior-year volume and the recovery of demand in the emerging markets should continue.

In Europe, we expect a slight increase in overall car sales. As the market volume in Western Europe is now above average again, we expect demand to remain fairly stable. In Eastern Europe, however, a significant increase in sales volumes is anticipated primarily due to the ongoing recovery of the Russian market. The US market for cars and light trucks should maintain its high level of approximately 17 million units sold. Despite the favorable economic outlook, we believe a further increase is unlikely because the market can be regarded as being fairly saturated at this level.

The Chinese car market continues to be significantly affected by regulatory conditions. At the beginning of the year, the tax rate on purchases of cars with small engines (up to 1.6 liters) was raised back to its normal level of 10%. As this led to purchases being brought forward to late 2017, more moderate demand is to be expected in the first months of this year. In full-year 2018, the Chinese market should expand slightly nonetheless. In Japan, we assume that the car market will undergo a slight downward correction, but demand in India should continue to grow significantly.

Thanks to the continuation of a positive investment climate worldwide, overall **demand for medium- and heavy-duty trucks** should increase significantly in most of the regions relevant to us.

In the NAFTA region, a cyclical recovery of the truck market is to be expected and we anticipate a significant increase in overall sales in weight classes 6-8.

In an ongoing favorable economic environment, we assume that demand in the EU30 region (European Union, Switzerland and Norway) will maintain the robust market volume of the previous year. After the long weakness of demand of recent years in Brazil, it is to be expected that a somewhat livelier economic recovery will also bring about significant growth of the truck market, although from a very low level. The Turkish market should also grow significantly from its present low level. In Russia, we expect further significant growth in demand for trucks.

The most important Asian markets from Daimler's perspective are likely to present a varied picture in 2018. In the Japanese market for light-, medium- and heavy-duty trucks, we anticipate a slight market correction at an ongoing solid level. We expect a positive development of the Indonesian truck market. In India, demand for medium- and heavy-duty trucks should recover significantly from the market contraction of 2017. In the Chinese market, a significant correction is to be expected following the extremely high volume of the previous year.

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

We expect a market volume for **buses** in the magnitude of the previous year in the EU30 region. The market situation in Latin America will be influenced by the economic upturn in Argentina and Brazil. Following the significant decline until 2016 and the turnaround in 2017, we assume that the significant market recovery will continue in 2018.

Unit sales

Mercedes-Benz Cars will continue along its growth path in 2018. We intend to slightly increase our total unit sales, thus reaching a new record level. Growth is anticipated above all in China. This expectation is based on our attractive and innovative model portfolio, which is more diverse than ever before.

Mercedes-Benz will launch more than a dozen new and upgraded automobiles in 2018. Sales should be boosted in particular by our E-Class and C-Class model families. And our new generation of the compact cars, which will be launched with the A-Class this spring, should have a positive impact on unit sales. Our product range will become even more attractive as a result of several model upgrades. Above all, the new S-Class sedan, which has been delivered to customers also as a coupe and convertible since the beginning of 2018, should stimulate demand in the luxury segment. With the new CLS coupe, which had its premiere at the Los Angeles Auto Show in 2017, we intend to continue this model series' success story.

We are well positioned also with our SUVs, including the upgraded GLA, which we launched in 2017. The new G-Class will make its mark in this segment as of this spring, and the GLC models should continue along their growth path. In addition, our sports-car and high-performance brand Mercedes-AMG continues to be an important sales driver. More and more customers are fascinated by the broad and appealing range of automobiles offered by Mercedes-AMG, which we are continually expanding.

We are systematically expanding our worldwide production network for electric mobility. Under the new brand EQ, which stands for "Electric Intelligence," we will offer not only vehicles but also services in connection with electric mobility. By the year 2022, we want to electrify each segment across the entire Mercedes portfolio. Our goal is to offer our customers at least one electrified alternative in each segment - from the compact car to the large SUV. We plan to have a total of more than 50 electrified models by the year 2022. This will include more than ten fully electric vehicles, the plug-in hybrids and the models with 48-volt technology.

As of the year 2020, the smart brand intends to sell solely cars with electric drive in Europe and North America, and the other regions will follow. The new electric-drive models of the smart fortwo, smart fortwo Cabrio and smart forfour (electricity consumption combined: 13.1–12.9 kWh/100 km; CO2 emissions combined: 0 g/km) combine the agility of a smart with locally emission-free driving at an affordable price – the ideal combination for urban mobility.

Daimler Trucks assumes that its total unit sales in 2018 will be significantly higher than in the previous year, primarily due to the perceptible recovery of major markets. In the NAFTA region, we anticipate unit sales significantly higher than the prior-year level as a result of the ongoing market recovery apparent since the second quarter of 2017. In the EU30 region, we expect unit sales to be in the magnitude of the previous year. In Brazil, we assume that unit sales in 2018 will significantly surpass the low level of 2017. With our attractive product portfolio in the Indian market, we expect to significantly increase our unit sales and to further strengthen our market position. Furthermore, with the expanded range of FUSO vehicles from Indian production, we have the opportunity to generate additional sales in Asia, Africa and Latin America. Our unit sales in Indonesia should grow significantly once again, and we expect to sell a similar number of trucks in Japan as we did in 2017.

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

Daimler Buses assumes that it will be able to defend its market leadership in its most important traditional core markets for buses above 8 tons with innovative, future-oriented and high-quality products. We expect total unit sales in 2018 to be significantly above the prior-year level. We assume that unit sales in the EU30 region will increase perceptibly. After the significant increase in unit sales in Latin America last year, we anticipate a further significant recovery in 2018. A positive development of unit sales is expected also in India.

Daimler Financial Services aims to achieve ongoing growth in the coming years. In 2018, we expect further growth in contract volume. This will be primarily driven by the strong development of new business in 2017, which should continue at the same high level this year. We are utilizing new market potential above all in China, and by means of new and digital possibilities for customer contacts – in particular through the systematic further development of our online sales channels. We continue to see good growth opportunities in the field of innovative mobility services, where we are active with the brands car2go, moovel and mytaxi, as well as with equity interests in Blacklane and FlixBus and various startup companies.

On the basis of our assumptions concerning the development of automotive markets and the divisions' planning, we expect the **Daimler Group** to slightly increase its total unit sales in 2018.

Revenue and earnings

We assume that the **revenue** of the Daimler Group will also increase slightly in 2018, as a result of the overall positive development of unit sales in the automotive divisions. Exchange-rate effects are likely to have a rather negative impact on the development of revenue in the year 2018. This applies above all to our business in the NAFTA region.

Our divisions currently have very attractive product ranges, which have been expanded and systematically renewed in recent years. We therefore assume that Daimler will profit to an above-average extent from the slight growth in global demand for motor vehicles that we expect in the year 2018, and will be able to strengthen or defend its position in major markets. At Mercedes-Benz Cars, additional growth this year will be primarily driven by the E-Class models, the GLC SUV, the new convertible models and the new A-Class. On the other hand, revenue growth will be dampened by the anticipated development of exchange rates and lifecycle effects from some car models, as well as by a changing sales structure. Mercedes-Benz Cars therefore anticipates revenue in 2018 only at the high prior-year level despite a slight increase in unit sales. Due to generally positive expectations for markets and unit sales, the Daimler Trucks division plans for slight revenue growth, while the Mercedes-Benz Vans, Daimler Buses and Daimler Financial Services divisions anticipate significant increases in revenue.

In regional terms, we expect further slight growth in revenue in Asia and Europe. In China, we have created the right conditions for further growth with new sales outlets, additional production capacities and a broad product range. However, growth in unit sales in China will have a disproportionately low impact on revenue growth, as the share of local production will continue to increase. Our Chinese associated company, Beijing Benz Automotive China (BBAC), is included in our consolidated financial statements using the equity method of accounting.

The growth in unit sales and revenue that we anticipate will have a generally positive impact on earnings in 2018. We have laid the foundations for a lasting high level of earnings with various programs for improved profitability, which we already implemented in the years 2013 to 2015. Since then, we have continuously been taking further measures in all divisions for the long-term and structural optimization of our business system. At Mercedes-Benz Cars for example, we aim to achieve further efficiency improvements in the context of the F4L (Fit for Leadership) program. Daimler Trucks is also working continuously on efficiency improvements with its optimization program. In combination with the cost optimizations we have so far planned and partially already implemented, we aim to achieve profit-effective improvements for Daimler Trucks in an amount of €1.4 billion by the end of 2018. These programs are expected to become fully effective in the year 2019.

We are standardizing and modularizing our production processes throughout the Group. In this context, we are making intelligent use of vehicle platforms, allowing us to achieve further cost advantages. In parallel, we are pushing forward with digital connectivity: in all divisions and at all stages of the value chain – from development to production to sales and service. In this way, we are opening up additional scope to become even faster, more flexible and more efficient - to the benefit of our customers.

However, earnings will be reduced by the continuation of very high expenditure: for our model offensive, for innovative technologies (especially for reducing fuel consumption and for electrification), for the digitization of our products and processes, and for the expansion and modernization of the worldwide production capacities. As a result, our advance expenditure aimed at securing a successful future will once again be substantially higher in 2018 than in the previous year. page 174

On the basis of the market developments we anticipate, the aforementioned factors and the planning of our divisions, we assume that Group EBIT in 2018 will be of the magnitude of the previous year.

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

At Mercedes-Benz Cars, positive effects will result from the anticipated growth in unit sales. They will be offset, however, by the significant increase in advance expenditure for new products and technologies, a less favorable sales structure and negative exchange-rate effects.

Both Daimler Trucks and Daimler Buses should profit from rising unit sales and the efficiency-enhancing measures.

Daimler Financial Services assumes that its earnings will develop positively as a result of further growth in contract volume and the optimization of business processes. Increased investment in new businesses and the advance of digitization, as well as higher interest rates and exchange-rate effects, will probably have a negative impact on earnings.

Against the backdrop of high advance expenditure for the Sprinter model change, higher costs from the production ramp-up of the new models and negative exchange-rate effects, Mercedes-Benz Vans anticipates a slight decrease in earnings. The expected growth in unit sales is unlikely to fully offset these negative effects.

Free cash flow and liquidity

The anticipated development of earnings in the automotive divisions will have a positive impact on the free cash flow of the industrial business. There will be a negative effect, however, from the further increase in advance expenditure for new products and technologies. Under these conditions, we assume that the free cash flow of the industrial business should be significantly higher than in the previous year and also higher than the dividend distribution planned in 2018. It must be taken into consideration, however, that the free cash flow of the industrial business in 2017 was reduced by an extraordinary contribution of €3 billion to the German pension fund assets.

For the year 2018, we aim to have liquidity available in a volume appropriate to the general risk situation in the financial markets and to Daimler's risk profile. When measuring the level of liquidity, we give due consideration to possible refinancing risks caused for example by temporary distortions in the financial markets. We continue to assume, however, that we will have very good access to the capital markets and the bank market also in the year 2018. We aim to cover our funding needs in the planning period primarily by means of bonds, commercial paper, bank loans, customer deposits in the direct banking business and the securitization of receivables in the financial services business; the focus will be on bonds and loans from globally and locally active banks. In view of the very good liquidity situation of the international capital markets and our strong creditworthiness, we expect a continuation of very attractive refinancing conditions in 2018. An additional goal is to continue securing a high degree of financial flexibility.

Dividend

At the Annual Shareholders' Meeting on April 5, 2018, the Board of Management and the Supervisory Board will propose an increased dividend of €3.65 per share for the year 2017 (prior year: €3.25). This represents a total distribution of €3.9 billion (prior year: €3.5 billion). With this proposal, our shareholders are participating in the Company's success.

We aim to maintain a sustainable dividend development also in the coming years. In setting the dividend, our target is generally to distribute approximately 40% of the net profit attributable to Daimler shareholders.

Investment

In order to achieve our ambitious growth targets, we will systematically expand our product range in the coming years. At the same time, we want to be able to play a leading role in the far-reaching technological transformation of the automotive industry. This applies in particular to the increasing electrification of our product portfolio and to the digital connectivity of our products and processes along the entire value chain. By intelligently connecting the constantly growing volumes of data, we will create efficiency advantages, improve our product quality and facilitate the ongoing flexibilization of the production process. Against this backdrop, we will once again significantly increase our investment in property, plant and equipment in the year 2018.

Following the significant increase in the year 2017, capital expenditure at Mercedes-Benz Cars will increase again in 2018. This is primarily due to the product offensive and the expansion of production capacities. The most important projects include the successor models of the current compact class, the C-Class, the product ramp-up of the new GLE and GLS, and the new gasoline and diesel engines of the new engine series. Substantial investment is planned also for the realignment of our German production sites, for the expansion of our international production network, and for the worldwide production network for electric mobility. Daimler Trucks will mainly invest in successor generations of existing products, in new products, in global component projects, in the optimization of its worldwide production network and in the new Daimler Trucks Campus. At Mercedes-Benz Vans, the focus of capital expenditure will be on production of the next generation of the Sprinter in Germany and the United States. Key projects at Daimler Buses are improvements in the production network and advance expenditure for new models, in particular for the development of an electrically powered city bus.

Research and development

With our research and development activities, our goal is to further strengthen Daimler's competitive position against the backdrop of upcoming technological challenges. We want to create competitive advantages above all by means of innovative solutions for low emissions and safe mobility. In addition, we intend to utilize the growth opportunities offered by worldwide automotive markets with new and attractive products. We are increasingly focusing on the strategic areas for the future of connectivity, autonomous driving, flexible use and services, and electric drive. We aim to occupy a leading position in these areas, both individually and by linking them up intelligently. In order to achieve our goals, we will once again slightly increase our total expenditure for research and development in 2018. At Mercedes-Benz Cars, a large part of that expenditure will flow into the renewal and expansion of our model range. The division's most important projects are the successor models of the compact cars, the GLE and GLS SUVs, and the new C-Class. We are also working hard on new, low-emission combustion engines, electric mobility, the connectivity of our vehicles, and innovative safety technologies for autonomous driving. At Daimler Trucks, the focus will be on activities in the areas of fuel efficiency and emission reductions, as well as expenditure for tailored products and technologies for important growth markets. The topics of electric mobility, connectivity and automated driving also play an increasingly important role. Key projects at Mercedes-Benz Vans are the successor generation of the Sprinter and the further development of the Vito and V-Class. Furthermore, Mercedes-Benz Vans is pushing forward with the electrification of its commercial model series. Another important topic is the connectivity of products and processes, especially the innovative connectivity solution, Mercedes PRO. An important area of research and development at Daimler Buses is to meet future emission standards and to increase fuel efficiency. Also at Daimler Buses, other focus areas are alternative drive systems, electrification and connectivity.

The workforce

Due to the growth in unit sales and revenue we anticipate, production volumes will continue rising in 2018. At the same time, the efficiency-enhancing measures we have implemented at all divisions in recent years are now taking effect. The medium- and long-term measures we have taken for structural improvements in our business processes should facilitate further efficiency progress. Against this backdrop, we assume that we will be able to achieve our growth targets with only slight workforce growth. Additional jobs will be created in particular through the expansion of our international production network, as well as in the area of research and development for projects in the future areas of electric mobility and digitization. Companies that we operate together with Chinese partners and whose employees are not included in the figures for the Daimler Group are also likely to recruit additional employees.

Overall statement on future development

At the end of the 2017 financial year, we continue to be on a path of stable and profitable growth. We will consistently implement our strategy also in the coming years, thus creating the basis for further growth.

- We are very well positioned in our markets with innovative products and services. We are increasingly succeeding in addressing new target groups, utilizing additional market potential and strengthening our market position worldwide. With the efficiency programs that have been implemented in all divisions in recent years, we have improved our cost structures on a sustained basis and thus laid the foundations for a high level of profitability. We are currently taking further measures in all divisions for the long-term and structural optimization of the business system. In this way, we are strengthening our core business (CORE) and creating the financial basis to invest in the future of the company.
- We will therefore significantly increase our advance expenditure for new products and technologies once again in 2018. Especially in the strategic, future-oriented areas of connectivity, autonomous driving, flexible use and services, and electric drive, as well as by intelligently linking up those areas (CASE), we will therefore play a leading role also in the future.
- Together with the workforce, we are developing a new leadership culture under the heading of “Leadership 2020” that will allow us to successfully shape our future. In this way, we are meeting the challenges of the digital world and creating the basis for cultural changes at the Group (CULTURE).
- To enable us to react flexibly to the high dynamism of the environment, markets, new competitors and technologies, we need an organization that facilitates rapid and agile action. In the context of “Project Future,” we aim to further focus Daimler’s divisional structure, thus strengthening the future viability of the various businesses (COMPANY).

With the four strategic areas for action - CORE, CASE, CULTURE and COMPANY - we are setting the course for a successful future, and we reached some important milestones in 2017. Against this backdrop, we look to the year 2018 with confidence. We expect both unit sales and revenue to be higher than in the previous year, and should continue to achieve a high level of earnings despite the high volume of expenditure to safeguard our future.

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

WE CONVINCE WITH INNOVATIVE VEHICLES AND SERVICES!

The divisions of the Daimler Group developed extremely successfully in the year 2017, and in some cases significantly surpassed their growth targets. The Mercedes-Benz Cars and Mercedes-Benz Vans divisions set new records for unit sales, thanks to numerous new and successful products. The Daimler Trucks and Daimler Buses divisions also significantly increased their unit sales. Due to the positive development of the automotive business, the Daimler Financial Services division also continued its steady growth. And we further improved the Group's market position with innovative products and services.

C | The Divisions

Mercedes-Benz Cars

Mercedes-Benz Cars continued to grow profitably in 2017. Unit sales and revenue increased significantly once again and earnings before interest and taxes reached a record level, despite the considerable advance investment we made in our product offensive and new technologies. Our most important new model in the year under review was the upgraded S-Class. We also continued our dream car initiative with new attractive coupes and convertibles. In addition, we offered a preview of our upcoming electric-mobility offensive and the future of mobility by presenting the EQA and smart vision EQ fortwo concept vehicles at the Frankfurt Motor Show.

C.01

Mercedes-Benz Cars

	2017	2016	17/16
€ amounts in millions			% change
Revenue	**94,695**	89,284	+6
EBIT	**9,207**	8,112	+13
Return on sales (in %)	**9.7**	9.1	.
Investment in property, plant and equipment	**4,843**	4,147	+17
Research and development expenditure	**6,642**	5,671	+17
thereof capitalized	**2,388**	2,008	+19
Production	**2,411,378**	2,235,352	+8
Unit sales	**2,373,527**	2,197,956	+8
Employees (December 31)	**142,666**	139,947	+2

C.02

Unit sales Mercedes-Benz Cars

	2017	2016	17/16
in thousands			% change
Mercedes-Benz	**2,238**	2,054	+9
thereof A-/B-Class	**420**	435	-3
C-Class	**493**	490	+1
E-Class	**398**	304	+31
S-Class	**79**	84	-6
SUVs[1]	**823**	712	+16
Sports cars	**25**	27	-10
smart	**136**	144	-6
Mercedes-Benz Cars	**2,374**	2,198	+8
thereof Europe	**1,014**	980	+3
Thereof Germany	**320**	314	+2
NAFTA region	**403**	406	-1
thereof United States	**338**	347	-3
Asia	**859**	715	+20
thereof China	**619**	488	+27

1 Including the GLA

Ongoing growth

The Mercedes-Benz Cars division consists of the Mercedes-Benz brand with the Mercedes-AMG, Mercedes-Maybach and Mercedes me sub-brands, as well as the smart brand and the new EQ brand for electric mobility. The division continued along its path of profitable growth in the year under review, with unit sales increasing by 8% to the new record level of 2,373,500 vehicles and revenue rising by 6% to €94.7 billion. ↗ C.01 Mercedes-Benz Cars was able to improve its market position in nearly all regions. And despite considerable advance investment in our product offensive and new technologies, we were able to increase EBIT by 13% to €9.2 billion.

Mercedes-Benz once again posts record unit sales

The Mercedes-Benz brand set a new record once again in 2017, with unit sales increasing by 9% to 2,238,000 vehicles. ↗ C.02 The Mercedes-Benz brand therefore not only grew significantly faster than the global car markets, it was once again the premium brand with the highest unit sales in the automotive industry. The Mercedes-Benz brand is the number one manufacturer in the premium segment in Germany, numerous other core European markets, the United States, Canada, South Korea and Japan. We also significantly improved our position in China once again in the year under review.

Mercedes-Benz increased its unit sales in Europe by 5% to 911,700 vehicles in 2017. Substantial growth was achieved in the volume markets of France (+9%), Italy (+9%), Spain (+8%) and the United Kingdom (+4%), and we also increased our unit sales in Germany by 2% to 282,600 vehicles. Mercedes-Benz continued its success in China during the year under review. Unit sales in the country rose by 28% to 595,200 vehicles, which means we significantly outperformed both the market as a whole and our most important competitors. We also set new records for unit sales in other Asian markets – for example in Thailand (+31%), India (+14%), South Korea (+9%) and Taiwan (+7%). Total unit sales in the NAFTA region were at the prior-year level: Sales increased significantly in Canada and Mexico but decreased slightly in the United States and the NAFTA market overall.

A perfect combination of performance and design: the AMG version of the E-Class convertible.

The growth was primarily driven by our new E-Class. After all model variants became available, sales reached the new record level of 398,200 units (+31%). Our off-road vehicles were also very successful once again. All in all, sales in the SUV segment increased by 16% to 823,000 units. Demand for our C-Class models also remained very strong, with sales of these vehicles increasing slightly to 492,700 sedans, wagons, coupes and convertibles in 2017. Unit sales of A-Class and B-Class models did not quite reach the previous year's high level. Including the CLA and CLA Shooting Brake, a total of 420,200 units were delivered to customers. Unit sales of the S-Class totaled 79,400 sedans, coupes and convertibles. The upgraded S-Class generated additional sales momentum in the second half of the year.

Fit for Leadership 4.0

Since 2012, "Fit for Leadership" has served as the central component of our strategy for shaping the future of Mercedes-Benz Cars. Fit for Leadership utilizes a holistic approach that aims to achieve continuous growth, to establish competitive structures and to improve efficiency on an ongoing basis. The program is being systematically pursued. With the further development of program activities in the context of Fit for Leadership 4.0, we aim to achieve an additional efficiency improvement of €4 billion by the year 2025. This should also help to offset the high advance expenditure in the future for the impending technological transformation and to safeguard the division's return on sales in the corridor of 8-10% over the long term.

World premiere of the upgraded S-Class

In April 2017, the upgraded S-Class with numerous innovations had its world premiere at Auto Shanghai. One of the highlights was an all-new and highly efficient engine program featuring a range of new technologies for electrification of the powertrain. In addition, the Intelligent Drive system has taken another step along the road to driverless driving. For example, new and modified features have been added to the DISTRONIC active proximity control system and Active Steering Assist. Forward-looking new technologies such as the integrated starter generator (ISG) with a 48-volt onboard power system and the electric additional compressor also had their world premieres in the new S-Class. The ISG is responsible for hybrid functions such as power boost and energy recovery, and thus enables fuel savings that were previously achieved only by high-voltage hybrid technology. The improved third-generation plug-in-hybrid system is now available in the S-Class for the first time. With a significant increase in battery capacity to 13.3 kWh, the use of state-of-the-art lithium-ion technology and an optimized operating strategy, ranges for all-electric driving of over 50 kilometers (NEDC) can be achieved.

Dream car initiative continues

The E-Class family was renewed entirely within one year and fully rounded out in 2017 with the addition of a coupe and a convertible model. The new E-Class coupe combines expressive coupe proportions, a clear and sensuous design, and long-distance comfort for four occupants with the beauty and classic virtues of a gran turismo. The new E-Class convertible has been thrilling customers in Europe and the United States since September 2017. At once both hot and cool, the vehicle's design idiom represents beauty and intelligence. We also unveiled the coupe and convertible models of the updated S-Class in both their series-production and AMG versions at the Frankfurt Motor Show in September 2017. These models benefit from extensive new features that were introduced in the sedan – for example extensively enhanced driver assistance systems, the state-of-the-art widescreen dashboard, a new-generation steering wheel and the holistic ENERGIZING comfort control system. pages 10 f

EQ – the brand for electric mobility

In 2016, Mercedes-Benz consolidated all of its activities in the area of electric mobility into a new product and technology brand known as EQ. The new brand was heralded by the near-production Concept EQ in 2016 and the compact Concept EQA presented at the Frankfurt Motor Show in September 2017. The Concept EQA is equipped with an electric motor on both the front and rear axles. It has a total output of more than 200 kW and maximum torque of over 500 Nm. It takes only around five seconds for the electric vehicle to accelerate from 0 to 100 km/h. The basis of the vehicle's outstanding handling and safety is an electric all-wheel drive system with axle-variable torque distribution and a battery installed deep inside the vehicle floor between the axles. In combination with the intelligent operating strategy from Mercedes-Benz, the Concept EQA is able to achieve a range of up to 400 km, depending on the installed battery capacity.

Daimler plans to offer more than ten all-electric models in the passenger-car segment alone by 2022 – from the smart to the large SUV. The first battery-electric series-produced model from the EQ brand will be launched in the SUV segment before the end of this decade. It will be followed by a model offensive that will gradually supplement the product range of Mercedes-Benz Cars with purely electric models. The new generation of electric vehicles will be based on an architecture developed especially for battery-electric models, which in every respect shall be scalable and suitable for use in all model series: Wheelbase and track width as well as all other system components, especially the batteries, will be variable thanks to the modular system.

Mercedes-Maybach: perfection blended with exclusivity
Mercedes-Maybach stands for the highest levels of exclusivity and individuality. The luxury brand, which was launched in November 2014, combines the perfection of the Mercedes-Benz S-Class with the exclusivity of a Maybach. The Mercedes-Maybach S 600 Pullman launched in early 2016 (fuel consumption in l/100 km urban: 19.6 / extra-urban: 10.3 / combined: 13.6; CO_2 emissions in g/km combined: 314) has a face-to-face seating configuration and is a clear top-of-the-line model. The brand's first convertible was launched in the spring of 2017 as a limited edition of 300 units. A preview of the form the luxury brand might take in the future is offered by the concept cars Vision Mercedes-Maybach 6 and Vision Mercedes-Maybach 6 Cabriolet – a sensational coupe and a luxurious convertible.

Mercedes-AMG: the sports-car and performance brand
The brand claim of "Driving Performance" reflects the two core competencies of Mercedes-AMG: the ability to provide an unparalleled driving experience and the ability to serve as a driving force in the high-performance segment. The Mercedes-AMG sports-car brand enhances the fascination of Mercedes-Benz with nearly 60 models. The brand's dynamic vehicles especially attract young and sporty customers to the brand with the three-pointed star. Mercedes-AMG models differ greatly from their series-produced cousins in terms of both engineering and appearance, thus strengthening the authenticity and distinctive identity of the Mercedes-AMG brand. The Mercedes-AMG Project ONE concept vehicle marks yet another milestone in the strategic further development of Mercedes AMG as a sports-car and high-performance brand. The two-seat hypercar brings state-of-the-art and efficient Formula 1 hybrid technology from the racetrack to the road in virtually identical form for the first time ever. Together with the four-door AMG GT Concept, the Mercedes-AMG Project ONE offers yet another preview of how AMG will use its high-performance hybrid-drive strategy to define driving performance in the future.

The sports-car and high-performance brand from Mercedes-Benz finished the year of its 50th anniversary with a new record: For the first time, the brand sold significantly more than 100,000 units.

smart: focus on electric mobility
At the Frankfurt Motor Show in September 2017, Daimler announced that the smart brand plans to sell solely smart models with electric drive systems in Europe and North America starting in 2020. The other regions will then follow soon afterwards. The new electric drive models – the smart fortwo, smart fortwo convertible and smart forfour (electricity consumption combined: 13.1–12.9 kWh/100 km; CO_2 emissions com-

AMG provides a preview of alternative drive concepts with the four-door hybrid show car Mercedes-AMG GT Concept.

Concept for future mobility: The smart vision EQ fortwo is the first fully automated sharing concept car for the city of the future.

bined: 0 g/km) combine the agility of a smart with locally emission-free driving at an affordable price – the ideal combination for urban mobility.

With its "smart vision EQ fortwo" concept car, the brand presented its vision of the future of urban mobility at the 2017 Frankfurt Motor Show. This car-sharing concept vehicle, which is of course both electric and fully automated, illustrates the future possibilities for personalized and highly flexible public transport with maximum efficiency. page 33

The range of services offered for the smart brand is being continuously expanded. One example is "smart ready to drop." This service, which is offered in cooperation with various logistics companies, enables parcels to be delivered to the trunk of a customer's car and also allows for the pick-up of returns using the same system."smart ready to share" enables car sharing in closed groups – e.g. within a family, between friends or at small companies – in an extremely user-friendly manner with the help of an app that eliminates the need to hand over keys to the next user.

The smart brand sold a total of 135,500 vehicles in 46 markets worldwide in 2017. The smart was particularly popular in China, which is now its third-biggest sales market after Germany and Italy.

Strengthened partnership in China

Sustainable development with local partners is crucial for continuing our business success in China. The signing of two framework agreements has further strengthened cooperation between Daimler and BAIC Motor in their production joint venture, Beijing Benz Automotive Co., Ltd.(BBAC). Daimler and BAIC Motor are jointly investing in the production of battery-electric vehicles in Beijing and in the construction of a new battery factory that will further pave the way for the launch of vehicles equipped with alternative drive systems. In this way, we are creating the foundation for further sustainable growth and continued success in the future for Daimler in China, which is now by far the world's biggest automotive market.

With the upgraded Mercedes-Benz S-Class presented at Auto Shanghai in April 2017, we have opened up a new dimension of driving also in China.

All in all, we were able to increase sales of Mercedes-Benz brand vehicles in China to the new record level of 595,200 units, an increase of 28% from the prior year. More than two thirds of the vehicles we sold in China during the reporting year were manufactured locally at facilities operated by our BBAC joint venture.

Global production network for electric mobility
In the year under review, our manufacturing facilities continued to build vehicles without interruption throughout the summer months in order to meet the ongoing high demand for our models on global markets. Within the framework of its growth strategy, the Mercedes-Benz Cars division is continually further developing its flexible and efficient production network with more than 30 locations on four continents. In 2017, for example, we laid the foundation stone for a new engine plant in Jawor, Poland, and began building a new vehicle manufacturing facility near Moscow in Russia.

At the same time, we are preparing our worldwide production network for the requirements associated with electric mobility. We will manufacture our future electric vehicles from the EQ product and technology brand within the framework of normal series production on the same lines used to produce vehicles with combustion engines. In the future, our production locations for electric vehicles will be our plants in Bremen, Sindelfingen and Rastatt, as well as in Tuscaloosa, Alabama, and Hambach. We will also manufacture electric vehicles for the Chinese market at Beijing Benz Automotive Co., Ltd.(BBAC). Mercedes-Benz Cars will thus build electric vehicles at six locations in the future. At the same time, we will expand our global battery network to five sites on three continents. In the spring of 2017, the foundation stone was laid for a second battery production facility in Kamenz. BBAC will supply the Chinese market with appropriate batteries, and battery production plants will be added to our manufacturing facilities in Untertürkheim (Stuttgart) and Tuscaloosa. With these and other measures, Mercedes-Benz Cars is using new technologies to strengthen its strategic approach to shape the future of mobility.

Comprehensive plan for the future of diesel engines
We are convinced that diesel engines will continue to be an integral part of the drive-system mix, not least due to their low CO_2 emissions. The debate surrounding diesel engines is leading to increasing uncertainty among customers, however. For this reason, the Daimler AG Board of Management approved a comprehensive plan for the future of diesel engines in July 2017. The plan calls for a massive expansion of the current voluntary service measures for vehicles in customers' hands, as well as the rapid market launch of a completely new family of diesel engines.

As early as 2016, Mercedes-Benz began offering diesel vehicles that were able to meet the Real Driving Emissions (RDE) limits that went into effect in the EU in 2017. This achievement was made possible by an all-new modular family of efficient and clean diesel engines. In the future, this modular engine family will be utilized across the entire product range of Mercedes-Benz Cars and also at Mercedes-Benz Vans. The new engines' exemplary emissions have also been confirmed by measurements conducted at independent institutes.

Best Customer Experience
"Best Customer Experience"(BCE) is a global sales and marketing program at the Mercedes-Benz Cars division. The key drivers of our growth strategy are innovative products and entry into new markets and market segments. The program seeks to more strongly align the division's sales and marketing organization with changing customer wishes and requirements and in this manner to generate additional growth. Our goal here is to make the Mercedes-Benz brand more attractive to new and also younger target groups while also strengthening the brand

An icon is reinvented: The new Mercedes-Benz G-Class is better than ever for either on- or off-road driving.

**Winners of both the Drivers' and the Constructors' World Championship in Formula 1 racing:
Lewis Hamilton celebrates the fourth consecutive win for Mercedes-AMG Petronas Motorsport in Kuala Lumpur.**

loyalty of established customers. Our BCE program thus systematically focuses on customers and their need for personal assistance at every point of contact with the brand, its products and its services. To this end, Mercedes-Benz is using new sales channels and digital portals as innovative interfaces with the brand. Various sales formats, such as those using new digital channels, supplement the services offered at traditional Mercedes-Benz dealerships and showrooms.

An important component of Best Customer Experience is the "Mercedes me" digital ecosystem, which enables personalized interaction with the Mercedes-Benz brand. This makes customer contact with Mercedes-Benz more individualized, convenient and transparent. For example, customers can use Mercedes me to obtain information on and utilize services for mobility, connectivity, customer support, financing and lifestyle. Mercedes me is now used by more than one million satisfied customers in 36 markets. page 32

The Mercedes-Benz brand's "She's Mercedes" initiative specifically addresses women with the aim of making the brand more appealing to women and increasing the proportion of female customers. Along with community and inspiration platforms, the initiative also offers training for sales staff and seeks to increase the number of women in sales positions.
page 32

#4TheTeam: success in motorsports

Mercedes-AMG Petronas Motorsport captured both the Drivers' and the Constructors' World Championship in the Formula 1 racing series for the fourth consecutive year in 2017. A special aspect of this achievement is that the team was able to defend its titles despite the extensive changes made to Formula 1 regulations. Last year marked the fourth time that Lewis Hamilton has won the Drivers' Championship. And with the Mercedes-AMG Project ONE show car at the Frankfurt Motor Show, we presented for the first time a car that could bring Formula 1 hybrid technology from the racetrack to the road. Mercedes-AMG Motorsport also recorded six victories and 14 podium finishes in 18 races in the German DTM touring car series. As part of the strategic repositioning of our motorsports activities, we have decided to end our participation in the DTM series after the 2018 season and to participate in Formula E in the future. This will enable us to demonstrate the performance capability of our intelligent battery-electric drive systems in a motorsports setting as well, and it will add an emotional component to the EQ brand. Participation in motorsports is an important factor of success for Daimler – not just in terms of the significant image enhancement and extensive publicity provided by the races, but also with regard to the valuable experience we gain through the use of hybrid technologies and lightweight designs in our motorsports activities.

Daimler Trucks

Our Daimler Trucks division achieved significant growth in both unit sales and earnings in 2017. In all that we do, our focus is on our customers. In order to offer them our best products and solutions, we work continuously on innovations. Our focus is on trucks that are efficient and electric, safe, automated and connected. In order to best meet the needs of our customers in the various regions, we are further expanding our presence in our core markets and in new markets. Using global platforms, our engineers worldwide develop outstanding technologies and utilize economies of scale and the advantage of speed. Our corporate culture is the foundation for the implementation of our strategy: Across national borders and departmental boundaries, we at Daimler Trucks collaborate entrepreneurially, internationally and openly.

C.03
Daimler Trucks

	2017	2016	17/16
€ amounts in millions			Change in %
Revenue	**35,707**	33,187	+8
EBIT	**2,380**	1,948	+22
Return on sales (in %)	**6.7**	5.9	.
Investment in property, plant, and equipment	**1,028**	1,243	-17
Research and development expenditure	**1,322**	1,265	+5
thereof capitalized	**45**	57	-21
Production	**476,325**	411,265	+16
Unit sales	**470,705**	415,108	+13
Employees (December 31)	**79,483**	78,642	+1

C.04
Unit sales of Daimler Trucks

	2017	2016	17/16
In thousands			Change in %
Total	**471**	415	+13
EU30	**82**	80	+3
thereof Germany	**32**	31	+1
United Kingdom	**9**	8	+12
France	**8**	8	+2
NAFTA region	**165**	146	+13
thereof United States	**140**	122	+15
Latin America (excluding Mexico)	**31**	27	+11
thereof Brazil	**13**	12	+11
Asia	**149**	125	+18
thereof Japan	**45**	46	-3
Indonesia	**43**	28	+53
For information purposes:			
BFDA (Auman Trucks)	**112**	78	+44
Total (including BFDA)	**583**	493	+18

Positive business development with only moderate market dynamism
Daimler Trucks significantly increased its unit sales to the number of 470,700 vehicles in 2017 (2016: 415,100). Revenue of €35.7 billion was also significantly higher than in the previous year (2016: €33.2 billion). Overall, Daimler Trucks had little tailwind from its relevant markets last year, but nonetheless significantly increased its EBIT to €2.4 billion (2016: €1.9 billion). We have taken an important step with the ongoing optimization of fixed costs, especially at the Mercedes-Benz brand, in order to bring Daimler Trucks up to the targeted level of profitability in the coming years. Together with the cost optimizations previously planned, some of which have already been implemented, we aim to achieve improvements for Daimler Trucks with a direct impact on earnings in an amount of €1.4 billion by the end of 2018. Our goal is for these measures to become fully effective in the year 2019.

Unit sales significantly higher than in the previous year
Our total unit sales of 470,700 vehicles were 13% higher than the prior-year number of trucks sold. In the **EU30** region (European Union, Switzerland and Norway), we sold 82,300 vehicles in 2017, which is slightly above the prior-year level (2016: 79,800). Our Mercedes-Benz brand maintained its market leadership in the medium- and heavy-duty segment with a share of 21.0% (2016: 20.7%). Sales of 31,700 units in Germany were in the magnitude of the prior-year level (2016: 31,500). In **Turkey**, we achieved significant sales growth after the weak development of the previous year and sold 11,800 units (2016: 9,300). The local Daimler company had its 50th anniversary in the summer of 2017. The sales organization for Turkey, the local product development department for trucks and buses, and the plants in Aksaray (trucks) and Hoşdere (buses) are organized under the roof of Mercedes-Benz Türk. The sales development was positive also in **Russia**, where we more than tripled our sales to 8,000 units (2016: 2,300).

Road efficiency: The Mercedes-Benz Actros provided evidence of its fuel efficiency at the event Driving Experience Portugal 2017.

Our sales of 30,500 trucks in **Latin America** were above the low level of the previous year (2016: 27,500). There was a significant contribution from the positive sales development in Argentina, where 5,600 units were sold (2016: 3,900). In **Brazil**, the region's main market, we increased our sales significantly to 13,400 vehicles (2016: 12,100). With our trucks of the Mercedes-Benz brand, we achieved a share of 27.6% in the medium- and heavy-duty segment (2016: 29.8%). In the next five years, we will invest approximately €600 million in Brazil in the modernization of the product lineup, in digital services and in the two plants in São Bernardo do Campo and Juiz de Fora. Both those plants are to meet the highest production standards by 2022, making them even more competitive.

The positive development of unit sales in the **NAFTA** region made a major contribution to our growth, especially in the second half of the year. We were able to significantly increase our sales to 165,000 units (2016: 145,700). We further increased our market share in weight classes 6-8 to 39.8% (2016: 39.3%) and in heavy-duty class 8 we once again achieved a market share of 40.0% (2016: 40.0%). In classes 6-8, we continued to be the undisputed market leader. The new Freightliner Cascadia has been in production since the beginning of 2017 and is equipped with our integrated powertrain. Approximately 95% of our heavy-duty engines in our trucks in the United States and Canada meanwhile stem from our own engine platform. We were able to increase the proportion of Freightliner Cascadia and Western Star 5700 XE trucks with the DT12 automated transmission to approximately 75% in the United States and Canada. Local production of the medium-duty DD8 engine started in Detroit in late 2017, marking a further milestone of our platform strategy. Production of the DD5 engine will follow in 2018.

We increased our truck sales in **Asia** by 18% to 148,600 units. In **Japan**, our sales of 44,800 trucks were slightly below the prior-year level (2016: 46,400). Our FUSO brand achieved a 19.6% share of the overall Japanese truck market (2016: 20.4%). The new heavy-duty Super Great truck underscores our ambition to further expand our position in the Japanese market and sets new standards for efficiency, safety and connectivity. The new FUSO flagship, like the latest heavy-duty trucks from Freightliner and Mercedes-Benz, utilizes components from our global platform strategy such as the common powertrain and standardized electric/electronics architecture. In **Indonesia**, our sales of 42,700 units were significantly higher than in the previous year (2016: 28,000). The first Mercedes-Benz truck drove off the assembly line at our Indonesian assembly plant in Wanaherang. Daimler Trucks will produce heavy-duty Mercedes-Benz trucks for the Indonesian market there, so we will be present in Indonesia with the two brands FUSO and Mercedes-Benz in the future. In the **Middle East**, our sales of 23,600 trucks last year were significantly higher than the low prior-year volume (2016: 17,600).

The FUSO eCanter is our first light-duty truck from series production with purely electric drive.

In **India**, the first half of the year was affected by weaker demand in connection with regulatory and tax changes. Although the Indian truck market contracted compared with the previous year, we were able to significantly increase our unit sales to 16,700 BharatBenz trucks in the fifth year since the brand was launched and our market share grew to 9.1% (2016: 13,100 and 6.8%). This development was aided by, among other things, the new emission standard Bharat Stage IV, which our BharatBenz truck already fulfilled before it was introduced in April 2017. Meanwhile, more than 60,000 BharatBenz trucks are on the roads in India and a further 14,000 trucks have been exported from there to more than 40 other markets in Asia, Latin America and Africa.

Presence in important growth regions

In **China**, the world's biggest truck market, Daimler AG has a 50% stake in Beijing Foton Daimler Automotive Co. Ltd.(BFDA), a joint venture with Beiqi Foton Motor Co. Ltd. Medium- and heavy-duty trucks of the Auman brand have been produced there since 2012. Along with the significant market recovery in China, sales of 112,400 Auman trucks were significantly higher than in the previous year (2016: 77,800). More than 460,000 Auman trucks have been sold since the joint venture was established. In **Iran**, Mercedes-Benz Trucks signed a framework agreement on a joint venture with the Iran Khodro Industrial Group in 2017. This creates a basis for future sales and aftersales activities for Mercedes-Benz trucks in Iran. In addition, Daimler Trucks signed a supply agreement for the FUSO brand with Mayan, a company of the Mammut Group. The supply of FUSO trucks to customers in Iran started in 2017.

Electrification has top priority

Mercedes-Benz presented a fully electric heavy-duty truck for distribution transport already in 2016. Last year, we launched the new Japanese product brand, **E-FUSO**, a separate brand for electric trucks and buses. It is planned to have an additional electric version of each FUSO truck and bus model in the coming years. With the presentation of the new fully electric E-FUSO **Vision One** heavy-duty truck for inner-city and regional distribution transport, we are underscoring our claim to be a pioneer in the field of electric commercial vehicles. The Vision One has a battery capacity of 300 kWh and a range of up to 350 kilometers. We intend to launch the series-produced version of the heavy-duty distribution trucks from FUSO in mature markets in four years. page 34 In New York last September, we handed over the **FUSO eCanter** to customers including United Parcels Services (UPS). According to our market knowledge, this is the world's first fully electric light-duty truck from series production. In Europe and Japan, other leading logistics providers were among the first customers of the small-series production. They will use the fully electric light-duty truck for various tasks in urban delivery transport. In the coming years, we plan to deliver 500 trucks of this generation to selected customers. Large-scale series production will probably begin in 2019. The development of the vehicle benefited from extensive experience gained from several customer test phases in Portugal and Germany. Production of the eCanter models for Europe and the United States started in Tramagal, Portugal in July 2017. The trucks for Japan are produced in Kawasaki, where the first rapid-charging station for electric trucks in the Japanese market has been in operation since May. Thomas Built Buses, a subsidiary of Daimler Trucks North America, presented a **fully electric school bus** in September, which is to go into production in 2019. The 160 kWh battery should allow a range of up to 160 kilometers and the range can be extended with additional battery modules if required. With the development of the Saf-T-Liner C2 electric bus, Thomas Built Buses profited significantly from the electric-drive expertise within the Daimler Group. In parallel with its activities on the vehicle side, Daimler Trucks invested last year in the Israeli company **StoreDot Ltd.** and agreed with it on a strategic partnership. StoreDot is a pioneer for nanotechnology materials and is one of the leading companies for electric-charging systems and energy-storage materials. The main area of cooperation is the rapid charging of batteries to provide customers with better vehicle utilization.

Truck platooning on public highways in the United States
In the past financial year, Daimler Trucks was the first truck manufacturer to test digitally connected trucks on public highways in the United States. This so-called platooning makes use of connectivity and partially automated driving to reduce the gaps between trucks on the road, and can result in better fuel efficiency, easier work for the drivers and enhanced safety. Tests with three Mercedes-Benz Actros trucks driving in partially automated mode and connected had previously been carried out in Germany in 2016. Daimler Trucks North America (DTNA) linked two Freightliner New Cascadia trucks with the use of Wi-Fi-based V2V communication in connection with driver-assistance systems featured in the new Cascadia under the product name Detroit Assurance 4.0. They include Adaptive Cruise Control, Lane Departure Assist and Active Brake Assist 4. DTNA is thus responding to growing customer interest in solutions for automated and connected driving in trucks. Together with fleet customers in the United States, DTNA is examining the impact of platooning solutions on fleet operations.

The trucks were previously tested on the new DTNA test grounds in the desert of Oregon. This new facility with an area of over 35 hectares allows our vehicles to be tested for the NAFTA region under difficult climatic conditions. Test drives of automated vehicles are also to be carried out there.

The new Freightliner Cascadia features impressive fuel efficiency, connectivity and safety.

Connected Mercedes-Benz Arocs trucks in driverless test operation

Daimler Trucks continues to work on reducing the burden on drivers by means of automated driving in normal road traffic, while enhancing safety on highways and freeways. In parallel, Daimler Trucks is also testing driverless vehicles in closed-off areas. This offers further potential, for example to significantly increase customers' productivity. Fitted with a **Remote Truck Interface** (RTI), which in the technological context will be developed for automated driving, four Mercedes-Benz Arocs trucks demonstrated a new dimension of snow removal on an airfield. Using the RTI, all vehicles are fully connected with telematics systems and can either lead or follow in a convoy. Vehicle functions can be controlled remotely and thus allow the truck convoy to be driven from outside the driver's cab. Following vehicles in the convoy can therefore be used to clear snow in driverless mode. The project was initiated in close collaboration between the Daimler innovation incubator Lab1886, Daimler Trucks and Fraport AG.

New connectivity solutions for the logistics sector and truck servicing

The **Truck Data Center** forms the basis for our truck-related digital services and is installed in vehicles from all Daimler Trucks brands as a key component of the platform strategy. The connectivity module receives truck data, evaluates it and communicates with the infrastructure, other vehicles and other logistics participants. Using linked connectivity solutions from **Fleetboard, Detroit Connect** and **Truckonnect** that are tailored to local customers' needs, logistics companies receive extensive insights and useful analyses for their fleets, as well as access to new digital connectivity services. Big data and technology offer new potential for significantly increasing the profitability of the logistics sector. Using a variety of new apps, it is possible to display relevant information such as fleet utilization, vehicle position, cost-savings potential, fuel consumption and driving-style evaluation. And for the optimization of vehicle servicing, Daimler Trucks last year launched a new digital service: **Mercedes-Benz Uptime**. This connects the truck with the Mercedes-Benz service organization and the transport company, thus facilitating significantly better plannability and higher efficiency through maximum vehicle availability. Unplanned repairs can be avoided to a great extent and scheduled workshop visits can be further optimized.

The Truck Data Center connectivity module will be the brain of the connected truck across the Daimler Trucks brands.

Mercedes-Benz Vans

Mercedes-Benz Vans continued on its successful course of recent years, with a new record for unit sales in 2017. At €1.2 billion, EBIT remained at the high level of the previous year. Growth was mainly driven by the mid-size segment with the Vito van and the V-Class full-size MPV. We continued our “Mercedes-Benz Vans goes global” growth strategy by expanding our product range to include the X-Class – the first pickup from a premium manufacturer. Mercedes-Benz Vans’ future-oriented “adVANce” initiative delivered its first concrete results, and the division is systematically forging ahead with its transformation from a vehicle manufacturer into a supplier of transportation and mobility solutions for cargo and passengers. Among other things, Mercedes-Benz Vans plans to electrify its commercial fleet, beginning with the Vito in the second half of 2018.

New record for unit sales

Mercedes-Benz Vans set a new sales record once again in financial year 2017, with an increase of 12% to 401,000 units. At €13.2 billion, revenue was also higher than in the previous year (2016: €12.8 billion). EBIT reached €1,181 million and was thus at the high prior-year level.

Continued growth

Mercedes-Benz Vans’ products remained very successful in financial year 2017. Our Sprinter, Vito and Citan vans are tailored mainly to commercial customers, while the V-Class is designed primarily for private use. The X-Class is targeted at a variety of private and commercial customers.

Unit sales in the EU30 region, our core market, rose by 9% to 273,300 vans in the year under review. The markets grew at double-digit rates for example in the United Kingdom (+12%), Spain (+10%), Italy (+13%), Poland (+17%), Switzerland (+10%) and Austria (+14%). Mercedes-Benz Vans posted substantial growth (+10%) also in its important German market. We also set a new record in Germany of 105,800 units sold (2016: 96,100). Unit sales developed favorably also in Turkey (+14%) and Russia (+6%).

Mercedes-Benz Vans continued to grow also in the NAFTA region, where sales rose to 44,800 units (2016: 43,400). This included a new record of 34,200 units sold in the United States (2016: 33,700).

Sales developed very favorably in Latin America, increasing significantly by 31% to 16,400 units. Sales in China once again rose sharply (+75%) compared with the prior year, driven by the new models launched in the mid-size segment in 2016.

We sold a total of 200,500 units of the Sprinter worldwide in 2017 (2016: 193,400), which was the last full year of the current model’s life cycle. The successor generation of the Sprinter is already set for market launch in the first half of 2018. Sales of vehicles in the mid-size segment were significantly higher than in the previous year, totaling 171,100 units in 2017 (2016: 140,800). Sales also rose in the commercial segment, with Vito sales increasing significantly by 21% to 111,800 vehicles. Meanwhile, sales of the Mercedes-Benz Citan reached 26,100 units (2016: 24,900). Sales of the V-Class full size MPV rose by 22% to 59,300 units in the year under review. The X-Class also got off to a good start at the end of the year, with sales totaling 3,300 units.

C.05
Mercedes-Benz Vans

	2017	2016	17/16
€ amounts in millions			% change
Revenue	13,164	12,835	+3
EBIT	1,181	1,170	+1
Return on sales (in %)	9.0	9.1	.
Investment in property, plant and equipment	710	373	+90
Research and development expenditure	565	442	+28
thereof capitalized	310	238	+30
Production	405,129	368,574	+10
Unit sales	401,025	359,096	+12
Employees (December 31)	25,255	24,029	+5

C.06
Unit sales by Mercedes-Benz Vans

	2017	2016	17/16
			% change
Total	401,025	359,096	+12
EU30	273,297	249,860	+9
thereof Germany	105,781	96,130	+10
NAFTA	44,815	43,354	+3
thereof United States	34,158	33,749	+1
Latin America (excluding Mexico)	16,378	12,497	+31
Asia	33,641	22,526	+49
thereof China	23,801	13,636	+75
Other markets	32,894	30,859	+7

Mercedes-Benz Vans invests in its future

Mercedes-Benz Vans is continuing the successful implementation of its "Mercedes-Benz Vans goes global" growth strategy. At the same time, we have laid the foundation for further growth in the future. Building on its strong position, Mercedes-Benz Vans announced in February 2017 that it would invest a total of over €2.0 billion in 2017 and 2018 alone. This money is being used to expand and update the division's product range and to establish new services. The investments particularly focus on the new Mercedes-Benz X-Class and the new Sprinter, as well as on innovative holistic solutions for the vehicles from Mercedes-Benz Vans.

Market launch of the Mercedes-Benz X-Class

Mercedes-Benz Vans has been delivering the new X-Class, the first pickup from a premium automaker, to customers in Europe since late 2017. South Africa and Australia will follow in early 2018 and we plan to launch the model in Argentina and Brazil in 2019. The mid-size pickup segment is global in scope, is a volume market and is set to grow further. The X-Class has room for up to five people. It augments the strengths of a mid-size pickup with the typical properties of the Mercedes-Benz brand: dynamic handling, comfort, great design, high safety, good connectivity and a comprehensive range of customization options. Customers can choose between three variants, rear-wheel drive, engageable all-wheel drive or permanent all-wheel drive (permanent all-wheel drive as of mid-2018), a six-speed manual or seven-speed automatic transmission, and a diverse range of accessories developed by Mercedes-Benz.

Preview of the new Sprinter: The transformation of a vehicle into an integrated system solution

Mercedes-Benz Vans will launch the new Sprinter in Europe in the second quarter of 2018, with other markets to follow successively. The division already announced specific details of the new full-size van in 2017. The new Sprinter will be fully connected in order to be a part of the Internet of things. In addition, the vehicle's unique scalability, electric drive system and customized hardware solutions for the cargo space, as well as a combination of van-sharing and rental services, will make it the first integrated system solution from Mercedes-Benz Vans. These innovations are integrated solely on the basis of each customer's sector-specific needs, and they significantly ease the daily work of drivers and fleet managers.

Mercedes-Benz Vans is the only manufacturer of full-size vans that continues to produce in Germany. In this context, Mercedes-Benz Vans is investing a total of €450 million in the lead plant of the global Sprinter production network in Düsseldorf, and in the Sprinter plant in Ludwigsfelde. The battery-electric Sprinter will be produced in Düsseldorf, and this location will serve as the global competence center for the electric-drive Sprinter. In 2017, the plant in González Catán near Buenos Aires, Argentina, also began making preparations for production of the new Sprinter. The division will invest US$150 million in this facility and will create more than 500 additional jobs there. At the same time, construction of the new Sprinter plant in North Charleston, South Carolina, continues to progress. Mercedes-Benz Vans is investing roughly half a billion dollars in the new plant and will create up to 1,300 jobs there.

The new Mercedes-Benz X-Class is the first pickup from a premium manufacturer.

The Mercedes-Benz eVito has been available to order since November 2017, with deliveries to commence in the second half of 2018.

New HORIZON added to the Marco Polo family
In January 2017, Mercedes-Benz Vans added a new member to its range of compact camper vans. Following the Marco Polo and the Marco Polo ACTIVITY, our product range is now supplemented by the new Marco Polo HORIZON. Thanks to its versatile seating configuration offering up to seven seats and five beds, the Marco Polo HORIZON combines maximum functionality with the high-quality design of the V-Class. The compact new camper van from Mercedes-Benz is geared toward trend-conscious adventurers who are looking for a versatile and functional vehicle for short vacation trips and outdoor activities, but also appreciate a stylish image.

Full speed ahead: first concrete results of the future-oriented “adVANce” initiative
With its future-oriented “adVANce” initiative, Mercedes-Benz Vans is evolving from a manufacturer of globally successful vans into a provider of holistic system solutions for the transportation of goods and passengers. The division is thus playinga pioneering role in its sector. We aim to develop new business models and tailored solutions that are adapted to our customers’ respective sectors.

In November 2017, Mercedes-Benz Vans provided information on its plans to offer all of its commercial van models with electric drive systems. This has already started with the mid-size eVito, which has been available to order since the announcement was made. Deliveries of the eVito will begin in the second half of 2018, followed by the eSprinter in 2019. The product range will be rounded out by the Citan. The electric-drive strategy of Mercedes-Benz Vans focuses not only on the electric van itself, but also on a technological ecosystem that is optimally aligned with customers’ business needs. Here, the division is taking a holistic approach based on five pillars (“Holistic Ecosystem”, “Sector Focus”, “Cost Effectiveness”, “Co-Creation” and “Technology Transfer”) in order to create an innovative integrated system solution. This solution covers the entire value chain for commercial applications. Customer co-creation plays a key role in product development, so strategic partners and their sector expertise are being incorporated into the development process. Hermes, a provider of logistics services, is a good example of that. In early 2018, Hermes and Mercedes-Benz Vans will launch the partnership they agreed upon in the spring of 2017 with a pilot phase in Hamburg and Stuttgart. After the projects are completed, we will expand the electric fleet to a total of 1,500 electric Vito and Sprinter vans by 2020, and launch it for parcel deliveries in other metropolitan areas. The strategic partnership also involves the joint development of a concept for an efficient charging infrastructure at Hermes logistics centers, as well as IT services to ensure optimal management of the electric fleet. The two partners also plan to develop integrated system solutions to boost the efficiency of the entire delivery process. They are also working together to create additional efficiency drivers, such as intelligent systems for the cargo space that will enable the vehicle to be loaded and unloaded faster.

In July 2017, Mercedes-Benz Vans Mobility GmbH launched its first mobility service in the German market. Called Mercedes-Benz Van Rental, this innovative and highly flexible rental service from the Daimler subsidiary is mainly targeted at commercial van customers. In addition, Mercedes-Benz Vans is entering the business of shared mobility and ride sharing. To this end, the Vans division teamed up with the successful US startup Via to create the ViaVan joint venture for the European market. The new ridesharing service will be launched in a major European city in early 2018. After that, the service will be gradually expanded to other cities.

Mercedes-Benz Vans is also studying new delivery models, including the combination of vans and drones. For example, the division cooperated with the US drone system developer Matternet and the Swiss online marketplace siroop to run a three-week pilot project in Zürich during the year under review. The project involved the use of vans and drones for the efficient on-demand delivery of e-commerce products.

Daimler Buses

In 2017, business development at Daimler Buses was strongly influenced by the recovering economic conditions in Latin America and a significant sales increase in India. Lower demand for our buses in Turkey had a negative impact. Our earnings, which were at the very good level of the previous year, enabled us to achieve a 5.6% return on sales. As the market leader in its most important traditional core markets, Daimler Buses focuses on innovative and pioneering city buses and coaches. In 2017, Daimler Buses once again presented itself as a future-oriented manufacturer with new products and digital services, a "future package" for our production network, and the implementation of the CASE strategy.

C.07
Daimler Buses

	2017	2016	17/16
€ amounts in millions			% change
Revenue	**4,351**	4,176	+4
EBIT	**243**	249	-2
Return on sales (in %)	**5.6**	6.0	.
Investment in property, plant and equipment	**94**	97	-3
Research and development expenditure	**194**	202	-4
thereof capitalized	**30**	11	+173
Production	**28,518**	26,180	+9
Unit sales	**28,676**	26,226	+9
Employees (December 31)	**18,292**	17,899	+2

C.08
Unit sales by Daimler Buses

	2017	2016	17/16
			% change
Total	**28,676**	26,226	+9
EU30	**8,687**	8,838	-2
thereof Germany	**3,057**	3,063	-0
Latin America (excluding Mexico)	**12,740**	9,837	+30
thereof Brazil	**7,201**	4,937	+46
Mexico	**3,440**	3,780	-9
Asia	**2,348**	1,759	+33
Other markets	**1,461**	2,012	-27

Earnings at the prior-year level

Daimler Buses sold 28,700 buses and bus chassis worldwide in financial year 2017 (2016: 26,200). The significant increase was due in particular to the gradual recovery of the economy in Brazil. The division thus maintained its clear market leadership in its most important traditional core markets (EU30, Brazil, Argentina and Mexico). Sales of complete buses in the EU30 region were at the same high level as in the previous year. Revenue grew by 4% and EBIT of €243 million was at the prior-year level (2016: €249 million).

Varied business development in the core regions

In the EU30 region, the Daimler Buses brands Mercedes-Benz and Setra offer a full range of city buses, intercity buses and touring coaches, as well as bus chassis. Due to the continued high demand for our complete buses, unit sales in this region amounted to 8,700, remaining roughly at the high level of the prior year (2016: 8,800 units). Daimler Buses maintained its leading market position in the EU30 region with a market share of 28.4% (2016: 29.6%). At 3,100 units, sales in Germany were at the same level as in the previous year. Sales of 400 units in Turkey were significantly lower than in the prior year (2016: 600) due to the country's economic situation, which remains difficult. The market situation in Latin America (excluding Mexico) improved considerably on account of the gradually recovering market in Brazil. The bus market volume in Brazil grew by 10% in the year under review after having bottomed out in 2016. Sales of Mercedes-Benz bus chassis in Brazil rose by 46% to 7,200 units. We were able to maintain our leading market position in Brazil with a market share of 52.5% (2016: 58.4%). In India, we continued along our growth path and increased our sales to 900 units (2016: 500). At 3,400 units, sales in Mexico were significantly lower than in the previous year (2016: 3,800).

Economic, safe, comfortable and functional: the new Mercedes-Benz Tourismo RHD high-decker coach.

The Setra S 531 DT double-decker is the biggest and most comfortable coach from Daimler Buses.

The benchmark: the new Mercedes-Benz Citaro hybrid
In the year under review, Daimler Buses continued its model offensive with the Mercedes-Benz Citaro hybrid and other models. Hybrid drive is available for many model variants of the best-selling Citaro city bus, including the natural-gas-powered Citaro NGT. Hybrid drive, together with the new electro-hydraulic steering system, further reduces the fuel consumption of the conventional Citaro, which is already highly efficient, depending on the vehicle's application and specifications. The further reduced fuel consumption quickly pays off for transport companies, and society and the environment benefit from the decrease in emissions.

Outstanding new touring coaches: the Mercedes-Benz Tourismo and the Setra double-decker S 531 DT
Another focus area of the product offensive was the new version of the successful Mercedes-Benz Tourismo touring coach. New assistance and safety systems such as Active Brake Assist 4 (ABA4) with pedestrian detection make the new Tourismo even safer. Fuel consumption continues to fall, thanks to its optimized aerodynamics and the further improvement of its chassis compared with the predecessor model. With four model variants, the new Mercedes-Benz Tourismo addresses the wide range of customer needs in the coach segment. The product offensive is also paying off in the growing intercity-bus business.

The new Setra S 531 DT double-decker bus continues our coach offensive. Thanks to improved aerodynamics, it consumes significantly less fuel than its predecessor. In addition, it is equipped as standard with an emergency braking system with obstacle and pedestrian recognition, and Sideguard Assist for taking the blind spot into account is offered as an optional extra.

The countdown for our electric city bus has begun
By the end of 2018, Daimler Buses plans to begin series production of a city bus with fully electric drive based on the Mercedes-Benz Citaro. The battery-electric Citaro has already undergone an extensive cycle of testing and test drives. Its prototypes have successfully completed a winter test cycle under below-zero conditions at the Arctic Circle and a summer test cycle under very high temperatures. The cycles are being followed by endurance testing and detailed fine tuning. The bus has reached such a degree of maturity that the brand is already participating in invitations to tender. The first statement of intent for the purchase of this electric city bus was already signed at the end of 2017. As a result, we plan to deliver the first buses starting in late 2018 and to put them into operation in a customer-oriented vehicle testing program.

Furthermore, Daimler Buses is conducting the "eMobility Consulting" initiative to advise its customers on issues related to electric mobility. In this context, we work together with our customers to analyze each specific starting situation and use it as a basis for developing a holistic system with the highest possible proportion of electric mobility. In the process, we consider not only the vehicles themselves but also the charging infrastructure, the operating plan and the service concepts.

New bus models for the African market
Daimler Buses is launching two new bus models on the market in Kenya. Both bus models will be manufactured for the local market in cooperation with the division's local sales partner DT Dobie Kenya in Nairobi. The Mercedes-Benz 917 city bus was designed for city, school and shuttle operation, and the Mercedes-Benz 1730 is ideal for long-distance routes.

The new umbrella brand Omniplus On for all digital services
Starting in 2018, we plan to consolidate our digital services for buses under the umbrella brand Omniplus On in a single portal. For example, the Uptime feature continuously monitors and analyzes the vehicle systems and indicates when maintenance or repair is needed. The Driver's App supports the communication of drivers and companies and helps them carry out the required pre-departure checks. The Remote Bus feature provides essential data. Thanks to these features, our customers have a wide variety of information available to them for supporting the efficient deployment of their fleets.

Daimler Buses receives many major orders
In the year under review, Daimler Buses received a large number of major orders. The local transportation authority in Riyadh, Saudi Arabia, ordered more than 600 Mercedes-Benz Citaro buses – the biggest single order for Mercedes-Benz Citaro city buses in the history of Daimler Buses. Two major orders were concluded in Poland: 80 Mercedes-Benz Conecto buses for Warsaw and 60 Mercedes-Benz Citaro buses for the local transport operator in Wrocław. In addition, EMT Madrid ordered an additional 300 vehicles. A framework agreement was signed with the Italian transport operator AGI for 300 buses, and another contract with BusItalia covered a total of 950 vehicles.

A future package to enhance efficiency in production and the implementation of CASE
As part of a new target vision, Daimler Buses is making its production network in Europe fit for the future. Within this context, in the years ahead, we aim to invest approximately €340 million in optimized structures and more efficient processes in the manufacturing network, as well as in the implementation of the CASE strategy at Daimler Buses.

Strategic cooperation with CleverShuttle for mobility on demand
Daimler Buses has become a strategic investor in the Berlin-based mobility service CleverShuttle. Through a minority holding, the division is entering into a strategic cooperation for mobility on demand – in other words, mobility services that are designed to flexibly meet customer demand.

Award-winning products from Daimler Buses
At the Busworld international buses trade fair in Kortrijk, Belgium, Daimler Buses was honored with five awards. The panel of experts granting the Busworld Awards honored the Mercedes-Benz Tourismo M and Citaro hybrid bus models with two awards each. And the Setra S 516 HD touring coach in the ComfortClass received the Sustainable Bus Award for 2018 from the international panel of judges.

Daimler Financial Services

The number of cars and commercial vehicles financed or leased by Daimler Financial Services reached a new all-time high of more than 4.8 million at the end of financial year 2017. Record figures were also posted for new business and contract volume, and EBIT set a new benchmark as well. The combination of sales financing with brokered automotive insurance policies continued to gain importance. The division's range of innovative mobility services was further expanded. Today, services such as car2go, moovel and mytaxi are used by 17.8 million customers all over the world. In 2017, the digitization of financial services was also successfully expanded with the Mercedes Pay electronic payment system and the AutoGravity financing app.

Half of all Daimler vehicles delivered to customers are financed or leased
Daimler Financial Services concluded 1.9 million new financing and leasing contracts worth a total of €70.7 billion in 2017. The total value of all new contracts rose by 14% compared with the prior year. About half of all new-vehicle sales by our automotive divisions in 2017 were supported by sales financing from Daimler Financial Services. A total of more than 4.8 million financed or leased vehicles were on the books at the end of 2017 with a total contract volume of €139.9 billion; this represents a 6% increase compared with the end of 2016. Adjusted for exchange-rate effects, contract volume increased by 12%. EBIT rose to a new high of €1,970 million (2016: €1,739 million). ↗ C.09

Significant increase in new business in Europe
During the year under review, Daimler Financial Services concluded 967,600 new financing and leasing contracts worth €31.1 billion in the Europe region (+15%). Especially high rates of growth were recorded in Russia (+51%), Italy (+29%) and Spain (+28%). In Germany, Mercedes-Benz Bank's new business increased by 9% to €12.9 billion. Daimler Financial Services' total contract volume in Europe rose by 12% to €59.7 billion.

The Americas: new business at prior-year level
Daimler Financial Services brokered 444,600 new financing and leasing contracts worth €21.8 billion in the Americas region in 2017 (+1%). The volume of new business developed very well in Brazil (+28%) and Canada (+8%). Contract volume in the Americas region of €50.7 billion at December 31, 2017 was lower than at the end of 2016 (-6%). Adjusted for exchange-rate effects, contract volume increased by 6%.

Strong growth in Africa & Asia-Pacific region and China
New business in the Africa & Asia-Pacific region (excluding China) increased sharply once again compared with the prior year, by 16% to €8.4 billion. Business growth was especially strong in South Korea (+30%) and Japan (+19%). At the end of 2017, contract volume in the Africa & Asia-Pacific region (excluding China) totaled €17.2 billion, representing a 7% increase over the previous year. New business also increased significantly in China: 300,300 new leasing and financing contracts worth €9.5 billion were concluded in 2017 (+56%). At the end of 2017, contract volume in China amounted to €12.2 billion – an increase of 39% compared with the end of 2016.

Further growth in the insurance business
Daimler Financial Services brokered approximately 2.1 million insurance policies in 2017 – an increase of 20% compared with the prior year. A new telematics-based insurance rate was developed in 2017 and successfully launched in France, Belgium and Germany. Since it started operations in 2016, the warranty insurer Mercedes-Benz Versicherung AG, has established itself in the German market very successfully and continued to grow in financial year 2017.

C.09
Daimler Financial Services

	2017	2016	17/16
€ amounts in millions			% change
Revenue	23,775	20,660	+15
EBIT	1,970	1,739	+13
New business	70,721	61,810	+14
Contract volume	139,907	132,565	+6
Investment in property, plant and equipment	43	37	+16
Employees (December 31)	13,012	12,062	+8

True to the motto "Mobility at your fingertips," Daimler Financial Services is a leading provider of digital mobility services.

Mobility services on the right track

Daimler Financial Services once again expanded its range of innovative mobility services in 2017. The number of registered users of the car2go car-sharing service increased to more than 3.0 million, enabling car2go to maintain its position as the world's leading flexible car-sharing company.

In 2017, car2go upgraded its worldwide fleets with new vehicle models. In Europe and North America, it added more Mercedes-Benz vehicles to its fleets; in Stuttgart, the fleet was supplemented with B-Class electric drive vehicles; and in Italy, the fleets were augmented for the first time with smart forfour cars. At the same time, the car2go services were technically refined and simplified for the customers. Thanks to the introduction of online validation of driver's licenses, customers in all markets can now register online from start to finish and use car2go services immediately. In addition, with the option of hourly packages, car2go is offering its customers affordable and stress-free long-term rental conditions.

The moovel app also underwent further development in 2017. moovel enables customers in Germany to compare various mobility and transport-system options and then choose the best way to get from point A to point B. The app can also be used to book and directly pay for services provided by companies such as car2go, mytaxi and Deutsche Bahn. With the introduction of the moovel transit product portfolio, the moovel Group is offering "white label" solutions for transportation companies all over the world. In the United States, mobile ticketing applications from moovel are now used by 16 transportation companies. That makes moovel North America the leading provider of mobile ticketing technology for US local public transportation apps. In May 2017, moovel teamed up with the public transportation provider in Karlsruhe (KVV) to launch the joint mobility app "KVV.mobil powered by moovel." KVV tickets can be booked and paid for directly via the app. In addition, the app shows users available rental bicycles and vehicles from the car-sharing company Stadtmobil. The number of registered app users in Germany and the United States had risen to 3.7 million by the end of 2017 (2016: 2.2 million). In August 2017, moovel also acquired the Hamburg-based company Familonet GmbH, the provider of the location-messenger app Familonet. The acquisition of this startup, which has received numerous awards, enables moovel to apply the company's expertise in the areas of geofencing and localization.

In 2017, mytaxi further expanded and consolidated its position as Europe's biggest taxi app through its successful merger with Hailo and its acquisition of Taxibeat and Clever Taxi. mytaxi's geographic coverage was expanded to the United Kingdom, Ireland, Greece and Romania, which means that it now operates in 11 European countries. It has also entered two rapidly growing markets in South America (Peru and Chile). mytaxi now has 120,000 registered taxi drivers in 70 cities. The number of registered mytaxi users increased compared with the end of 2016 by 85% to 11.1 million.

A total of 17.8 million customers are registered for Daimler mobility services, which are offered in more than 100 cities in Europe, China and the Americas. In addition to car2go, moovel and mytaxi, Daimler Mobility Services also has holdings in innovative mobility services companies all over the world, including Blacklane and Flixbus. In 2017, Daimler Mobility Services acquired an interest in Turo, which is the US market leader in peer-to-peer car sharing, and in the ride-sharing service Via, as well as in Careem, a ride-sharing service based in Dubai. It also completely took over flinc, the first ride-sharing platform for short trips, which was founded in Darmstadt.

Growth of fleet business in Europe

In 2017, Daimler Financial Services was active in the fleet-management business with Daimler Fleet Management and Athlon. In Europe, a total of 383,300 contracts with fleet customers were on the books at the end of 2017, representing an increase of 6% compared with a year earlier. Contract volume amounted to €6.4 billion. Mercedes-Benz Connectivity Services GmbH has been offering fleets and business customers connectivity services for telematics-based fleet management under the brand “connect business” since April 2017.

Focus on customer and employee satisfaction

Customer and employee satisfaction is a top priority at Daimler Financial Services. In 2017, independent surveys once again showed that we are a leader in numerous countries around the world with regard to customers’ and dealers’ assessments of our service quality. In the United States, Mercedes-Benz Financial Services once again finished at the top of three categories in a J.D. Power study of dealer satisfaction. The foundation of these and many other successes is formed by our highly motivated employees. In the independent worldwide Great Place to Work Institute survey to determine the world’s best employers, Daimler Financial Services was listed – in 2016 for example – among the top ranks in many countries.

Toll4Europe collects truck tolls all over Europe

The Toll Collect automatic system for truck-toll collection on German autobahns and selected federal highways continued to operate smoothly and reliably in 2017. The system recorded a total of 33.6 billion kilometers driven in the year under review. Daimler Financial Services holds a 45% interest in the Toll Collect consortium. The Federal Republic of Germany has collected a total of more than €53 billion in tolls since Toll Collect went into operation at the beginning of 2005. Toll Collect is also preparing to extend toll collection to all federal highways, which, as planned by the German government, is to start on July 1, 2018. In addition, Daimler has held a 30% share in the European Electronic Toll Service (EETS) since April 2017 and has founded the joint venture Toll4Europe together with T-Systems (55%) and DKV (15%). The new service is scheduled to begin in the second half of 2018. The objective is to offer a one-stop shop for truck-toll payment, with tolls charged by means of an onboard unit and Europe-wide invoicing.

Daimler Financial Services customers can conveniently find out about financing and leasing offers on all channels – online or in a direct discussion.

"WE ACT RESPONSIBLY AND SUSTAINABLY!"

The Board of Management and the Supervisory Board of Daimler AG are committed to the principles of good corporate governance. Our actions take place within the framework of responsible, transparent and sustainable corporate governance.

D | Corporate Governance

Report of the Audit Committee

Dear Shareholders,

As Chairman of the Audit Committee, I am very pleased to report to you on the tasks and activities performed by that body in financial year 2017.

Responsibility
On the basis of applicable law, the German Corporate Governance Code and the Rules of Procedure of the Supervisory Board and its committees, the Audit Committee deals primarily with questions of accounting, financial reporting and non-financial reporting. In addition, it deals with the annual audit and reviews the qualifications and independence of the external auditors. Furthermore, it discusses the effectiveness and functional capabilities of the risk management system, the internal control system, the internal auditing system and the compliance management system. After the external auditors are elected by the Annual Shareholders' Meeting, the Audit Committee engages the external auditors to conduct the annual audit and the auditors' review of interim financial statements, determines the important audit issues and negotiates the audit fees with the external auditors.

Equal representation
Audit Committee Chairman Dr. Clemens Börsig and Joe Kaeser served as the shareholder representatives on the Audit Committee in financial year 2017. Both are independent and have expertise in the field of financial reporting, as well as special knowledge of and experience in the auditing of financial statements and the application of methods of internal control. During financial year 2017, the employees were represented on the Audit Committee by Michael Brecht as the Deputy Chairman of the Committee and by Ergun Lümali.

Meetings and participants
The Audit Committee met six times in financial year 2017. All of these meetings were also attended by the Chairman of the Supervisory Board, Dr. Manfred Bischoff, as a permanent guest. The other permanent participants in the meetings were the Chairman of the Board of Management, the members of the Board of Management responsible for Finance and Controlling and for Integrity and Legal Affairs, and the external auditors. The heads of specialist departments such as Accounting, Internal Auditing, Group Compliance and Legal were also present to report on individual items of the agenda.

In addition, the Chairman of the Audit Committee held regular individual discussions, for example with the external auditors, the members of the Board of Management responsible for Finance and Controlling and for Integrity and Legal Affairs, the head of Internal Auditing and, if required, further heads of the relevant specialist departments. Such individual discussions were mainly held to prepare for the next committee meetings.

Reporting to the Supervisory Board
The Chairman of the Audit Committee informed the Supervisory Board about the activities of the Committee and about the contents of its meetings and discussions in the following Supervisory Board meetings.

Topics in 2017
In the meeting held on February 1, 2017, the Audit Committee dealt with the preliminary figures of the annual financial statements and the annual consolidated financial statements for the year 2016, as well as with the proposal on the appropriation of profits made by the Board of Management. Following an in-depth review, the Audit Committee took positive note of the presented figures and determined that no objections were to be made to their proposed publication. The Committee further recommended that the Supervisory Board, which met immediately thereafter, adopt the same view. The preliminary key figures and the proposal on the appropriation of profits were announced at the Annual Press Conference on February 2, 2017.

In another meeting held on February 10, 2017, the Audit Committee dealt with the annual financial statements, the consolidated financial statements and the combined management report for Daimler AG and the Daimler Group for the financial year 2016, each of which had been issued with an unqualified auditor's opinion by the external auditors, as well as with the proposal on the appropriation of profits. At the meeting, the external auditors reported on the results of their audit and were available to answer supplementary questions and to provide additional information. The audit reports on the annual company and consolidated financial statements and on the internal control system (ICS), the report on the risk management system (RMS) for the year 2016, Annual Report 2016 and important issues related to accounting were discussed with the external auditors. Following an in-depth review and discussion, the Audit Committee recommended that the Supervisory Board approve the financial statements, the combined management

Dr. Clemens Börsig, Chairman of the Audit Committee

report and the recommendation of the Board of Management to pay a dividend of €3.25 per share entitled to a dividend. Furthermore, the Audit Committee approved the Report of the Audit Committee for the financial year 2016.

Also in this meeting, the Audit Committee discussed the report on the total fees paid to the external auditors in the financial year 2016 for auditing and non-auditing services. The Audit Committee also decided to recommend to the Supervisory Board, and subsequently to the Annual Shareholders' Meeting, that KPMG be engaged to conduct the annual external audit and the external auditors' review of interim financial reports for the financial year 2017 and also to conduct the external auditors' review of interim financial reports for the financial year 2018 in the period leading up to the Annual Shareholders' Meeting in 2018. The Audit Committee based this recommendation on the quality of the annual audit and the results of the independence review, for which no indications of partiality or a threat to independence were found. Subject to the election of the proposed external auditors by the Annual Shareholders' Meeting, the Audit Committee also discussed the proposal to be made regarding the fees to be agreed upon with the external auditors for the financial year 2017. Finally, within the framework of its responsibility, the Audit Committee dealt with the draft agenda for the 2017 Annual Shareholders' Meeting and the annual audit plan for 2017 of the Internal Auditing department.

In the meetings during 2017 related to the quarterly results, the Audit Committee discussed the interim financial reports before their publication with the Board of Management and with the external auditors engaged to carry out the auditors' review of interim financial statements. In addition, the Committee received reports from the Internal Auditing, Group Compliance and Legal departments. In this connection, the Board of Management reported regularly to the Audit Committee, on the current status of the main legal proceedings, in particular also on the requests, inquiries, investigations and proceedings in connection with the issue of diesel exhaust emissions. In addition, the Audit Committee dealt with notifications concerning possible violations of rules submitted by employees and third parties to the Group's own whistleblower system BPO (Business Practices Office).

In April 2017, the Audit Committee approved the fees agreed upon with the external auditors for the financial year 2017 after the Annual Shareholders' Meeting made its decision on March 29, 2017 regarding the election of the proposed external auditors for the annual financial statements and the consolidated financial statements.

In its meeting in June 2017, the Audit Committee was informed of a recent development regarding searches of Daimler AG premises conducted by the Stuttgart State Attorney's Office within the framework of its investigation of known and unknown employees of Daimler AG. The Audit Committee then discussed the Group's risk management system and dealt in particular with its changes and further development. It also discussed the methods and processes of, and possible changes to, the internal control system, which along with accounting also encompasses the internal auditing function and the compliance management system. In addition, the Audit Committee was informed about the Group Legal System and Group Legal Risk Reporting. Furthermore, the Committee received a report on the non-auditing services provided by the external auditors. In this meeting, the Committee also defined key audit issues for the external audit of the financial year 2017, including new requirements for the audit opinion as well as planning measures for the external audit for 2017 and the framework of approval for engaging the external auditors to provide non-audit services. In addition, the Committee extensively addressed the status of implementation of the EU Audit Reform at Daimler. In this connection, the Committee congruently aligned the period for the approval framework for engaging the external auditors to provide non-audit services with the financial year, thus enhancing the legally required transparency at the Group. This meeting was also used to discuss the results of the internal quality analysis of the external audit for the financial year 2016.

Also in the meeting in June 2017, the Audit Committee dealt in depth with the impact that implementation of the EU CSR Directive will have on reporting at Daimler and on the disclosure of non-financial information. Furthermore, the Committee was informed of new developments in accounting and financial reporting, such as the new financial accounting standards IFRS 9 (Financial Instruments) and IFRS 15 (Revenue Recognition), and other audit-relevant areas such as tax law. The Committee also received detailed information on the audit from the Financial Reporting Enforcement Panel (Deutsche Prüfstelle für Rechnungslegung), which did not result in any objections. Finally, the Audit Committee took note of a report on pension management and of another on current tax issues, and also discussed with the Board of Management the annual report produced by the Group's Data Protection Officer.

In the meeting held in July 2017, the Audit Committee dealt mainly with the second-quarter results and the risk report. Along with production and technology risks, the Committee members also discussed the possible effects of software retrofitting of Mercedes-Benz diesel vehicles in Europe, the comprehensive plan for diesel engines approved by the Board of Management in July 2017, and the risks stemming from current legal issues.

In the meeting held in October 2017, the Audit Committee dealt with the interim financial report for the third quarter of 2017 and the quarterly reports from the Internal Auditing, Group Compliance and Legal departments. The Committee also once again discussed the effects of the EU CSR Directive on non-financial reporting at Daimler.

Company and consolidated financial statements 2017

In the meeting held on January 31, 2018, the Audit Committee dealt with the preliminary figures of the annual financial statements and the annual consolidated financial statements for the year 2017, as well as with the proposal on the appropriation of profits made by the Board of Management. Following an in-depth review, the Audit Committee took positive note of the presented figures and determined that no objections were to be made to their proposed publication. The Committee further recommended that the Supervisory Board, which met immediately thereafter, adopt the same view. The preliminary key figures and the proposal on the appropriation of profits were announced at the Annual Press Conference on February 1, 2018.

In another meeting held on February 9, 2018, the Audit Committee reviewed and discussed in detail the annual financial statements, the consolidated financial statements and the combined management report for Daimler AG and the Daimler Group for the financial year 2017, each of which had been issued with an unqualified auditor's opinion by the external auditors, as well as the proposal on the appropriation of profits and the non-financial report. At the meeting, the external auditors reported on the results of their audit and the voluntary audit of the non-financial report within the framework of a limited assurance engagement and were also available to answer supplementary questions and to provide additional information. The audit reports on the annual financial statements and consolidated financial statements (including the particularly important audit issues in the audit opinions) and on the internal control system (ICS), the report on the risk management system (RMS) for the year 2017, the Annual Report 2017, and important issues related to financial reporting were discussed with the external auditors. Following an in-depth review and discussion, the Audit Committee recommended that the Supervisory Board approve the financial statements, the combined management report, the declaration on corporate governance included in the corporate governance report, the non-financial report, and the recommendation of the Board of Management to pay a dividend of €3.65 per share entitled to a dividend. Furthermore, the Audit Committee approved the Report of the Audit Committee for the financial year 2017.

Efficiency review

As in previous years, the Audit Committee once again conducted a self-evaluation of its own activities in 2017 on the basis of an extensive company-specific questionnaire. The results of this efficiency review were once again very positive and were presented and discussed in the meeting on February 9, 2018. This did not result in any need for action with regard to the Committee's tasks, or with regard to the content, frequency or procedure of its meetings.

Stuttgart, February 2018

The Audit Committee

Dr. Clemens Börsig
Chairman

Declaration on Corporate Governance, Corporate Governance Report

The declaration on corporate governance pursuant to Section 289 f and Section 315 d of the German Commercial Code (HGB) has been combined for Daimler AG and the Daimler Group as well as with the Corporate Governance Report. The following statements thus apply to Daimler AG and the Daimler Group insofar as not otherwise stated. The declaration on corporate governance, which is combined with the corporate governance report, can also be viewed on the Internet at daimler.com/dai/gcgc. Pursuant to Section 317 Subsection 2 Sentence 6 of the German Commercial Code (HGB), the purpose of the audit of the contents of the statements pursuant to Section 289 f Subsections 2 and 5 and Section 315 d of the HGB is limited to determining whether such statements have actually been provided.

Declaration by the Board of Management and Supervisory Board of Daimler AG pursuant to Section 161 of the German Stock Corporation Act (AktG) regarding the German Corporate Governance Code

Daimler AG satisfies the recommendations of the German Corporate Governance Code published in the official section of the German Federal Gazette on April 24, 2017 in the Code version dated February 7, 2017, with the exception of Clause 3.8 Paragraph 3 (D & O insurance deductible for the Supervisory Board) and will continue to observe the recommendations with the aforesaid deviation. Since the issuance of the last compliance declaration in December 2016, Daimler AG has observed the recommendations of the German Corporate Governance Code in the version dated May 5, 2015, published on June 12, 2015, with the aforementioned exception as well as with a deviation from Clause 5.4.1 Paragraph 2 (Specific objectives for the composition of the Supervisory Board) declared as a precautionary measure.

D&O insurance deductible for the Supervisory Board (Clause 3.8, Paragraph 3)
As in previous years, the Directors' & Officers' liability insurance (D&O insurance) also contains a provision for a deductible for the members of the Supervisory Board, which is appropriate in the view of Daimler AG. However, this deductible does not correspond to the legally required deductible for members of the Board of Management in the amount of at least 10% of the damage up to at least one and a half of the fixed annual remuneration. Since the remuneration structure of the Supervisory Board is limited to function-related fixed remuneration without performance bonus components, setting a deductible for Supervisory Board members in the amount of 1.5 times the fixed annual remuneration would have a disproportionate economic impact when compared with the members of the Board of Management, whose compensation consists of fixed and performance bonus components.

The deviation from Clause 5.4.1 Paragraph 2, declared as precautionary measure in the compliance declaration dated December 2016, namely the specific objectives for the composition of the Supervisory Board has ceased to apply from December 2017. The Supervisory Board has set a target objective for its composition regarding the number of independent members of the Supervisory Board and in consideration of potential conflicts of interest no longer to the appointments for the shareholders' side only, but in the light of the German Co-Determination Act also for the entire Supervisory Board.

Stuttgart, December 2017

For the Supervisory Board	For the Board of Management
Dr. Manfred Bischoff Chairman	Dr. Dieter Zetsche Chairman

This declaration and previous, no longer applicable, declarations of compliance from the past five years are also available at our website at daimler.com/dai/gcgc.

The main principles applied in our corporate governance

German Corporate Governance Code
Beyond the legal requirements of German securities, codetermination and capital market legislation, Daimler AG has followed and continues to follow the recommendations of the German Corporate Covernance Code ("Code") with the exceptions disclosed and justified in the declaration of compliance. Daimler AG has also followed and continues to follow the suggestions of the Code with just one exception: Deviating from the suggestion in Clause 2.3.3, which stipulates that companies should enable shareholders to view the Shareholders' Meeting with modern communications media such as the Internet, the Shareholders' Meeting is not transmitted in its entirety on the Internet, but only until the end of the report by the Board of Management, in order to protect the character of the Shareholders' Meeting as a meeting attended by our shareholders in person. An additional factor is that continuing the broadcast after that point, in particular broadcasting comments made by individual shareholders, could impair the discussion between shareholders and management.

The principles guiding our conduct
Our business conduct is based on Group-wide standards that go beyond the requirements of relevant legislation and the German Corporate Governance Code. These standards are based on the four corporate values integrity, respect, passion and discipline. In order to achieve viable and thus sustainable business success on this basis, our goal is to ensure that our activities are in harmony with the environment and society. This is due to the fact that we as one of the world's leading automakers also strive to be a leader in sustainability. We have defined the most important principles in our Integrity Code, which serves as a frame of reference for compliant and ethical conduct in everyday activities for all employees at Daimler AG and the Group.

Integrity Code
Our Integrity Code is based on a shared understanding of values, which we developed together with our employees. The Code defines our principles of behavior in daily business. This applies to interpersonal conduct within the company as well as conduct toward customers and business partners. The key principles here include fairness and responsibility on the basis of compliance with applicable laws. In addition to general principles of behavior, the Code includes requirements and regulations concerning respect for and the protection of human rights and the handling of conflicts of interest. It also prohibits all forms of corruption. The Integrity Code applies to all employees at Daimler AG and the Group. The Integrity Code is available on the Internet at daimler.com/dai/caag.

We have also reached agreement on "Principles of Social Responsibility" with the World Employee Committee. These principles apply throughout Daimler AG and the entire Group. In the Principles of Social Responsibility, Daimler commits itself to the principles of the UN Global Compact and thus to internationally recognized human and workers' rights, the proscription of child labor and forced labor, freedom of association and sustainable protection of the environment. Daimler also commits itself to guaranteeing equal opportunities and adhering to the principle of "equal pay for equal work."

Expectations for our business partners
We also require our business partners to adhere to compliance stipulations because we regard our business partners' integrity and behavior in conformity with regulations as an indispensable prerequisite for trusting cooperation. When selecting our direct business partners, we therefore pay close attention that they comply with the law, follow ethical principles and do the same themselves towards other partners in the supply chain. For the expectations we place on our business partners, see also daimler.com/sus/obr.

Risk management at the Group
Daimler has a risk management system commensurate with its size and position as a company with global operations, pages 155 ff of the Annual Report 2017. The risk management system is one component of the overall planning, controlling and reporting process. Its goal is to enable the company's management to recognize significant risks at an early stage and to initiate appropriate countermeasures in a timely manner. At least once a year, the Audit Committee discusses the effectiveness and functionality of the risk management system with the Board of Management. The Chairman of the Audit Committee reports to the Supervisory Board on the committee's work at the latest in the meeting of the Supervisory Board following each committee meeting. The Supervisory Board also deals with the risk management system on the occasion of the approval of the operational planning and the audit of the annual company and consolidated financial statements. In addition, the Board of Management regularly informs the Audit Committee and the Supervisory Board of the most important risks facing the company and the Group as a whole. The Chairman of the Supervisory Board has regular contacts between Supervisory Board meetings with the Board of Management, and in particular with the Chairman of the Board of Management, to discuss not only the Group's strategy and business development but also the issue of risk management. The Internal Auditing department monitors adherence to the legal framework and to Group standards by means of targeted audits and initiates appropriate actions as required.

Accounting and the external audit
Daimler prepares its consolidated financial statements and interim financial reports in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union. The annual financial statements of Daimler AG are prepared in accordance with the accounting standards of the German Commercial Code (HGB). Daimler prepares both half-yearly and quarterly financial reports. The annual financial statements and consolidated financial statements of Daimler AG are audited by the external auditor; interim financial reports are also reviewed by an external auditor. The consolidated financial statements and the Group management report shall be made publicly accessible via the Company's website within 90 days from the end of the reporting year; the interim financial reports shall be made publicly accessible in the same manner within 45 days from the end of the reporting period.

Based on the recommendation of the Audit Committee, the Supervisory Board submits a decision proposal to the Shareholders' Meeting for the election of the external auditors for the annual financial statements, the external auditors for the consolidated financial statements and the auditors for the external auditors' review of interim financial reports. At the Shareholders' Meeting on March 29, 2017, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin was elected to conduct the audit of the annual financial statements and the consolidated financial statements, and the external auditors' review of interim financial reports, for the financial year 2017, as well as the external auditors' review of interim financial reports for the financial year 2018 in the period leading up to the Shareholders' Meeting in 2018. Since 2014, the responsible auditor commissioned to carry out the external audit has been Dr. Axel Thümler. KPMG AG Wirtschaftsprüfungsgesellschaft has been conducting the audit of the annual financial statements and the annual consolidated financial statements of Daimler AG since the 1998 financial year.

Prior to issuing its recommendation to the Shareholders' Meeting, the Audit Committee of the Supervisory Board obtained a declaration from the external auditor under consideration. The external auditor was requested to state whether any business, financial, personal or other relationships existed between the external auditor and its bodies and audit managers on the one hand, and the Company and the members of its bodies on the other, which could justify concerns regarding a conflict of interest. Further, the external auditor was asked to describe the nature of any such relationships that may have in fact existed. This statement also described the extent to which other services were performed for the Daimler Group in the previous year or had been contractually agreed upon for the following year.

The Audit Committee instructed the external auditor to immediately inform the Committee Chairman of any indications of partiality or grounds for exclusion uncovered during the audit or the auditors' review of interim financial statements, and of all key findings and events relevant to the tasks of the Supervisory Board, particularly findings or events related to suspected irregularities in accounting. The Audit Committee also reached an agreement with the external auditor stipulating that the external auditor would inform the Audit Committee, and make a note in the audit report, of any facts uncovered during the annual audit that would reveal inaccuracies in the Board of Management's and the Supervisory Board's declaration of compliance with the German Corporate Governance Code.

Composition and mode of operation of the Board of Management ↗ D.01

Daimler AG is obliged by the German Stock Corporation Act (AktG) to apply a dual management system featuring strict personal and functional separation between the Board of Management and the Supervisory Board (two-tier board). Accordingly, the Board of Management manages the company while the Supervisory Board monitors and advises the Board of Management.

Board of Management
In accordance with the Articles of Incorporation of Daimler AG, the Board of Management has at least two members. The precise number of Board of Management members is determined by the Supervisory Board. The Board of Management had eight members on December 31, 2017. In accordance with the German law requiring equal participation of women and men in executive positions, the Supervisory Board has defined a target for the proportion of women on the Board of Management and a deadline for achieving this target. The details are described in a separate section: page 209. With regard to the composition of the Board of Management, the Supervisory Board has also adopted a diversity concept that is embedded in an overall requirements profile. The details of this concept are also described in a separate section: page 210.

Information on the areas of responsibility and the curricula vitae of the Board of Management members are posted on the Daimler AG website at daimler.com/dai/bom. The members of the Board of Management and their areas of responsibility are also listed on pages 62 f of the Annual Report 2017.

D.01
Governance structure

The Board of Management manages Daimler AG and the Daimler Group. With the consent of the Supervisory Board, the Board of Management determines the Group's strategic focus, defines the corporate goals, and makes decisions concerning operational planning issues. The members of the Board of Management are bound to the interests of the Company and share responsibility for managing the Group's entire business.

Irrespective of this overall responsibility, the individual members of the Board of Management manage their allocated areas on their own responsibility and within the framework of the instructions approved by the entire Board of Management. Specific issues defined by the Board of Management as a whole are dealt with by the Board as a whole, which must approve all related decisions. The Chairman of the Board of Management coordinates the work of the Board of Management.

The Board of Management prepares the consolidated interim reports, the annual company financial statements of Daimler AG, the annual consolidated financial statements, and the combined management report of the Company and the Group, as well as the separate combined non-financial report produced for Daimler AG and the Group. It ensures that the provisions of applicable law, official regulations and the Group's internal guidelines are adhered to, and works to make sure that the companies of the Group comply with those rules and regulations. The Board of Management has also established an adequate compliance management system that takes into account the Company's risk situation. The main features of this system are described on pages 229 ff of the Annual Report 2017. Such features include the Company's whistleblower system, the BPO (Business Practices Office), which enables Daimler employees and external whistleblowers to report misconduct anywhere in the world. The tasks of the Board of Management also include establishing and monitoring an appropriate and efficient risk management system.

For certain types of transactions of fundamental importance as defined by the Supervisory Board, the Board of Management requires the prior consent of the Supervisory Board. At regular intervals, the Board of Management reports to the Supervisory Board on corporate strategy, corporate planning, profitability, business development and the situation of the Group, as well as on the internal control system, the risk management system and the compliance management system. The Supervisory Board has specified the information and reporting duties of the Board of Management.

The Board of Management has also given itself a set of rules of procedure, which can be seen on our website at daimler.com/dai/rop. Those rules describe, for example, the procedure to be observed when passing resolutions and ways to avoid conflicts of interest.

CASE Steering Committee

The Board of Management has formed a Steering Committee consisting of Board of Management members to address the future-oriented CASE topics of connectivity (Connected), driverless driving (Autonomous), flexible use and services (Shared & Services) and electric drive systems (Electric). The responsibilities of the Board of Management as a whole, in particular those regarding the catalog of issues that require its approval, as well as the areas of responsibility of individual Board members, remain unchanged despite the creation of the Committee.

The Steering Committee consists of the Chairman of the Board of Management, who is also responsible for Mercedes-Benz Cars, as well as the members of the Board of Management responsible for Finance & Controlling/Daimler Financial Services, Mercedes-Benz Cars Marketing & Sales and Group Research & Mercedes-Benz Cars Development. The Chairman of the Board of Management is also the Chairman of the Steering Committee. In line with the Committee's structure as described above, the members of the Steering Committee on December 31, 2017, were Dr. Dieter Zetsche (Chairman), Bodo Uebber, Britta Seeger and Ola Källenius.

Within the framework of the strategic approach adopted by the Board of Management, the Steering Committee defines the management model and the strategic guidelines for CASE. The Board of Management has defined rules of procedure for the Steering Committee. The Committee can make changes to these rules on its own authority, provided such changes do not affect the steering model.

Along with the composition of the Steering Committee, the responsibilities of its Chairman, the responsibility for the rules of procedure and the options available for establishing other CASE bodies below the Steering Committee, the rules of procedure of the Steering Committee also define the structure and format of Committee meetings and the adoption of resolutions, as well as the rules on reporting to the Board of Management of Daimler AG.

Diversity

Diversity management has been part of the corporate strategy of Daimler since 2005. We rely on the diversity of our employees and the differences between them because such differences form the foundation of an effective and successful company. The aim of our activities is to bring together the right people to tackle our challenges, create a work culture that promotes the performance, motivation and satisfaction of our employees and managers, and help attract new target groups to our products and services. Our activities for shaping diversity at Daimler focus on three areas: best mix, work culture and customer interaction. With our measures, activities and initiatives for everything from training formats for employees and managers to workshops, conferences, guidelines and target group-specific communication and awareness-raising measures, our diversity management system makes a major contribution to the further development of our corporate culture.

Targeted support for women on the basis of the best-mix principle was a central component of our diversity management activities even before the legislation on the equal participation of women and men in management positions went into effect. Such support has also included and continues to include flexible working-time arrangements, company nurseries and special mentoring programs for women. To meet the new legal requirements, the Board of Management has defined targets for the proportion of women at the two management levels below the Board of Management and a deadline for achieving those targets. The details are described in a separate section. Independently of the legal requirements, Daimler continues to affirm the goal it already set itself in 2006 of increasing the proportion of women in executive positions at the Group to 20% by 2020. At the end of 2017, this proportion amounted to 17.6% (2016: 16.7%).

Composition and mode of operation of the Supervisory Board and its committees

Supervisory Board

In accordance with the German Codetermination Act (MitbestG), the Supervisory Board of Daimler AG comprises 20 members. Half of them are elected by the shareholders at the Shareholders' Meeting. The other half comprises members who are elected by the Group's employees who work in Germany. The members representing the shareholders and the members representing the employees are equally obliged by law to act in the Company's best interests.

Information on major functions and curricula vitae of the members of the Supervisory Board aside from their positions on the Supervisory Board of Daimler AG are posted on our website at daimler.com/dai/sb and can also be found on pages 70 f of the Annual Report 2017.

The Supervisory Board is to be composed so that its members together are knowledgeable about the business sector in which the Company operates and also dispose of the knowledge, skills and specialist experience that are required for the proper execution of their tasks. According to the law on the equal participation of women and men in management positions, at least 30% of the members of the Supervisory Board of Daimler AG must be women and at least 30% must be men. The details are described in a separate section: page 209. With regard to its composition on the basis of the further development of the existing catalog of criteria for selecting Supervisory Board candidates, and with consideration of the targets that have already been defined for the Supervisory Board's composition, the Supervisory Board has also created an overall requirements profile combining a skills profile and a diversity concept for the entire Supervisory Board. The details of the overall requirements profile are also described in a separate section: pages 211 ff. Proposals by the Supervisory Board of candidates for election by the Shareholders' Meeting as members representing the shareholders of Daimler AG, for which the Nomination Committee makes recommendations, aim at fulfilling the overall requirements profile of the Supervisory Board as a whole.

The members of the Supervisory Board attend on their own responsibility courses of training and further training that might be necessary for the performance of their tasks and are supported by the Company in doing so. Such courses may address corporate governance, changes brought about by new legislation, or the launch of new products and pioneering technologies, for example. New members of the Supervisory Board are offered an "Onboarding" program that gives them the opportunity to exchange views with members of the Board of Management and other executives on current issues related to the various areas of responsibility of the Board of Management, and thus obtain an overview of important topics at the Company.

The Supervisory Board monitors and advises the Board of Management with regard to its management of the Company. At regular intervals, the Board of Management reports to the Supervisory Board on corporate strategy, corporate planning, revenue development, profitability, business development and the situation of the Group, as well as on the internal control system, the risk management system and the compliance management system. The Supervisory Board has retained the right of approval for transactions of fundamental importance. Furthermore, the Supervisory Board has specified the information and reporting duties of the Board of Management to the Supervisory Board, to the Audit Committee and – between the meetings of the Supervisory Board – to the Chairman of the Supervisory Board.

The Supervisory Board's duties include appointing and recalling the members of the Board of Management. Initial appointments are usually made for a period of three years. In accordance with the German law requiring equal participation of women and men in executive positions, the Supervisory Board has defined a target for the proportion of women on the Board of Management and a deadline for achieving this target. The details are described in a separate section: page 209. With regard to the composition of the Board of Management, the Supervisory Board has also adopted a diversity concept that is embedded i n an overall requirements profile. The details of this concept are also described in a separate section: page 210

The Supervisory Board decides on the system of remuneration for the Board of Management, reviews it regularly and determines the total individual remuneration of each member of the Board of Management with consideration of the ratio of Board of Management remuneration to the remuneration of the senior executives and the workforce as a whole, also with regard to development over time. For this comparison, the Supervisory Board has defined the senior executives by applying Daimler's internal terminology for the hierarchical levels and has defined the workforce of Daimler AG in Germany as the relevant workforce. Variable components of remuneration are generally based on an assessment period that lasts several years and is essentially future-oriented. Multi-year variable remuneration components are not paid out until they come due. The Supervisory Board has set upper limits for the individual Board of Management remuneration in total and with regard to its variable components. Further information on Board of Management remuneration can be found in the Remuneration Report on pages 136 ff of the Annual Report 2017.

The Supervisory Board reviews the annual financial statements, the annual consolidated financial statements and the combined management report of the Company and the Group, as well as the proposal for the appropriation of distributable profits. Following discussions with the external auditors and taking into consideration the audit reports of the external auditors and the results of the review by the Audit Committee, the Supervisory Board states whether, after the final results of its own review, any objections are to be raised. If that is not the case, the Supervisory Board approves the financial statements and the combined management report. Upon being approved, the annual financial statements are adopted. The Supervisory Board reports to the Shareholders' Meeting on the results of its own review and on the manner and scope of its supervision of the Board of Management during the previous financial year. The Report of the Supervisory Board for the year 2017 is available on pages 64 ff of the Annual Report 2017 and on the Internet at daimler.com/dai/sb.

For financial year 2017, Daimler AG produced for the first time a separate combined non-financial report for the Company and the Group in accordance with the requirements of legislation for implementing an EU CSR directive in Germany. The Supervisory Board commissioned an external audit of this non-financial report within the framework of a limited assurance engagement and then approved the report after consulting with the external auditor and examining the report itself.

The Supervisory Board has given itself a set of rules of procedure, which regulate not only its duties and responsibilities and the personal requirements placed upon its members, but above all the convening and preparation of its meetings and the procedure of passing resolutions. The rules of procedure of the Supervisory Board can be viewed on our website at daimler.com/dai/rop

Meetings of the Supervisory Board are regularly prepared in separate discussions of the members representing the employees and of the members representing the shareholders with the members of the Board of Management. Each Supervisory Board meeting included a so-called executive session for discussions of the Supervisory Board in the absence of the members of the Board of Management. The Supervisory Board members can also take part in the meetings by means of conference calls or video conferences. However, this is generally not the case.

The Supervisory Board has formed four committees, which perform to the extent legally permissible the tasks assigned to them in the name of and on behalf of the entire Supervisory Board. The committee chairpersons report to the entire Supervisory Board on the committees' work at the latest in the meeting of the Supervisory Board following each committee meeting. The Supervisory Board has issued rules of procedure for each of its committees. Those rules of procedure can be viewed on our website at daimler.com/dai/rop. Information on the current composition of these committees can be viewed at daimler.com/dai/sbc and is also available on page 71 of the Annual Report 2017.

Presidential Committee
The Presidential Committee is composed of the Chairman of the Supervisory Board, his Deputy, and two other members, who are elected by a majority of the votes cast on the relevant resolution of the Supervisory Board.

The Presidential Committee makes recommendations to the Supervisory Board on the appointment of members of the Board of Management, whereby it takes into account the overall requirements profile it has defined, including the diversity concept, for the position to be filled, as well as the Supervisory Board's target for the proportion of women on the Board of Management. It submits proposals to the Supervisory Board on the design of the remuneration system for the Board of Management and on the appropriate total individual remuneration of its members. In this context, it follows the relevant recommendations of the German Corporate Governance Code. The Presidential Committee is also responsible for the Board of Management members' contractual affairs. In addition, it decides on the granting of approval for sideline activities of the members of the Board of Management, reports to the Supervisory Board regularly and without delay on consents it has issued, and once a year submits to the Supervisory Board for its approval a complete list of the sideline activities of each member of the Board of Management.

In addition, the Presidential Committee decides on questions of corporate governance, on which it also makes recommendations to the Supervisory Board. It supports and advises the Chairman of the Supervisory Board and his Deputy and prepares the meetings of the Supervisory Board within the limits of its responsibilities.

Nomination Committee
The Nomination Committee is composed of at least three members, who are elected by a majority of the votes cast by the members of the Supervisory Board representing the shareholders. It is the only Supervisory Board Committee consisting solely of members representing the shareholders and makes recommendations to the Supervisory Board concerning persons to be proposed for election as members of the Supervisory Board representing the shareholders at the Shareholders' Meeting. In doing so, the Nomination Committee takes into consideration the requirements of the German law regulating equal participation of women and men in executive positions, the recommendations of the German Corporate Governance Code and the specific goals that the Supervisory Board has set for its own composition. The recommendations made by the Nomination Committee aim at fulfilling the overall requirements profile – including the skills profile for the entire Supervisory Board.

Audit Committee
The Audit Committee is composed of four members, who are elected by a majority of the votes cast on the relevant resolution of the Supervisory Board. The Chairman of the Supervisory Board is not simultaneously the Chairman or a member of the Audit Committee. The Chairman of the Supervisory Board attends the meetings of the Audit Committee as a guest.

Both the Chairman of the Audit Committee, Dr. Clemens Börsig, and the other shareholder representative on the Audit Committee, Joe Kaeser, fulfill the criteria for independence and have expertise in the field of accounting, as well as special knowledge and experience with regard to auditing and methods of internal control. Due to his work at Robert Bosch GmbH and his long-standing membership of the Supervisory Board of Daimler AG, Dr. Clemens Börsig is furthermore very familiar with the automotive industry.

The Audit Committee deals with the supervision of the accounting and its process as well as with the annual external audit. At least once a year, it discusses with the Board of Management the effectiveness and functionality of the risk management system, the internal control and auditing system and the compliance management system. It regularly receives reports on the work of the Internal Auditing department and the Compliance Organization. At least four times a year, the Audit Committee receives a report from the whistleblower system BPO (Business Practices Office) on complaints and information about any breaches of regulations or guidelines by high-level executives, as well as violations by other employees of the regulations in a defined catalog of legal provisions. It regularly receives information about the handling of these complaints and notifications.

The Audit Committee discusses with the Board of Management the interim reports before they are published. On the basis of the report of the external auditors, the Audit Committee reviews the annual company financial statements and the annual consolidated financial statements, as well as the management report of the Company and the Group, and discusses them with the external auditors. The Audit Committee makes a proposal to the Supervisory Board on the adoption of the annual company financial statements of Daimler AG, on the approval of the annual consolidated financial statements, and on the appropriation of profits. The Committee also makes recommendations for the Supervisor Board's proposal on the election of external auditors, assesses those auditors' suitability, qualifications and independence, and, after the external auditors are elected by the Shareholders' Meeting, it engages them to conduct the audit of the annual company and consolidated financial statements and to review the interim reports, negotiates an audit fee, and determines the focus of the annual audit. The external auditors report to the Audit Committee on all accounting matters that might be regarded as critical and on any material weaknesses of the internal control and risk management system with regard to accounting that might be discovered during the audit.

Finally, the Audit Committee approves permitted services that are not directly related to the annual audit and which are provided by the firm of external auditors or its affiliates to Daimler AG or to companies of the Daimler Group.

Mediation Committee
The Mediation Committee is composed of the Chairman of the Supervisory Board and his Deputy, as well as one member of the Supervisory Board representing the employees and one member elected with the majority of the votes cast of the Supervisory Board members representing the shareholders. It is formed solely to perform the functions laid down in Section 31 Subsection 3 of the German Codetermination Act (MitbestG). Accordingly, the Mediation Committee has the task of making proposals on the appointment of members of the Board of Management if in the first vote the majority required for the appointment of a Board of Management member of two thirds of the members of the Supervisory Board is not achieved. As in previous years, the Mediation Committee did not have to take any action in 2017.

Germany's law on the equal participation of women and men in executive positions

In accordance with the German law requiring equal participation of women and men in executive positions in both the private and the public sector, the supervisory boards of listed companies or companies subject to Germany's system of codetermination have to set a target for the proportion of women on the board of management. The board of management of such a company has to set a target for the proportion of women at the two management levels below that of the board of management. If the proportions of women at the time when these targets are set by the Board of Management and the Supervisory Board are below 30%, the targets may not be lower than the proportions already reached. At the same time that the targets are set, the boards have to set periods for their achievement, which may not be longer than five years.

On December 8, 2016, the Supervisory Board passed a resolution stipulating that the target figure for the proportion of women on the Board of Management of Daimler AG would be 12.5%, while the deadline would be December 31, 2020. As of December 31, 2017, the eight-member Board of Management included two women, Renata Jungo Brüngger and Britta Seeger. This means that women account for 25% of the Board of Management members.

On November 8, 2016, the Board of Management passed a resolution stipulating a target of 15% women for both the first and second management levels below the Board of Management, with a deadline of December 31, 2020. At the time of the resolution, the proportion of women in the first and second management levels below the Board of Management was 8.0% and 12.4% respectively. As of December 31, 2017, the proportion of women at the first management level below the Board of Management was 8.7%, at the second level it was 11.9%.

Since 2016, listed companies that have supervisory boards in which shareholders and employees are equally represented are required to have a proportion of at least 30% women and 30% men. This requirement has to be fulfilled by the Supervisory Board as a whole. If the side of the Supervisory Board representing the shareholders or the side representing the employees objects to the Chairman of the Supervisory Board about the application of the ratio to the entire Supervisory Board before the election, the minimum ratio is to apply separately to the shareholders' side and to the employees' side for that election.

On December 31, 2017, 30% of the shareholder representatives in the Supervisory Board of Daimler AG were women (Sari Baldauf, Andrea Jung and Petraea Heynike), while 70% were men. On that date, 20% of the employee representatives on the Supervisory Board were women (Elke Tönjes-Werner and Sibylle Wankel), while 80% were men. In its meeting on December 7, 2017, the Supervisory Board considered its nominations for the election at the Shareholders' Meeting 2018 and came to the conclusion that the shareholders and employee representatives should achieve the legally required share of women board members separately. Before this background the shareholder representatives declared that they object to the Supervisory Board's joint fulfillment of the legally required gender ratio. Thereafter, based on the recommendation of the Nomination Committee, the Supervisory Board decided to nominate Sari Baldauf as well as Dr. Jürgen Hambrecht again and Marie Wieck for the first time for election to the Supervisory Board by the Shareholders' Meeting in 2018. The legally required gender ratio will be met on the shareholder representatives' side if these persons are elected to the Supervisory Board, provided that no other changes occur. The next election of employee representatives to the Supervisory Board will also take place in 2018.

Along with Daimler AG itself, there are other Group companies subject to codetermination law. These companies have defined their own targets for the proportion of women on their supervisory boards, executive management bodies and the two levels below the board or executive management level, and have also set deadlines for target achievement. Relevant information here has been published in accordance with applicable law.

Overall requirements profiles for the composition of the Board of Management and the Supervisory Board

In terms of the composition of the Board of Management and the Supervisory Board, Daimler AG utilizes diversity concepts that focus on aspects such as age, gender, education and professional background. For this reason, the Company was required to describe these concepts in its declaration on corporate governance for the first time for financial year 2017, and to also explain the aims of the diversity concepts, the manner in which they are implemented and the results achieved with them in the financial year. The Supervisory Board has combined the diversity concepts with the requirements of the German law regulating equal participation of women and men in executive positions and the specific targets for the composition of executive management bodies as defined by the recommendations of the German Corporate Governance Code. These combined requirements are presented in the overall requirements profiles for the composition of the Board of Management and the Supervisory Board described below. The requirements profiles also serve as the basis for long-term succession planning.

Board of Management
The requirements profile for the Board of Management of Daimler AG aims at a Board of Management as diverse, mutually supportive and effective as possible. The Board of Management as a whole should possess the knowledge, skills and experience required for the proper execution of its tasks and be composed of members whose varied personal backgrounds and experiences embody the desired management philosophy. Decisions regarding appointments to the Board of Management are always governed by the Company's interests under consideration of all circumstances in each individual case.

The requirements profile for the Board of Management includes in particular the following aspects, which are to be taken into account as far as possible when making decisions on appointments to the Board of Management:

- The members of the Board of Management should have different educational and professional backgrounds, whereby at least two members should have a technical background. With Dr. Dieter Zetsche and Wilfried Porth, the Board of Management currently has two members who are engineers. Bodo Uebber is an industrial engineer. Since taking over as Head of Group Research & Mercedes-Benz Cars Development on January 1, 2017, Ola Källenius has sustainably displayed the expertise he acquired in various technical management positions throughout the Company.

- In order to meet the requirements of the German law requiring equal participation of women and men in executive positions, the Supervisory Board defined on December 8, 2016, a target of 12.5% for the proportion of women on the Board of Management, with a deadline of December 31, 2020. This means that of the eight current members of the Board of Management, at least one member must be a woman. The Board of Management currently has two female members, Renata Jungo Brüngger and Britta Seeger. This means the proportion of women on the Board of Management is currently 25%.

- In accordance with the recommendations of the German Corporate Governance Code, the Supervisory Board has set an age limit for members of the Board of Management. As a rule, 62 years of age serves as orientation for age-related discharge. When it set this age limit, the Supervisory Board deliberately decided in favor of a flexible rule allowing the required scope for the appropriate assessment of the circumstances of each individual case. Seven of the eight Board of Management members are younger than the age limit. Dr. Dieter Zetsche was older than the age limit when he began his current term of office in January 2017. The Supervisory Board nevertheless reappointed Dr. Zetsche as Chairman of the Board of Management in recognition of his being primarily responsible for the Company's successful strategy and its implementation. This decision was taken in the best interest of the Company in that it enables the continuation of leadership at the top executive level that is needed to ensure the sustained success of the Company.

- In addition, a sufficient generational mix among Board of Management members is to be taken into account in appointment decisions in the future, whereby if possible at least three members of the Board of Management should be 57 years of age or younger at the beginning of their respective term of office. Five members of the Board of Management – Renata Jungo Brüngger, Ola Källenius, Britta Seeger, Hubertus Troska and Bodo Uebber – currently meet this requirement.

- The composition of the Board of Management should also take into account internationality in the sense of varied cultural backgrounds or international experience through assignments abroad lasting several years, whereby if possible at least one member of the Board of Management should come from a country other than Germany. Irrespective of the many years of international experience of a large majority of members of the Board of Management, this target is currently overachieved due to the international origins of Renata Jungo Brüngger and Ola Källenius.

- The rules of procedure of the Board of Management stipulate that no member of the Board of Management is a member of more than three supervisory boards of listed companies outside the Daimler Group or of similar boards or committees at companies outside the Daimler Group that have comparable requirements. This stipulation has been met. The only listed company in which Hubertus Troska is a member of a supervisory board or similar board outside the Daimler Group is BAIC Motor Corporation Ltd. His other board memberships are at joint ventures that fall within his areas of responsibility.

The aspects described above are to be taken into consideration when making Board of Management appointments. On the basis of a target profile that takes into account specific qualification requirements and the above-mentioned criteria, the Presidential Committee creates a shortlist of available candidates whom it interviews. It then recommends a candidate to the Supervisory Board for its approval and includes an explanation of its recommendation. Decisions regarding appointments to the Board of Management are always governed by the Company's interests under consideration of all circumstances in each individual case.

Supervisory Board
In accordance with applicable law, the Supervisory Board is to be composed so that its members together are familiar with the business sector in which the Company operates.

The requirements profile for the Supervisory Board of Daimler AG aims at a Supervisory Board as diverse and mutually supportive as possible. The Supervisory Board as a whole must understand the Company's business model and also possess the knowledge, skills and experience needed to properly execute its task of supervising and advising the Board of Management, in particular specialized knowledge in the areas of finance, accounting, annual audits, risk management, methods of internal control and compliance. The members of the Supervisory Board should complement one another with regard to their specialist knowledge and professional experience in such a manner as to ensure that the Supervisory Board can utilize the most broadly based wealth of experience and specific expertise possible when making decisions. The Supervisory Board also views the diversity of its members in terms of age, gender, internationality and other personal attributes as an important foundation for effective cooperation. The foundation for Supervisory Board decisions regarding election proposals to the Shareholders' Meeting is always the Company's interests under consideration of all circumstances in each individual case.

On the basis of the further development of the existing catalog of criteria for selecting Supervisory Board candidates, and with consideration of the targets that have already been defined for the Supervisory Board's composition, the requirements profile for the Supervisory Board includes the following aspects in particular:

– The members of the Supervisory Board should have different educational and professional backgrounds. At least five members should have completed a vocational technical training or education program or possess specific technological knowledge in fields such as information technology (including digitization), chemistry, mechanical engineering or electrical engineering. Decisions related to the composition of the Supervisory Board should also take into account the fact that it may be necessary to obtain new skills and knowledge in order to be able to address product and market developments. Irrespective of the specific knowledge acquired by many members of the Supervisory Board in the above-mentioned areas, Dr. Jürgen Hambrecht, Dr. Bernd Pischetsrieder and Dr. Frank Weber (two shareholder representatives and one employee representative) have related university degrees, while another five employee representatives have completed vocational training in the above-mentioned fields or similar areas.

– The gender composition of the Supervisory Board meets the requirements of Germany's law on the equal participation of women and men in executive positions, which stipulates that at least 30% of the members of the Supervisory Board must be women and at least 30% must be men. This quota has been binding for all new appointments since January 1, 2016. The Supervisory Board currently has three women who represent shareholders and two women who represent employees. The proportion of women is thus 30% among the shareholder representatives and 20% among the employee representatives. The next election of employee representatives to the Supervisory Board will take place in 2018.

– The rules of procedure of the Supervisory Board stipulate that candidates for election who are to hold the position for a full term of office should generally not be over the age of 72 at the time of the election. In specifying this age limit, the Supervisory Board has intentionally refrained from stipulating a strict upper age limit and instead decided in favor of a flexible general limit that leaves the scope to appropriately assess each individual case, keeps the range of potential Supervisory Board candidates sufficiently broad and allows reelection. In deciding to propose Dr. Manfred Bischoff for reelection as a shareholder representative on the Supervisory Board to the Shareholders' Meeting in 2016, it used this scope after careful consideration and proper assessment. All other members of the Supervisory Board and the candidates Sari Baldauf, Dr. Jürgen Hambrecht and Marie Wieck to be proposed for election at the 2018 Shareholders' Meeting had not or will have not reached the age limit at the time of their election.

– A sufficient generational mix among Supervisory Board members is now also to be taken into account in appointment decisions. In the future, at least eight members of the Supervisory Board should be 62 years of age or younger at the time of their election or reelection. Among the current members of the Supervisory Board, all except Petrae Heynicke, Dr. Manfred Bischoff, Dr. Clemens Börsig, Dr. Jürgen Hambrecht and Dr. Bernd Pischetsrieder (i.e. 15 members) were 62 or younger at the time they were elected to their current term.

– In order to ensure sufficient internationality, for example by means of many years of international experience, the Supervisory Board has set a target of a proportion of at least 30% of international members representing the shareholders, and the resulting proportion of at least 15% of the entire Supervisory Board. Irrespective of the many years of international experience of a large majority of the shareholder representatives on the Supervisory Board, this target is currently significantly overachieved with 30% for the entire Supervisory Board due to the international origins of Bader Al Saad, Sari Baldauf, Petraea Heynike, Andrea Jung and Dr. Paul Achleitner on the shareholders' side (50%) and Valter Sanches on the employees' side.

– At least half of the members of the Supervisory Board representing the shareholders should have
  · neither an advisory nor a board function for a customer, supplier, creditor, or other third party,
  · nor a business or personal relationship to the company or its boards

  whose specific design could cause a conflict of interests.

  Under the premise that the performance of Supervisory Board duties as an employee representative does not by itself constitute a potential conflict of interest as defined by the German Corporate Governance Code, the requirements described here shall also be met by at least 15 members of the Supervisory Board in the future.

As described in the report of the Supervisory Board on pages 64 ff of the Annual Report 2017, there were individual cases concerning three Supervisory Board members in particular situations during the reporting period where there might have been the appearance of a potential conflict of interest at the time a Board of Management report was submitted to the Supervisory Board. The Supervisory Board members in question in these cases refrained from being present during the presentation of a Board of Management report regarding the issue that might have been affected by a potential conflict of interest.

As a result, in the case of at least half of the shareholder representatives on the Supervisory Board and at least 15 members of the entire Supervisory Board, there were no indications of a potential conflict of interest during the reporting period based on the premise described above. No actual instances of conflicts of interest were reported during financial year 2017.

– In order to ensure the independent advice to, and supervision of, the Board of Management by the Supervisory Board, the rules of procedure of the Supervisory Board stipulate that more than half of the members of the Supervisory Board representing the shareholders are to be independent as defined by the German Corporate Governance Code and that no person may be a member of the Supervisory Board who is a member of a board of, or advises, a significant competitor of the Daimler Group.

  Under the premise that the performance of Supervisory Board duties as an employee representative does not by itself call into question the independence of such an employee representative as defined by the German Corporate Governance Code, at least 15 members of the Supervisory Board are also to be independent in the future. In addition, the Supervisory Board may not include more than two former members of the Board of Management of Daimler AG or anyone who is a member of a board of, or advises, a significant competitor of the Daimler Group.

  Under the premise described above, there are, in the view of the Supervisory Board, at present no indications for any of the members of the Supervisory Board that relevant relationships or circumstances exist, in particular with the Company, members of the Board of Management or other Supervisory Board members, that could be construed as a substantial and permanent conflict of interest that would compromise their independence. No member of the Supervisory Board is a member of a board of, or advises, a significant competitor. With regard to Supervisory Board member Bader Al Saad, the Supervisory Board takes the view that his function as a member of the Executive Committee of the Board of Directors of Kuwait Investment Authority does not compromise his independence within the meaning of the German Corporate Governance Code. The German Corporate Governance Code does not contain a conclusive definition of independence but instead presents examples of circumstances that would call the independence of a Supervisory Board member into question. Within the meaning of the German Corporate Governance Code, a Supervisory Board member is to be considered non-independent if he or she has a personal or business relationship with the Company, its governing bodies, a controlling shareholder or a company affiliated with a controlling shareholder that may cause a substantial and not merely temporary conflict of interest. It is the responsibility of the Supervisory Board to evaluate the independence of its members on the basis of such criteria. The Kuwait Investment Authority is not a controlling shareholder of Daimler AG that could attain an effective majority at an Shareholders' Meeting. No other discernible circumstances exist that might call into question the independence of Bader Al Saad.

  The Chairman of the Supervisory Board, Dr. Manfred Bischoff, is a former member of the Board of Management.

– The rules of procedure of the Supervisory Board also define a general time limit for Supervisory Board membership. As a result, only candidates who have not yet been members of the Supervisory Board for three full terms of office at the time of their election should generally be nominated for membership of the Supervisory Board for a full term of office. This general length of service on the Supervisory Board has not been exceeded by any current member, and the candidates Sari Baldauf, Dr. Jürgen Hambrecht and Marie Wieck nominated for election at the Shareholders' Meeting in 2018 also meet this requirement.

– Candidates for membership of the Supervisory Board and members of the Supervisory Board must have sufficient time available to perform their duties. They must also be willing and able to dedicate themselves to their tasks and participate in all courses of training and further training that might be necessary for the performance of their tasks. Prior to issuing its recommendations, the Supervisory Board determines whether the candidate in question will have sufficient time available to perform his or her duties on the Supervisory Board.

– In order to ensure compliance with the associated recommendation in the German Corporate Governance Code, the rules of procedure already stipulate that no member of the Supervisory Board who is also a member of the board of management of a listed company may hold more than three memberships on supervisory boards of listed companies (including his or her membership of the Supervisory Board of Daimler AG) or on bodies of other companies with similar requirements outside of the group of his Board of Management membership. One member of the Supervisory Board is a member of the board of management of a listed company, but has not exceeded the maximum number of memberships.

In the case of Supervisory Board members who are not also members of the board of management of a listed company, the legal limit of membership of ten statutorily constituted supervisory boards applies, whereby chairmanship of a supervisory board counts double. In order to ensure that members of the Supervisory Board have sufficient time to fulfill their mandate, Supervisory Board members who are not also members of the board of management of a listed company shall in the future generally be permitted membership of a maximum of eight supervisory boards (including that of Daimler AG), whereby chairmanship of a supervisory board counts double. This maximum number was not exceeded by any member of the Supervisory Board during the reporting year.

Proposals by the Supervisory Board of candidates for election by the Shareholders' Meeting as Supervisory Board members representing the shareholders of Daimler AG, for which the Nomination Committee makes recommendations, shall in the future take into consideration not only the requirements of applicable law, the Articles of Incorporation and the German Corporate Governance Code, but also the aspects described above and aim at fulfilling the overall requirements profile for the Supervisory Board as a whole. On the basis of a target profile that takes into account specific qualification requirements and the above-mentioned criteria, the Nomination Committee creates a shortlist of available candidates with whom it conducts structured discussions in which it also determines whether the candidate in question will have sufficient time available to perform his or her duties on the Supervisory Board with due care. The Nomination Committee then recommends a candidate to the Supervisory Board for its approval and includes an explanation of its recommendation. The foundation for Supervisory Board decisions regarding election proposals to the Shareholders' Meeting is always the Company's interests under consideration of all circumstances in each individual case.

Shareholders and the Shareholders' Meeting

The shareholders exercise their membership rights, in particular their information and voting rights, at the Shareholders' Meeting. Each share in Daimler AG entitles its owner to one vote. There are no multiple voting rights, preferred voting rights, or maximum voting rights at Daimler AG. Documents and information related to the Shareholders' Meeting can be found on our website at daimler.com/ir/am. The Shareholders' Meeting is generally held within four months of the end of a financial year. The Company facilitates the personal exercise of the shareholders' rights and proxy voting in a variety of ways, such as by appointing Company proxies who are strictly bound by the shareholders' voting instructions and who are available during the Shareholders' Meeting. Absentee voting is also possible. It is possible to authorize the Daimler-appointed proxies and give them voting instructions or to cast absentee votes by using the e-service for shareholders.

We maintain close contacts with our shareholders in the context of our comprehensive investor relations and public relations activities. We regularly and comprehensively inform our shareholders, financial analysts, shareholder associations, the media and the interested public about the situation of the Group and inform them without delay about any significant changes in its business. Within reasonable limits, the Chairman of the Supervisory Board is also prepared to talk to investors about specific Supervisory Board issues.

In addition to other methods of communication, we also make extensive use of the Company's website for our investor relations activities. All of the important information disclosed in 2017, including annual and interim reports, press releases, voting rights notifications from major shareholders, presentations, and audio recordings of analyst and investor events and conference calls, as well as the financial calendar, can be found at daimler.com/investors. All the dates of important disclosures such as annual reports and interim reports and the dates of the Shareholders' Meeting, the annual press conference and the analyst conferences are announced in advance in the financial calendar. The financial calendar can also be found inside the rear cover of this Annual Report.

"NON-FINANCIAL FACTORS ARE BECOMING INCREASINGLY IMPORTANT FOR THE GROUP'S SUCCESS!"

On the following pages, we publish for the first time a non-financial report in accordance with Sections 289b – 289e, 315b and c of the German Commercial Code (HGB). This report applies to Daimler AG and to the Daimler Group. It contains the main information on the aspects of environmental, employee and social matters, combating corruption and bribery, and respect for human rights.

E | Non-Financial Report

The information provided in this report is presented in conformity with the GRI Standards of the Global Reporting Initiative, insofar as this complies with applicable law. Some aspects are presented in accordance with internal guidelines and definitions.

Information on our business model page 90 ff of the Annual Report 2017 and on non-financial risks connected with the aspects presented in this report (Risk and Opportunity Report pages 167, 168 of the Annual Report 2017) is provided in the Combined Management Report in the Annual Report 2017.

Further information on our sustainability activities can be found online at daimler.com/sustainability and in our annual Sustainability Report, which can be downloaded there as a PDF data file.

Sustainability at Daimler

For Daimler, acting in line with the principles of sustainability means striving to achieve long-term business success. Sustainability is a basic principle of our corporate strategy as well as a metric for our success as a company. We aim to make our activities compatible with the interests of the environment and society. One of our core tasks is to offer safe, fuel-efficient and low-emission vehicles.

Our Sustainability Strategy 2030

We believe that a long-term sustainability strategy and effective sustainability management are the preconditions for ensuring that we remain one of the world's leading automobile manufacturers in the future. As part of our Group-wide sustainability strategy, we set targets and define target indicators. Taken together, all of these targets form our comprehensive target program for the medium and long terms.

In the year under review we involved the relevant stakeholders in the restructuring of our sustainability strategy and reorganized our priorities with the help of a multistage materiality analysis. We have focused on the areas that are significantly influenced by our business model and our value chain – areas where we can actually bring about change. Our Sustainability Strategy 2030 concentrates on four focal topics:

1. Vehicles
2. Digitalization
3. Mobility services
4. Responsible conduct

Through our Sustainability Strategy 2030, we would like to explicitly help to achieve the Sustainable Development Goals (SDGs) that were approved by the United Nations in September 2015. Our four prioritized focal topics and the sustainability-related activities that underlie them support the following Sustainable Development Goals (SDGs) in particular:

- **SDG 8** – Decent Work and Economic Growth
  By developing and implementing a risk-based management approach to respecting and upholding human rights in our own units and our supply chain, we support the implementation of decent work as defined by SDG 8.
- **SDG 9** – Industry, Innovation and Infrastructure
  Through the advanced development of automated and autonomous driving and the expected benefits for safety and climate protection, we demonstrate the long-term potential of digital innovations.
- **SDG 11** – Sustainable Cities and Communities
  As the global leader for flexible car sharing (car2go), we support the creation of sustainable urban spaces for traffic and community life.
- **SDG 12** – Responsible Consumption and Production
  By significantly reducing and reinforcing the material cycles of primary raw materials that are needed for our e-drive system, we are setting the course for sustainable production models in line with this SDG.
- **SDG 13** – Climate Change
  By setting ambitious targets for reducing the emissions of our fleets, we are helping to protect the planet from the effects of climate change.

The Daimler Sustainability Strategy 2030 determines the structure of our sustainability management activities and our annual sustainability reporting. In addition, when we identified the key aspects to be addressed by this non-financial report, we took the focal topics of our sustainability strategy as our starting point. However, in some cases we emphasize different aspects because of the divergent requirements set by the standards and laws that are relevant to this report.

Sustainable corporate governance
Our sustainability objectives and their management are part of our corporate governance system and are also incorporated into the targets of our executives.

The Corporate Sustainability Board (CSB) is our central management body for all sustainability issues. The CSB is headed by Renata Jungo Brüngger (the Board of Management member responsible for Integrity and Legal Affairs) and Ola Källenius (the Board of Management member responsible for Group Research & Mercedes-Benz Cars Development). The operational work is done by the Corporate Sustainability Office (CSO), which consists of representatives from the specialist units and the business divisions.

Integrity, compliance and legal responsibility are the cornerstones of our sustainable corporate governance and serve as the basis of all our actions. Our Integrity Code defines the guidelines for our daily business conduct, offers our employees orientation and helps them make the right decisions even in difficult business situations. The Integrity Code is supplemented by other in-house principles and guidelines.

The ten principles of the UN Global Compact provide a fundamental guideline for our business operations. As a founding member and part of the LEAD group, we are strongly committed to the Global Compact. Our internal principles and guidelines are founded on this international frame of reference and other international principles, including the Core Labor Standards of the International Labor Association (ILO) and the OECD Guidelines for Multinational Enterprises.

Sustainability in our supply chain
Our commitment to sustainable corporate management does not end at the factory gates. We also urgently require our direct suppliers all over the world to comply with our sustainability standards. Moreover, we expect them to behave with integrity and in conformity with all the applicable rules and regulations. Our direct suppliers are subject to our Supplier Sustainability Standards, which require, among other things, compliance with wide-ranging environmental regulations and respect for human rights. Our direct suppliers commit themselves to observing our sustainability standards, communicating them to their employees and passing them along to their own supplier companies. We support them in these activities by regularly providing them with information as well as training and qualification measures.

To ensure that our direct suppliers comply with the sustainability standards, we regularly conduct a risk analysis of our suppliers according to country and product group. We use regular database research to discover any violations of our sustainability and compliance rules by our current suppliers. We systematically follow up all reports of violations. With the help of an online survey, we also question our main suppliers about their sustainability management and their communication of these requirements to their upstream value chains. On the basis of the results, we reach agreements with our suppliers on improving their sustainability performance.

In the case of suppliers selected on a risk basis, our employees ask specific questions during their on-site assessments concerning compliance with sustainability standards. We also conduct a more thorough assessment whenever this is necessary.

We have established a complaint-management process that enables individuals to draw attention to possible human rights violations at suppliers. In this context, we work together closely with the world employee committee. We bring together all the available information and take action only if the reports are well-founded. The suppliers are requested to respond to the accusations; after that, the responsible management committees assess the facts of the case and take the necessary measures. This can lead up to the termination of a business relationship. In addition to the complaint-management process, information on misconduct can always be submitted to the whistleblower system BPO established by Daimler.
page 229

In the year under review, reports were received concerning suspected violations by suppliers of rules concerning working conditions and the treatment of employees, which we are systematically investigating.

Environmental Issues

Protecting the environment is a primary corporate objective of our Group. Environmental protection is not separate from other objectives at Daimler; instead, it is an integral component of a corporate strategy aimed at long-term value creation. The environmental and energy-related guidelines approved by the Board of Management define the environmental and energy-related policy of the Daimler Group. They also express our commitment to integrated environmental protection that addresses the underlying factors with an impact on the environment, assesses the environmental effects of production processes and products in advance, and takes these findings into account in corporate decision making.

Climate protection

Product development
A vehicle's environmental impact is largely decided during the first stages of its development. The earlier we integrate environmentally responsible product development (Design for Environment, DfE) into the development process, the more efficiently we can minimize the impact on the environment.

For every vehicle model and every engine variant, we have catalogues of specifications that define the characteristics and target values that must be achieved. These specifications include requirements concerning fuel consumption and emissions limit values for CO_2 and nitrogen oxides. During the development process we regularly monitor compliance with these specifications.

In a committee situated directly below the Board of Management level, the managers responsible for each vehicle model series evaluate the results of this monitoring process and decide on any necessary corrective measures. If corrections are needed, the responsible member of the Board of Management is included in the decision-making. If the situation continues to escalate, the managing body of the respective division is also included.

The CO_2 process in vehicle development
All of the divisions integrate all vehicle-related goals, including those that are relevant to the environment, into their vehicle development process according to a similar pattern. The chart ↗ E.01 shows the Mercedes-Benz Development System (MDS) as an example.

In many markets there are fleet targets for the fuel consumption and CO_2 emissions of cars and light commercial vehicles — in other words, overall targets for all the vehicles sold in a given market. The corresponding controlling process for reaching the CO_2 fleet consumption target for Cars Europe (EU 28) is shown as an example.

The key factors for determining the target values for fuel consumption and CO_2 emissions are the technological possibilities, the legal requirements including the fleet targets for fuel consumption, and customer wishes. The body responsible for complying with these goals is the CO_2 steering committee, which is headed by the Board of Management member responsible for Group Research and Mercedes-Benz Cars Development.

The fleet values for CO_2 emissions are calculated on the basis of the fuel economy figures of the vehicles available on the market and the fuel economy specifications and prognoses for vehicles that are still in the development phase. These values are combined with the sales forecasts to arrive at the projected fleet consumption values for CO_2 emissions.

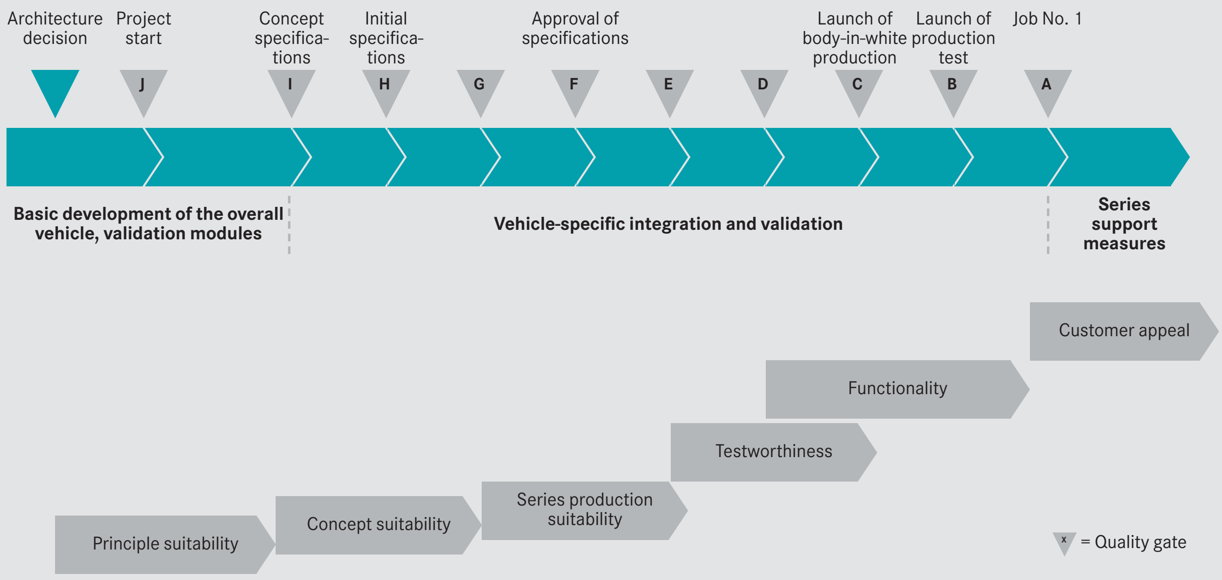
The actual values may deviate from the projected target values because of various external factors such as alterations in the sales structure, changes in the political framework conditions or changes in the fuel consumption target values of the vehicles that are still in the development phase. In case of a deviation, the CO_2 steering committee organizes an assessment of various options and then decides on the measures to be initiated. If the need for adjustment is especially urgent, the process is escalated to the responsible managing body. From a strategic standpoint, this process takes place over a period of approximately ten years.

CO_2 emissions per car: 125 g/km
We are working hard to reduce the fuel consumption of our vehicles. As early as 2015, we were able to reduce the CO_2 emissions of newly registered vehicles from Mercedes-Benz Cars in the EU to an average of 123 grams per kilometer. This means we achieved our 2016 target of 125 g/km ahead of schedule. In 2017, emissions rose slightly to 125 g/km because of the shift in sales toward vehicles equipped with higher-quality appointments.

The new WLTP test cycle
Since September 2017, all of our new car models in Europe have been certified according to the Worldwide Harmonized Light Vehicles Test Procedure (WLTP). This test procedure includes numerous changes compared to the previous New European Driving Cycle (NEDC). The changes include higher average and maximum speeds, more dynamic handling, gliding inertial masses instead of inertia classes, a smaller standstill

E.01

Vehicle product creation process for individual vehicles



share of total fuel consumption, and consideration of optional extras and the quiescent current requirement. Overall, these changes are leading to more realistic, but also higher, fuel economy values.

In order to obtain data that is comparable, the fleet emissions of the individual automakers are now being calculated back from the certification values of the WLTP test cycle to the CO_2 fleet values of the New European Driving Cycle (NEDC). The transition to WLTP basically means for all manufacturers that the requirements regarding a fleet's fuel consumption, and thus its CO_2 emissions, have become much more stringent. However, this transition did not yet have significant effects in 2017. By means of extensive investment in innovative drive technologies and a comprehensive expansion of the product range with more than 50 electrified models, Daimler/Mercedes-Benz Cars is preparing to achieve the more stringent EU targets. At the same time, strong customer demand for SUVs is leading to a shift of the structural mix towards mid-sized and large automobiles, which presents us with a significant challenge to meet the targets of the European Union in 2021.

We continue to work hard to meet all statutory CO_2 requirements, including the very challenging EU limits for 2021. As we often emphasize, the fulfillment of these challenging fleet targets depends not only on offering appealing and highly efficient products with electric drive systems, but also on our customers' actual decisions to buy those models. In order to optimally position ourselves in this respect, we are systematically changing over our product range to the latest engine generations, and are also systematically electrifying our portfolio with plug-in hybrids and all-electric vehicles.
pages 162 ff of the Annual Report 2017

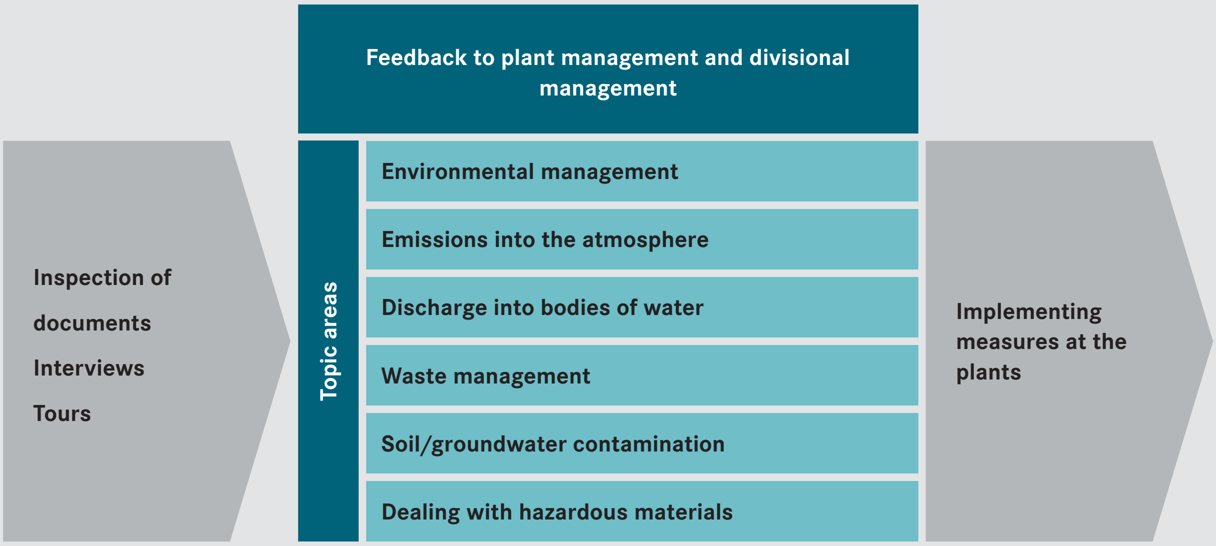
Clean air

New RDE emission legislation

In order to more accurately correlate exhaust gas emissions from real-life driving operation with the threshold values of the test cycle, a new mandatory testing process has been introduced in Europe. Since the introduction of the Real Driving Emissions (RDE) test procedure in September 2017, vehicles must, among other things, have the number of particulates and the concentration of nitrogen oxides determined with the help of a mobile emission measurement system. The new testing process supplements the mandatory exhaust gas tests that are still conducted on test rigs.

The RDE threshold values have applied since September 2017 to newly registered vehicle models. Starting in September 2019, they will apply to all new vehicles. During the first stage, the Euro 6 threshold value for certification may be exceeded by a factor of 2.1. During the second stage, which will start in September 2020 or 2021, the Euro 6 threshold value may be exceeded by a factor of 1.5.

E.02
Methodology for assessing environmental risks



High tech against pollutants
Our goal is to fulfill emission requirements as far in advance as possible and to reduce potential risks for humans and environment. In order to comply with the tougher requirements of the RDE regulations, we have had to make, and are still making, extensive changes, at considerable expense, to the drivetrains of our vehicles. Especially significant in this regard is the exhaust gas aftertreatment near the engine. In the past, for most of the vehicle models of many manufacturers, catalytic converters and diesel particulate filter (DPF) systems were mounted on the underbody of the vehicle, relatively far from the engine. In the new Mercedes-Benz diesel engines, we have successfully managed to position the entire exhaust gas aftertreatment system extremely close to the engine. As a result, the system is heated up very rapidly and doesn't quickly cool off. As a result, the working temperature needed by the system is reached considerably faster. This enables more effective exhaust gas aftertreatment and significantly reduces the NO_x emissions in stationary testing situations and also in the RDE testing procedure in real-life driving operation.

As early as 2016, Mercedes-Benz began offering diesel vehicles that were able to meet the Real Driving Emissions (RDE) limit values long before they went into effect in the EU in 2017. This achievement was made possible by an all-new modular family of efficient and low-emission diesel engines. In the future, this modular engine family will be utilized across the entire product range of Mercedes-Benz Cars and also at Mercedes-Benz Vans. The first engines of this family – the four-cylinder OM654 and the six-cylinder OM656 – are already on the road. The new engines' exemplary emission values have also been validated by measurements conducted at independent institutes.

Plan for the future of diesel vehicles
We are convinced that diesel engines will continue to be an integral part of the drive-system mix, not least due to their low CO_2 emissions. For this reason, the Daimler Board of Management approved a comprehensive plan for the future of diesel engines in July 2017. The plan calls for a massive expansion of the previously introduced voluntary service measures for vehicles already in customers' hands, as well as the rapid market launch of a completely new diesel engine family. As early as March 2017, Mercedes-Benz began offering its compact-class customers an improvement in NO_X emissions for one engine variant. The company is also carrying out voluntary service measures for V-Class customers. In order to effectively lower the emissions of other model series, we decided in July 2017 to extend the service measures, which are free of charge for our customers, to encompass more than three million Mercedes-Benz vehicles at a cost of approximately €285 million. The measures are being carried out for most Euro 5 and Euro 6 vehicles in Europe and other markets in close cooperation with vehicle registration authorities.

Additional measures were added to this initiative for better air quality following a summit meeting between the government and the automotive industry in Berlin in August 2017. In order to modernize the fleet of vehicles on the road effectively, we are offering owners of Euro 1 to Euro 4 diesel cars an "environment bonus" of €2,000 if they trade in their vehicles for a new Euro 6 diesel-powered car or a plug-in hybrid from Mercedes-Benz. We are also supporting the introduction of vehicles that meet the stricter emission limits of the RDE testing procedure.

Daimler is participating in the mobility fund that has been jointly launched by the German government and German industry, in line with our company's market share. This fund will primarily be used to finance measures that improve traffic flows in inner cities.

Conservation of resources

Consistently high recyclability
To make our vehicles more environmentally friendly, we are working to continuously reduce the resources our automobiles consume over their entire life cycles.

During the development process of a vehicle, we prepare a recycling concept for each vehicle model in which all of its components and materials are examined with a view to their suitability for the various stages of the recycling process. As a result, all Mercedes-Benz car models are up to 85% recyclable and up to 95% recoverable.

The key aspects of our activities in the area of recycling are:
- the resale of tested and certified used parts through the Mercedes-Benz Used Parts Center (GTC),
- the remanufacturing of used parts, and
- the workshop waste disposal system MeRSy (Mercedes-Benz Recycling System).

Production-related environmental protection

Our commitment to the environment is an integral component of our corporate strategy, which focuses on increasing the value of the company over the long term. For this reason, we have established environmental management systems at our manufacturing locations with the goal of ensuring that we can produce our vehicles safely, efficiently and at a high level of quality in an environmentally friendly manner that complies with all legal stipulations. We also carry out environmental risk assessments at all production locations in which the Group has a majority interest in the ownership structure.

We have achieved a high level of air quality control, climate protection and resource conservation (in terms of water consumption, waste management and soil conservation). We intend to maintain this high level with the help of the Daimler Group standards. The environmental and energy-related guidelines approved by the Board of Management define the environmental and energy-related policy of the Daimler Group. The guidelines also express our commitment to integrated environmental protection. That begins with the assessment of the causes of environment problems and takes into account the environmental effects of production processes and products as early as the planning and development phases.

Environmental protection measures at our production locations are coordinated across business units by three regional committees (Germany/Europe, North and South America, and Asia) that are centrally managed. These measures are regulated in line with a Group guideline and organizational and technical standards.

The environmental measures are monitored by external auditors (ISO 14001 certification, EMAS validation) and by internal environmental risk assessments (the due diligence process).

We conduct training sessions through the respective local organizations. The important content of our training sessions includes water pollution control, wastewater treatment, emergency management in case of environmentally relevant malfunctions, and the planning of plants and workplaces in accordance with environmental protection principles.

Minimizing environmental risks
In 1999 we developed a methodology for assessing environmental risks (environmental due diligence) as a tool for preventing risks to the environment and complying with statutory requirements. We have applied this methodology throughout the Group since 2000, both internally and also externally in connection with our acquisition plans. During this period we have conducted three complete risk assessments at the Daimler production plants of Mercedes-Benz Cars, Mercedes-Benz Vans, Daimler Trucks and Daimler Buses. The results of these assessments were reported to the management of the locations, and summaries were provided to the management of the respective divisions. The fourth round of environmental risk assessments began in 2014. A number of new risk aspects have been integrated into the topic areas. Nonetheless, we have not changed the methods or the tools, because we want these results to be comparable with the results of the assessments that have already been carried out. ↗ E.02

In this way, all the production locations are being visited and assessed in five-year cycles according to well-established and standardized procedures. The results are reported to the plant and divisional managements, and the Group annually assesses the implementation of the recommendations for minimizing risks at the locations. In this way, we are striving to enforce the high environmental standards to which we have committed ourselves at all of our production locations around the world.

In 2017 we were also able to audit all the locations of the Daimler Buses division. The most important results were in the areas of rainwater pollution and rainwater drainage, as well as the proper storage of hazardous substances.

Mobility services

In addition to our products' high level of environmental compatibility and our environmentally friendly and efficient production processes, we also strive to provide innovative mobility services on the road to emission-free driving. That's why we have developed a range of pioneering mobility concepts and are forging ahead with innovative approaches – from the carsharing provider car2go and the mobility platform moovel to the taxi app mytaxi and our participation in the coach company FlixBus and the Bus Rapid Transit (BRT) system. Recent additions to this list were the service portal Blacklane and Croove, a car rental service operated by and for private individuals.

Employee Issues

The success of Daimler AG and its subsidiaries is largely dependent on the skills and commitment of our employees. More than 289,000 people promote our company's success worldwide by contributing their concepts and ideas to their respective tasks and work processes and by helping to make improvements and create innovations. Trusting relationships with employees are therefore more than just an ethical and legal requirement for us – without them we would not be able to conduct our business successfully.

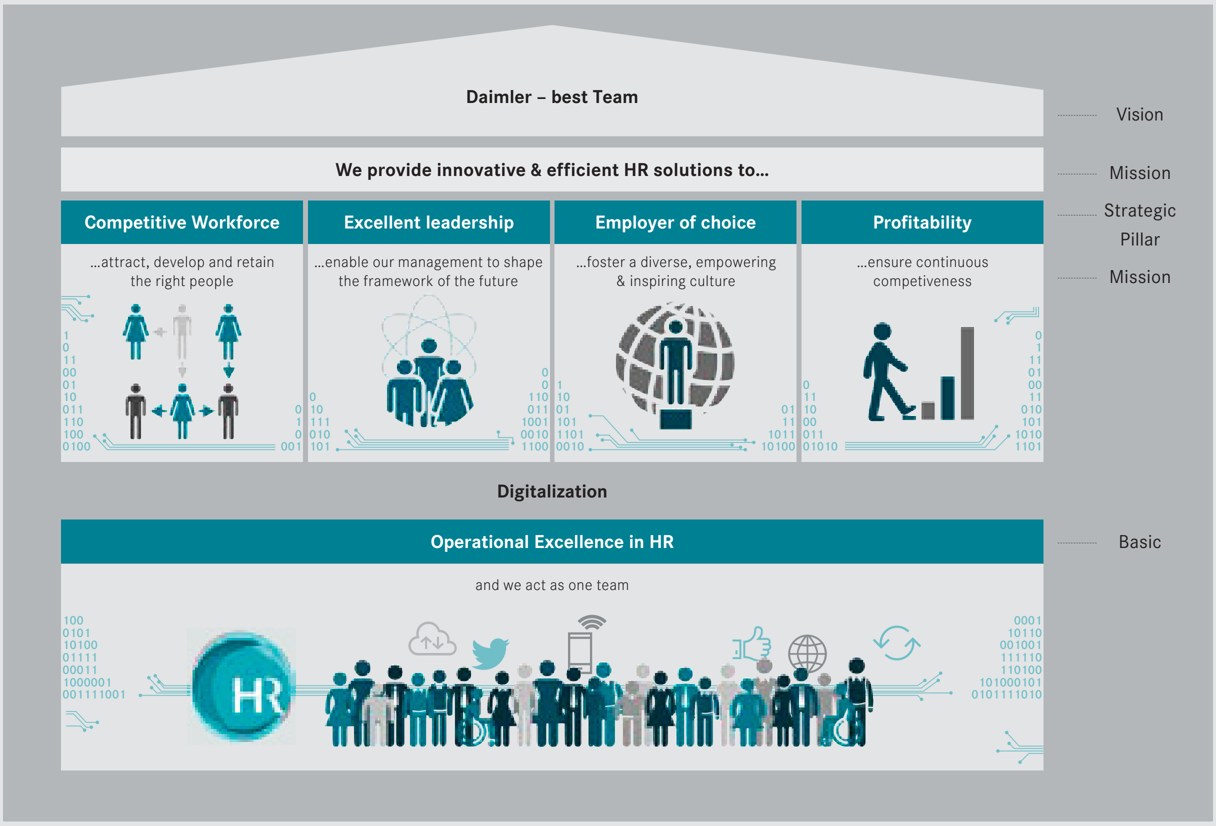
General figures regarding the development of our workforce numbers can be found in the Employees section of the Management Report. page 128 f of the Annual Report 2017

In order to recruit, develop and retain highly qualified staff, we are continuously striving to further improve our attractiveness as an employer. Because our managers should motivate their employees to achieve top performance, it is crucial that we equip our managers with outstanding leadership skills. In addition, we want to take on social responsibility and let diversity flourish in our global company.

A professional HR organization and efficient operating processes form the basis for the implementation of these overarching goals, from which we have derived key areas of action that are linked to clearly defined objectives.

The main control tool we use is our HR Scorecard, which uses key performance indicators concerning demographic development, diversity and sick rates to provide information about the sustainability of human resources measures and processes in the individual areas of action.

E.03
HR Strategy 2025



Partnership with the employees

We want to work together with our employees as partners, respect their interests and get them involved in the company by continuously providing them with information and enabling them to participate in decision-making processes. To achieve these goals, we are guided not only by the International Labor Organization's (ILO) work and social standards but also by our "Principles of Social Responsibility." In these principles, we commit ourselves, among other things, to respect key employee rights, ranging from the provision of equal opportunities to the right to receive equal pay for equal work. Violations of these principles can be reported to the whistleblower system BPO, which adresses further investigations to the pertinent units.

Our employees have the right to organize themselves in labor unions. We also ensure this right in countries in which freedom of association is not legally protected. We work together constructively with the employee representatives and the trade unions. Important partners here include the local works councils, the European Works Council and the World Employee Committee (WEC). We have signed collective bargaining agreements for all of the employees at Daimler AG, and this also applies to the majority of our employees throughout the Group. In a variety of committees, we regularly inform the employee representatives about the economic situation and all of the key changes at Daimler AG and the Group. We conclude agreements with the respective workers' representative bodies concerning the effects of our decisions on the employees. In Germany, comprehensive regulations to this effect are contained in the Works Council Constitution Act. We notify our employees about far-reaching changes early on.

One result of the ongoing dialogue between the corporate management and the employees' association was the renewal of the company-wide "Safeguarding the Future of Daimler" agreement in 2015. This accord, which is valid until 2020, enables the company to respond to the "future plan" agreements that have been reached at many of the locations of Daimler AG with concrete investment commitments, flexible personnel assignment models and the possibility of selectively increasing staffing requirements. As a result, we can make use of market opportunities and better absorb fluctuations in demand. The company-wide agreement essentially protects all of the employees of Daimler AG in Germany from being laid off until the end of 2020. The expansion of this Safeguarding the Future agreement is also an integral part of ~~the~~ "Project Future" and is being implemented in close cooperation with the employee representatives. If "Project Future" is implemented, Daimler AG's Safeguarding the Future agreement will be extended until 2029, thus in principle excluding terminations for operational reasons until December 31, 2029. Another key point of this reconciliation of interests for the employees is the nearly full funding of the pension obligations. With regard to the latter, Daimler contributed €3 billion to Daimler AG's German pension assets in the fourth quarter of the year under review.

High attractiveness as an employer

Our activities and measures for enhancing our attractiveness as an employer are designed to enable us to recruit and retain a sufficient number of specialized employees and qualified managers in the competition for talented staff. Our primary objectives here are to ensure attractive and fair compensation and to establish and maintain a work culture that enables outstanding performance and a high level of motivation and satisfaction among our employees and managers.

Attractive and fair remuneration
We remunerate work in accordance with the same principles at all our affiliates around the world. Our Corporate Compensation Policy, which is valid for all groups of employees, establishes the framework conditions and minimum requirements for the design of the remuneration systems. Internal audits are conducted on a random basis to make sure these conditions and requirements are met. In our desire to offer salaries and benefits that are customary in the industry and the respective markets, we also give consideration to local market conditions within the specified framework. The salaries are determined on the basis of the employees' tasks and performance, and in line with their qualifications and experience. In setting the remuneration of the employees we are not guided by gender or place of origin, but exclusively by the employee's job and responsibility.

The general remuneration level is significantly above the legal minimum wages that apply to many locations. In cases where Daimler AG and its Group companies have signed collective bargaining agreements, they often also offer voluntary benefits that are agreed upon with the respective employees' associations. These benefits primarily consist of employer-funded retirement contributions as well as profit-sharing agreements for the respective company. For example, the eligible employees of Daimler AG will receive a profit-sharing payout of €5,700 (2016: €5,400) for 2017. In addition, our employees can avail themselves of a wide variety of sports facilities and social amenities, ranging from daycare centers to the counseling service for people in extreme situations.

In 2017, the Group spent €18.2 billion (thereof Daimler AG: €11.5 billion) on wages and salaries, €3.3 billion (thereof Daimler AG: €1.8 billion) on social welfare services, and €0.7 billion (thereof Daimler AG: €0.6 billion) on retirement benefits for a workforce numbering 289,530 on average (thereof Daimler AG: 151,091).

Modern working conditions
Working conditions are being increasingly influenced by working hours, workplaces, the work environment, the level of employee empowerment and a state-of-the-art management culture. The length of our employees' workweek is generally regulated by the company or by a collective bargaining agreement. In Germany, overtime is only performed within the framework of a requirements planning forecast and has to be approved by the employee representatives. In general, we allocate working times in such a way that remuneration remains stable even if the amount of work sometimes fluctuates. This is made possible by a time-account system.

Flexible working arrangements

Today's living and working conditions require working times to be flexibly organized in accordance with individual needs. Our approach is therefore to challenge our employees to achieve top performance and support their efforts to do so, rather than focusing on their mere presence at work. For this reason, we also seek to improve performance by helping employees and managers reconcile their professional and personal responsibilities.

We also boost employees' flexibility and self-determination by giving them the opportunity for mobile working. An associated company agreement has been in force at Daimler AG since December 2016. The agreement gives employees the right to mobile working if the task permits.

We also promote job sharing, in which two employees share the same task/position and work together up to 60 hours per week. This provides managers in particular with a means of reconciling the needs of work and family.

Furthermore, company agreements at Daimler AG enable employees to suspend their careers for several years for a qualification program or a sabbatical or to provide home care — with the promise that they can return to Daimler AG afterwards.

We encourage all employees who take parental leave to subsequently return to their jobs at the company because we value their knowledge and experience. In Germany, we offer 710 places in daycare centers in close proximity to our company locations as well as more than 180 reserved places at cooperating facilities. In addition, we cooperate with a third party that assists employees in finding childcare providers.

In 2017, around 3,950 employees at Daimler AG availed themselves of the opportunity to take parental leave. Moreover, around 500 employees took advantage of the opportunity to take off work for a prolonged period. In mid-2017, more than 160 employees were working in job-sharing positions at the team and department levels.

Leadership 2020 — further development of the management culture

Our business is changing at a rapid pace. In order to remain successful in the future, we are changing our management culture and the way we cooperate. This is why we launched the Leadership 2020 initiative in 2016. Employees from more than 40 countries and all levels of management are currently working on Daimler's future management culture. Guidance is provided by new management principles that, among other things, make the company faster and more flexible and boost its innovative potential. Procedures, processes and structures are being called into question and changed in eight "game changers." In its meetings, the Board of Management of Daimler AG regularly discusses the initiative's progress and decides which measures need to be taken.

Successful employee survey

Our Group-wide employee survey is a key indicator of where we currently stand from the point of view of our employees, and what we need to do to improve the company in the future. In September 2016, nearly 263,000 employees in more than 40 countries were invited to participate in the survey and express their opinions to us. The outstanding participation rate of 76% underscores our employees' interest and their willingness to actively help shape the further development of the company. Overall, the results of the survey were much better than those from previous years. Some of the production facilities in certain countries identified areas of action for the reconciliation of the needs of work and family, communication, individual development opportunities and working conditions. These topics are now being addressed during the follow-up process. In 2018, we will reorganize the employee survey in order to measure and promote the company's continued cultural development.

Our employees' great loyalty to the company is also expressed by the amount of time they have worked for Daimler. During the year under review the average number of years our employees have worked for Daimler decreased slightly to 16.1 years (2016: 16.3 years). In Germany, employees had worked for the Group for an average of 19.5 years at the end of 2017 (2016: 19.5 years). The comparative figure for Daimler AG was 20.3 years (2016: 20.1 years). Daimler employees outside Germany had worked for the Group for an average of 11.0 years (2016: 11.3 years). In 2017, our labor turnover amounted to 5.1% worldwide (2016: 6.7%).

A competitive workforce

We can only be successful if we have a skilled and high-performing workforce. We therefore aim to continuously develop our employees and make sure they stay competitive. We are pursuing this goal by implementing measures in four overarching areas of action: diversity management, the securing of young talent, qualification, and health management and occupational safety.

Diversity management

Daimler promotes the diversity and heterogeneity of its employees, because they serve as the basis of a high-performing company. As a result, diversity management is included in our corporate strategy. The various skills and talents of our workforce enable us as a global company to effectively reflect the diversity of our customers, suppliers and investors around the world.

Daimler's more than 289,000 employees from over 160 countries provide the Group with a vibrant mixture of cultures and ways of life. We utilize this diversity to put together optimized teams. Most of our managers abroad come from the respective regions. We promote the cultural diversity of our employees with worldwide staff assignments, mentoring, intercultural skills training and targeted recruiting measures. International candidates account for more than one third of the people recruited through our CAReer trainee program.

Our aim is to increase the share of women in management positions to 20% by the year 2020. More than 17% of our executives in middle and upper management currently are women. For Daimler AG, we signed a company-wide agreement for the advancement of women. It stipulates a target corridor for the proportion of women in the total workforce, in vocational training and in Level 4 and 5 management positions. In order to achieve our goals, we have installed an ongoing internal reporting and planning system.

The age differences at the company will rise in the future due to the increase in the retirement age and the extension of people's working lives. The average age of our global workforce in 2017 was 42.8 years (2016: 42.7). Our employees at Daimler AG were 44.7 years old on average (2016: 44.5). Demographic development will cause the average age to continue to rise in the years ahead. However, the proportion of older employees will decrease again over the long term because many baby boomers will retire from the company. We consider this transformation to be an opportunity, and we are adjusting the framework conditions accordingly. Our generation management system focuses on measures for maintaining the performance and health of younger and older employees as well as for promoting cooperation between people of different ages.

Once every quarter, the Board of Management discusses our diversity management activities and the associated results. We also hold discussions with external stakeholders as part of our involvement in the Diversity Charter, of which we are a founding member.

Securing young talent

Daimler takes a holistic approach to securing young talent. Our "Genius" initiative gives children and teenagers valuable insights into future technologies and information about jobs in the automotive industry. Along with technical and commercial apprenticeships and courses of study at the Cooperative University, we also conduct various activities that address young talents. We offer extensive possibilities to personally interact with the company via social media, hackathons, competitions and internships. After completing their college degrees, graduates can directly join our company or launch their careers at Daimler by taking part in our global CAReer training program.

In 2017 we hired 97 trainees through our CAReer program. About 47% of the trainees were women and more than one third were international participants.

We recruit most of the young talent we need through our industrial-technical and commercial apprenticeships and the courses of study at the Cooperative University, which had 194 students in 2017.

At the end of 2017, we had 8,097 trainees throughout the Group (2016: 7,960), 4,409 (2016: 4,824) of them at Daimler AG. During the year under review, 1,278 (2016: 1,662) young people began an apprenticeship at Daimler AG; 1,197 (2016: 1,448) were hired after completing their apprenticeships. The costs for vocational training for Daimler AG totaled €114 million in 2017 (2016: €110 million).

Programs such as "Facharbeiter im Fokus" and the new team leader development program ensure that employees are extensively qualified according to uniform standards. The participants are given the opportunity to obtain good career prospects and plan concrete development goals. Our company's sustained success is closely linked to the high quality of our managers.

E.04
Share of women

	2017	2016
In percent		
Share of women (worldwide)	**18.5**	17.7
Share of women (Daimler AG)	**16.1**	15.5
Share of women in Level 4 management positions (Daimler AG)	**18.0**	17.2
Women in senior management positions Levels 1–3 (worldwide)	**17.6**	16.7
Share of women at the second management level below that of the Board of Management (Daimler AG)	**11.9**	12.4
Share of women at the first management level below that of the Board of Management (Daimler AG)	**8.7**	8.1
Share of women on the Board of Management	**25.0**	12.5
Share of women on the Supervisory Board	**25.0**	25.0

E.05
Accident figures[1]

		2017	2016
Incidence of accidents			
Number of accidents (worldwide)		**2,766**	3,444
Incidence of accidents (worldwide, number of work-related accidents that resulted in at least one lost day per 1 million hour of attendance)	Rate	**7.5**	9.4
Accident downtime (worldwide, number of lost days per 1 million hours of attendance)		**106**	123
Number of deaths as a result of work-related accidents		**1**	4
Number of employee deaths as a result of work-related accidents		**0**	2
Number of deaths of third-party employees as a result of work-related accidents[2]		**1**	2

1 Coverage rate of Daimler production locations (Mercedes-Benz Cars, Daimler Trucks, Daimler Buses, Mercedes-Benz Vans) worldwide: >98%.
2 Unfortunately, a third-party employee suffered a fatal work-related accidents in the United States in 2017.

That's why we focus especially on the development of talented young managers. We validate young employees' leadership potential in our PV44 in-house assessment center, which uses a uniform standard for all of our locations.

The Board of Management member responsible for human resources regularly receives reports about the measures and results of our training activities and the development paths of the people who enter the company via our CAReer program.

Qualification
We provide our staff with training and continuing education opportunities for their professional and personal development throughout their careers. At least once a year, employees discuss qualification topics with their managers and agree on appropriate measures. The company agreement on qualification regulates continuing education at Daimler AG. This agreement also stipulates that employees can leave the company for up to five years in order to learn additional skills and are guaranteed that they can return. In 2017, around 370 employees availed themselves of this opportunity.

Our production locations are responsible for the qualification of managers and specialized employees in manufacturing. The Global Training unit safeguards and increases the skills of our employees at the Mercedes-Benz sales organization by having 700 trainers instruct about 200,000 participants each year at 100 training locations in 80 countries around the world. A total of 1.2 million training courses are held each year. The Daimler Corporate Academy program helps the Group develop a new management culture and world of work. In 2017, the Corporate Academy enabled a total of 63,000 specialized employees and managers from more than 50 locations to develop themselves further personally and professionally. At Daimler AG, we spent €121 million on the training and qualification of our employees in the year under review (2016: €122 million). On average, every employee spent three days on qualification courses in 2017 (2016: three days).

Health management and safety at the workplace

We want to maintain our employees' health and physical well-being for the long term. To this end, the Daimler Group has uniform preventive healthcare standards in place worldwide.

As part of Daimler AG's health management approach, we develop and implement anticipatory solutions that range from the job-related “Daimler GesundheitsCheck” and the ergonomic design of workstations to the IT system that makes it easier to permanently reintegrate employees suffering from limitations imposed by their health.

Our Health & Safety unit is responsible for occupational health and safety, company health-promotion efforts, ergonomics, counseling service and integration management. Health management and work safety are also governed by our risk management systems.

Company health promotion is aimed at motivating employees to develop healthy lifestyles and reinforcing their sense of personal responsibility regarding health issues. This objective is promoted worldwide with the help of campaigns, counseling and qualification offerings, as well as therapeutic and rehabilitation measures. All of our plants in Germany have health centers on their premises or cooperate with health centers located near the plants.

Occupational safety is firmly embedded at all levels of Daimler and is addressed by an extensive portfolio of measures for the prevention of work accidents, work-related illnesses and occupational diseases. Our Center of Competence Safety creates the associated Group-wide guidelines. We have standardized key occupational health and safety processes in order to enable the creation and advancement of integrated processes and systems. Every manager at Daimler is responsible for ensuring that all internal guidelines and legal requirements for occupational health and safety are complied with.

Every organizational unit within the Daimler Group has to approve and pursue occupational safety objectives on a regular basis in accordance with our globally valid occupational health and safety guidelines and occupational safety strategy and the results of internal audits and reviews. The content and criteria of our internal occupational safety management system correspond to the standards of BS OHSAS 18001 and are regularly updated.

The Board of Management receives a Health & Safety report at regular intervals and is, among other things, given monthly updates about the frequency of accidents. A Group crisis unit, in which the Board of Management is also involved, enables Daimler to respond quickly to various incidents such as serious accidents and pandemics.

Social Issues

As a global automotive company, we operate in an environment that is subject to a variety of societal, social and political influencing factors. In order to ensure we can continue operating effectively in the future, we need to make our company's interests understandable to governments and society, and also address the concerns of social groups. We therefore regularly share information with our stakeholders and communicate our interests in an open and fair dialogue with governments and political representatives.

Stakeholder dialogue

We seek to engage with all stakeholders in order to share views and experiences and discuss controversial issues in a constructive manner. Our goal here in every situation is to achieve a fruitful dialogue that benefits all parties.

We define stakeholders as individuals and organizations that have legal, financial, ethical or ecological expectations regarding Daimler. One of the criteria for identifying and weighting stakeholders is the extent to which a person or group is affected by our company's decisions or, conversely, can influence such decisions. Our primary stakeholders are our employees, customers, creditors and shareholders, as well as our suppliers. However, we also communicate regularly with civil groups such as NGOs, as well as with analysts, professional associations, trade unions, the media, scientists, politicians, municipalities and residents and neighbors in the communities where we operate.

Dialogue at the Group level
In order to maintain effective relationships with our stakeholders, we have defined areas of responsibility, communication channels and dialogue formats that are valid throughout the Daimler Group. Our Corporate Responsibility Management department is responsible for establishing an institutionalized and proactive dialogue with our stakeholders. This dialogue is then coordinated by our Corporate Sustainability Board and the Corporate Sustainability Office. The central format for our stakeholder dialogue is the Daimler Sustainability Dialogue, which has been held annually in Stuttgart since 2008 and brings various stakeholder groups together with representatives of our Board of Management and executive management. Each Sustainability Dialogue event focuses on sharing ideas in a variety of themed workshops. The Daimler representatives obtain feedback from the external participants and work together with the stakeholders to achieve agreed-upon targets throughout the course of the year. They then report at the event in the following year on the progress made in the interim. We held our tenth Daimler Sustainability Dialogue in Stuttgart during the year under review.

In order to discuss local challenges and promote the implementation of sustainability standards around the world, we organize Daimler Sustainability Dialogue events in other countries as well. Such dialogue events have been held in China, Japan, the United States and Argentina. During the year under review, external experts and stakeholders also attended the fifth Daimler Sustainability Dialogue in Beijing, where they spoke to Daimler representatives about environmental protection, economics, human resources, and integrity and legal affairs.

The **Advisory Board for Integrity and Corporate Responsibility** has been an important source of input for Daimler since 2012. The board's independent members from the fields of science and business, as well as from civic organizations, utilize an external point of view to offer critical and constructive support for the integrity and corporate responsibility process at Daimler. Board members have extensive experience with issues related to ethical conduct and transportation and environmental policy and contribute their different points of view to discussions. The board holds regular meetings with members of the Board of Management and other Daimler executives. During the year under review, the Advisory Board also held a joint meeting with the Board of Management and the Supervisory Board. Meetings of the Advisory Board during the reporting year focused on current topics and challenges, including ethical aspects in connection with autonomous driving, methods for measuring progress with regard to integrity, the current debate on emissions, Daimler's approach to respecting human rights, and the development of a management culture for the digital age.

We also utilize online and print media, discussions with experts, workshops, local and regional dialogue events and stakeholder surveys for our dialogue with stakeholders. For example, as part of the process for validating our new Sustainability Strategy 2030, we once again conducted an extensive online survey of our stakeholders in 2017. This survey basically confirmed the prioritization of focus topics carried out within the framework of our strategy process. Representatives from various specialist units at Daimler-participate in associations, committees and sustainability initiatives such as the UN Global Compact and econsense – Forum for Sustainable Development of German Business. We also stage interdisciplinary conferences as a way to conduct an active dialogue with stakeholders. One example is the second specialist conference on ethics and the legal situation with regard to autonomous driving, which was held in October 2017.

We regularly receive inquiries from stakeholders concerning various sustainability-related topics. These inquiries are addressed directly by specific specialist departments and units in a decentralized manner. This approach brings our stakeholders closer to our business operations and enables specialized knowledge to be directly incorporated into the dialogue. Reports on stakeholder inquiries are also presented in the meetings of our Sustainability Board and Sustainability Office. These reports are used to formulate key strategic policies for sustainability management. The Sustainability Board and the Sustainability Office also serve as coordination centers for dialogue with our stakeholders on interdisciplinary issues.

Dialogue on the local and regional levels

We also engage in a dialogue with the stakeholders at our locations. One example here is our planned Testing and Technology Center in Immendingen on the Danube. We sought to engage in a dialogue with the people in the region and address their concerns from the very beginning. Our Daimler Forum Immendingen also makes it possible for local residents to obtain information on the status of the project at any given time.

In connection with specific occasions and projects, we address questions, concerns, criticism and suggestions made by stakeholders at our locations and conduct an open-ended dialogue with them. We also stage proactive dialogue and information events on current topics. The results of all of our dialogue measures are incorporated into decision-making and decision-implementation processes at the company.

Political dialogue and representation of interests

As a company with global operations, we have to deal with a wide range of political changes and decisions that impact our business activities. In order to safeguard the future of the Daimler Group, it is therefore important that we represent the interests of our company in an open dialogue with governments, associations, organizations and various groups in society. Conversely, such a dialogue also allows us to hear their concerns and consider their interests.

Our principles for political dialogue and communicating our interests form the basis of responsible lobbying in compliance with all laws and regulations. This also includes the idea of maintaining neutrality when dealing with political parties and representatives of interest groups.

The aim of our discussions with political decision-makers is to achieve greater planning security and contribute our ideas to processes of social change. We focus here on issues such as vehicle safety, emission regulations, new mobility concepts and electric mobility. Other important issues include trade policy, location-specific matters, education and human resources policy.

The management guideline on Lobbying and Political Donations governs, among other things, the use of lobbying instruments and other methods for making our interests known in the political realm. We represent the company's interests through dialogue with decision-makers, including elected officials or politicians who have been nominated for office, government officials, and representatives of political interest groups, trade organizations, business associations and government agencies. Participation in specialized government committees and product sales to ministries, government agencies and diplomatic missions are part of our business operations and therefore not considered a component of lobbying.

Our central coordinating body for political dialogue at the national and international levels is the External Affairs and Public Policy department, which falls under the responsibility of the Chairman of the Board of Management. This department operates a global network with offices in Berlin, Brussels, Beijing, Singapore, Stuttgart and Washington and also has corporate representations in other key markets. In order to ensure that political lobbying activities are coordinated, and also to avoid political target groups being addressed in an uncoordinated manner, employees in the External Affairs and Public Policy department must be registered.

The Group-wide Lobbyists Register ensures that political lobbying is carried out in accordance with applicable regulations and ethical standards. The register also helps us meet the registration requirements of public institutions.

As in previous years, Daimler AG made donations totaling €320,000 to political parties in 2017. Of this total, the CDU and SPD each received €100,000, and the FDP, CSU and Bündnis 90/the Green Party €40,000 each. All donations to political parties require a Board of Management resolution.

E.06

Sample stakeholder dialogue instruments

Information	Dialogue	Participation
– Annual Daimler Sustainability Report and regional sustainability reports (e.g. Daimler China Sustainability Report) – Blogs and social media – Intranet and internal communication – Press and public relations work – Plant tours, receptions, Mercedes-Benz Museum – Sustainability newsletter and magazines – Environmental statements of the plants	– Annual Daimler Sustainability Dialogue (Germany/regions) – Group-wide internal integrity dialogue – Conferences on social issues; debates – Daimler Supplier Portal – Membership in sustainability initiatives and networks – Local dialogue with residents and communities – Dialogue concerning specific occasions and projects – Board of Management involvement in the Ethics Commission on Automated and Connected Driving (German Ministry of Transport and Digital Infrastructure) – New dialogue formats for future-oriented issues: think tanks, hackathons, idea competitions	– Stakeholder survey and materiality analysis – Advisory Board for Integrity and Corporate Responsibility – Peer review within the framework of sustainability initiatives such as the UN Global Compact – Consultation of stakeholders in thematic working groups (environment, human rights etc.)

Compliance

Compliance is an indispensable part of the culture of integrity at Daimler. For us, compliance means acting in conformance with laws and regulations. Our objective here is to ensure that all Daimler employees worldwide are always able to carry out their work in a manner that is in conformance with applicable laws, regulations, voluntary commitments and our basic values, as set out in binding form in our Integrity Code. Our activities focus on compliance with all applicable anti-corruption regulations, the maintenance and promotion of fair competition, adherence to legal and regulatory stipulations related to product development, respect for and preservation of human rights, compliance with data protection laws, compliance with sanctions lists and the prevention of money laundering.

Our Compliance Management System

Our Compliance Management System (CMS) consists of basic principles and measures intended to ensure rule-based behavior throughout the company. The CMS is based on national and international standards and is applied on a global scale at all Daimler AG units and majority holdings. The CMS consists of seven elements that build on one another. ↗ E.07

Our compliance values and goals
Our Compliance Management System (CMS) is designed to help Daimler and its employees avoid inappropriate or illegal behavior. The measures needed for this are defined by Group Compliance and the Legal department in a process that also takes the company's business requirements into account.

Our compliance organization
Group Compliance and the Legal department play a major role in ensuring that applicable regulations are adhered to throughout the Group. Our compliance organization is structured in a divisional and regional manner, while our Legal department is organized regionally and along the value chain. These structures enable us to provide optimal support and advice to our divisions. A contact person is made available to each function, division and region. In addition, a global network of local contact persons make sure that our standards are met throughout the Group and also help local management at selected Daimler facilities and sales companies implement our compliance program.

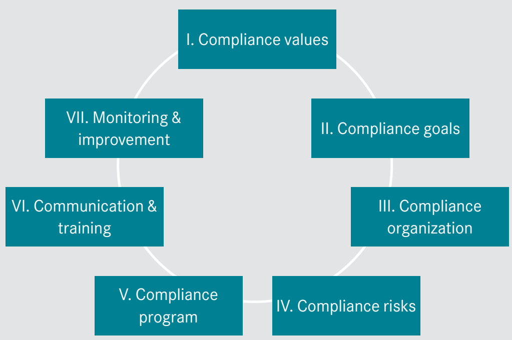
Compliance risks
We systematically pursue the goal of minimizing compliance risks, and we analyze and assess the compliance risks of all our business units every year. These analyses are based on centrally compiled information on all business units and take into account specific additional details in line with the given risk assessment. The results of the analyses form the basis of our risk management.

Compliance program
Our compliance program comprises all the principles and measures designed to reduce compliance risks and prevent violations of regulations and laws. The individual measures, which are based on the knowledge gained through our systematic compliance analyses, focus on the following aspects:

The **whistleblower system BPO (Business Practices Office)** enables Daimler employees and external whistleblowers to report misconduct anywhere in the world. The BPO is available around the clock to receive information that is sent by e-mail or normal mail. Such information can also be provided to the BPO by calling an external toll-free hotline or by filling out a special form. Reports can be submitted anonymously if local laws permit this. In Germany, reports to the BPO can also be submitted via a neutral intermediary, who in this case is an independent external attorney. The information provided to the BPO enables us to learn about potential risks and specific violations and thus prevent damage to the company and its reputation. A globally valid corporate policy aims to ensure a fair and transparent approach that takes into account the principle of proportionality for the affected parties, while also giving protection to whistleblowers. In an effort to increase trust in our whistleblower system and make it even better known within the Group, we have established a continuous communication process that includes the periodic provision of information to employees about the type and number of reported violations, as well as the staging of informational and dialogue events at our locations.

A total of 95 new BPO cases were opened in 2017. During the year under review, 96 cases were closed, 61 of them "with merit," which means the initial suspicion was confirmed. Three of these cases were categorized as "corruption."

E.07
Daimler Compliance Management System (CMS)



With regard to those cases that are closed “with merit,” appropriate response measures are decided in line with the principles of proportionality and fairness. Such measures are only taken if the investigation of the case in question leaves no doubt of misconduct on the part of the accused individual(s). Measures taken in 2017 included the issuing of verbal and written warnings and final warnings, as well as seperation agreements and extraordinary terminations. In some cases, there were claims for damages, while in others those guilty of violations stepped down voluntarily.

Compliance on the part of our business partners. We also require our business partners to adhere to clear compliance requirements because we regard our business partners’ integrity and behavior in conformity with regulations as an indispensable precondition for trusting cooperation. In the selection of our direct business partners, we therefore ensure that they comply with the law and observe ethical principles. In financial year 2017, we began reviewing our standardized process for examining all of our business partners (Business Partner Due Diligence Process) and implementing ongoing monitoring measures to increase process effectiveness and efficiency. Back in 2016, we published a “Compliance Awareness Module” that can be made available to our business partners on request and is designed to increase their awareness of the latest compliance requirements. We also reserve the right to terminate cooperation with business partners who fail to comply with our standards. For the expectations we place on our business partners, see also daimler.com/nh/ugb.

Communication and training

Our extensive training courses are based on our Integrity Code. The integrated training program is defined on the basis of an annual planning cycle that includes everything from a needs analysis to the implementation of the program and a monitoring process. Among other things, the program covers the topics of integrity, compliance (including corruption prevention and technical compliance), data protection and antitrust law. Depending on the risk and the target group, we use classroom training or digital learning techniques such as web-based training courses.

Every employee with e-mail access who works at a Daimler-controlled company can participate in a web-based and target group-focused training program consisting of several modules – a basic module, a management module (for managers) and expert modules on antitrust law, data protection, procurement, sales, and non-cash rewards for employees etc. This program is being continuously expanded in line with the requirements of specific target groups.

With the exception of industrial employees, employees are automatically assigned mandatory modules relevant to their role and function. This ensures that each employee is given exactly the modules needed for his or her line of work. These training modules are assigned when an employee is hired, promoted, or transferred to a position that involves a heightened risk. This approach ensures that all personnel changes are properly addressed. In general, the program must be repeated every three years.

A new mandatory version of the training program was rolled out at the end of the year under review. The web-based training courses are supplemented by classroom training sessions that are conducted by central or local trainers. We provide our internal trainer network with modular training documents and materials for the methodical implementation of the courses. Such materials include a guideline for trainers and explanatory videos that can be used in a target group-specific manner in accordance with the risks associated with the functions of the participants. A total of approximately 96,300 employees from various hierarchy levels attended a classroom training course or participated in web-based training courses in 2017.

Our integrated training program also includes target group-specific qualification measures that help staff at Group Compliance and the Legal department address changes to regulations and the legal framework. In addition, all new employees at both departments attend a special practical seminar that offers a comprehensive introduction to this topic.

All of these training measures contribute to the permanent establishment of ethical and compliant behavior at the company and also help our employees deal with specific issues that can occur at work. The same is true of the new Daimler app for integrity, compliance and legal affairs. The app can be downloaded and used by all employees with an iOS company owned device. Among other things, the app enables mobile access to information on corruption prevention and antitrust law.

We have also further expanded our qualification and consulting program for individuals who perform supervisory and management functions. New members of executive bodies at companies in which Daimler is the majority shareholder are given a compact overview of key aspects of corporate governance via the Corporate Governance Navigator, which is a target group-focused program that supports them in their new role by providing information on their tasks and responsibilities, contact partners, and units that deal with central issues addressed by the Integrity and Legal Affairs division and adjacent units.

In addition to our internal training measures, our training program also includes special courses on integrity and compliance (including corruption prevention) that are offered to our business partners in line with their specific risks. The courses are offered as web-based training or classroom training sessions. Daimler informs its business partners about the courses and invites them to participate.

Monitoring and improvements

Every year, we review the effectiveness and efficiency of our Compliance Management System and adapt it to global developments, changed risks and new legal requirements. We also monitor important core processes during the year on the basis of key performance indicators (KPIs) that include process duration and quality. To determine these indicators, we check, among other things, whether formal requirements are met and all information is complete. In addition, we analyze the knowledge gained through independent internal and external assessments and participate in selected benchmark studies. These activities are used to define any required improvement measures, which are implemented by the responsible units and departments and then monitored on a regular basis. The relevant management bodies continuously receive reports on these monitoring activities.

Involvement of company management
Our divisional and regional compliance managers report to the Chief Compliance Officer. This guarantees the compliance managers' independence from the business divisions. The Chief Compliance Officer and Group General Counsel report directly to the Member of the Board of Management for Integrity and Legal Affairs and to the Audit Committee of the Supervisory Board. They also report four times each year to the Board of Management of Daimler AG on matters such as the status of the Compliance Management System and its further development, the status of the whistleblower system and, if necessary, on other topics. In addition, the Group General Counsel regularly reports to the Antitrust Steering Committee and the Group Risk Management Committee, to which the Chief Compliance Officer also reports.

Important non-financial reporting topics
Eliminating corruption, preventing cartel arrangements and ensuring compliance with technical regulations – we introduced our Compliance Management System in order to address exactly these issues, which are extremely important to us. Our Group-wide approach to respecting and upholding human rights is also based on the Daimler CMS.

Anti-corruption compliance

Daimler has committed itself to fighting corruption in its own business activities. Along with complying with all applicable laws, this also involves adhering to the rules of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1997) and the United Nations Convention against Corruption (2003). As a founding member of the UN Global Compact and a part of its LEAD Group, Daimler also seeks to ensure that not only the company itself but also its business partners and customers act in accordance with the principles of the UN Global Compact. The most important goals here are to fight corruption around the world in order to enable fair competition, eliminate the damage corruption does to society and thus improve conditions for everyone.

Our anti-corruption compliance program is based on our comprehensive Compliance Management System. The program is globally valid and primarily consists of the following components: integrated risk assessment, risk-based measures for avoiding corruption in all business activities (e.g. reviews of business partners and transactions), and special care in contacts with authorities and public officials. Our risk-minimization measures focus in particular on sales companies in high-risk countries and business relationships with wholesalers and general agencies worldwide.

The responsibility for implementing and monitoring measures lies with each company's management, which cooperates closely with the specialist units within Integrity and Legal Affairs.

Daimler places the same strict requirements on all of its activities around the world. In addition, we continuously improve our methods and processes and use a variety of communication measures to make our employees aware of the importance of fighting corruption. Among other things, we released a film and set up a separate website to address this issue during the year under review. Further information on communication and training: page 230

Antitrust compliance

Our Group-wide Antitrust Compliance Program is oriented to national and international standards. The program establishes a binding, globally valid Daimler standard that defines how matters of competition law are to be assessed. The Daimler standard is based on the standards of the European antitrust authorities and courts. The objective of the Daimler standard is a uniform level of compliance and advice in all countries and thus compliance with all local and international antitrust laws.

By means of an advisory hotline set up by our Legal department, as well as guidelines and practical support, we help our employees around the world recognize situations that might be critical from an antitrust perspective, and also act in compliance with regulations in their daily work, especially when dealing with competitors, cooperating with dealers and general agencies around the world, and participating in business association committees. In addition to Daimler's Legal department and its specialist advisers, the Group's global units and their employees can turn to legal advisers in local at-risk units, who also ensure that our standards are consistently upheld. We also utilize a variety of communication measures to make our employees aware of the importance of competition and antitrust laws and issues.

The results of our annual compliance risk analysis serve as the basis for the formulation of measures that address antitrust risks. The responsibility for designing, implementing and monitoring measures lies with each company's management. Managers in turn cooperate closely with Integrity and Legal Affairs, which also provides information on how to implement the measures effectively. The at-risk units in particular must regularly systematically assess the adequacy and effectiveness of locally implemented antitrust compliance measures. In addition, our Legal and Corporate Audit departments conduct additional monitoring activities at our company's units, as well as random audits of at-risk units on the basis of a predefined audit plan in order to ensure that antitrust laws are complied with and internal processes are carried out properly. This helps us continuously improve the effectiveness of our Antitrust Compliance Program and adapt it to global developments and new legal requirements. The associated methods and processes are being constantly refined and improved.

In order to ensure an independent external assessment of our Antitrust Compliance Program, KPMG AG Wirtschaftsprüfungsgesellschaft audited the Compliance Management System for antitrust law in accordance with the 980 standard of the Institute of Public Auditors in Germany. This audit, which was based on the principles of appropriateness and effective implementation, was successfully completed at the end of 2016.

Technical compliance

As part of our efforts to continuously improve our products, technologies and organization, we repeatedly examine new development possibilities and also optimize our processes. This includes adjusting and improving our existing Compliance Management System – for example in terms of compliance with technical regulations.

In order to address the specific risks associated with the product development process, we combined all existing systems and additional measures and processes at Mercedes-Benz Cars into a technical Compliance Management System (tCMS) during the reporting year. This system includes fundamental principles and elements intended to ensure ethical conduct and work processes throughout the Group and compliance with applicable laws. Measures are currently under way to introduce the tCMS at Mercedes-Benz Vans, Daimler Trucks and Daimler Buses.

Our technical Compliance Management System helps create clarity with regard to compliance with technical regulations and also offers guidance with regard to these regulations, which can be very complicated. These questions are jointly examined and answered in an interdisciplinary process that takes into account legal and technical criteria. The tCMS addresses both the complexity of regulatory requirements and ongoing developments in the automotive industry.

Employees at Group Research and Development are supported here by a network of disseminators – direct contact partners for questions concerning technical compliance in their areas of responsibility. This network of disseminators is being expanded throughout the Group. We also employ various communication measures to raise awareness among selected target groups. Such measures include special dialogue events and guidelines on integrity, compliance and legal considerations in the product development process. For example, some 3,600 employees at Mercedes-Benz Cars Development had taken part in classroom training courses on technical compliance by the end of 2017.

Technical compliance is managed Group-wide by an internal team consisting of employees with expertise in various fields, such as development, legal affairs, integrity and compliance. The Board of Management members responsible for Integrity and Legal Affairs and Group Research and Development receive regular reports on the status of the technical Compliance Management System.

Human rights compliance

Daimler has been working on a company-specific approach to human rights since 2008. In 2011 we began developing a systematic due diligence approach for our company, initially on the basis of the Human Rights Compliance Assessments of the Danish Institute for Human Rights. Since 2015, we have been working with the Daimler Human Rights Respect System (HRRS), which we developed ourselves with the specifsic requirements of the company in mind.

The protection of human rights is also a key component of our Group-wide sustainability strategy. We are committed to proving to the greatest extent possible that these elementary rights are respected and upheld throughout our organization, our partners and by our suppliers as well. The UN Guiding Principles on Business and Human Rights and Germany's National Action Plan on Business and Human Rights define the associated principles and due diligence obligations. It is our aim to fulfill these obligations and we are therefore gradually expanding our Human Rights Respect System (HRRS) as our Due Diligence Framework, including regular consultations with external stakeholders. As a proactive risk management system for human rights, the HRRS is designed with the aim to identify and avoid systemic risks and potential negative impacts of our business activities on human rights early on. The HRRS thus primarily protects third parties and is aimed at exerting its effect along at our supply chain as well. Along with relevant legislation, we also focus on multinational initiatives and frameworks, in particular the UN Guiding Principles on Business and Human Rights and the principles of the UN Global Compact. In line with the expectations regarding a human rights policy expressed in these documents, we have clearly defined what we expect from all of our employees and business partners. These expectations are formulated in our Integrity Code, our Supplier Sustainability Standards and our supplier agreements. The responsibility for human rights issues lies with the Integrity and Legal Affairs division. The HRRS, which orientates itself on our Group-wide Compliance Management System (CMS), utilizes a risk-based approach in its focus on Daimler majority holdings (including production locations) and our supply chain. Also part of the HRRS is the consultation and exchange with rights holders, for example our employees and their representatives.

We continue to develop the HRRS and implement it step by step. In the last two years, for example, we conducted two HRRS pilot projects for Daimler majority-owned companies at our international locations and, where necessary, initiated improvements and also identified best practices for other locations. We were also able to further improve the system we use to classify all Daimler majority holdings in terms of human rights risks. We are working to firmly establish the HRRS for Daimler majority-owned companies by 2020 at all our locations thereby supplementing the already existing decentralized measures with a dedicatd system.

Due diligence with the Human Rights Respect System
The HRRS is designed to identify and avoid systemic risks and possible negative effects of our business activities on human rights early on. It consists of four steps that are to be applied to Daimler majority-owned companies and the supply chain:
1. Identification of potential human rights risks (risk assessment)
2. Definition, implementation and management of preventive measures and countermeasures (program implementation)
3. Monitoring of the effectiveness of the measures, in particular at high-risk units and in supply chains that are at a high risk of human rights violations (monitoring)
4. Periodic internal reporting on relevant issues, compliance with external reporting requirements (reporting)

Identification of human rights risks at Daimler majority holdings
The risk assessment is a two-step process. The first step involves a categorization of the majority holdings on the basis of predefined criteria, such as the risk situation in specific countries and risks associated with specific business operations. In the second step, units that display a heightened human rights risk are subject to an on-site assessment. To this end, a modular approach was developed that makes it possible to take into account fundamental human rights standards such as those defined in the Universal Declaration of Human Rights and the Core Labor Standards of the International Labor Organization (ILO).

In 2017 we used the experience gained with the pilot projects to make adjustments to our previous two-step risk assessment process. We also had external stakeholders verify the HRRS in general and our risk assessment methodology in particular. During this verification process, we were given valuable suggestions for further adapting and expanding the system. We are also currently developing an effective approach to program implementation, monitoring and reporting.

Identification of human rights risks in our supply chain
Since 2008 we have defined our expectations towards our suppliers regarding sustainability in our Supplier Sustainability Standards. Stipulations concerning working conditions and human rights are key components of these. In order to ensure that we can meet our human-rights due-diligence obligations even more systematically, we are gradually introducing the HRRS in our supply chain as well. To this end, clear risk classifications for Daimler supply chains were developed in line with specific product areas (e.g. production materials or services) in 2017. This also includes minerals commonly associated with conflicts. We are utilizing our risk-based approach in order to determine which supplier products and at which stages of our extensive supply chain we should take targeted and appropriate measures beyond our direct suppliers.

Involvement at the executive level
The member of the Board of Management responsible for Integrity and Legal Affairs is regularly informed on human rights activities at regular intervals. This is supplemented by regular reports submitted to the Board of Management and the Corporate Sustainability Board (CSB), as well as to the Procurement Council (PC) within the framework of our sustainability strategy.

Other compliance issues

It is very important to Daimler to minimize all legal and economic risks. Along with the issues described above, our Compliance Management System therefore also addresses other issues, such as compliance with our data protection policy and data protection legislation, the prevention of money laundering and compliance with sanctions lists.

Data protection compliance
The Corporate Data Protection department provides worldwide support to all Group companies and helps ensure compliance with data protection requirements. The Chief Officer Corporate Data Protection is independent and reports directly to the Board of Management member for Integrity and Legal Affairs. The annual data protection report is submitted to the Supervisory Board. Our Corporate Data Protection Policy creates Group-wide standards for handling the data of employees, customers and business partners, and also meets the requirements of current European data protection laws. Preparations are now under way for implementation of the new European data protection regulation that will go into effect in May 2018. The Corporate Data Protection department is the point of contact for data protection complaints. It also carries out checks and audits, raises employees' awareness of data protection and advises the relevant specialist departments. Product-related advice focuses on data protection for connected vehicles and automated driving functions, as well as mobility services.

Anti-money laundering compliance
Our Anti-Money Laundering Policy is designed to prevent money laundering and the financing of terrorism in the trade with goods and in activities carried out by Daimler Financial Services. It is meant to proving that legislation in various countries is complied with throughout the Group, and that internal regulations that go beyond such legislation are complied with as well. The Chief Compliance Officer serves as the anti-money laundering officer of Daimler AG as a distributor of goods. An Anti-Money Laundering Policy of competence supports the Chief Compliance Officer in the management and coordination of money laundering prevention measures. The Divisional Compliance Office Financial Services coordinates and supports the implementation of the Anti-Money Laundering Policy at Daimler Financial Services.

Sanctions compliance
We have introduced a risk-focused, system-based process at relevant specialist departments and Daimler AG-controlled holdings that ensures compliance with EU and US sanctions and internal regulations. The Center of Competence CSL (Checks against Sanctions Lists/Sanctions Compliance) provides implementation support to the relevant specialist departments and the Daimler AG-controlled holdings.

Independent Auditor’s Report Concerning a Limited Assurance Engagement on the Non-Financial Group Reporting

To the Supervisory Board of Daimler AG, Stuttgart

We have performed an independent limited assurance engagement on the separate combined Non-Financial Report of Daimler AG and the Group as well as the by reference qualified parts “Business model”, “Legal risks” and “Non-Financial risks” according to §§ 315b and 315c in conjunction with 289b to 289e (further “Report“) of Daimler AG, Stuttgart (further “Daimler”) for the business year from January 1 to December 31, 2017.

Management’s Responsibility
The legal representatives of Daimler are responsible for the preparation of the Report in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the Non-Financial Report and the use of assumptions and estimates for individual sustainability disclosures which are reasonable under the given circumstances. Furthermore, the responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Non-Financial Report in a way that is free of – intended or unintended – material misstatements.

Independence and quality assurance on the part of the auditing firm
We are independent from the company in accordance with the requirements of independence and quality assurance set out in legal provisions and professional pronouncements and have fulfilled our additional professional obligations in accordance with these requirements.

Our audit firm applies the legal provisions and professional pronouncements for quality assurance, in particular the professional code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Practitioner’s Responsibility
Our responsibility is to express a conclusion based on our work performed of the Report within a limited assurance engagement.

We conducted our work in accordance with the International Standard on Assurance En-gagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information” published by IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance whether any matters have come to our attention that cause us to believe that the Report for the period from January 1 2017 to December 31, 2017, has not been prepared, in all material respects in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB. We do not, however, issue a separate conclusion for each sustainability disclosure. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. The choice of audit procedures is subject to the auditor's own judgement.

Within the scope of our engagement, we performed amongst others the following procedures:
- Interviews with employees on group level who are responsible for the materiality analysis to get an understanding of the process for identifying material topics and respective report boundaries for Daimler
- A risk assessment, including a media research, of relevant information about the sustainability performance of Daimler in the reporting period
- Assessment of the design and implementation of systems and processes for the collection, processing and monitoring of information on environmental, employee and social matters, human rights, corruption and bribery, including data consolidation
- Interviews with employees on group level who are responsible for the collection of the information to concepts, due diligence processes, results and risks, the conduction of internal controls and the information consolidation
- Evaluation of selected internal and external documents
- Analytical evaluation of data and trends of quantitative information which are reported by all sites on group level
- Assessment of local data collection and reporting processes and reliability of reported data via a sampling survey in Stuttgart and Mannheim (both Germany).
- Assessment of the overall presentation of the information

Conclusion

Based on the procedures performed and the evidence received to obtain assurance, nothing has come to our attention that causes us to believe that the Report of Daimler for the business year from January 1 to December 31, 2017 is not prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

Limited liability

This report is issued for purposes of the Supervisory Board of Daimler AG, Stuttgart, only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of Daimler AG, Stuttgart, and professional liability is governed by the General Conditions of Assignment for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 https://kpmg.de/bescheinigungen/lib/aab_englisch.pdf. By reading and using the information contained in this report, each recipient confirms notice of provisions of the General Conditions of Assignment (including the limitation of our liability for negligence to EUR 4 Mio as stipulated in No. 9) and accepts the validity of the attached General Conditions of Assignment with respect to us.

Stuttgart, February 9, 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Thümler	Mokler
Auditor	Auditor

The Consolidated Financial Statements presented as follows have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). They also comply with additional requirements set forth in Section 315e (paragraph 1) of the German Commercial Code (HGB).

F | Consolidated Financial Statements

Consolidated Statement of Income

F.01

	Note	2017	2016
In millions of euros			
Revenue	4	164,330	153,261
Cost of sales	5	-129,999	-121,298
Gross profit		34,331	31,963
Selling expenses	5	-12,965	-12,226
General administrative expenses	5	-3,809	-3,419
Research and non-capitalized development costs	5	-5,938	-5,257
Other operating income	6	2,824	2,350
Other operating expense	6	-1,042	-1,298
Profit/loss on equity-method investments, net	13	1,498	502
Other financial income/expense, net	7	-230	275
Interest income	8	214	230
Interest expense	8	-582	-546
Profit before income taxes[1]		14,301	12,574
Income taxes	9	-3,437	-3,790
Net profit		10,864	8,784
thereof profit attributable to non-controlling interests		339	258
thereof profit attributable to shareholders of Daimler AG		10,525	8,526
Earnings per share (in euros) for profit attributable to shareholders of Daimler AG	35		
Basic		9.84	7.97
Diluted		9.84	7.97

1 The reconciliation of Group EBIT to profit before income taxes is presented in Note 33.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income/Loss[1]

F.02

	Daimler Group 2017	Shareholders of Daimler AG 2017	Non-controlling interests 2017	Daimler Group 2016	Shareholders of Daimler AG 2016	Non-controlling interests 2016
In millions of euros						
Net profit	10,864	10,525	339	8,784	8,526	258
Currency translation adjustments	-2,664	-2,596	-68	696	697	-1
Financial assets available-for-sale						
Unrealized gains/losses (pre-tax)	18	17	1	-448	-448	–
Reclassifications to profit and loss (pre-tax)	-1	-1	-	-621	-621	–
Taxes on unrealized gains/losses and on reclassifications	-3	-3	-	1	1	–
Financial assets available-for-sale (after tax)	14	13	1	-1,068	-1,068	–
Derivative financial instruments						
Unrealized gains/losses (pre-tax)	2,519	2,523	-4	123	126	-3
Reclassifications to profit and loss (pre-tax)	-36	-36	-	1,512	1,512	–
Taxes on unrealized gains/losses and on reclassifications	-741	-742	1	-495	-496	1
Derivative financial instruments (after tax)	1,742	1,745	-3	1,140	1,142	-2
Equity-method investments						
Unrealized gains/losses (pre-tax)	25	25	-	-12	-12	–
Equity-method investments (after tax)	25	25	-	-12	-12	–
Items that may be reclassified to profit/loss	-883	-813	-70	756	759	-3
Actuarial gains/losses from pensions and similar obligations (pre-tax)	-108	-106	-2	-1,994	-1,994	–
Taxes on actuarial gains/losses from pensions and similar obligations	-19	-19	-	748	748	–
Actuarial gains/losses from pensions and similar obligations (after tax)	-127	-125	-2	-1,246	-1,246	–
Items that will not be reclassified to profit/loss	-127	-125	-2	-1,246	-1,246	–
Other comprehensive income/loss, net of taxes	-1,010	-938	-72	-490	-487	-3
Total comprehensive income	9,854	9,587	267	8,294	8,039	255

1 See Note 20 for other information on comprehensive income/loss.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

F.03

	Note	At December 31, 2017	2016
In millions of euros			
Assets			
Intangible assets	**10**	**13,735**	12,098
Property, plant and equipment	**11**	**27,981**	26,381
Equipment on operating leases	**12**	**47,714**	46,942
Equity-method investments	**13**	**4,818**	4,098
Receivables from financial services	**14**	**46,413**	42,881
Marketable debt securities	**15**	**990**	1,100
Other financial assets	**16**	**3,221**	2,899
Deferred tax assets	**9**	**2,853**	3,870
Other assets	**17**	**1,145**	667
Total non-current assets		**148,870**	140,936
Inventories	**18**	**25,686**	25,384
Trade receivables	**19**	**11,990**	10,614
Receivables from financial services	**14**	**39,374**	37,626
Cash and cash equivalents		**12,072**	10,981
Marketable debt securities	**15**	**9,073**	9,648
Other financial assets	**16**	**3,580**	2,837
Other assets	**17**	**4,960**	4,962
Total current assets		**106,735**	102,052
Total assets		**255,605**	242,988
Equity and liabilities			
Share capital		**3,070**	3,070
Capital reserves		**11,742**	11,744
Retained earnings		**47,682**	40,794
Other reserves		**1,529**	2,342
Treasury shares		**–**	–
Equity attributable to shareholders of Daimler AG		**64,023**	57,950
Non-controlling interests		**1,291**	1,183
Total equity	**20**	**65,314**	59,133
Provisions for pensions and similar obligations	**22**	**5,767**	9,034
Provisions for income taxes		**1,046**	966
Provisions for other risks	**23**	**7,192**	6,632
Financing liabilities	**24**	**78,378**	70,398
Other financial liabilities	**25**	**2,589**	3,327
Deferred tax liabilities	**9**	**2,402**	3,467
Deferred income	**26**	**5,802**	5,559
Other liabilities	**27**	**10**	15
Total non-current liabilities		**103,186**	99,398
Trade payables		**12,474**	11,567
Provisions for income taxes		**560**	751
Provisions for other risks	**23**	**10,052**	9,427
Financing liabilities	**24**	**48,746**	47,288
Other financial liabilities	**25**	**8,933**	9,542
Deferred income	**26**	**3,668**	3,444
Other liabilities	**27**	**2,672**	2,438
Total current liabilities		**87,105**	84,457
Total equity and liabilities		**255,605**	242,988

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows[1]

F.04

	2017	2016
In millions of euros		
Profit before income taxes	14,301	12,574
Depreciation and amortization/impairments	5,676	5,478
Other non-cash expense and income	-1,507	-1,064
Gains (-)/losses (+) on disposals of assets	-453	-46
Change in operating assets and liabilities		
Inventories	-1,455	-1,272
Trade receivables	-1,592	-962
Trade payables	1,288	757
Receivables from financial services	-11,145	-6,848
Vehicles on operating leases	-3,681	-4,209
Other operating assets and liabilities	-48	2,150
Dividends received from equity-method investments	843	103
Income taxes paid	-3,879	-2,950
Cash used for/provided by operating activities	**-1,652**	3,711
Additions to property, plant and equipment	-6,744	-5,889
Additions to intangible assets	-3,414	-2,944
Proceeds from disposals of property, plant and equipment and intangible assets	812	366
Acquisition of Athlon Car Lease International B.V.	41	-3,650
Investments in shareholdings	-1,146	-334
Proceeds from disposals of shareholdings	418	79
Acquisition of marketable debt securities	-6,729	-7,724
Proceeds from sales of marketable debt securities	7,266	5,394
Other	-22	36
Cash used for investing activities	**-9,518**	-14,666
Change in short-term financing liabilities	751	503
Additions to long-term financing liabilities	63,116	50,723
Repayment of long-term financing liabilities	-47,073	-35,463
Dividend paid to shareholders of Daimler AG	-3,477	-3,477
Dividends paid to non-controlling interests	-250	-201
Proceeds from the issue of share capital	114	65
Acquisition of treasury shares	-42	-38
Acquisition of non-controlling interests in subsidiaries	-10	-103
Cash provided by financing activities	**13,129**	12,009
Effect of foreign exchange rate changes on cash and cash equivalents	-868	-9
Net increase in cash and cash equivalents	**1,091**	1,045
Cash and cash equivalents at beginning of period	**10,981**	9,936
Cash and cash equivalents at end of period	**12,072**	10,981

1 See note 28 for other information on consolidated statements of cash flows.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity[1]

F.05

	Share capital	Capital reserves	Retained earnings[2]	Currency translation	Financial assets available for sale
In millions of euros					
Balance at January 1, 2016	3,070	11,917	36,991	2,145	1,121
Net profit	–	–	8,526	–	–
Other comprehensive income/loss before taxes	–	–	-1,994	697	-1,069
Deferred taxes on other comprehensive income	–	–	748	–	1
Total comprehensive income/loss	–	–	7,280	697	-1,068
Dividends	–	–	-3,477	–	–
Capital increase/Issue of new shares	–	–	–	–	–
Acquisition of treasury shares	–	–	–	–	–
Issue and disposal of treasury shares	–	–	–	–	–
Changes in ownership interests in subsidiaries	–	-170	–	–	–
Other	–	-3	–	–	–
Balance at December 31, 2016	3,070	11,744	40,794	2,842	53
Balance at January 1, 2017	**3,070**	**11,744**	**40,794**	**2,842**	**53**
Net profit	**–**	**–**	**10,525**	**–**	**–**
Other comprehensive income/loss before taxes	**–**	**–**	**-106**	**-2,596**	**16**
Deferred taxes on other comprehensive income	**–**	**–**	**-19**	**–**	**-3**
Total comprehensive income/loss	**–**	**–**	**10,400**	**-2,596**	**13**
Dividends	**–**	**–**	**-3,477**	**–**	**–**
Changes in the consolidated group	**–**	**–**	**-35**	**–**	**–**
Capital increase/Issue of new shares	**–**	**–**	**–**	**–**	**–**
Acquisition of treasury shares	**–**	**–**	**–**	**–**	**–**
Issue and disposal of treasury shares	**–**	**–**	**–**	**–**	**–**
Changes in ownership interests in subsidiaries	**–**	**5**	**–**	**–**	**–**
Other	**–**	**-7**	**–**	**–**	**–**
Balance at December 31, 2017	**3,070**	**11,742**	**47,682**	**246**	**66**

1 See Note 20 for other information on changes in equity.
2 Retained earnings also include items that will not be reclassified to the consolidated income statement. Actuarial losses from pensions and similar obligations amount to €7,562 million net of tax in 2017 (2016: €7,437 million net of tax).

The accompanying notes are an integral part of these consolidated financial statements.

Other reserves items that may be reclassified in profit/loss: Derivative financial instruments	Other reserves items that may be reclassified in profit/loss: Share of investments accounted for using the equity method	Treasury share	**Equity attributable to shareholders of Daimler AG**	Non-controlling interests	**Total equity**	
						In millions of euros
-1,679	-4	–	53,561	1,063	54,624	**Balance at January 1, 2016**
–	–	–	8,526	258	8,784	Net profit
1,638	-12	–	-740	-4	-744	Other comprehensive income/loss before taxes
-496	–	–	253	1	254	Deferred taxes on other comprehensive income
1,142	-12	–	8,039	255	8,294	Total comprehensive income/loss
–	–	–	-3,477	-201	-3,678	Dividends
–	–	–	–	35	35	Capital increase/Issue of new shares
–	–	-38	-38	–	-38	Acquisition of treasury shares
–	–	38	38	–	38	Issue and disposal of treasury shares
–	–	–	-170	35	-135	Changes in ownership interests in subsidiaries
–	–	–	-3	-4	-7	Other
-537	-16	–	57,950	1,183	59,133	**Balance at December 31, 2016**
-537	**-16**	**–**	**57,950**	**1,183**	**59,133**	**Balance at January 1, 2017**
–	**–**	**–**	**10,525**	**339**	**10,864**	Net profit
2,487	**25**	**–**	**-174**	**-73**	**-247**	Other comprehensive income/loss before taxes
-742	**–**	**–**	**-764**	**1**	**-763**	Deferred taxes on other comprehensive income
1,745	**25**	**–**	**9,587**	**267**	**9,854**	Total comprehensive income/loss
–	**–**	**–**	**-3,477**	**-250**	**-3,727**	Dividends
–	**–**	**–**	**-35**	**–**	**-35**	Changes in the consolidated group
–	**–**	**–**	**–**	**56**	**56**	Capital increase/Issue of new shares
–	**–**	**-42**	**-42**	**–**	**-42**	Acquisition of treasury shares
–	**–**	**42**	**42**	**–**	**42**	Issue and disposal of treasury shares
–	**–**	**–**	**5**	**24**	**29**	Changes in ownership interests in subsidiaries
–	**–**	**–**	**-7**	**11**	**4**	Other
1,208	**9**	**–**	**64,023**	**1,291**	**65,314**	**Balance at December 31, 2017**

Notes to the Consolidated Financial Statements

1. Significant accounting policies

General information

The consolidated financial statements of Daimler AG and its subsidiaries ("Daimler" or "the Group") have been prepared in accordance with Section 315e of the German Commercial Code (HGB) and comply with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Daimler AG is a stock corporation organized under the laws of the Federal Republic of Germany. The Company 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 consolidated financial statements of Daimler AG 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 consolidated financial statements for publication on February 9, 2018.

Basis of preparation

Applied IFRSs
The accounting policies applied in the consolidated financial statements comply with the IFRSs required to be applied in the EU as of December 31, 2017.

IFRSs issued, EU endorsed and initially adopted in the reporting period
IFRSs with mandatory initial application in the EU as of January 1, 2017 had no significant impact on the consolidated financial statements.

IFRSs issued, EU endorsed and not yet adopted
In May 2014, the IASB published **IFRS 15 Revenue from Contracts with Customers.** It replaces existing guidance for revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The new standard lays down a comprehensive framework for determining in which amount and at which date revenue is recognized. The new standard specifies a uniform, five-step model for revenue recognition, which is generally to be applied to all contracts with customers. As a result of IFRS 15, new items are introduced in the statement of financial position: "Contract assets" and "Contract liabilities." These items can arise through advance payment or advance delivery at the contract level. In addition, disclosure requirements are extended.

Application of IFRS 15 is mandatory at the latest for reporting periods beginning on or after January 1, 2018. Early adoption is permitted. Daimler will apply IFRS 15 for the first time for the financial year beginning on January 1, 2018. Daimler plans for retrospective first-time application so that the comparative period is presented according to IFRS 15.

Effects on Daimler may occur in particular with regard to the date of recognition of sales incentives and also with regard to the sale of vehicles for which the Group enters into a repurchase obligation or grants a residual-value guarantee. The latter are currently reported as operating leases. Under IFRS 15, such vehicle sales can necessitate the reporting of a sale with the right of return. Additionally, the accounting of contract manufacturing may lead to effects. Under a contract manufacturing agreement Daimler sells assets to a third-party manufacturer from which Daimler buys back the manufactured products after completion of the commissioned work. If the sale of the assets is not accompanied by the transfer of control to the third-party manufacturer no revenue will be recognized under IFRS 15.

The statement of financial position will be affected in particular by the separate presentation of "Contract liabilities."

Group-wide investigation of the effects on the consolidated financial statements of adopting IFRS 15 has been completed. The application of IFRS 15 is not expected to have any major impact on the Group's profitability, liquidity and capital resources or financial position. The preliminary opening balance for January 1, 2017 will show an increase in equity of approximately €0.1 billion compared to the figure disclosed as of December 31, 2016. The option that contracts concluded before January 1, 2017 need not be reassessed under IFRS 15 has been made use of. However, the determination of the effects for the comparative period 2017 has not yet been finalized at the time of publication of the consolidated financial statements.

The IASB published **Amendments to IFRS 15** in April 2016. These changes allow for transitional arrangements for modified and fulfilled contracts, and clarify the identification of performance obligations, principal-agent relationships, and licenses. The application of these amendments is also not expected to have any major impact on the Group's profitability, liquidity and capital resources or financial position.

In July 2014, the IASB published **IFRS 9 Financial Instruments,** which replaces IAS 39. IFRS 9 includes a uniform model for classification and measurement methods (including impairments) for financial instruments. It also includes regulations for general hedge accounting. IFRS 9 requires additional notes disclosure, resulting from the amendment to IFRS 7 Financial Instruments – Disclosures.

Effects result above all from the fact that the new regulations for recognizing impairments also include expected future losses, whereas IAS 39 only requires the recognition of impairments that have already occurred. Especially receivables from financial services in the Daimler Financial Services segment are affected.

All equity instruments are to be measured at fair value, either through profit or loss or at fair value through other comprehensive income. If changes in carrying amounts are recognized in other comprehensive income, they are no longer to be reclassified to profit or loss when these instruments are sold. In addition, some debt instruments will be measured at fair value through profit or loss due to the new classification requirements of IFRS 9. Possible effects can be in higher fluctuations in carrying amounts and fluctuations in the income statement and/or the statement of other comprehensive income.

Additional effects will result from the possibility to exclude certain components of derivatives from designation to a hedge relationship and to defer the changes in these components' fair value in other comprehensive income. This change applies for example to the fair value of options whose changes in carrying amounts are regularly remeasured through profit and loss during the term of the options according to IAS 39. The newly introduced possibility to designate risk components of non-financial hedged items will facilitate hedge accounting for commodities.

Application of IFRS 9 is mandatory at the latest for reporting periods beginning on or after January 1, 2018. Early adoption is permitted. Daimler will apply IFRS 9 for the first time for the financial year beginning on January 1, 2018. In compliance with the transitional regulations, Daimler will not adjust the prior-year figures and will present the accumulated transitional effects in retained earnings. One exception to this is the recognition through other comprehensive income of certain undesignated components of derivatives, which is to be applied retrospectively to the comparative figures. Examination of the effects on the consolidated financial statements of applying IFRS 9 with regard to classification and measurement, impairment and hedge accounting indicates that no material impact on the Group's profitability, liquidity and capital resources or financial position is to be expected from the transition to IFRS 9.

In January 2016, the IASB published **IFRS 16 Leases,** replacing IAS 17 and IFRIC 4 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 leases with a term of more than twelve months. 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. Lease accounting for lessors has been taken over almost identically from IAS 17 into IFRS 16.

IFRS 16 is to be applied to annual reporting periods beginning on or after January 1, 2019; early adoption is permitted if IFRS 15 is already applied.

The effects on the consolidated financial statements of the application of IFRS 16 are currently being examined. Daimler will probably apply IFRS 16 for the first time for the financial year beginning on January 1, 2019. Daimler currently plans, in compliance with the transition regulations, not to adjust the prior-year figures and to present the accumulated transitional effects in retained earnings.

IFRSs issued but neither EU endorsed nor yet adopted

In May 2017, the IASB issued **IFRS 17 Insurance Contracts.** IFRS 17 replaces the currently applicable IFRS 4. It establishes more transparency and comparability with regard to the recognition, measurement, presentation and disclosure of insurance contracts with the insurer. The application of IFRS 17 is mandatory for reporting periods beginning on or after January 1, 2021. Early adoption is permitted. Daimler currently does not expect any material impacts on the Group's profitability, liquidity and capital resources or financial position due to the application of IFRS 17. Early adoption is not currently planned.

In addition, further standards and interpretations have been approved which are not expected to have a material impact on the consolidated financial statements.

Presentation

Presentation in the consolidated statement of financial position differentiates between current and non-current assets and liabilities. Assets and liabilities are classified as current if they are expected to be realized or settled within one year or within a longer and normal operating cycle. Deferred tax assets and liabilities as well as assets and provisions for pensions and similar obligations are generally presented as non-current items.

The consolidated statement of income is presented using the cost-of-sales method.

Measurement
The consolidated financial statements have been prepared on the historical-cost basis with the exception of certain items such as available-for-sale financial assets, derivative financial instruments, hedged items, and pensions and similar obligations. The measurement models applied to those exceptions are described below.

Principles of consolidation
The consolidated financial statements include the financial statements of Daimler AG and the financial statements of all subsidiaries, including structured entities which are directly or indirectly controlled by Daimler AG. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

Structured entities which are controlled also have to be consolidated. Accordingly, the assets and liabilities remain in the consolidated statement of financial position. Structured entities are entities which have been designed so that voting or similar rights are not relevant in deciding who controls the entity. This is the case for example if voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The financial statements of consolidated subsidiaries which are included in the consolidated financial statements are generally prepared as of the reporting date of the consolidated financial statements. The financial statements of Daimler AG and its subsidiaries included in the consolidated financial statements are prepared using uniform recognition and measurement principles. All intercompany assets and liabilities, equity, income and expenses as well as cash flows from transactions between consolidated entities are entirely eliminated in the course of the consolidation process.

Business combinations are accounted for using the purchase method.

Changes in equity interests in Group subsidiaries that reduce or increase Daimler's percentage ownership without loss of control are accounted for as an equity transaction between owners.

Investments in associated companies, joint ventures or joint operations
An associated company is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee. Associated companies are generally accounted for using the equity method.

For entities over which Daimler has joint control together with a partner (joint arrangements), it is necessary to differentiate whether a joint operation or a joint venture exists. In a joint venture, the parties that have joint control of the arrangement have rights to the net assets of the arrangement. For joint ventures, the equity method has to be applied. A joint operation exists when the jointly controlling parties have direct rights to the assets and obligations for the liabilities. In this case, the prorated assets and liabilities and the prorated income and expenses are generally to be recognized (proportionate consolidation). Joint operations that have no significant impact on the consolidated financial statements are generally accounted for using the equity method.

In the special event that the financial statements of associated companies, joint ventures or joint operations should not be available in good time, the Group's proportionate share of the results of operations is included in Daimler's consolidated financial statements with a one to three-month time lag. Significant events or transactions are accounted for without a time lag, however (see also Note 13).

Subsidiaries measured at amortized cost
Subsidiaries, associated companies, joint ventures and joint operations whose business is non-active or of low volume and that individually and in sum are not material for the Group and the fair presentation of financial position, liquidity and capital resources, and profitability are generally measured at amortized cost in the consolidated financial statements.

Foreign currency translation
Transactions in foreign currency are translated at the relevant foreign exchange rates prevailing at the transaction date. In subsequent periods, assets and liabilities denominated in foreign currency are translated using period-end exchange rates; gains and losses from this measurement are recognized in profit and loss (except for gains and losses resulting from the translation of available-for-sale equity instruments, which are recognized in other comprehensive income/loss).

Assets and liabilities of foreign companies for which the functional currency is not the euro are translated into euros using period-end exchange rates. The translation adjustments are presented in other comprehensive income/loss. The components of equity are translated using historical rates. The statements of income and cash flows are translated into euros using average exchange rates during the respective periods.

The exchange rates of the US dollar, the British pound, the Japanese yen, the Chinese renminbi and the Russian ruble – the most significant foreign currencies for Daimler – were as shown in table ↗ **F.06.**

Accounting policies

Revenue recognition

Revenue from sales of vehicles, service parts and other related products is recognized when the risks and rewards of ownership of the goods are transferred to the customer, the amount of revenue can be estimated reliably and collectability is reasonably assured. Revenue is recognized net of sales reductions such as cash discounts and sales incentives granted.

Daimler uses a variety of sales promotion programs dependent on various market conditions in individual countries as well as the respective product life cycles and product-related factors (such as amounts of discounts offered by competitors, excess industry production capacity, the intensity of market competition and consumer demand for the products). These programs comprise cash offers to dealers and customers as well as lease subsidies or loans at reduced interest rates.

Revenue also includes revenue from the rental and leasing business as well as interest from the financial services business at Daimler Financial Services. The revenue from the rental and leasing business results from operating leases and is recognized on a straight-line basis over the periods of the contracts. In addition, sales revenue is generated at the end of lease contracts from the subsequent sale of the vehicles. Revenue from receivables from financial services is recognized using the effective interest method. When loans are issued below market rates, related receivables are recognized at present value and revenue is reduced for the interest incentive granted. If subsidized leasing fees are agreed upon in connection with finance leases, revenue from the sale of a vehicle is reduced by the amount of the interest incentive granted.

The Group offers extended, separately priced extended warranties for certain products. Revenue from these contracts is deferred and recognized over the contract period in proportion to the costs expected to be incurred based on historical information. In circumstances in which there is insufficient historical information, income from extended warranty contracts is recognized on a straight-line basis. A loss on these contracts is recognized in the current period if the sum of the expected costs for services under the contract exceeds unearned revenue.

For multiple-element arrangements, such as when vehicles are sold with free or reduced-in-price maintenance programs or with free online services, the Group allocates revenue to the various elements based on their estimated fair values.

Research and non-capitalized development costs

Expenditure for research and development that does not meet the conditions for capitalization according to IAS 38 Intangible Assets is expensed as incurred.

Borrowing costs

Borrowing costs are expensed as incurred unless they are directly attributable to the acquisition, construction or production of a qualifying asset and are therefore part of the cost of that asset. Depreciation of the capitalized borrowing costs is presented within cost of sales.

Government grants

Government grants related to assets are deducted from the carrying amount of the asset and are recognized in earnings over the life of a depreciable asset as a reduced depreciation expense. Government grants which compensate the Group for expenses are recognized as other operating income in the same period as the expenses themselves.

F.06
Exchange rates

					2017					2016
	USD	GBP	JPY	CNY	RUB	USD	GBP	JPY	CNY	RUB
	1 € =	1 € =	1 € =	1 € =	1 € =	1 € =	1 € =	1 € =	1 € =	1 € =
Average exchange rate on December 31	1.1993	0.8872	135.0100	7.8044	69.3920	1.0541	0.8562	123.4000	7.3202	64.3000
Average exchange rates during the respective period										
First quarter	1.0648	0.8601	121.0100	7.3353	62.5218	1.1020	0.7704	127.0000	7.2101	82.4506
Second quarter	1.1021	0.8611	122.5800	7.5597	63.1033	1.1292	0.7868	121.9500	7.3788	74.3348
Third quarter	1.1746	0.8978	130.3500	7.8340	69.2851	1.1166	0.8497	114.2900	7.4431	72.1154
Fourth quarter	1.1776	0.8875	132.9100	7.7899	68.8150	1.0789	0.8691	117.9200	7.3691	67.9975

Profit/loss from equity-method investments
This item includes all income and expenses in connection with investments accounted for using the equity method. In addition to the prorated profits and losses from financial investments, it also includes profits and losses resulting from the sale of equity interests or the remeasurement of equity interests following a loss of significant influence. Daimler's share of dilution gains and losses occurring if the Group or other owners do not participate in capital increases of companies in which shares are held and accounted for using the equity method are also included in profit/loss from equity-method investments. This item also includes losses on the impairment of an investment's carrying amount and/or gains on the reversal of such impairments.

Other financial income/expense, net
Other financial income/expense, net includes all income and expense from financial transactions which are not included in interest income and/or interest expense, and for Daimler Financial Services are not included in revenue and/or cost of sales. For example, expense from the compounding of interest on provisions for other risks is recorded in this line item.

Furthermore, income and expenses from equity interests are included in other financial income/expense, net, if such income or expenses are not presented under equity-method investments.

Interest income and interest expense
Interest income and interest expense include interest income from investments in securities, cash and cash equivalents as well as interest expense from liabilities. Furthermore, interest and changes in fair values related to interest rate hedging activities as well as income and expense resulting from the allocation of premiums and discounts are included. The interest components of defined benefit pension obligations and other similar obligations as well as of the plan assets available to cover these obligations are also presented in this line item.

For the segment Daimler Financial Services interest income and expense and gains or losses from derivative financial instruments from financial services business are disclosed under revenue and cost of sales respectively.

Income taxes
Income taxes are comprised of current income taxes and deferred taxes.

Current income taxes are calculated based on the respective local taxable income and local tax rules for the period. In addition, current income taxes presented for the period include adjustments for uncertain tax payments or tax refunds for periods not yet finally assessed, including interest expense and penalties on the underpayment of taxes. For the case that amounts declared as expenses in the tax returns might not be recognized (uncertain tax positions), a provision for income taxes is recognized. The amount is based on the best possible assessment of the expected tax payment. Tax refund claims from uncertain tax positions are recognized when it is predominantly likely and thus reasonably expected that they can be realized. Only in the case of tax loss carryforwards or unused tax credits, no provision for taxes or tax claim is recognized for these uncertain tax positions. Instead, the deferred tax assets for the unused tax loss carryforwards or tax credits are to be adjusted.

Changes in deferred tax assets and liabilities are generally recognized through profit and loss in deferred taxes in the consolidated statement of income, except for changes recognized in other comprehensive income/loss or directly in equity.

Deferred tax assets or liabilities are calculated on the basis of temporary differences between the tax basis and the financial reporting of assets and liabilities including differences from consolidation, on unused tax loss carryforwards and unused tax credits. Measurement is based on the tax rates expected to be effective in the period in which an asset is recognized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted at the reporting date or are soon to be enacted. Daimler recognizes a valuation allowance for deferred tax assets when it is unlikely that a corresponding amount of future taxable profit will be available against which the deductible temporary differences, tax loss carryforwards and tax credits can be utilized. Deferred tax liabilities for taxable temporary differences in connection with investments in subsidiaries, branches, associates and interests in joint arrangements are not recognized if the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Earnings per share
Basic earnings per share are calculated by dividing profit attributable to shareholders of Daimler AG by the weighted average number of shares outstanding. As nothing occurred in the years 2017 and 2016 that resulted in any dilution, diluted earnings per share were the same as basic earnings per share in those years.

Intangible assets
Intangible assets are measured at acquisition or manufacturing cost less accumulated amortization. If necessary, accumulated impairment losses are recognized.

Intangible assets with indefinite useful lives are reviewed annually to determine whether indefinite-life assessment continues to be appropriate. If not, the change in the useful-life assessment from indefinite to finite is made on a prospective basis.

Intangible assets other than development costs with finite useful lives are generally amortized on a straight-line basis over their useful lives (three to ten years). The amortization period for intangible assets with finite useful lives is reviewed at least at each year-end. Changes in expected useful lives are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recorded in functional costs.

Development costs for vehicles and components are recognized if the conditions for capitalization according to IAS 38 are met. Subsequent to initial recognition, the asset is carried at cost less accumulated amortization and accumulated impairment losses. Capitalized development costs include all direct costs and allocable overheads and are amortized on a straight-line basis over the expected product life cycle (a maximum of ten years). Amortization of capitalized development costs is an element of manufacturing costs and is allocated to those vehicles and components by which they were generated and is included in cost of sales when the inventory (vehicles) is sold.

Goodwill
For acquisitions, goodwill represents the excess of the consideration transferred over the fair values assigned to the identifiable assets proportionally acquired and liabilities assumed. Goodwill is accounted for at the subsidiaries in the functional currency of those subsidiaries.

In connection with obtaining control, non-controlling interest in the acquiree is principally recognized at the proportionate share of the acquiree’s identifiable assets, which are measured at fair value.

Property, plant and equipment
Property, plant and equipment are measured at acquisition or manufacturing costs less accumulated depreciation. If necessary, accumulated impairment losses are recognized.

The costs of internally produced equipment and facilities include all direct costs and allocable overheads. Acquisition or manufacturing costs include the estimated costs, if any, of dismantling and removing the item and restoring the site.

Property, plant and equipment are depreciated over the useful lives as shown in table ↗ F.07.

Leasing
Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. The Group is a lessee of property, plant and equipment and a lessor of its products. It is evaluated on the basis of the risks and rewards of a leased asset whether the ownership of the leased asset is attributed to the lessee (finance lease) or to the lessor (operating lease).

Daimler as lessee
In the case of an operating lease, the lease payments or rental payments are expensed on a straight-line basis in the consolidated statement of income.

Assets carried as finance leases are measured at the beginning of the (lease) contract at the lower of the present value of the minimum lease payments and the fair value of the leased object, and in the following periods less accumulated depreciation and other accumulated impairment losses. Depreciation is on a straight-line basis; residual values of the assets are given due consideration. Payment obligations resulting from future lease payments are discounted and disclosed under financing liabilities.

F.07
Useful lives of property, plant and equipment

Buildings and site improvements	10 to 50 years
Technical equipment and machinery	6 to 25 years
Other equipment, factory and office equipment	3 to 30 years

Sale and lease back

The same accounting principles apply to assets if Daimler sells such assets and leases them back from the buyer.

Daimler as lessor

Operating leases relate to vehicles that the Group produces itself and leases to third parties or to vehicles that the Group sells and grants a buy-back or residual-value guarantee. These vehicles are capitalized at (depreciated) cost of production under leased equipment in the vehicle segments and are depreciated over the contract term on a straight-line basis with consideration of the expected residual values. Changes in the expected residual values lead either to prospective adjustments of the scheduled depreciation or to an impairment loss if necessary.

Operating leases also relate to vehicles, primarily Group products that Daimler Financial Services acquires from non-Group dealers or other third parties and leases to end customers. These vehicles are presented at (amortized) cost of acquisition under leased equipment in the Daimler Financial Services segment. If these vehicles are Group products and are subsidized, the subsidies are deducted from the cost of acquisition. After revenue is received from the sale to independent dealers, these Group products generate revenue from lease payments and subsequent resale on the basis of the separate leasing contracts. The revenue received from the sale of Group products to the dealers is estimated by the Group as being of the magnitude of the respective addition to leased equipment at Daimler Financial Services. In 2017, additions to leased equipment from these vehicles at Daimler Financial Services amounted to approximately €13 billion (2016: approximately €13 billion).

In the case of finance leases, the Group presents the receivables under receivables from financial services in an amount corresponding to the net investment of the lease agreements. The net investment of a lease agreement is the gross investment (future minimum lease payments and non-guaranteed residual value) discounted at the rate upon which the lease agreement is based.

Equity-method investments

On the date of acquisition, a positive difference between cost of acquisition and Daimler's share of the fair values of the identifiable assets and liabilities of the associated company or joint venture is determined and recognized as investor level goodwill. The goodwill is included in the carrying amount of the equity-method investment. With step acquisition of an equity interest by which significant influence or joint control is achieved for the first time, the investment is generally accounted for on the basis of IFRS 3 Business Combinations. This means that the previously held equity interest is remeasured on the date of acquisition; any resulting gain or loss is recognized through profit and loss. If an equity interest in an existing associated company is increased without change in significant influence, goodwill is determined only for the additionally acquired interest; the previous investment is not remeasured at fair value.

Daimler reviews on each reporting date whether there is any objective indication of impairments or impairment reversals of equity-method investments. If such indications exist, the Group determines the impairment loss or reversal to be recognized. If the carrying amount exceeds the recoverable amount of an investment, the carrying amount is written down to the recoverable amount. The recoverable amount is the greater of fair value less costs to sell and value in use. An impairment reversal is carried out if there is objective evidence for an impairment reversal. If such an assessment is made, the recoverable amount is remeasured. The amount of an impairment reversal is limited to the amount by which an asset has been impaired.

Gains or losses (to be eliminated) from transactions with companies accounted for using the equity method are recognized through profit and loss with corresponding adjustments of the investments' carrying amounts.

Impairment of non-current non-financial assets

Daimler assesses at each reporting date whether there is an indication that an asset may be impaired or whether there is an indication that a previously recognized impairment loss may be reversed. If such indication exists, Daimler estimates the recoverable amount of the asset. The recoverable amount is determined for each individual asset unless the asset generates cash inflows that are not largely independent of those from other assets or groups of assets (cash-generating units). In addition, goodwill and other intangible assets with indefinite useful lives are tested annually for impairment; this takes place at the level of the cash-generating units. If the carrying amount of an asset or of a cash-generating unit exceeds the recoverable amount, an impairment loss is recognized for the difference.

The recoverable amount is the higher of fair value less costs of disposal and value in use. For cash-generating units, Daimler in a first step determines the respective recoverable amount as value in use and compares it with the respective carrying amount (including goodwill). The cash-generating units are generally defined as the reporting segments. At Daimler Financial Services, impairment tests are carried out below the segment level. There is a differentiation between the two cash-generating units Daimler Financial Services Classic (typical financial services business) and Daimler Financial Services Mobility (innovative mobility services).

Value in use is measured by discounting expected future cash flows from the continuing use of the cash-generating units using a risk-adjusted interest rate. Future cash flows are determined on the basis of the long-term planning, which is approved by the Management and which is valid at the date when the impairment test is conducted. This planning is based on expectations regarding future market share, the general development of respective markets as well as the products' profitability. The multi-year planning comprises a planning horizon until 2025 and therefore mainly covers the product life cycles of our automotive business. The rounded risk-adjusted interest rates used to discount cash flows, which are calculated for each cash-generating unit, are unchanged from the previous year at 8% after taxes for the cash-generating units of the automotive business. For the cash-generating unit Daimler Financial Services Classic, a risk-adjusted interest rate of 9% after taxes is applied (unchanged from the previous year); for Daimler Financial Services Mobility, the risk-adjusted interest rate is 15% after taxes (2016: 14%). Whereas the discount rate for the cash-generating unit Daimler Financial Services Classic represents the cost of equity, the risk-adjusted interest rate for the other cash-generating units is based on the weighted average cost of capital (WACC). These are calculated based on the capital asset pricing model (CAPM) taking into account current market expectations. In calculating the risk-adjusted interest rate for impairment test purposes, specific peer group information is used for beta factors, capital-structure data and cost of debt. Periods not covered by the forecast are taken into account by recognizing a residual value (terminal value), which generally does not consider any growth rates. In addition, several sensitivity analyses are conducted. These show that generally even in the case of more unfavorable premises for main influencing factors with respect to the original planning, no need for impairment exists. If value in use is lower than the carrying amount, fair value less costs of disposal is additionally calculated to determine the recoverable amount.

An assessment for assets other than goodwill is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may be reversed. If this is the case, Daimler records a partial or entire reversal of the impairment; the carrying amount is thereby increased to the recoverable amount. However, the increased carrying amount may not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized in prior years.

Non-current assets held for sale and disposal groups
The Group classifies non-current assets or disposal groups as held for sale if the conditions of IFRS 5 Non-current assets held for sale and discontinued operations are fulfilled. In this case, the assets or disposal groups are no longer depreciated but measured at the lower of carrying amount and fair value less costs to sell. If fair value less costs to sell subsequently increases, any impairment loss previously recognized is reversed. This reversal is restricted to the impairment loss previously recognized for the assets or disposal group concerned. The Group generally discloses these assets or disposal groups separately in the consolidated statement of financial position.

Inventories
Inventories are measured at the lower of acquisition or manufacturing cost and net realizable value. The net realizable value is the estimated selling price less estimated costs of completion and estimated costs to sell. The acquisition or manufacturing costs of inventories are generally based on the specific identification method and include costs incurred in acquiring the inventories and bringing them to their existing location and condition. Costs for large numbers of inventories that are interchangeable are allocated under the average cost formula. In the case of manufactured inventories and work in progress, acquisition or manufacturing cost also includes production overheads based on normal capacity.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments in the form of financial assets and financial liabilities are generally presented separately. Financial instruments are recognized as soon as Daimler becomes a party to the contractual provisions of the financial instrument. In the case of purchases or sales of financial assets through the regular market, Daimler uses the transaction date as the date of initial recognition or derecognition.

Upon initial recognition, financial instruments are measured at fair value. For the purpose of subsequent measurement, financial instruments are allocated to one of the categories mentioned in IAS 39 Financial Instruments: Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered by determining the carrying amount if the financial instruments are not measured at fair value through profit or loss.

Financial assets

Financial assets primarily comprise receivables from financial services, trade receivables, receivables from banks, cash on hand, derivative financial assets and marketable securities and financial investments.

Financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss include those financial assets designated as held for trading.

Derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as shares and marketable debt securities acquired for the purpose of selling in the near term are classified as held for trading. Gains or losses on these financial assets are recognized in profit or loss.

Loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as receivables from financial services or trade receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the statement of income when the loans and receivables are impaired or derecognized. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Available-for-sale financial assets. Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or that are not classified in any of the preceding categories. This category includes equity instruments and debt instruments such as government bonds, corporate bonds and commercial paper.

After initial measurement, available-for-sale financial assets are measured at fair value, with unrealized gains or losses being recognized in other comprehensive income/loss. If objective evidence of impairment exists or if changes occur in the fair value of a debt instrument resulting from currency fluctuations, these changes are recognized in profit or loss. Upon disposal of financial assets, the accumulated gains and losses recognized in other comprehensive income/loss resulting from measurement at fair value are recognized in profit or loss. If a reliable estimate cannot be made of the fair value of an unquoted equity instrument, such as an investment in a German limited liability company, this instrument is measured at cost (less any impairment losses). Interest earned on available-for-sale financial assets is generally reported as interest income using the effective interest method. Dividends are recognized in profit or loss when the right of payment has been established.

Cash and cash equivalents. Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks, as well as debt instruments and certificates of deposits with a remaining term when acquired of up to three months, which are not subject to any material value fluctuations. Cash and cash equivalents correspond with the classification in the consolidated statement of cash flows.

Impairment of financial assets

At each reporting date, the carrying amounts of financial assets other than those to be measured at fair value through profit or loss are assessed to determine whether there is objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment. For quoted equity instruments, a significant or prolonged decline in fair value is additional objective evidence of possible impairment. Daimler has defined criteria for the significance and duration of a decline in fair value. A decline in fair value is deemed significant if it exceeds 20% of the carrying amount of the investment; a decline is deemed prolonged if the carrying amount exceeds the fair value for a period longer than nine months.

Loans and receivables. If there are objective indications that the value of a loan or receivable has to be impaired, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows (excluding expected future credit losses that have not yet been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be attributed objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

In most cases, an impairment loss on loans and receivables (e.g. receivables from financial services including finance lease receivables and trade receivables) is recorded using allowance accounts. The decision to account for credit risks using an allowance account or by directly reducing the receivable depends on the estimated probability of the loss of receivables.

Available-for-sale financial assets. If an available-for-sale financial asset is impaired, the difference between its cost (net of any principal payment and amortization) and its current fair value (less any impairment loss previously recognized in the statement of income) is reclassified from other comprehensive income/loss to the statement of income. Reversals with respect to equity instruments classified as available for sale are recognized in other comprehensive income/loss. Reversals of impairment losses on debt instruments are recognized through the statement of income if the increase in fair value of the instrument can be objectively attributed to an event occurring after the impairment losses were recognized in the consolidated statement of income.

Offsetting financial instruments
Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position provided that an enforceable right currently exists to offset the amounts involved, and there is an intention either to carry out the offsetting on a net basis or to settle a liability when the related asset is sold.

Financial liabilities
Financial liabilities primarily include trade payables, liabilities to banks, bonds, derivative financial liabilities and other liabilities.

Financial liabilities measured at amortized cost. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities at fair value through profit or loss. Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Derivatives (including embedded derivatives separated from the host contract) which are not used as hedging instruments in hedge accounting, are classified as held for trading. Gains or losses on liabilities held for trading are recognized in profit or loss.

Derivative financial instruments and hedge accounting
The Group uses derivative financial instruments exclusively for hedging financial risks that arise from its commercial business or refinancing activities. These are mainly interest rate risks, currency risks and commodity price risks.

Embedded derivatives are separated from the host contract, which is not measured at fair value through profit or loss, if an analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

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

If the requirements for hedge accounting set out in IAS 39 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign business operation. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is hedged. In a cash flow hedge, the variability of cash flows to be received or paid from expected transactions related to a recognized asset or liability or a highly probable forecast transaction are hedged. The documentation of the hedging relationship includes the objectives and strategy of risk management, the type of hedging relationship, the nature of the risk being hedged, the identification of the hedging instrument and the hedged item, as well as a description of the method used to assess hedge effectiveness. Hedging transactions are expected to be highly effective in achieving offsetting risks from changes in fair value or cash flows and are regularly assessed to determine that they have actually been highly effective throughout the financial reporting periods for which they are designated.

Changes in the fair value of derivative financial instruments are recognized periodically in either profit or loss or other comprehensive income/loss, depending on whether the derivative is designated as a hedge of changes in fair value or cash flows. For fair value hedges, changes in the fair value of the hedged item and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument after taxes are recognized in other comprehensive income/loss. Amounts recognized in other comprehensive income/loss are reclassified to the statement of income when the hedged underlying transaction affects the statement of income. The ineffective portions of fair value changes are recognized in profit or loss.

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

Pensions and similar obligations

The measurement of defined benefit plans for pensions and other post-employment benefit obligations (medical care) in accordance with IAS 19 Employee Benefits is based on the projected unit credit method. Plan assets invested to cover defined benefit pension obligations and other post-employment benefit obligations (medical care) are measured at fair value and offset against the corresponding obligations. For the valuation of defined benefit plans, differences between actuarial assumptions used and actual developments as well as changes in actuarial assumptions result in actuarial gains and losses, which have a direct impact on the consolidated statement of financial position or on the consolidated statement of comprehensive income/loss.

The balance of defined benefit plans for pensions and other post-employment benefit obligations and plan assets (net pension obligation or net pension assets) accrues interest at the discount rate used as a basis for the measurement of the gross pension obligation. The resulting net interest expense or income is recognized in profit and loss under interest expense or interest income in the consolidated statement of income. The other expenses resulting from pension obligations and other post-employment benefit obligations (medical care), which mainly result from entitlements acquired during the year under review, are taken into consideration in the functional costs in the consolidated statement of income.

The discount factors used to calculate the present values of defined benefit pension obligations are to be determined – with maturities and currencies matching the pension payments – by reference to market yields at the end of the reporting period on high-quality corporate bonds in the respective markets. For very long maturities, there are no high-quality corporate bonds available as a benchmark. The respective discount factors are estimated by extrapolating current market rates along the yield curve.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized in profit or loss when the curtailment or settlement occurs.

Provisions for other risks

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the reporting date. Provisions with an original maturity of more than one year are discounted to the present value of the expenditures expected to settle the obligation at the end of the reporting period. If the criteria of the regulations on recognition and measurement of provisions are not fulfilled and the possibility of a cash outflow upon settlement is not unlikely, the item is to be presented as a contingent liability, insofar as it is adequately measurable. Provisions and contingent liabilities are regularly reviewed and adjusted as further information becomes available or circumstances change.

A provision for expected warranty costs is recognized when a product is sold or when a new warranty program is initiated. Estimates for accrued warranty costs are primarily based on historical experience.

Restructuring provisions are set up in connection with programs that materially change the scope of business performed by a segment or business unit or the manner in which business is conducted. In most cases, restructuring expenses include termination benefits and compensation payments due to the termination of agreements with suppliers and dealers. Restructuring provisions are recognized when the Group has a detailed formal plan that has either commenced implementation or been announced.

Share-based payment

Share-based payment comprises cash-settled liability awards.

Liability awards are measured at fair value at each balance sheet date until settlement and are classified as provisions. The profit or loss of the period equals the addition to and/or the reversal of the provision during the reporting period and the dividend equivalent paid during the period, and is included in the functional costs.

Presentation in the consolidated statement of cash flows

Interest paid as well as interest and dividends received are classified as cash provided by/used for operating activities. The cash flows from short-term marketable debt securities with high turnover rates and significant amounts are offset and presented within cash provided by/used for investing activities.

2. Accounting estimates and management judgements

In the consolidated financial statements, to a certain degree, estimates and management judgements have to be made which can affect the amounts and reporting of assets and liabilities, the reporting of contingent assets and liabilities on the balance sheet date, and the amounts of income and expense reported for the period. The major items affected by such estimates and management judgements are described as follows. Actual amounts may differ from the estimates. Changes in the estimates and management judgements can have a material impact on the consolidated financial statements.

Recoverable amounts of cash-generating units and equity-method investments
In the context of impairment tests for non-financial assets, estimates have to be made to determine the recoverable amounts of cash-generating units. Assumptions have to be made in particular with regard to future cash inflows and outflows for the planning period and the following periods. The estimates include assumptions regarding future market share and the growth of the respective markets as well as regarding the products' profitability. On the basis of the impairment tests carried out in 2017, the recoverable amounts are larger than the net assets of the Group's cash-generating units, in most cases substantially larger.

When objective evidence of impairment or impairment reversal is present, estimates and assessments also have to be made to determine the recoverable amount of an equity method financial investment. The determination of the recoverable amount is based on assumptions regarding future business developments for the determination of the expected future cash flows of that financial investment. See Note 13 for the presentation of carrying amounts and fair values of equity-method financial investments in listed companies.

Recoverable amount of equipment on operating leases
Daimler regularly reviews the factors determining the values of its leased vehicles. In particular, it is necessary to estimate the residual values of vehicles at the end of their leases, which constitute a substantial part of the expected future cash flows from leased assets. In this context, assumptions are made regarding major influencing factors, such as the expected number of returned vehicles, the latest remarketing results and future vehicle model changes. Those assumptions are determined either by qualified estimates or by publications provided by expert third parties; qualified estimates are based, as far as publicly available, on external data with consideration of internally available additional information such as historical experience of price developments and recent sale prices. The residual values thus determined serve as a basis for depreciation; changes in residual values lead either to prospective adjustments of the depreciation or, in the case of a significant decline in expected residual values, to impairment. If depreciation is prospectively adjusted, changes in estimates of residual values do not have a direct effect but are equally distributed over the remaining periods of the lease contracts.

Collectability of receivables from financial services
The Group regularly estimates the risk of default on receivables from financial services. Many factors are taken into consideration in this context, including historical loss experience, the size and composition of certain portfolios, current economic events and conditions and the estimated fair values and adequacy of collaterals. Changes in economic conditions can lead to changes in our customers' creditworthiness and to changes in used-vehicle prices, which would have a direct effect on the market values of the vehicles assigned as collateral. Changes to the estimation and assessment of these factors influence the allowance for credit losses with a resulting impact on the Group's net profit. See also Notes 14 and 32 for further information.

Product warranties
The recognition and measurement of provisions for product warranties is generally connected with estimates.

The Group provides various types of product warranties depending on the type of product and market conditions. Provisions for product warranties are generally recognized when vehicles are sold or when new warranty programs are initiated. Based on historical warranty claim experience, assumptions have to be made on the type and extent of future warranty claims and customer goodwill, as well as on possible recall campaigns for each model series. These assessments are based on experience of the frequency and extent of vehicle faults and defects in the past. In addition, the estimates also include assumptions on the amounts of potential repair costs per vehicle and the effects of possible time or mileage limits. The provisions are regularly adjusted to reflect new information.

Further information on provisions for other risks is provided in Note 23.

Legal proceedings
Various legal proceedings, claims and governmental investigations are pending against Daimler AG and its subsidiaries on a wide range of topics. If the outcome of such legal proceedings is detrimental to Daimler, the Group may be required to pay substantial compensatory and punitive damages, to undertake service actions or recall campaigns, to pay fines or to carry out other costly actions. Litigation and governmental investigations often involve complex legal issues and are connected with a high degree of uncertainty. Accordingly, the assessment of whether an obligation exists on the balance sheet date as a result of an event in the past, and whether a future cash outflow is likely and the obligation can be reliably estimated, largely depends on estimations by the management. Daimler regularly evaluates the current stage of legal proceedings, also with the involvement of external legal counsel. It is therefore possible that the amounts of provisions for pending or potential litigation will have to be adjusted due to future developments. Changes in estimates and premises can have a material effect on the Group's future profitability. It is also possible that provisions accrued for some legal proceedings may turn out to be insufficient once such proceedings have ended. Daimler may also become liable for payments in legal proceedings no provisions were established for. Although the final resolution of any such proceedings could have a material effect on Daimler's operating results and cash flows for a particular reporting period, Daimler believes that it should not materially affect the Group's financial position.

Further information on liability and litigation risks is provided in Note 29.

Pensions and similar obligations
The calculation of provisions for pensions and similar obligations and the related pension cost are based on various actuarial valuations. The calculations are subject to various assumptions on matters such as current actuarially developed probabilities (e.g. discount factors and cost-of-living increases), future fluctuations with regard to age and period of service, and experience with the probability of occurrence of pension payments, annuities or lump sums. As a result of changed market or economic conditions, the probabilities on which the influencing factors are based, may differ from current developments. The financial effects of deviations of the main factors are calculated with the use of sensitivity analyses. See Note 22 for further information.

Income taxes
The calculation of income taxes of Daimler AG and its subsidiaries is based on the legislation and regulations applicable in the various countries. Due to their complexity, the tax items presented in the financial statements are possibly subject to different interpretation by taxpayers on the one hand and local tax authorities on the other hand. For the calculation of deferred tax assets, assumptions have to be made regarding future taxable income and the time of realization of the deferred tax assets. In this context, Daimler takes into consideration, among other things, the projected earnings from business operations, the effects on earnings of the reversal of taxable temporary differences, and realizable tax strategies. As future business developments are uncertain and are sometimes beyond Daimler's control, the assumptions to be made in connection with accounting for deferred tax assets are connected with a substantial degree of uncertainty. On each balance sheet date, Daimler carries out impairment tests on deferred tax assets on the basis of the planned taxable income in future financial years; if Daimler assesses that the probability of future tax advantages being partially or fully unrealized is more than 50%, the deferred tax assets are impaired. Further information is provided in Note 9.

3. Consolidated Group

Composition of the Group
Table ↗ **F.08** shows the composition of the Group.

The aggregate balance sheet totals of the subsidiaries, associated companies, joint ventures and joint operations accounted for at amortized cost whose business is non-active or of low volume and which are not material for the Group and the fair presentation of its profitability, liquidity and capital resources and financial position would amount to approximately 1% of the Group's balance sheet total; the aggregate revenues and the aggregate net profit would amount to approximately 1% of the Group's revenue and net profit.

A detailed list of the companies included in the consolidated financial statements and of the equity investments of Daimler Group pursuant to Section 313 of the German Commercial Code (HGB) is provided in the statement of investments. Further information is provided in Note 39.

Structured entities
The structured entities of the Group are rental companies, asset-backed-securities (ABS) companies and special funds. The purpose of the rental companies primarily is the acquisition, renting and management of assets. The ABS companies are primarily used for the Group's refinancing. The assets transferred to structured entities usually result from the Group's leasing and sales financing business. Those entities refinance the purchase price by issuing securities. The special funds are set up in particular in order to diversify the capital investment strategy.

At the reporting date, the Group has business relationships with 24 (2016: 20) controlled structured entities, of which 22 (2016: 18) are fully consolidated. In addition, the Group has relationships with 6 (2016: 5) non-controlled structured entities. The unconsolidated structured entities are not material for the Group's profitability, liquidity and capital resources and financial position.

Consolidated subsidiaries
On June 30, 2016, Daimler signed the agreements for the acquisition of 100% of the shares of **Athlon Car Lease International B.V.** (Athlon), a subsidiary of the Dutch Rabobank Group. Athlon is one of the leading providers of mobility solutions in Europe, especially of leasing and fleet management for commercial customers. The transaction was closed on December 1, 2016. Upon closing, the purchase price of €1.1 billion was paid and financial liabilities of the Athlon companies in an amount of approximately €2.7 billion were settled. In 2017, Daimler received total purchase price refunds of €41 million. Purchase-price allocation was finalized in the fourth quarter of 2017. In the context of allocated purchase-price difference of €637, €402 million was allocated to goodwill, €311 million to intangible assets and €6 million to other assets. €82 million was accounted for by deferred tax liabilities.

Effective as of June 30, 2016, Daimler placed its 3.1% interest in each of **Renault S.A.** (Renault) and **Nissan Motor Company Ltd.** (Nissan) at the amount of the fair value (€1,800 million) into the Daimler Pension Trust e.V. for the purpose of strengthening the German pension plan assets over the long term. Before this transfer, the investments in Renault and Nissan were presented under other financial assets. The investments were measured at fair value, whereby unrecognized gains were shown under other comprehensive income. The contribution of the shares led to other financial income in an amount of €605 million, which was shown in the reconciliation in 2016.

Joint operations accounted for using proportionate consolidation

Daimler AG together with Nissan Motor Company Ltd. founded the joint operation **Cooperation Manufacturing Plant Aguascalientes, S.A.P.I. de C.V.** in Mexico in 2015. The company has been producing cars for the Infiniti brand since November 2017. Production for the Mercedes-Benz brand will start in 2018. Daimler and Nissan each hold a 50% interest in the company. The joint operation has been accounted for using proportionate consolidation since July 1, 2016. The company is allocated to the Mercedes-Benz Cars segment.

Equity-method investments

In May 2017, Daimler acquired for a purchase price of €0.3 billion an interest of 15% in **LSH Auto International Limited** (LSHAI), which is responsible for the Mercedes-Benz retail business of Lei Shing Hong Group. LSHAI, a subsidiary of Lei Shing Hong Group, is one of the biggest Mercedes-Benz dealers worldwide. See Note 13 for further information.

In January 2017, **There Holding B.V.** sold an equity interest of 15% in HERE International B.V to Intel Holdings B.V. and recognized a gain of €183 million in connection with the sale. See Note 13 for further information.

F.08
Composition of the Group

	At December 31, 2017	2016
Consolidated subsidiaries	**363**	359
Germany	**64**	62
International	**299**	297
Unconsolidated subsidiaries	**119**	97
Germany	**41**	30
International	**78**	67
Joint operations accounted for using proportionate consolidation	**1**	1
Germany	**–**	–
International	**1**	1
Joint operations accounted for using the equity method	**3**	3
Germany	**1**	1
International	**2**	2
Joint ventures accounted for using the equity method	**16**	14
Germany	**5**	4
International	**11**	10
Associated companies accounted for using the equity method	**14**	13
Germany	**3**	3
International	**11**	10
Joint operations, joint ventures, associated companies and substantial other investments accounted for at (amortized) cost	**32**	26
Germany	**16**	13
International	**16**	13
	548	513

F.09
Revenue

	2017	2016
In millions of euros		
Revenue from sales of goods	140,272	132,577
Revenue from the rental and leasing business	18,394	15,997
Interest from the financial services business at Daimler Financial Services	4,609	4,146
Revenue from sales of other services	1,055	541
	164,330	153,261

F.10
Cost of sales

	2017	2016
In millions of euros		
Expense of goods sold	-114,054	-107,925
Depreciation of equipment on operating leases	-7,978	-6,652
Refinancing costs at Daimler Financial Services	-2,187	-1,789
Impairment losses on receivables from financial services	-500	-499
Other cost of sales	-5,280	-4,433
	-129,999	-121,298

F.11
Optimization programs

	2017	2016
In millions of euros		
Mercedes-Benz Cars		
EBIT	105	-33
Cash flow	203	253
Provisions for optimization programs[1]	8	11
Daimler Trucks		
EBIT	-160	-105
Cash flow	-17	-68
Provisions for optimization programs[1]	3	3
Mercedes-Benz Vans		
EBIT	13	-49
Cash flow	24	–
Provisions for optimization programs[1]	2	3
Daimler Buses		
EBIT	1	-9
Cash flow	2	-3
Provisions for optimization programs[1]	–	–

1 Amounts of provisions for optimization programs as of December 31.

4. Revenue

Table ↗ F.09 shows the composition of revenue at Group level.

Revenue by segment ↗ F.81 and region ↗ F.83 is presented in Note 33.

5. Functional costs

Cost of sales
Items included in cost of sales are shown in table ↗ F.10.

Amortization expense of capitalized development costs in the amount of €1,310 million (2016: €1,268 million) is presented in expense of goods sold.

Selling expenses
In 2017, selling expenses amounted to €12,965 million (2016: €12,226 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 €3,809 million in 2017 (2016: €3,419 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 €5,938 million in 2017 (2016: €5,257 million) and primarily comprise personnel expenses and material costs.

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

In the course of the organizational focus on the divisions, programs for restructuring the Group's dealer network abroad were initiated in 2015, involving the sale of selected Daimler-owned dealerships. The restructuring was mainly completed in 2017. In the reporting period 2017, these measures resulted in income of €133 million (2016: net expense of €58 million).

At December 31, 2016, the disposal group's assets for those dealerships abroad amounted to €240 million and its liabilities amounted to €135 million. At December 31, 2017, only non-significant assets and liabilities of the disposal group exist. Due to their minor impact on the Group's financial position, the assets and liabilities held for sale are not presented separately in the consolidated statement of financial position.

Daimler Trucks anticipates expenses in connection with the optimization of fixed costs, especially at the Mercedes-Benz brand, of approximately €0.2 billion, of which €172 million were recognized in 2017. Due to the employee-transfer opportunities within the Daimler Group, the expenses were lower than originally assumed.

In the year 2016, a workforce-reduction program was implemented in Brazil. That program resulted in expenses of €91 million in the Daimler Trucks segment in 2016.

In the year 2016, Mercedes-Benz Vans initiated a socially acceptable voluntary severance program for the Düsseldorf plant. In 2016, the program led to an expense of €38 million. In the reporting period 2017, this resulted in only a small amount of expenses.

Table ↗ **F.11** shows the effects of the optimization programs on the key figures of the segments.

Beside gains and/or losses from the sale of selected operations of the Group's current sales network, the EBIT effects listed in table ↗ **F.11** primarily relate to personnel measures and are included in the line items within the consolidated statement of income as shown in table ↗ **F.12.**

Cash effects resulting from the optimization programs are expected in the years 2018 and 2019.

Personnel expenses and average number of employees

Personnel expenses included in the consolidated statement of income amounted to €22,186 million in 2017 (2016: €21,141 million). The personnel expenses are composed of wages and salaries in the amount of €18,188 million (2016: €17,150 million), social contributions in the amount of €3,292 million (2016: €3,242 million) and expenses from pension obligations in the amount of €706 million (2016: €749 million). The average numbers of people employed are shown in table ↗ **F.13.**

Information on the total remuneration of the current and former members of the Board of Management and the current members of the Supervisory Board is provided in Note 37.

F.12

Income and expenses associated with optimization programs

	2017	2016
In millions of euros		
Cost of sales	-93	-127
Selling expenses	-16	-108
General administrative expenses	-27	-8
Research and non-capitalized development costs	-38	-2
Other operating expenses	–	-45
Other operating income	133	94
	-41	-196

F.13

Average number of employees

	2017	2016
Mercedes-Benz Cars[1]	143,586	140,591
Daimler Trucks	80,155	81,810
Mercedes-Benz Vans	24,823	23,763
Daimler Buses	17,978	17,937
Daimler Financial Services	12,621	10,880
Other	10,367	9,976
	289,530	284,957

1 Including proportionally 1,203 employees from proportionately consolidated companies in 2017 (2016: 337).

F.14
Other operating income

	2017	2016
In millions of euros		
Income from costs recharged to third parties	1,309	1,219
Government grants and subsidies	107	144
Gains on sales of property, plant and equipment	385	24
Rental income not relating to sales financing	149	126
Income associated with optimization programs	133	94
Other miscellaneous income	741	743
	2,824	2,350

F.15
Other operating expense

	2017	2016
In millions of euros		
Losses on sales of property, plant and equipment	-117	-111
Expenses associated with optimization programs	–	-45
Other miscellaneous expenses	-925	-1,142
	-1,042	-1,298

F.16
Other financial income/expense, net

	2017	2016
In millions of euros		
Income and expense from compounding and effects from changes in discount rates of provisions for other risks	-61	-124
Miscellaneous other financial income/expense, net	-169	399
	-230	275

F.17
Interest income and interest expense

	2017	2016
In millions of euros		
Interest income		
Net interest income on the net assets of defined benefit pension plans	2	5
Interest and similar income	212	225
	214	230
Interest expense		
Net interest expense on the net obligation from defined benefit pension plans	-211	-227
Interest and similar expense	-371	-319
	-582	-546

6. Other operating income and expense

The composition of other operating income is shown in table ↗ **F.14**.

Income from costs recharged to third parties includes income from licenses and patents, shipping costs and other costs charged to third parties, with related expenses primarily within the functional costs.

Government grants and subsidies mainly comprise reimbursements relating to current part-time early retirement contracts and subsidies for alternative drive systems.

Gains on sales of property, plant and equipment include gains of €267 million from the sale of real estate by Mitsubishi Fuso Truck and Bus Corporation at the Kawasaki site in Japan.

Further information on income and expenses associated with optimization programs is provided in Note 5.

The composition of other operating expense is shown in table ↗ **F.15.**

Other miscellaneous expense primarily comprises losses from disposals of current assets and changes in other provisions. In 2016, other operating expense included expenses of €400 million connected with a lawsuit.

7. Other financial income/expense, net

Table ↗ **F.16** shows the components of other financial income/expense, net.

In 2016, miscellaneous other financial income included the recognition of gains of €605 million from the contribution of the shareholdings in Renault and Nissan to the German pension plan assets at fair value. Those gains were presented within other comprehensive income/loss until the transfer.

8. Interest income and interest expense

Table ↗ **F.17** shows the components of interest income and interest expense.

9. Income taxes

Profit before income taxes is comprised as shown in table ↗ **F.18.**

Profit before income taxes in Germany includes profit/loss from equity-method investments if the equity interests in those companies are held by German companies.

Table ↗ **F.19** shows the components of income taxes.

The current tax expense includes tax expenses at German and foreign companies of €268 million (2016: tax benefits of €292 million) recognized for prior periods.

The deferred tax expense/benefit is comprised of the components shown in table ↗ **F.20.**

For German companies, in 2017 and 2016, deferred taxes were calculated using a federal corporate income tax rate of 15%, a solidarity tax surcharge of 5.5% on each year's federal corporate income taxes, and a trade tax rate of 14%. In total, the tax rate applied for the calculation of German deferred taxes in both years amounted to 29.825%.

For non-German companies, the deferred taxes at period-end were calculated using the tax rates of the respective countries.

Table ↗ **F.21** shows a reconciliation of expected income tax expense to actual income tax expense determined using the unchanged applicable German combined statutory tax rate of 29.825%.

F.18
Profit before income taxes

In millions of euros	2017	2016
German companies	6,399	5,775
Non-German companies	7,902	6,799
	14,301	12,574

F.19
Components of income taxes

In millions of euros	2017	2016
Current taxes		
German companies	-2,024	-1,396
Non-German companies	-1,985	-1,690
Deferred taxes		
German companies	-401	-155
Non-German companies	973	-549
	-3,437	-3,790

F.20
Components of deferred tax expense/benefit

In millions of euros	2017	2016
Deferred taxes	572	-704
due to temporary differences	972	-44
due to tax loss carryforwards and tax credits	-400	-660

F.21
Reconciliation of expected income tax expense to actual income tax expense

In millions of euros	2017	2016
Expected income tax expense	-4,265	-3,750
Foreign tax rate differential	-80	-41
Trade tax rate differential	52	31
Tax law changes	1,624	48
Change of valuation allowance on deferred tax assets	-171	-225
Tax-free income and non-deductible expenses	-632	113
Other	35	34
Actual income tax expense	-3,437	-3,790

F.22
Deferred tax assets and liabilities

	At December 31, 2017	2016
In millions of euros		
Deferred tax assets	**2,853**	3,870
Deferred tax liabilities	**-2,402**	-3,467
Deferred tax assets, net	**451**	403

F.23
Split of tax assets and liabilities before offset

	At December 31, 2017	2016
In millions of euros		
Intangible assets	**48**	51
Property, plant and equipment	**134**	340
Equipment on operating leases	**2,319**	1,798
Inventories	**977**	1,129
Receivables from financial services	**392**	328
Miscellaneous assets, mainly other financial assets	**6,423**	6,019
Tax loss carryforwards and unused tax credits	**1,813**	2,256
Provisions for pensions and similar obligations	**671**	891
Other provisions	**1,861**	2,348
Liabilities	**931**	1,518
Deferred income	**1,332**	1,702
Miscellaneous liabilities	**2**	2
	16,903	18,382
Valuation allowances	**-1,291**	-1,248
thereof on temporary differences	**-194**	-235
thereof on tax loss carryforwards and tax credits	**-1,097**	-1,013
Deferred tax assets, gross	**15,612**	17,134
Development costs	**-3,060**	-2,625
Other intangible assets	**-127**	-274
Property, plant and equipment	**-1,574**	-1,654
Equipment on operating leases	**-5,211**	-7,919
Inventories	**-55**	-68
Receivables from financial services	**-1,302**	-1,124
Miscellaneous assets	**-377**	-620
Provisions for pensions and similar obligations	**-3,082**	-2,098
Other provisions	**-147**	-139
Miscellaneous liabilities	**-226**	-210
Deferred tax liabilities, gross	**-15,161**	-16,731
Deferred tax assets, net	**451**	403

The law signed in 2017 by the President of the United States of America for a comprehensive tax reform ("H.R. 1/Tax Cuts and Jobs Act"), includes the reduction of the nationwide federal corporate income tax rate for US-companies from 35% to 21%, starting on January 1, 2018. At yearend 2017, the reduction of the federal corporate income tax rate required the remeasurement of the deferred tax liabilities and deferred tax assets of the US-subsidiaries of Daimler. The resulting tax benefit of €1,668 million is included in the line item tax law changes.

In 2017 and 2016, the Group impaired deferred tax assets of foreign subsidiaries. The resulting tax expenses are included in the line item change of valuation allowance on deferred tax assets.

Tax-free income and non-deductible expenses include all other effects at foreign and German companies relating to tax-free income and non-deductible expenses, for instance tax-free gains included in net periodic pension costs at the German companies and tax-free results of our equity-method investments. In 2016, tax-free gains recognized on the contribution of our shares in Renault and Nissan into the German pension plan assets are shown in this line item. Furthermore, in 2017, the line item also includes tax expenses in connection with the interpretation of tax laws. In 2016, tax benefits relating to tax assessments of prior years are included in this line item.

Deferred tax assets and deferred tax liabilities are offset if the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and if there is the right to set off current tax assets against current tax liabilities. In the presentation of deferred tax assets and liabilities in the consolidated statement of financial position, no difference is made between current and non-current. In the consolidated statement of financial position, deferred tax assets and liabilities are presented as shown in table ↗ **F.22.**

In respect of each type of temporary difference and in respect of each type of unutilized tax loss carryforwards and unutilized tax credits, the deferred tax assets and liabilities before offset are summarized in table ↗ **F.23.**

The development of deferred tax assets, net, is shown in table ↗ **F.24.**

Including the items recognized in other comprehensive income/loss (including items from equity-method investments), the expense for income taxes is comprised as shown in table ↗ **F.25**.

In the consolidated statement of financial position, the valuation allowances on deferred tax assets, which are mainly attributable to foreign companies, increased by €43 million compared to December 31, 2016. This is primarily a result of the additional valuation allowances of €171 million recognized in net profit. Furthermore, a decrease in the valuation allowance was recognized in equity, mainly due to currency translation.

At December 31, 2017, the valuation allowance on deferred tax assets relates, among other things, to corporate income tax loss carryforwards (€904 million). €12 million of the deferred tax assets for corporate income tax loss carryforwards adjusted by a valuation allowance relates to tax loss carryforwards which expire at various dates from 2018 through 2020, €258 million relates to tax loss carryforwards which expire at various dates from 2021 through 2027, €17 million relates to tax loss carryforwards which expire at various dates from 2028 through 2037 and €617 million relates to tax loss carryforwards which can be carried forward indefinitely. Furthermore, the valuation allowance primarily relates to temporary differences at non-German companies as well as net operating losses for state and local taxes at the US-companies. Daimler believes that it is more likely than not that those deferred tax assets cannot be utilized. In 2017 and prior years, the Group had tax losses at several subsidiaries in several countries. After offsetting the deferred tax assets with deferred tax liabilities, the deferred tax assets not subject to valuation allowances amounted to €135 million for those subsidiaries. Daimler believes it is more likely than not that future taxable income will be sufficient to allow utilization of the deferred tax assets. Daimler's current estimate of the amount of deferred tax assets that is considered realizable may change in the future, necessitating higher or lower valuation allowances.

The retained earnings of non-German subsidiaries are largely intended to be reinvested in those operations. The Group did not recognize deferred tax liabilities on retained earnings of non-German subsidiaries of €28,733 million (2016: €28,750 million) which are intended to be reinvested. If those earnings were paid out as dividends, an amount of 5% would be taxed under German taxation rules and, if applicable, with non-German withholding tax. Additionally, income tax consequences might arise if the dividends first have to be distributed by a non-German subsidiary to a non-German holding company. Normally, the distribution would lead to an additional income tax expense. It is not practicable to estimate the amount of taxable temporary differences for these undistributed foreign earnings.

The Group has various unresolved issues concerning open income tax years with the tax authorities in a number of jurisdictions. Daimler believes that it has recognized adequate provisions for any future income taxes that may be owed for all open tax years.

As a result of future adjudications or changes in the opinions of the fiscal authorities, it cannot be ruled out that Daimler might receive tax refunds for previous years.

F.24

Change of deferred tax assets, net

In millions of euros	2017	2016
Deferred tax assets, net as of January 1	403	1,069
Deferred tax expense/benefit in the financial statement of income	572	-704
Change in deferred tax expense/benefit on financial assets available-for-sale included in other comprehensive income/loss	-3	1
Change in deferred tax expense/benefit on derivative financial instruments included in other comprehensive income/loss	-741	-495
Change in deferred tax expense/benefit on actuarial gains/losses from defined benefit pension plans	-19	748
Other changes[1]	239	-216
Deferred tax assets, net as of December 31	451	403

1 Additions to the scope of consolidation in the amount of €-112 million are included in 2016. The other changes primarily relate to effects from currency translation.

F.25

Tax expense in equity

In millions of euros	2017	2016
Income tax expense in the consolidated financial statement of income	-3,437	-3,790
Income tax expense/benefit recorded in other reserves	-763	254
	-4,200	-3,536

10. Intangible assets

Intangible assets developed as shown in table ↗ **F.26.**

At December 31, 2017, goodwill of €455 million (2016: €480 million) relates to the Daimler Financial Services segment, goodwill of €418 million (2016: €456 million) relates to the Daimler Trucks segment and goodwill of €180 million (2016: €185 million) relates to the Mercedes-Benz Cars segment.

Non-amortizable intangible assets primarily relate to goodwill and development costs for projects which have not yet been completed (carrying amount at December 31, 2017: €5,086 million; 2016: €3,780 million). In addition, other intangible assets with a carrying amount of €255 million (2016: €266 million) are not amortizable. Other non-amortizable intangible assets are distribution rights in the vehicle segments with indefinite useful lives as well as trademarks in the Daimler Trucks segment with indefinite useful lives. The Group plans to continue to use these assets unchanged.

Table ↗ **F.27** shows the line items of the consolidated statement of income in which total amortization expense for intangible assets is included.

F.26
Intangible assets

	Goodwill (acquired)	Development costs (internally generated)[2]	Other intangible assets (acquired)	Total
In millions of euros				
Acquisition or manufacturing costs				
Balance at January 1, 2016	1,015	12,962	3,582	17,559
Additions due to business combinations	449	–	221	670
Other additions	–	2,323	629	2,952
Reclassifications	–	–	–	–
Disposals	–	-1,335	-100	-1,435
Other changes[1]	17	13	52	82
Balance at December 31, 2016	1,481	13,963	4,384	19,828
Additions due to business combinations	**9**	**–**	**16**	**25**
Other additions	**1**	**2,779**	**755**	**3,535**
Reclassifications	**–**	**–**	**–**	**–**
Disposals	**-34**	**-524**	**-396**	**-954**
Other changes[1]	**-71**	**-26**	**-140**	**-237**
Balance at December 31, 2017	**1,386**	**16,192**	**4,619**	**22,197**
Amortization/impairment				
Balance at January 1, 2016	288	5,173	2,029	7,490
Additions	–	1,280	320	1,600
Reclassifications	–	–	–	–
Disposals	–	-1,334	-89	-1,423
Other changes[1]	5	17	41	63
Balance at December 31, 2016	293	5,136	2,301	7,730
Additions	**–**	**1,323**	**445**	**1,768**
Reclassifications	**–**	**–**	**–**	**–**
Disposals	**–**	**-521**	**-368**	**-889**
Other changes[1]	**-22**	**-26**	**-99**	**-147**
Balance at December 31, 2017	**271**	**5,912**	**2,279**	**8,462**
Carrying amount at December 31, 2016	1,188	8,827	2,083	12,098
Carrying amount at December 31, 2017	**1,115**	**10,280**	**2,340**	**13,735**

1 Primarily changes from currency translation.
2 Including capitalized borrowing costs on development costs of €47 million (2016: €54 million). Amortization amounted to €13 million (2016: €12 million).

11. Property, plant and equipment

Property, plant and equipment developed as shown in table ↗ **F.28**.

In 2017, government grants of €50 million (2016: €151 million) were deducted from property, plant and equipment.

Property, plant and equipment also include buildings, technical equipment and other equipment under finance lease arrangements and thus deemed to be owned by the Group with a carrying amount at December 31, 2017 of €320 million (2016: €178 million). In 2017, additions to and depreciation expense on assets under finance lease arrangements amounted to €204 million (2016: €7 million) and €34 million (2016: €40 million), respectively.

F.27
Amortization expense for intangible assets in the consolidated statement of income

In millions of euros	2017	2016
Cost of sales	**1,585**	1,443
Selling expenses	**89**	74
General administrative expenses	**45**	37
Research and non-capitalized development costs	**48**	36
Other operating expense	**1**	10
	1,768	1,600

F.28
Property, plant and equipment

In millions of euros	Land, leasehold improvements and buildings including buildings on land owned by others	Technical equipment and machinery	Other equipment, factory and office equipment	Advance payments relating to plant and equipment and construction in progress	Total
Acquisition or manufacturing costs					
Balance at January 1, 2016	15,763	23,978	24,773	2,846	67,360
Additions due to business acquisitions	–	–	7	1	8
Other additions	588	1,002	1,407	2,692	5,689
Reclassifications	591	1,088	607	-2,286	–
Disposals	-379	-670	-742	-69	-1,860
Other changes[1]	193	226	296	305	1,020
Balance at December 31, 2016	16,756	25,624	26,348	3,489	72,217
Additions due to business acquisitions	**–**	**–**	**–**	**–**	**–**
Other additions	**562**	**1,032**	**1,752**	**3,603**	**6,949**
Reclassifications	**559**	**985**	**803**	**-2,347**	**–**
Disposals	**-415**	**-1,173**	**-796**	**-123**	**-2,507**
Other changes[1]	**-475**	**-504**	**-709**	**-152**	**-1,840**
Balance at December 31, 2017	**16,987**	**25,964**	**27,398**	**4,470**	**74,819**
Depreciation/impairment					
Balance at January 1, 2016	8,506	15,548	18,983	1	43,038
Additions	425	1,423	2,043	–	3,891
Reclassifications	-8	-13	21	–	–
Disposals	-234	-627	-649	–	-1,510
Other changes[1]	60	138	220	-1	417
Balance at December 31, 2016	8,749	16,469	20,618	–	45,836
Additions	**352**	**1,534**	**2,035**	**–**	**3,921**
Reclassifications	**-1**	**–**	**1**	**–**	**–**
Disposals	**-201**	**-1,084**	**-640**	**–**	**-1,925**
Other changes[1]	**-156**	**-289**	**-549**	**–**	**-994**
Balance at December 31, 2017	**8,743**	**16,630**	**21,465**	**–**	**46,838**
Carrying amount at December 31, 2016	8,007	9,155	5,730	3,489	26,381
Carrying amount at December 31, 2017	**8,244**	**9,334**	**5,933**	**4,470**	**27,981**

1 Primarily changes from currency translation.

12. Equipment on operating leases

The development of equipment on operating leases is shown in table ↗ F.29.

At December 31, 2017, equipment on operating leases with a carrying amount of €8,684 million were pledged as security for liabilities from ABS transactions related to a securitization transaction of future lease payments on leased vehicles (December 31, 2016: €7,465 million) (see also Note 24).

Minimum lease payments

Non-cancelable future lease payments to Daimler for equipment on operating leases are due as presented in table ↗ F.30.

F.29

Equipment on operating leases

In millions of euros	
Acquisition or manufacturing costs	
Balance at January 1, 2016	48,091
Additions due to business acquisitions	3,560
Other additions	23,504
Reclassifications	–
Disposals	-18,204
Other changes[1]	379
Balance at December 31, 2016	57,330
Additions due to business acquisitions	**–**
Other additions	**25,292**
Reclassifications	**–**
Disposals	**-19,657**
Other changes[1]	**-3,446**
Balance at December 31, 2017	**59,519**
Depreciation/impairment	
Balance at January 1, 2016	9,149
Additions	6,652
Reclassifications	–
Disposals	-5,487
Other changes[1]	74
Balance at December 31, 2016	10,388
Additions	**7,978**
Reclassifications	**–**
Disposals	**-5,904**
Other changes[1]	**-657**
Balance at December 31, 2017	**11,805**
Carrying amount at December 31, 2016	46,942
Carrying amount at December 31, 2017	**47,714**

1 Primarily changes from currency translation.

F.30

Maturity of minimum lease payments for equipment on operating leases

	At December 31, 2017	2016
In millions of euros		
Maturity		
within one year	**7,922**	7,660
between one and five years	**8,607**	8,306
later than five years	**71**	63
	16,600	16,029

13. Equity-method investments

Table ↗ F.31 shows the carrying amounts and profits/losses from equity-method investments.

Table ↗ F.32 presents key figures on interests in associated companies accounted for using the equity method in the Group's consolidated financial statements.

F.31
Summarized carrying amounts and profits/losses from equity-method investments

	Associated companies	Joint ventures	Joint operations	Total
In millions of euros				
At December 31, 2017				
Equity investment[1]	**4,282**	**500**	**36**	**4,818**
Equity result[1]	**1,541**	**-42**	**-1**	**1,498**
At December 31, 2016				
Equity investment[1]	3,582	468	48	4,098
Equity result[1]	485	11	6	502

1 Including investor-level adjustments.

F.32
Key figures on interests in associated companies accounted for using the equity-method

	BBAC	BAIC Motor[3]	THBV (HERE)	Others	Total
In millions of euros					
At December 31, 2017					
Equity interest (in %)	**49.0**	**10.1**	**33.3**		
Stock market price[1]	**–**	**832**	**–**		
Equity investment[2]	**2,130**	**777**	**732**	**643**	**4,282**
Equity result[2]	**1,143**	**290**	**121**	**-13**	**1,541**
Dividend payment to Daimler[4]	**1,134**	**29**	**–**		
At December 31, 2016					
Equity interest (in %)	49.0	10.1	33.3		
Stock market price[1]	–	647	–		
Equity investment[2]	2,141	557	611	273	3,582
Equity result[2]	678	-176	-56	39	485
Dividend payment to Daimler	–	16	–		

1 Proportionate stock market prices.
2 Including investor-level adjustments.
3 The proportionate share of earnings of BAIC Motor Corporation Ltd. (BAIC Motor) is included in Daimler's consolidated financial statements with a three-month time lag.
4 The dividend from BBAC of €1,134 million was partly paid out in the year 2017 with an amount of €768 million.

BBAC
Beijing Benz Automotive Co., Ltd. (BBAC) produces and distributes Mercedes-Benz passenger cars and spare parts in China. The investment and the proportionate share in the results of BBAC are allocated to the Mercedes-Benz Cars segment.

In the first quarter of 2017, Beijing Benz Automotive Co., Ltd. (BBAC) received a capital increase of €97 million from Daimler. The capital increase took place through the contribution of dividend receivables. Daimler plans to contribute equity of up to €0.4 billion, in accordance with its shareholding ratio, to BBAC in the coming years.

In the first quarter of 2017, the shareholders of BBAC approved the payout of a dividend. The amount of €401 million attributable to Daimler was paid out in the second quarter of 2017 and decreased the carrying amount of the investment accordingly. In the second quarter of 2017, the shareholders of BBAC approved the payout of another dividend. The amount of €733 million attributable to Daimler decreased the carrying amount of the investment accordingly. The first half of that dividend was paid out in August 2017. The second half will be paid out in 2018.

BAIC Motor
BAIC Motor Corporation Ltd. (BAIC Motor) is the passenger car division of BAIC Group, one of the leading automotive companies in China. Directly or via subsidiaries, BAIC Motor is engaged in the business of researching, developing, manufacturing, selling, marketing and servicing automotive vehicles and related parts and components and all related services. Due to Daimler's representation on the board of directors of BAIC Motor and other contractual arrangements, Daimler classifies this investment as an investment in an associate, to be accounted for using the equity-method; in the segment reporting, the investment's carrying amount and its proportionate share of profit or loss are presented in the reconciliation of total segment's assets to Group assets and total segments' EBIT to Group EBIT, respectively. In the first quarter of 2016, due to the lower stock-exchange price, the Group recognized an impairment loss of €244 million with respect to its investment in BAIC Motor. In the first quarter of 2017, the impairment was fully reversed due to the increased share price. The effect of the reversal amounts to €240 million including minor currency effects. Both, the gain and the loss are included in the line item profit/loss on equity-method investments, net.

THBV (HERE)
There Holding B.V. (THBV) was founded in 2015. Daimler, Audi and BMW each holds an interest in the company of 33.3%. THBV holds an interest in HERE International B.V. (HERE).

Effective December 4, 2015, HERE acquired the roadmap service HERE from Nokia Corporation. HERE is one of the biggest manufacturers of digital roadmaps for navigation systems worldwide. Future expected high resolution maps will be one of the fundamentals for future autonomous driving. THBV is accounted for in the consolidated financial statements of Daimler AG as an associated company using the equity method, and is allocated to the Mercedes-Benz Cars segment. In 2015, Daimler's proportionate share of its profits and losses was included with a one-month time lag, which was cancelled as of December 31, 2016.

In December 2016, THBV signed agreements on the sale of shares in its then 100% subsidiary, HERE. It was agreed to sell a 15% shareholding to Intel Holdings B.V. (Intel) and a 10% shareholding to a Chinese consortium consisting of NavInfo Co. Ltd., Tencent Holdings Ltd. and GIC Private Ltd. However, the transaction with the Chinese consortium was not completed. During a regulatory review process, the Chinese consortium decided no longer to proceed with the transaction.

The transaction with Intel was concluded on January 31, 2017. As a result, THBV now only has a significant influence on HERE. Therefore, as of February 1, 2017, HERE is no longer fully consolidated in the financial statements of THBV, but is presented as an associated company using the equity method. The change in the consolidation method led to the remeasurement of the HERE shares at fair value in the first quarter of 2017. The income of €183 million from this transaction that is attributable to Daimler is included in profit/loss on equity-method investments in the first quarter of 2017.

In December 2017, Daimler, Audi and BMW signed agreements on the sale of shares in THBV. It was agreed to sell interests of 5.9% in THBV to each of Robert Bosch Investment Nederland B.V. and Continental Automotive Holding Netherlands B.V. Both sales of shares involve equal numbers of shares currently owned by Daimler, Audi and BMW. Due to the remeasurement that already occurred in 2017 Daimler does not anticipate any significant impact on earnings from these transactions. Completion of the transactions is expected in the first quarter of 2018, after receiving the approval of the relevant authorities. Due to the minor importance for the Group's assets and liabilities, there is no separate presentation in the statement of financial position of non-current assets available for sale.

Table ↗ F.33 shows summarized IFRS financial information after purchase price allocation for the significant associated companies which were the basis for equity-method accounting in the Group's consolidated financial statements.

Other minor equity-method investments
In 2017, minor equity-method investments include **LSH Auto International Limited (LSHAI)**. In the second quarter of 2017, Daimler acquired an interest of 15% in LSHAI, which is responsible for the Mercedes-Benz retail business of Lei Shing Hong Group. LSHAI, a subsidiary of Lei Shing Hong Group, is one of the biggest Mercedes-Benz dealers worldwide. The transaction was concluded after receiving the approval of the relevant antitrust authorities on May 22, 2017. The purchase price was €0.3 billion. Due to Daimler's possibility to exercise a significant influence on the board of directors of LSHAI, as well as other contractual agreements and significant supply relations, the Group classifies this investment as an investment in an associate, to be accounted for using the equity method; in the segment reporting, the investment's carrying amount and its proportionate share of profit or loss are presented in the reconciliation of total segment's assets to Group assets and total segments' EBIT to Group EBIT, respectively. Earnings of LSHAI are included in Daimler's consolidated financial statements with a three-month time lag.

The equity-method result of joint ventures in 2017 includes impairments of investments of €125 million.

Table ↗ F.34 shows summarized aggregated financial information for the other minor equity-method investments after purchase price allocation and on a pro rata basis.

Further information on equity-method investments is provided in Notes 3 and 36.

F.33

Summarized IFRS financial information on significant associated companies accounted for using the equity method

	BBAC[1]		BAIC Motor[2]		THBV[3] (HERE)	
	2017	2016	**2017**	2016	**2017**	2016
In millions of euros						
Information on the statement of income						
Revenue	**15,373**	11,673	**18,510**	15,117	**71**	1,240
Profit/loss from continuing operations after taxes	**2,350**	1,449	**1,649**	1,285	**-151**	-1
Profit/loss from discontinued operations after taxes	**–**	–	**–**	–	**513**	-166
Other comprehensive income/loss	**23**	-21	**103**	–	**2**	-4
Total comprehensive income/loss	**2,373**	1,428	**1,752**	1,285	**364**	-171
Information on the statement of financial position and reconciliation to equity-method carrying amounts						
Non-current assets	**4,558**	4,354	**13,089**	13,280	**1,906**	2,802
Current assets	**7,058**	6,520	**10,140**	10,005	**289**	592
Non-current liabilities	**741**	694	**3,077**	2,333	**–**	1,044
Current liabilities	**6,335**	5,623	**10,954**	11,584	**–**	518
Equity (including non-controlling interest)	**4,540**	4,557	**9,198**	9,368	**2,195**	1,832
Equity (excluding non-controlling interests) attributable to the Group	**2,224**	2,233	**712**	720	**732**	611
Unrealized profit (-)/loss (+) on sales to/purchases from	**-93**	-91	**-9**	–	**–**	–
Equity-method goodwill	**–**	–	**70**	74	**–**	–
Other	**-1**	-1	**4**	-237	**–**	–
Carrying amount of equity-method investment	**2,130**	2,141	**777**	557	**732**	611

1 BBAC:
Figures for the statement of income relate to the period of January 1 to December 31.
Figures for the statement of financial position and the reconciliation to equity-method carrying amounts relate to the balance sheet date December 31.
2 BAIC Motor:
Daimler recognizes its proportionate share of the profits or losses of BAIC Motor Corporation Ltd. (BAIC Motor) with a three-month time lag.
Figures for the statement of income relate to the period of October 1 to September 30.
Figures for the statement of financial position and the reconciliation to equity-method carrying amounts relate to the balance sheet date of September 30.
3 THBV:
Figures for the 2016 statement of income relate to the period of December 5, 2015 to December 31, 2016.
According to IFRS 5.34 the statement of income for 2016 was adjusted retrospectively.
Figures for the statement of financial position and the reconciliation to equity-method carrying amounts relate to the balance sheet date December 31.
Revenue at THBV relates to HERE; revenue for the year 2017 is solely for the month of January until the change in the consolidation of HERE at THBV.

F.34

Summarized aggregated financial information on minor equity-method investments

	Associated companies		Joint ventures	
	2017	2016	**2017**	2016
In millions of euros				
Summarized aggregated financial information (pro rata)				
Profit/loss from continuing operations after taxes	**61**	22	**-28**	-28
Profit/loss from discontinued operations after taxes	**–**	–	**–**	–
Other comprehensive income/loss	**-1**	-1	**–**	–
Total comprehensive income/loss	**60**	21	**-28**	-28

14. Receivables from financial services

Table ↗ F.35 shows the components of receivables from financial services.

Types of receivables

Receivables from sales financing with customers include receivables from credit financing for customers who purchased their vehicle either from a dealer or directly from Daimler.

Receivables from sales financing with dealers represent loans for floor financing programs for vehicles sold by the Group's automotive businesses to dealers or loans for assets purchased by dealers from third parties, primarily used vehicles traded in by dealers' customers or real estate such as dealers' show-rooms.

Receivables from finance-lease contracts consist of receiv-ables from leasing contracts for which all substantial risks and rewards incidental to the leasing objects are transferred to the lessee.

At December 31, 2017, finance-lease contracts included non-automotive assets from contracts of the financial services business with third parties (leveraged leases) in the amount of €103 million (December 31, 2016: €165 million)

Maturities of the finance-lease contracts are shown in table ↗ F.36.

All cash flow effects attributable to receivables from financial services are presented within cash provided by/used for operating activities in the consolidated statement of cash flows.

Allowances

Changes in the allowance account for receivables from financial services are shown in table ↗ F.37.

The total expense from the impairment of receivables from financial services amounted to €500 million in 2017 (2016: €499 million).

Credit risks

Table ↗ F.38 provides an overview of credit risks included in receivables from financial services.

Receivables not subject to an individual impairment assessment are grouped and subject to collective impairment allowances to cover credit losses.

Further information on financial risks and nature of risks is provided in Note 32.

At December 31, 2017, receivables from financial services with a carrying amount of €6,049 million (December 31, 2016: €5,909 million) were pledged as collateral for liabilities from ABS transactions (see also Note 24).

F.35
Receivables from financial services

	At December 31, 2017			At December 31, 2016		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Sales financing with customers	15,737	27,044	42,781	14,803	26,288	41,091
Sales financing with dealers	16,065	3,061	19,126	16,302	2,970	19,272
Finance-lease contracts	7,976	16,774	24,750	7,012	14,186	21,198
Gross carrying amount	39,778	46,879	86,657	38,117	43,444	81,561
Allowances for doubtful accounts	-404	-466	-870	-491	-563	-1,054
Net carrying amount	39,374	46,413	85,787	37,626	42,881	80,507

F.36
Maturities of the finance lease contracts

	At December 31, 2017				At December 31, 2016			
	< 1 year	1 year up to 5 years	> 5 years	Total	< 1 year	1 year up to 5 years	> 5 years	Total
In millions of euros								
Contractual future lease payments	8,402	15,591	324	24,317	7,407	13,175	583	21,165
Unguaranteed residual values	602	2,525	12	3,139	393	1,880	11	2,284
Gross investment	9,004	18,116	336	27,456	7,800	15,055	594	23,449
Unearned finance income	-1,028	-1,640	-38	-2,706	-788	-1,374	-89	-2,251
Gross carrying amount	7,976	16,476	298	24,750	7,012	13,681	505	21,198
Allowances for doubtful accounts	-136	-171	-2	-309	-156	-225	-5	-386
Net carrying amount	7,840	16,305	296	24,441	6,856	13,456	500	20,812

15. Marketable debt securities

The marketable debt securities with a carrying amount of €10,063 million (2016: €10,748 million) are part of the Group's liquidity management and comprise debt instruments classified as available-for-sale. When a short-term liquidity requirement is covered with quoted securities, those securities are presented as current assets.

Further information on marketable debt securities is provided in Note 31.

16. Other financial assets

The line item other financial assets presented in the consolidated statement of financial position is comprised as shown in table ↗ **F.39.**

Financial assets measured at fair value through profit or loss relate exclusively to derivative financial instruments which are not used in hedge accounting.

At December 31, 2017, receivables with a carrying amount of €511 million (2016: €648 million) were pledged as collateral for liabilities (see also Note 24).

Further information on other financial assets is provided in Note 31.

F.37
Changes in the allowance account for receivables from financial services

	2017	2016
In millions of euros		
Balance at January 1	**1,054**	1,016
Additions	**480**	491
Amounts written off	**-265**	-290
Reversals	**-299**	-181
Currency translation and other changes	**-100**	18
Balance at December 31	**870**	1,054

F.38
Credit risks included in receivables from financial services

	At December 31, 2017	2016
In millions of euros		
Receivables, neither past due nor impaired individually	**81,214**	76,127
Receivables past due, not impaired individually		
less than 30 days	**2,046**	1,796
30 to 59 days	**315**	403
60 to 89 days	**136**	91
90 to 119 days	**43**	58
120 days or more	**105**	138
Total	**2,645**	2,486
Receivables impaired individually	**1,928**	1,894
Net carrying amount	**85,787**	80,507

F.39
Other financial assets

	At December 31, 2017			At December 31, 2016		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Available-for-sale financial assets	**–**	**1,173**	**1,173**	–	811	811
thereof equity instruments recognized at fair value	**–**	**171**	**171**	–	166	166
thereof equity instruments carried at cost	**–**	**1,002**	**1,002**	–	645	645
Derivative financial instruments used in hedge accounting	**1,235**	**1,144**	**2,379**	653	1,077	1,730
Financial assets recognized at fair value through profit or loss	**54**	**28**	**82**	81	25	106
Other receivables and financial assets	**2,291**	**876**	**3,167**	2,103	986	3,089
	3,580	**3,221**	**6,801**	2,837	2,899	5,736

17. Other assets

Non-financial other assets are comprised as shown in table ↗ F.40.

Other expected reimbursements predominantly relate to recovery claims from our suppliers in connection with issued product warranties.

18. Inventories

Inventories are comprised as shown in table ↗ F.41.

The amount of write-down of inventories to net realizable value recognized as expense in cost of sales was €411 million in 2017 (2016: €842 million). Inventories that are expected to be recovered or settled after more than twelve months amounted to €954 million at December 31, 2017 (December 31, 2016: €974 million) and are primarily spare parts.

As collateral for certain vested employee benefits in Germany, the value of company cars and demonstration cars at Mercedes-Benz Cars and Mercedes-Benz Vans included in inventories at Daimler AG were pledged as collateral to the Daimler Pension Trust e.V. in an amount of €1,033 million at December 31, 2017 (December 31, 2016: €1,008 million).

In addition, inventories with a carrying amount of €419 million at December 31, 2017 (December 31, 2016: €296 million) were pledged as collateral for liabilities from ABS transactions (see also Note 24).

The carrying amount of inventories recognized during the period by taking possession of collateral held as security amounted to €112 million at December 31, 2017 (December 31, 2016: €126 million). Those assets are utilized in the context of normal business operations.

19. Trade receivables

Trade receivables are comprised as shown in table ↗ F.42.

At December 31, 2017, €38 million of the trade receivables mature after more than one year (2016: €49 million).

Allowances
Table ↗ **F.43** shows changes in the allowance account for trade receivables.

The total expense from the impairment of trade receivables amounted to €131 million in 2017 (2016: €97 million).

Credit risks
Table ↗ **F.44** provides an overview of credit risks included in trade receivables.

Receivables not subject to an individual impairment assessment are grouped and subject to collective impairment allowances to cover credit losses.

Further information on financial risk and types of risk is provided in Note 32.

F.40
Other assets

	At December 31, 2017			At December 31, 2016		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Reimbursements due to income tax refunds	510	249	759	734	51	785
Reimbursements due to other tax refunds	2,832	262	3,094	2,905	38	2,943
Reimbursements due to the Medicare Act (USA)	–	68	68	–	72	72
Other expected reimbursements	274	211	485	191	173	364
Prepaid expenses	632	112	744	566	112	678
Others	712	243	955	566	221	787
	4,960	1,145	6,105	4,962	667	5,629

20. Equity

See also the consolidated statement of changes in equity ↗ **F.05**.

Share capital
The share capital (authorized capital) is divided into no-par-value shares. All shares are fully paid up. Each share confers the right to one vote at the Annual Shareholders' Meeting of Daimler AG and, if applicable, with the exception of any new shares potentially not entitled to dividends, to an equal portion of the profits as defined by the dividend distribution decided upon at the Annual Shareholders' Meeting. Each share represents a proportionate amount of approximately €2.87 of the share capital.

Since January 1, 2016, there has been no change in the number of shares outstanding/issued. The number at December 31, 2017 is 1,070 million, unchanged from December 31, 2016.

Approved capital
The Annual Shareholders' Meeting held on April 9, 2014 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 8, 2019 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 2014). The new shares are generally to be offered to the shareholders for subscription (also by way of indirect subscription pursuant to Section 186 Subsection 5 Sentence 1 of the German Stock Corporation Act (AktG)). Among other things, the Board of Management was authorized with the consent of the Supervisory Board to exclude shareholders' subscription rights under certain conditions and within defined limits.

Approved Capital 2014 has not yet been utilized.

F.41
Inventories

	At December 31, 2017	2016
In millions of euros		
Raw materials and manufacturing supplies	2,655	2,723
Work in progress	3,373	3,814
Finished goods, parts and products held for resale	19,361	18,609
Advance payments to suppliers	297	238
	25,686	25,384

F.42
Trade receivables

	At December 31, 2017	2016
In millions of euros		
Gross carrying amount	12,290	10,954
Allowances for doubtful accounts	-300	-340
Net carrying amount	11,990	10,614

F.43
Changes in the allowance account for trade receivables

	2017	2016
In millions of euros		
Balance at January 1	340	392
Charged to costs and expenses	63	-10
Amounts written off	-107	-62
Currency translation and other changes	4	20
Balance at December 31	300	340

F.44
Credit risks included in trade receivables

	At December 31, 2017	2016
In millions of euros		
Receivables, neither past due nor impaired individually	7,720	7,081
Receivables past due, not impaired individually		
less than 30 days	1,228	813
30 to 59 days	164	127
60 to 89 days	61	39
90 to 119 days	70	27
120 days or more	103	142
Total	1,626	1,148
Receivables impaired individually	2,644	2,385
Net carrying amount	11,990	10,614

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.

This authorization to issue convertible and/or warrant bonds has not yet been utilized.

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

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

In a volume up to 5% of the share capital issued as of the day of the resolution, the Company was authorized to acquire treasury shares also by using derivatives (put options, call options, forward purchases or a combination of these instruments), whereas the term of a derivative must not exceed 18 months and must not end later than March 31, 2020.

The Board of Management is further authorized, with the consent of the Supervisory Board, to exclude shareholders' subscription rights.

The authorization to acquire treasury shares was not exercised in the reporting period.

As was the case at December 31, 2016, no treasury shares are held by Daimler AG at December 31, 2017.

Employee share purchase plan
In 2017, 0.6 million Daimler shares representing €1.7 million or 0.06% of the share capital were purchased for a price of €42 million and reissued to employees (2016: 0.6 million Daimler shares representing €1.7 million or 0.05% of the share capital were purchased for a price of €38 million).

Capital reserves
Capital reserves primarily comprise premiums arising on the issue of shares as well as expenses relating to the exercise of the up to 2014 exercisable stock option plans and the issue of employee shares, effects from changes in ownership interests in consolidated entities and directly attributable related transaction costs.

Retained earnings
Retained earnings comprise the accumulated net profits and losses of all companies included in Daimler's consolidated financial statements, less any profits distributed. In addition, the effects of remeasuring defined benefit plans as well as the related deferred taxes are presented within retained earnings.

Dividend
Under the German Stock Corporation Act (AktG), the dividend is paid out of the distributable profit reported in the annual financial statements of Daimler AG (parent company only) in accordance with the German Commercial Code (HGB). For the year ended December 31, 2017, the Daimler management will propose to the shareholders at the Annual Shareholders' Meeting to pay out €3,905 million of the distributable profit of Daimler AG as a dividend to the shareholders, equivalent to €3.65 per no-par-value share entitled to a dividend (2016: €3,477 million and €3.25 per no-par-value share entitled to a dividend respectively).

Other reserves
Other reserves comprise accumulated unrealized gains/losses from currency translation of the financial statements of the consolidated foreign companies and accumulated unrealized gains/losses on the measurement of financial assets available-for-sale, derivative financial instruments and equity-method investments.

Table ↗ **F.02** shows the details of changes in other reserves in other comprehensive income/loss.

21. Share-based payment

As of December 31, 2017, the Group has the 2014–2017 Performance Phantom Share Plans (PPSP) outstanding. The PPSP are cash-settled share-based payment instruments and are measured at their respective fair values at the balance sheet date. The PPSP are paid out at the end of the stipulated holding period; earlier, pro-rated payoff is possible in the case of benefits leaving the Group only if certain defined conditions are met. PPSP 2013 was paid out as planned in the first quarter of 2017.

Moreover, 50% of the annual bonus of the members of the Board of Management is paid out after a waiting period of one year. The actual payout is determined by the development of Daimler shares compared to an automobile related index (Auto-STOXX). The fair value of this medium-term annual bonus, which depends on this development, is measured by using the intrinsic value at the reporting date.

The pre-tax effects of share-based payment arrangements for the executive managers of the Group and the members of the Board of Management of Daimler AG on the consolidated statement of income and consolidated statement of financial position are shown in table ↗ **F.45.**

Table ↗ **F.46** shows expenses in the consolidated statement of income resulting from the rights of current members of the Board of Management.

The details shown in table ↗ **F.46** do not represent any paid or committed remuneration, but refer to expenses calculated according to IFRS. Details of the remuneration of the members of the Board of Management in 2017 can be found in the Remuneration Report. Management Report from page 136

F.45
Effects of share-based payment

	Expense		Provision At December 31,	
	2017	2016	**2017**	2016
In millions of euros				
PPSP	**-98**	-62	**191**	284
Medium-term component of annual bonus of the members of the Board of Management	**-7**	-5	**13**	14
	-105	-67	**204**	298

F.46
Expenses in the consolidated statement of income resulting from share-based payments of current members of the Board of Management

	Dr. Dieter Zetsche		Dr. Wolfgang Bernhard[1]		Martin Daum[2]	
	2017	2016	**2017**	2016	**2017**	2016
In millions of euros						
PPSP	**-3.9**	-3.8	**-0.2**	-1.6	**-0.8**	–
Medium-term component of the annual bonus	**-1.8**	-1.4	**–**	-0.6	**-0.7**	–

	Renata Jungo Brüngger		Ola Källenius		Wilfried Porth	
	2017	2016	**2017**	2016	**2017**	2016
In millions of euros						
PPSP	**-0.8**	-0.5	**-1.2**	-0.7	**-1.6**	-1.6
Medium-term component of the annual bonus	**-0.7**	-0.6	**-0.7**	-0.5	**-0.7**	-0.5

	Britta Seeger[3]		Hubertus Troska		Bodo Uebber	
	2017	2016	**2017**	2016	**2017**	2016
In millions of euros						
PPSP	**-0.4**	–	**-1.6**	-1.5	**-1.9**	-1.8
Medium-term component of the annual bonus	**-0.8**	–	**-0.7**	-0.5	**-0.9**	-0.6

	Prof. Dr. Thomas Weber[4]	
	2017	2016
In millions of euros		
PPSP	**–**	-1.6
Medium-term component of the annual bonus	**–**	-0.5

1 Appointment to the Board of Management ended on February 10, 2017. Amounts are included pro rata for 2017.
2 Appointed to the Board of Management as of March 1, 2017.
3 Appointed to the Board of Management as of January 1, 2017.
4 Appointment to the Board of Management ended on December 31, 2016.

Performance Phantom Share Plans
In 2017, the Group adopted a Performance Phantom Share Plan (PPSP), similar to those used in previous years, under which eligible employees are granted phantom shares entitling them to receive cash payments after four years. During the four-year period between the allocation of the preliminary phantom shares and the payout of the plan at the end of the term, the phantom shares earn a dividend equivalent in the amount of the actual dividend paid on ordinary Daimler shares. The amount of cash paid to eligible employees at the end of the holding period is based on the number of vested phantom shares (determined over a three-year performance period) multiplied by the quoted price of Daimler's ordinary shares (calculated as an average price over a specified period at the end of the four-year plan period). The vesting period is therefore four years. For the existing plans, the quoted price of Daimler's ordinary shares to be used for the payout is limited to 2.5 times the Daimler share price at the date of grant. Furthermore, the payout for the members of the Board of Management is also limited to 2.5 times the allotment value used to determine the preliminary number of phantom shares. The limitation of the payout for the members of the Board of Management also includes the dividend equivalent.

Determination of the number of phantom shares that vest of the paid-out PPSP 2013 is based on return on net assets derived from internal targets and return on sales (RoS) compared with benchmarks oriented towards competitors.

The number of phantom shares that vest of the PPSPs granted in 2014 to 2017 will be based on the relative share performance, which measures the development of the price of a share price index based on a competitor group including Daimler, and the RoS compared with benchmarks oriented towards competitors. Special rules apply for the members of the Board of Management: Daimler's RoS must be not equal to but higher than that of the competitors in order to achieve the same target achievement as the other plan participants. For the PPSP granted in 2015 and until 2017, an additional limit on target achievement was agreed upon for the reference parameter RoS for the members of the Board of Management. In the case of target achievement between 195% and 200%, an additional comparison is made on the basis of the RoS achieved in absolute terms. If the actual RoS for the automotive business is below the strategic target (currently 9%) in the third year of the performance period, target achievement is limited to 195%.

The Group recognizes a provision for awarding the PPSP in the consolidated statement of financial position. Since payment per vested phantom share depends on the quoted price of Daimler's ordinary shares, that quoted price essentially represents the fair value of each phantom share. The proportionate remuneration expenses from the PPSP recognized in the individual years are measured based on the price of Daimler ordinary shares and the estimated target achievement.

22. Pensions and similar obligations

Table ↗ F.47 shows the composition of provisions for pension benefit plans and similar obligations.

At the Daimler Group, defined benefit pension obligations exist as well as, to a smaller extent, defined contribution pension obligations, specific to the various countries. In addition, healthcare benefit obligations are recognized outside Germany.

Defined benefit pension plans

Provisions for pension obligations are made for defined commitments to active and former employees of the Daimler Group and their survivors. The defined benefit pension plans provided by Daimler generally vary according to the economic, tax and legal circumstances of the country concerned. Most of the defined benefit pension plans also provide benefits in the case of invalidity and death.

The Group's main German and non-German pension plans are described below.

German plans
Most employees in Germany have defined benefit pension plans; most of the pension plans for the active workforce are based on individual retirement benefit accounts, to which the Company makes annual contributions. The amount of the contributions for employees paid according to wage-tariff agreements depends on the tariff classification in the respective year, and for executives it depends on their respective income. For the commitments to retirement benefits made until 2011, the contributions continue to be converted into capital components and credited to the individual pension account with the application of fixed factors related to each employee's age. The conversion factors include a fixed value increase. The pension plans were newly structured for new entrants in 2011 to reduce the risks associated with defined benefit plans. New entrants now benefit from value increases of the contributions through an investment fund with a special lifecycle model. The Company guarantees at a minimum the value of the contributions paid in. Pension payments are made either as a life annuity, twelve annual installments, or a single lump sum.

In addition, previously concluded defined benefit plans exist which primarily depend on employees' wage-tariff classification upon transition into the benefit phase and which foresee a life annuity.

As well as the employer-financed pension plans granted by German companies, the employees of some companies are also offered various earnings-conversion models.

Most of the pension obligations in Germany relating to defined benefit pension plans are funded by assets invested in long-term outsourced funds. Contractual trust arrangements (CTA) exist between Daimler AG as well as some subsidiaries in Germany and the Daimler Pension Trust e.V. The Daimler Pension Trust e.V. acts as a collateral trust fund.

In Germany, there are no statutory or regulatory minimum funding requirements.

Non-German plans

Significant plans exist primarily in the United States and Japan. They comprise plans relating to final salaries as well as plans relating to salary based components. Most of the obligations outside Germany from defined benefit pension plans are funded by assets outplaced into long-term investment funds.

Risks from defined benefit pension plans

The general requirements with regard to retirement benefit models are laid down in the Pension Policy, which has Group-wide validity. Accordingly, the committed benefits are intended to contribute to additional financial security during retirement, and in the case of death or invalidity to be capable of being planned and fulfilled by the respective company of the Group and to have a low-risk structure. In addition, a committee exists that approves new pension plans and amendments to existing pension plans as well as guidelines relating to company retirement benefits.

The obligations from defined benefit pension plans and the pension plan assets can be subject to fluctuations over time. This can cause the funded status to be negatively or positively impacted. Fluctuations in the defined benefit pension obligations result at the Daimler Group in particular from changes in financial assumptions such as discount rates and increases in the cost of living, but also from changes in demographic assumptions such as adjusted life expectancies. With most of the German plans, expected long-term wage and salary increases do not have an impact on the amount of the obligation.

The fair value of plan assets is predominantly determined by the situation on the capital markets. Unfavorable developments, especially of equity prices and fixed-interest securities, could reduce that fair value. The diversification of fund assets, the engagement of asset managers using quantitative and qualitative analyses, and the continual monitoring of performance and risk help to reduce associated investment risk. The Group regularly makes additional contributions to the plan assets in order to cover future obligations from defined benefit pension plans. Furthermore, in 2017, the Group made an extraordinary contribution of €3.0 billion into the German pension plan assets, in order to sustainably strengthen them. In 2016, shares in Renault and Nissan with a fair value of €1.8 billion were contributed to the German plan assets.

As a general principle, it is the Group's objective to design new pension plans as defined benefit plans based on capital components or on annual contributions, or as defined contribution plans.

F.47

Composition of provisions for pensions and similar obligations

	December 31, 2017	2016
In millions of euros		
Provision for pension benefits	**4,625**	7,847
Provision for other post-employment benefits	**1,142**	1,187
	5,767	9,034

Reconciliation of the net obligation from defined benefit pension plans

The development of the relevant factors is shown in table ↗ **F.48**.

Composition of plan assets

Plan assets and income from plan assets are used solely to pay pension benefits and to administer the plans. The composition of the Group's pension plan assets is shown in table ↗ **F.49**.

Market prices are available for equities and bonds due to their listing in active markets. Most of the bonds have investment grade ratings. They include government bonds of very good creditworthiness.

The investment strategy is reviewed regularly and adjusted if deemed necessary. The investment strategy is determined by Investment Committees, which are generally composed of representatives of the Finance and Human Resources departments. The pension plan assets are generally oriented towards the structure of the pension obligations.

F.48

Present value of defined benefit pension obligations and fair value of plan assets

	December 31, 2017			December 31, 2016		
	Total	German Plans	Non-German Plans	Total	German Plans	Non-German Plans
In millions of euros						
Present value of the defined benefit obligation at January 1	**31,173**	**26,982**	**4,191**	27,640	23,803	3,837
Current service cost	**687**	**591**	**96**	601	512	89
Interest cost	**648**	**495**	**153**	750	595	155
Contributions by plan participants	**58**	**54**	**4**	71	66	5
Actuarial gains (-)/losses from changes in demographic assumptions	**-23**	**-13**	**-10**	-11	6	-17
Actuarial gains (-)/losses from changes in financial assumptions	**1,076**	**419**	**657**	3,021	2,733	288
Actuarial gains (-)/losses from experience adjustments	**2**	**-55**	**57**	5	-21	26
Actuarial gains (-)/losses	**1,055**	**351**	**704**	3,015	2,718	297
Past service cost, curtailments and settlements	**-117**	**–**	**-117**	-37	20	-57
Pension benefits paid	**-973**	**-744**	**-229**	-932	-748	-184
Currency exchange-rate changes and other changes[1]	**-787**	**17**	**-804**	65	16	49
Present value of the defined benefit obligation at December 31	**31,744**	**27,746**	**3,998**	31,173	26,982	4,191
Fair value of plan assets at January 1	**23,384**	**20,315**	**3,069**	20,226	17,306	2,920
Interest income from plan assets	**489**	**377**	**112**	582	465	117
Actuarial gains/losses (-)	**996**	**541**	**455**	994	830	164
Actual return on plan assets	**1,485**	**918**	**567**	1,576	1,295	281
Contributions by the employer	**3,692**	**3,596**	**96**	2,427	2,337	90
Contributions by plan participants	**58**	**54**	**4**	71	66	5
Settlements	**–**	**–**	**–**	-52	–	-52
Pension benefits paid	**-910**	**-702**	**-208**	-868	-705	-163
Currency exchange-rate changes and other changes[1]	**-494**	**16**	**-510**	4	16	-12
Fair value of plan assets at December 31	**27,215**	**24,197**	**3,018**	23,384	20,315	3,069
Funded status	**-4,529**	**-3,549**	**-980**	-7,789	-6,667	-1,122
thereof recognized in other assets	**96**	**–**	**96**	58	–	58
thereof recognized in provisions for pensions and similar obligations	**-4,625**	**-3,549**	**-1,076**	-7,847	-6,667	-1,180

1 Including reclassifications to provisions for other risks.

Pension cost

The components of pension cost included in the consolidated statement of income are shown in table ↗ **F.50.**

F.49
Composition of plan assets

	At December 31, 2017			At December 31, 2016		
	Total	German Plans	Non-German Plans	Total	German Plans	Non-German Plans
In millions of euros						
Energy, commodities and utilities	959	831	128	1,048	907	141
Financials	1,193	1,027	166	1,366	1,147	219
Healthcare	547	440	107	664	559	105
Industrials[1]	2,535	2,440	95	2,893	2,783	110
Consumer goods	1,149	942	207	1,374	1,146	228
Technology and telecommunication	1,127	932	195	1,167	981	186
Others	46	–	46	43	–	43
Equities	7,556	6,612	944	8,555	7,523	1,032
Government bonds	4,658	3,844	814	4,438	3,397	1,041
Corporate bonds	9,485	8,556	929	8,212	7,547	665
Securitized bonds	46	30	16	57	5	52
Bonds	14,189	12,430	1,759	12,707	10,949	1,758
Other exchange-traded instruments	5	1	4	5	3	2
Total exchange-traded instruments	21,750	19,043	2,707	21,267	18,475	2,792
Alternative investments[2]	512	388	124	555	480	75
Real estate	537	436	101	570	450	120
Other non-exchange-traded instruments	418	378	40	99	57	42
Cash and cash equivalents	3,998	3,952	46	893	853	40
Total non-exchange-traded instruments	5,465	5,154	311	2,117	1,840	277
Fair value of plan assets	27,215	24,197	3,018	23,384	20,315	3,069
thereof fair value of own transferable financial instruments	–	–	–	–	–	–
thereof fair value of self-used plan assets	50	50	–	64	64	–

1 Including the shares in Renault and Nissan in the amount of €2,010 (in 2016: €2,178) million.
2 Alternative investments mainly comprise private equity.

F.50
Pension cost

	2017			2016		
	Total	German Plans	Non-German Plans	Total	German Plans	Non-German Plans
In millions of euros						
Current service cost	-687	-591	-96	-601	-512	-89
Past service cost, curtailments and settlements	117	–	117	-15	-20	5
Net interest expense	-161	-118	-43	-173	-130	-43
Net interest income	2	–	2	5	–	5
	-729	-709	-20	-784	-662	-122

Measurement assumptions

The measurement date for the Group's defined benefit pension obligations and plan assets is generally December 31. The measurement date for the Group's net periodic pension cost is generally January 1. The assumptions used to calculate the defined benefit obligations vary according to the economic conditions of the countries in which the pension plans are situated.

Calculation of the defined benefit obligation uses life expectancy for the German plans based on the 2005 G mortality tables of K. Heubeck. For non-German plans, comparable country-specific calculation methods are used.

Table ↗ **F.51** shows the significant weighted average measurement factors used to calculate pension benefit obligations.

Sensitivity analysis

An increase or decrease in the main actuarial assumptions would affect the present value of the defined benefit pension obligations as shown in table ↗ **F.52.**

The calculations carried out by actuaries were done in isolation for the evaluation parameters regarded as important. This means that if there is a simultaneous change in several parameters, the individual results cannot be summed due to correlation effects. With a change in the parameters, the sensitivities shown cannot be used to derive a linear development of the defined benefit obligation.

For the calculation of the sensitivity of life expectancy, by means of fixed (non-age-dependent) factors for a reference person, a life expectancy one year higher or one year lower is achieved.

Effect on future cash flows

Daimler currently plans to make contributions of €0.7 billion to its pension plans for the year 2018; the final amount is usually set in the fourth quarter of a financial year. In addition, the Group expects to make pension benefit payments of €1.0 billion in 2018.

The weighted average duration of the defined benefit obligations is shown in table ↗ **F.53.**

Defined contribution pension plans

Under defined contribution pension plans, Daimler makes defined contributions to external insurance policies or investment funds. There are fundamentally no further contractual obligations or risks for Daimler in excess of the defined contributions. The Group also pays contributions to governmental pension schemes. In 2017, the total cost from defined contribution plans amounted to €1.6 billion (2016: €1.5 billion). Of those payments €1.5 billion (2016: €1.4 billion) was related to governmental pension plans.

Multi-employer plans

Daimler participates in some collectively bargained defined benefit pension plans maintained by more than one employer. The Group presents several of these plans in its consolidated financial statements as defined contribution plans because the information required to use defined benefit accounting is not available in a timely manner or in sufficient detail. The Group cannot exercise direct control over such plans and the plan trustees have no legal obligation to share information directly with participating employers. Higher contributions by the Group to such a pension plan could be required in particular when an underfunded status exceeds a specific level. Exit from such a plan can lead to the companies involved having to offset the potential future shortfall relating to their share of the plan. Furthermore, the possibility exists that Daimler can be liable for other participants' obligations.

The multi-employer pension plans previously included a pension plan in the NAFTA region, for which the information required to use benefit accounting for defined benefit plans was available for the first time in 2017. The company withdrew from the plan by the end of November 2017. The settlement of the plan resulted in a gain for Daimler Trucks of €117 million. The EBIT effect is presented in cost of sales in the consolidated statement of income. The present value of future financial obligations is presented in provisions for other risks as of December 31, 2017.

As a result, multi-employer plans at the Daimler Group are classified as not material at December 31, 2017.

Other post-employment benefits

Certain foreign subsidiaries of Daimler, mainly in the United States, provide their employees with post-employment health care benefits with defined entitlements, which have to be accounted for as defined benefit plans. These obligations are funded to a small extent through reimbursement rights and plan assets. Table ↗ **F.54** shows key data for other post-employment benefits.

Significant risks in connection with commitments for other post-employment benefits (medical care) relate to rising healthcare costs and lower contributions to those costs from the public sector. In addition, these plans are subject to the usual risks for defined benefit plans, in particular the risk of changes in discount rates.

F.51

Significant factors for the calculation of pension benefit obligations

	German Plans At December 31, 2017	2016	Non-German Plans At December 31, 2017	2016
In percent				
Discount rates	**1.8**	1.9	**3.7**	3.9
Expected increase in cost of living[1]	**1.7**	1.7	**–**	–

1 For German Plans, expected increases in cost of living may affect – depending on the design of the pension plan – the obligation to the Group's active employees as well as retirees and their survivors. For most non-German Plans, expected increases in cost of living do not have a material impact on the amount of the obligation.

F.52

Sensitivity analysis for the present value of defined benefit pension obligation

		December 31, 2017			December 31, 2016		
		Total	German Plans	Non-German Plans	Total	German Plans	Non-German Plans
In millions of euros							
Sensitivity for discount rates	+ 0.25%	**-1,184**	**-1,045**	**-139**	-1,193	-1,040	-153
Sensitivity for discount rates	- 0.25%	**1,308**	**1,113**	**195**	1,247	1,090	157
Sensitivity for expected increases in cost of living	+ 0.10%	**109**	**90**	**19**	105	83	22
Sensitivity for expected increases in cost of living	- 0.10%	**-107**	**-89**	**-18**	-120	-100	-20
Sensitivity for life expectancy	+ 1 year	**487**	**417**	**70**	475	407	68
Sensitivity for life expectancy	- 1 year	**-437**	**-366**	**-71**	-448	-375	-73

F.53

Weighted average duration of the defined benefit obligations

	2017	2016
In years		
German Plans	**16**	17
Non-German Plans	**17**	17

F.54

Key data for other post-employment benefits

	2017	2016
In millions of euros		
Present value of defined benefit obligations	**1,142**	1,187
Fair value of plan assets and reimbursement rights	**68**	72
Funded status	**-1,074**	-1,115
Net periodic cost for other post-employment benefits	**-71**	-75

23. Provisions for other risks

The development of provisions for other risks is summarized in table ↗ **F.55.**

Product warranties
Daimler issues various types of product warranties, under which it generally guarantees the performance of products delivered and services rendered for a certain period. The provision for these product warranties covers expected costs for legal and contractual warranty claims as well as expected costs for goodwill consessions and recall campaigns. The utilization date of product warranties depends on the incidence of the warranty claims and can span the entire term of the product warranties. The cash outflow for non-current product warranties is principally expected within a period until 2020.

Personnel and social costs
Provisions for personnel and social costs primarily comprise expected expenses of the Group for employee anniversary bonuses, profit sharing arrangements and management bonuses as well as early retirement and partial retirement plans. The additions recorded to the provisions for profit sharing and management bonuses in the reporting year usually result in cash outflows in the following year. The cash outflow for non-current provisions for personnel and social costs is primarily expected within a period until 2028.

Other
Provisions for other risks include obligations for expected reductions in revenue already recognized, such as bonuses, discounts and other price reduction commitments. They also include expected costs in connection with liability and litigation risks as well as risks from legal proceedings, provisions for optimization programs, provisions for environmental protection risks, as well as provisions for other taxes and various other risks which cannot be allocated to any other class of provision.

Further information on other provisions for other risks is provided in Notes 5 and 29.

F.55
Provisions for other risks

	Product warranties	Personnel and social costs	Other	Total
In millions of euros				
Balance at December 31, 2016	6,102	4,260	5,697	16,059
thereof current	2,512	2,181	4,734	9,427
thereof non-current	3,590	2,079	963	6,632
Additions	**3,414**	**2,379**	**4,179**	**9,972**
Utilizations	**-2,576**	**-2,030**	**-2,934**	**-7,540**
Reversals	**-217**	**-134**	**-578**	**-929**
Compounding and effects from changes in discount rates	**15**	**35**	**11**	**61**
Currency translation and other changes	**-84**	**-85**	**-210**	**-379**
Balance at December 31, 2017	**6,654**	**4,425**	**6,165**	**17,244**
thereof current	**3,135**	**2,209**	**4,708**	**10,052**
thereof non-current	**3,519**	**2,216**	**1,457**	**7,192**

24. Financing liabilities

The composition of financing liabilities is shown in table ↗ **F.56.**

Liabilities from finance leases relate to leases of property, plant and equipment which transfer substantially all risks and rewards to the Group as lessee. Future minimum lease payments under finance leases amounted to €496 million at December 31, 2017 (2016: €361 million). The reconciliation of future minimum lease payments from finance lease arrangements to the corresponding liabilities is shown in table ↗ **F.57.**

F.56
Financing liabilities

	At December 31, 2017			At December 31, 2016		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Notes/bonds	**13,785**	**53,288**	**67,073**	13,820	49,260	63,080
Commercial paper	**1,045**	**–**	**1,045**	1,701	–	1,701
Liabilities to financial institutions	**17,583**	**16,972**	**34,555**	16,528	13,146	29,674
Deposits in the direct banking business	**9,450**	**2,010**	**11,460**	8,876	2,766	11,642
Liabilities from ABS transactions	**6,214**	**4,823**	**11,037**	5,823	4,745	10,568
Liabilities from finance leases	**27**	**325**	**352**	30	203	233
Loans, other financing liabilities	**642**	**960**	**1,602**	510	278	788
	48,746	**78,378**	**127,124**	47,288	70,398	117,686

F.57
Reconciliation of minimum lease payments to liabilities from finance lease arrangements

	Future minimum lease payments at December 31,		Interest included in future minimum lease payments at December 31,		Liabilities from finance lease arrangements at December 31,	
	2017	2016	**2017**	2016	**2017**	2016
In millions of euros						
Maturity						
within one year	**39**	42	**12**	12	**27**	30
between one and five years	**150**	161	**61**	68	**89**	93
later than five years	**307**	158	**71**	48	**236**	110
	496	361	**144**	128	**352**	233

25. Other financial liabilities

The composition of other financial liabilities is shown in table ↗ **F.58**.

Financial liabilities measured at fair value through profit or loss relate exclusively to derivative financial instruments which are not used in hedge accounting.

Further information on other financial liabilities is provided in Note 31.

26. Deferred income

The composition of deferred income is shown in table ↗ **F.59**.

27. Other liabilities

Table ↗ **F.60** shows the composition of other liabilities.

F.58
Other financial liabilities

		At December 31, 2017			At December 31, 2016	
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Derivative financial instruments used in hedge accounting	**168**	**528**	**696**	1,312	1,151	2,463
Financial liabilities recognized at fair value through profit or loss	**62**	**49**	**111**	107	79	186
Liabilities from residual value guarantees	**1,108**	**1,217**	**2,325**	1,062	1,230	2,292
Liabilities from wages and salaries	**1,292**	**25**	**1,317**	1,107	48	1,155
Accrued interest expenses	**905**	**–**	**905**	883	–	883
Deposits received	**496**	**539**	**1,035**	477	556	1,033
Other	**4,902**	**231**	**5,133**	4,594	263	4,857
Miscellaneous other financial liabilities	**8,703**	**2,012**	**10,715**	8,123	2,097	10,220
	8,933	**2,589**	**11,522**	9,542	3,327	12,869

F.59
Deferred income

		At December 31, 2017			At December 31, 2016	
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Deferral of revenue from multi-year service and maintenance agreements	**1,714**	**3,381**	**5,095**	1,748	3,450	5,198
Deferral of sales revenue received from sales with residual-value guarantees	**534**	**963**	**1,497**	498	950	1,448
Deferral of advance rental payments received from operating lease arrangements	**824**	**900**	**1,724**	839	823	1,662
Other deferred income	**596**	**558**	**1,154**	359	336	695
	3,668	**5,802**	**9,470**	3,444	5,559	9,003

F.60
Other liabilities

		At December 31, 2017			At December 31, 2016	
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Income tax liabilities	**413**	**9**	**422**	304	10	314
Other tax liabilities	**1,871**	**1**	**1,872**	1,792	1	1,793
Miscellaneous other liabilities	**388**	**–**	**388**	342	4	346
	2,672	**10**	**2,682**	2,438	15	2,453

28. Consolidated statement of cash flows

Calculation of funds

At December 31, 2017 similar to the prior year, cash and cash equivalents included restricted funds of less than €1 million.

Cash used for/ provided by operating activities

Changes in other operating assets and liabilities are shown in table ↗ **F.61.**

The decrease in provisions in the reporting year mainly resulted from provisions for pensions and similar obligations primarily due to an extraordinary contribution to the German pension plan assets.

Table ↗ **F.62** shows cash flows included in cash used for/ provided by operating activities.

The line item other non-cash expense and income within the reconciliation of profit before income taxes to cash provided by operating activities in the reporting year primarily comprised the Group's share in the profit/loss of companies accounted for using the equity method (see Note 13). In the prior year, the reconciling item mainly comprised the Group's share in the profit/loss of companies accounted for using the equity method. An additional effect resulted from the income related to the contribution of the shares of Renault S.A. and Nissan Motor Company Ltd. into the pension plan assets.

Cash used for investing activities

In the prior year the cash flow was affected by the acquisition of Athlon Car Lease International B.V.

The consideration paid for the acquisition comprised the purchase price amounting to €1,100 million and financing liabilities settled upon finalizing the transaction in an amount of €2,741 million. The consideration was reduced by the acquired cash and cash equivalents amounting to €191 million.

Cash provided by financing activities

Cash provided by financing activities includes cash flows from hedging the currency risks of financial liabilities. In 2017, cash provided by financing activities included payments for the reduction of outstanding finance lease liabilities of €39 million (2016: €43 million).

Table ↗ **F.63** includes changes in liabilities arising from financing activities, divided into cash and non-cash components, which have to be prospectively disclosed starting January 1, 2017.

F.61

Changes in other operating assets and liabilities

	2017	2016
In millions of euros		
Provisions	-1,467	341
Financial instruments	-108	165
Miscellaneous other assets and liabilities	1,527	1,644
	-48	2,150

F.62

Cash flows included in cash used for/ provided by operating activities

	2017	2016
In millions of euros		
Interest paid	-304	-229
Interest received	187	211
Dividends received from equity-method investments	843	103
Dividends received from other shareholdings	52	85

F.63

Changes in liabilities arising from financing activities

	2017
In millions of euros	
Cash flows	16,794
Obtaining or losing control of subsidiaries	–
Changes in foreign exchange rates	-7,135
Fair value changes	-119
Other changes	-325

29. Legal proceedings

Various legal proceedings, claims and governmental investigations (legal proceedings) are pending against Daimler AG and its subsidiaries on a large number of topics, including vehicle safety, emissions, fuel economy, financial services, dealer, supplier and other contractual relationships, intellectual property rights, product warranties, environmental matters, antitrust matters (including actions for damages) and shareholder matters. Legal proceedings relating to products deal with claims on account of alleged vehicle defects. Some of these claims are asserted by way of class action suits. If the outcome of such legal proceedings is detrimental to Daimler, the Group may be required to pay substantial compensatory and punitive damages or to undertake service actions, recall campaigns, monetary penalties or other costly actions. Some of these proceedings may have an impact on the Group's reputation.

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

Another consumer class-action lawsuit against Daimler AG and other companies of the Group containing similar allegations was filed in Canada in April 2016. On June 29, 2017, the court granted a procedural motion to certify certain issues for class treatment. Daimler also regards this lawsuit as being without merit and will defend against the claims. On July 14, 2017, an additional class action was filed in the Superior Court of California, Los Angeles County, against Daimler AG and other companies of the Group, alleging similar claims as the existing US class action. That action was removed to federal court and, on October 31, 2017, was transferred to the District of New Jersey. On December 21, 2017 the parties stipulated to dismiss, without prejudice, that lawsuit. It may be filed again under specific conditions, but Daimler also regards this lawsuit as being without merit.

Several state and federal authorities and institutions worldwide have inquired about and/or are investigating test results, the emission control systems used in Mercedes-Benz diesel vehicles and/or Daimler's interaction with the relevant state and federal authorities as well as related legal issues and implications, including, but not limited to, under applicable environmental, securities, criminal and antitrust laws. These authorities and institutions include, among others, the U.S. Department of Justice (DOJ), which in April 2016 requested that Daimler AG review its certification and admissions processes related to exhaust emissions of diesel vehicles in the United States by way of an internal investigation in cooperation with the DOJ, the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB) and other US state authorities, the U.S. Securities and Exchange Commission (SEC), the European Commission, with which Daimler AG has filed a leniency application, as well as national cartel authorities and other authorities of various foreign states as well as the German Federal Financial Supervisory Authority (BaFin) and the German Federal Motor Transport Authority (KBA), the diesel emissions committee of inquiry of the German Parliament and the Stuttgart district attorney's office. The Stuttgart district attorney's office is conducting criminal investigation proceedings against Daimler employees concerning the suspicion of fraud and criminal advertising, and searched the premises of Daimler at several locations in Germany. Daimler continues to fully cooperate with the DOJ and the other authorities and institutions. As these inquiries, investigations and the replies to these information requests as well as Daimler's internal investigation are ongoing, we rely on IAS 37.92 in not disclosing any further information on whether or not, or to what extent, provisions have been recognized and/or contingent liabilities have been disclosed.

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

In this context, Daimler AG may now 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. Currently, it continues to be uncertain whether the European Commission will initiate formal antitrust proceedings. At present, Daimler does not expect this unquantifiable contingent liability to have any material impact on its 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 have been initiated in various states in and outside of Europe. Appropriate legal remedies are taken to defend the company. 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.

On June 23, 2016, the German Federal Cartel Office carried out dawn raids at several car manufacturers and suppliers, including Daimler AG, with regard to steel purchasing. Daimler is cooperating in full with the authority. In accordance with IAS 37.92, no further information is disclosed with respect to whether, or to what extent, provisions have been recognized and/or contingent liabilities have been disclosed, so as not to prejudice Daimler AG's position.

As already reported, in August 2016, Mercedes-Benz Canada (MB Canada) was added as a defendant to a putative nation-wide 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. 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.

The Federal Republic of Germany initiated arbitration proceedings against Daimler Financial Services AG, Deutsche Telekom AG and Toll Collect GbR and submitted its statement of claims in August 2005. It seeks damages, contractual penalties and the transfer of intellectual property rights to Toll Collect GmbH. In particular, the Federal Republic of Germany is claiming

- lost revenue of €3.33 billion for the period September 1, 2003 through December 31, 2004 plus interest at 5% per annum above the respective base rate since submission of claims (an amount of €2 billion as at the date of September 29, 2014),
- contractual penalties of approximately €1.65 billion through July 31, 2005 plus interest at 5% per annum above the respective base rate since submission of claims (an amount of €225 million as at the date of September 29, 2014) and
- refinancing costs of €196 million.

Since, among other things, some of the contractual penalties are dependent on time and further claims for contractual penalties have been asserted by the Federal Republic of Germany, the amount claimed as contractual penalties may increase. The defendants submitted their response to the statement of claims on June 30, 2006. The Federal Republic of Germany delivered its reply to the arbitrators on February 15, 2007, and the defendants delivered their rebuttal on October 1, 2007 (see also Note 30). The arbitrators held the first hearing on June 16 and 17, 2008. Additional briefs from the claimant and the defendants have been filed since then. A hearing of witnesses and experts took place between December 6 and 14, 2010. The parties submitted further written statements on July 15 and November 15, 2011. After the Tribunal's President resigned for personal reasons as of March 30, 2012, the new President was determined by the Administrative Court in Berlin as of October 29, 2012. In the meantime, further briefs were exchanged and the arbitrators held further hearings in May and October 2014, in June 2015 and June 2016 as well as in March, July and September 2017. In the first half of 2017, the shareholders Deutsche Telekom AG and Daimler Financial Services AG asserted counterclaims relating to breaches of duty by the Federal Republic of Germany with regard to the delay in the start of the toll system. Daimler considers the claims of the Federal Republic of Germany to be without merit and will continue to defend itself.

The Group recognizes provisions in connection with pending or threatened proceedings to the extent a loss is probable and can be reasonably estimated. Such provisions are recognized in the Group's consolidated financial statements and are based on estimates. If quantifiable, contingent liabilities in connection with legal proceedings are disclosed in the Group's consolidated financial statements. Risks resulting from legal proceedings sometimes cannot be assessed reliably or only to a limited extent. Consequently, provisions recognized for some legal proceedings may turn out to be insufficient once such proceedings have ended. The Group may also become liable for payments in legal proceedings for which no provisions were recognized and/or contingent liabilities were disclosed. Uncertainty exists with regard to the amounts or due dates of possible cash outflows. Although the final resolution of any such proceedings could materially affect Daimler's operating results and cash flows for a particular reporting period, Daimler believes that it should not exert a sustained influence on the Group's financial position.

30. Financial guarantees, contingent liabilities and other financial obligations

Financial guarantees

Financial guarantees principally represent contractual arrangements. These guarantees generally provide that in the event of default or non-payment by the primary debtor, the Group will be required to settle such financial obligations. The maximum potential obligation resulting from these guarantees amounted to €667 million at December 31, 2017 (2016: €784 million) and includes liabilities recognized in the amount of €141 million (2016: €169 million).

Contingent liabilities

Table ↗ F.64 shows estimates of the financial effects of contingent liabilities at December 31, 2017.

F.64
Composition of contingent liabilities

	At December 31, 2017	2016
In millions of euros		
Guarantees under buyback commitments	**1,608**	1,726
Other contingent liabilities	**589**	268
	2,197	1,994

Guarantees under buyback commitments represent arrangements whereby the Group guarantees specified trade-in or resale values for sold vehicles. Such guarantees provide the holder with the right to return purchased vehicles to the Group, the right being primarily contingent on the future purchase of vehicles or services. The amounts of the buyback commitments are close to the fair values of the vehicles to be taken back. The provisions recognized in connection with these buyback commitments, amounted to €125 million at December 31, 2017 (2016: €95 million). On the other hand, residual value guarantees related to arrangements for which revenue recognition is precluded due to the Group's obligation to repurchase assets are included in other financial liabilities.

At December 31, 2017, the best estimate for potential obligations from **other contingent liabilities** was €589 million (2016: €268 million). Some contingent liabilities are not quantifiable. This applies in particular to the assessment of the legal risks arising from the class-action lawsuits mentioned in Note 29.

Furthermore, in 2002, our subsidiary Daimler Financial Services AG, Deutsche Telekom AG and Compagnie Financière et Industrielle des Autoroutes S.A. (Cofiroute) entered into a consortium agreement in order to jointly develop, install and operate under a contract with the Federal Republic of Germany (operating agreement) a system for the electronic collection of tolls for all commercial vehicles over 12 tons gross vehicle weight using German highways. After concluding supplementary agreements to the operating agreement with the Federal Republic of Germany tolls are now charged for vehicles over 7.5 tons gross vehicle weight and on specific sections of federal highways. Daimler Financial Services AG and Deutsche Telekom AG each hold a 45% equity interest and Cofiroute holds the remaining 10% equity interest in both the consortium (Toll Collect GbR) and the joint venture company (Toll Collect GmbH) (together Toll Collect).

According to the operating agreement, the toll collection system had to be operational no later than August 31, 2003. After a delay of the launch date of the toll collection system, which resulted in a loss of revenue for Toll Collect and in payments of contractual penalties for delays, the toll collection system was introduced on January 1, 2005 with on-board units that allowed for slightly less than full technical performance in accordance with the technical specification (phase 1). On January 1, 2006, the toll collection system was installed and started to operate with full effectiveness as specified in the operating agreement (phase 2). On December 20, 2005, Toll Collect GmbH received a preliminary operating permit as specified in the operating agreement. Toll Collect GmbH expects to receive the final operating permit, and continues to operate the toll collection system under the preliminary operating permit in the interim.

Failure to perform various obligations under the operating agreement may result in penalties, additional revenue reductions and damage claims that could become significant over time.

However, penalties and revenue reductions are capped at €150 million per year until the final operating permit has been issued and at €100 million per year following the issuance of the final operating permit. These cap amounts are subject to a 3% increase for every year of operation.

Beginning in June 2006, the Federal Republic of Germany began reducing monthly payments to Toll Collect GmbH by €8 million in partial set-off against amounts claimed in the arbitration proceedings referred to below. This offsetting may require the consortium members to provide additional operating funds to Toll Collect GmbH.

The operating agreement calls for the submission of all disputes related to the toll collection system to arbitration. The Federal Republic of Germany has initiated arbitration proceedings against Daimler Financial Services AG, Deutsche Telekom AG and the consortium. According to the statement of claims received in August 2005, the Federal Republic of Germany is seeking damages including contractual penalties and reimbursement of lost revenue that allegedly arose from delays in the operability of the toll collection system. See Note 29 for additional information.

Each of the consortium members (including Daimler Financial Services AG) has provided guarantees supporting the obligations of Toll Collect GmbH towards the Federal Republic of Germany relating to the completion and operation of the toll collection system, which are subject to specific triggering events. In addition, Daimler AG has guaranteed bank loans obtained by Toll Collect GmbH. The guarantees are described in detail below:

- *Guarantee of bank loans.* Daimler AG issued a guarantee to third parties up to a maximum amount of €100 million for bank loans which could be obtained by Toll Collect GmbH. This amount represents the Group's 50% share of Toll Collect GmbH's external financing guaranteed by its shareholders.
- *Equity maintenance undertaking.* The consortium members have the obligation to contribute, on a joint and several basis, additional funds to Toll Collect GmbH as may be necessary for Toll Collect GmbH to maintain a minimum equity (based on German Commercial Code accounting principles) of 15% of total assets (a so-called "equity maintenance undertaking"). This obligation will terminate on August 31, 2018, when the extended operating agreement expires, or earlier if the agreement is terminated. Such obligation may arise if Toll Collect GmbH is subject to revenue reductions caused by underperformance, if the Federal Republic of Germany is successful in claiming lost revenue against Toll Collect GmbH for any period the system was not fully operational, or if Toll Collect GmbH incurs penalties that may become payable under the above mentioned agreements. If such penalties, revenue reductions or other events reduce Toll Collect GmbH's equity to a level below the minimum equity percentage agreed upon, the consortium members are obligated to fund Toll Collect GmbH's operations to the extent necessary to reach the required minimum equity.

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

While Daimler's maximum future obligation resulting from the guarantee of the bank loan can be determined (2017: €100 million), the Group is unable to reasonably estimate the amount or range of amounts of possible loss resulting from the financial guarantee in form of the equity maintenance undertaking due to the various uncertainties described above, although it could be material. Only the guarantee for the bank loan is included in the above disclosures for financial guarantees.

Obligations from product warranties and extended product warranties are not included in the above disclosures. See Note 23 for provisions relating to such obligations.

Other financial obligations

The Group **has financial obligations resulting from non-cancelable long-term rental agreements and operating leases for property, plant and equipment;** the contracts partially include renewal or purchase options and price-escalation clauses. In 2017, Daimler recognized expense payments from operating leases of €563 million (2016: €539 million). Table ↗ **F.65** provides an overview of when future minimum lease payments under non-cancelable long-term rental and lease agreements fall due (nominal amounts).

Furthermore, other financial obligations exist from the **acquisition of intangible assets, property, plant and equipment and lease property** of €4,876 million (2016: €3,977 million).

In addition, the Group had issued **irrevocable loan commitments** as of December 31, 2017. These loan commitments had not been utilized as of that date. An overview of the maturities of irrevocable loan commitments is shown in Table ↗ **F.79** in Note 32.

F.65

Future minimum lease payments under non-cancelable long-term rental and lease agreements (nominal amounts)

	At December 31, 2017	2016
In millions of euros		
Maturity		
not later than one year	**698**	596
later than one year and not later than five years	**1,421**	1,335
later than five years	**890**	597
	3,009	2,528

31. Financial instruments

Carrying amounts and fair values of financial instruments

Table ↗ F.66 shows the carrying amounts and fair values of the respective classes of the Group's financial instruments. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Given the varying influencing factors, the reported fair values can only be viewed as indicators of the prices that may actually be achieved on the market.

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

Receivables from financial services
The fair values of receivables from financial services with variable interest rates are estimated to be equal to the respective carrying amounts because the interest rates agreed and those available in the market do not significantly differ. The fair values of receivables from financial services with fixed interest rates are determined on the basis of discounted expected future cash flows.

F.66
Carrying amounts and fair values of financial instruments

	At December 31, 2017		At December 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
In millions of euros				
Financial assets				
Receivables from financial services	85,787	86,136	80,507	80,851
Trade receivables	11,990	11,990	10,614	10,614
Cash and cash equivalents	12,072	12,072	10,981	10,981
Marketable debt securities				
Available-for-sale financial assets	10,063	10,063	10,748	10,748
Other financial assets				
Available-for-sale financial assets	1,173	1,173	811	811
thereof equity instruments measured at fair value	171	171	166	166
thereof equity instruments measured at cost	1,002	1,002	645	645
Financial assets recognized at fair value through profit or loss	82	82	106	106
Derivative financial instruments used in hedge accounting	2,379	2,379	1,730	1,730
Other receivables and financial assets	3,167	3,167	3,089	3,089
	126,713	127,062	118,586	118,930
Financial liabilities				
Financing liabilities	127,124	128,437	117,686	118,929
Trade payables	12,474	12,474	11,567	11,567
Other financial liabilities				
Financial liabilities recognized at fair value through profit or loss	111	111	186	186
Derivative financial instruments used in hedge accounting	696	696	2,463	2,463
Miscellaneous other financial liabilities	10,715	10,715	10,220	10,220
	151,120	152,433	142,122	143,365

The discounting is based on the current interest rates at which similar loans with identical terms could have been obtained as of December 31, 2017 and December 31, 2016.

Trade receivables and cash and cash equivalents
Due to the short terms of these financial instruments and the fundamentally lower credit risk, it is assumed that their fair values are equal to the carrying amounts.

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

Financial assets measured at fair value through profit or loss include derivative financial instruments not used in hedge accounting. These financial instruments as well as *derivative financial instruments used in hedge accounting* comprise:
- derivative currency hedging contracts; the fair values of cross currency interest rate swaps are determined on the basis of the discounted estimated future cash flows using market interest rates appropriate to the remaining terms of the financial instruments. The valuation of currency forwards is based on market quotes of forward curves; currency options were measured using 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.

Other receivables and assets are carried at amortized cost. Because of the predominantly short maturities of these financial instruments, it is assumed that the fair values approximate the carrying amounts.

Financing liabilities
The fair values of bonds, loans, commercial paper, deposits in the direct banking business and liabilities from ABS transactions are calculated as present values of the estimated future cash flows. Market interest rates for the appropriate terms are used for discounting.

Trade payables
Due to the short maturities of these financial instruments, it is assumed that their fair values are equal to the carrying amounts.

Other financial liabilities
Financial liabilities measured at fair value through profit or loss comprise derivative financial instruments not used in hedge accounting. For information regarding these financial instruments as well as *derivative financial instruments used in hedge accounting,* see the notes above under marketable debt securities and other financial assets.

Miscellaneous other financial liabilities are carried at amortized cost. Because of the predominantly short maturities of these financial instruments, it is assumed that the fair values approximate the carrying amounts.

Offsetting of financial instruments

The Group concludes derivative transactions in accordance with the master netting arrangements (framework agreement) of the International Swaps and Derivatives Association (ISDA) and other appropriate national framework agreements. However, these arrangements do not meet the criteria for netting in the consolidated statement of financial position, as they allow netting only in the case of future events such as default or insolvency on the part of the Group or the counterparty.

Table ↗ **F.67** shows the carrying amounts of the derivative financial instruments subject to the described arrangements as well as the possible financial effects of netting in accordance with the master netting arrangements.

Measurement hierarchy

Table ↗ **F.68** provides an overview of the classification into measurement hierarchies of financial assets and liabilities measured at fair value (according to IFRS 13).

At the end of each reporting period, Daimler reviews the necessity of reclassification between the measurement hierarchies.

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

Table ↗ **F.69** shows into which measurement hierarchy (according to IFRS 13) the fair values of the financial assets and liabilities are classified which are not measured at fair value in the consolidated statement of financial position.

F.67
Disclosure for recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement

	At December 31, 2017			At December 31, 2016		
	Gross and net amounts of financial instruments in the balance sheet	Amounts subject to a master netting arrangement	Net amounts	Gross and net amounts of financial instruments in the balance sheet	Amounts subject to a master netting arrangement	Net amounts
In millions of euros						
Other financial assets[1]	**2,461**	**-566**	**1,895**	1,836	-1,393	443
Other financial liabilities[2]	**807**	**-566**	**241**	2,649	-1,393	1,256

1 The other financial assets which are subject to a master netting arrangement comprise derivative financial instruments that are included in hedge accounting and financial assets measured at fair value through profit or loss (see Note 16).
2 The other financial liabilities which are subject to a master netting arrangement comprise derivative financial instruments that are included in hedge accounting and financial liabilities measured at fair value through profit or loss (see Note 25).

F.68

Measurement hierarchy of financial assets and liabilities measured at fair value

	At December 31, 2017				At December 31, 2016			
	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]
In millions of euros								
Financial assets measured at fair value								
Financial assets available-for-sale	10,234	6,721	3,513	–	10,914	5,164	5,750	–
thereof equity instruments measured at fair value	171	106	65	–	166	93	73	–
thereof marketable debt securities	10,063	6,615	3,448	–	10,748	5,071	5,677	–
Financial assets measured at fair value through profit or loss	82	–	82	–	106	–	106	–
Derivative financial instruments used in hedge accounting	2,379	–	2,379	–	1,730	–	1,730	–
	12,695	6,721	5,974	–	12,750	5,164	7,586	–
Liabilities measured at fair value								
Financial liabilities measured at fair value through profit or loss	111	–	111	–	186	–	186	–
Derivative financial instruments used in hedge accounting	696	–	696	–	2,463	–	2,463	–
	807	–	807	–	2,649	–	2,649	–

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

F.69

Measurement hierarchy of financial assets and liabilities not measured at fair value

	At December 31, 2017				At December 31, 2016			
	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]
In millions of euros								
Fair values of financial assets measured at cost								
Receivables from financial services	86,136	–	86,136	–	80,851	–	80,851	–
Fair values of financial liabilities measured at cost								
Financing liabilities	128,437	58,496	69,941	–	118,929	56,171	62,758	–
thereof bonds	68,422	57,715	10,707	–	63,944	54,800	9,144	–
thereof liabilities from ABS transactions	11,081	781	10,300	–	10,948	1,371	9,577	–
thereof other financing liabilities	48,934	–	48,934	–	44,037	-	44,037	–

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

F.70

Carrying amounts of financial instruments presented according to IAS 39 measurement categories

	At December 31, 2017	2016
In millions of euros		
Assets		
Receivables from financial services[1]	**61,346**	59,695
Trade receivables	**11,990**	10,614
Other receivables and financial assets	**3,167**	3,089
Loans and receivables	**76,503**	73,398
Marketable debt securities	**10,063**	10,748
Other financial assets	**1,173**	811
Available-for-sale financial assets	**11,236**	11,559
Financial assets measured at fair value through profit or loss[2]	**82**	106
Liabilities		
Trade payables	**12,474**	11,567
Financing liabilities[3]	**126,772**	117,453
Other financial liabilities[4]	**10,574**	10,051
Financial liabilities measured at (amortized) cost	**149,820**	139,071
Financial liabilities measured at fair value through profit or loss[2]	**111**	186

The table above does not include cash and cash equivalents or the carrying amounts of derivative financial instruments used in hedge accounting as these financial instruments are not assigned to an IAS 39 measurement category.

1 This does not include lease receivables of €24,441 million as of December 31, 2017 (2016: €20,812 million) as these are not assigned to an IAS 39 measurement category.
2 Financial instruments classified as held for trading purposes. These figures comprise financial instruments that are not used in hedge accounting.
3 This does not include liabilities from finance leases of €352 million as of December 31, 2017 (2016: €233 million) as these are not assigned to an IAS 39 measurement category.
4 This does not include liabilities from financial guarantees of €141 million as of December 31, 2017 (2016: €169 million) as these are not assigned to an IAS 39 measurement category.

Measurement categories

The carrying amounts of financial instruments presented according to IAS 39 measurement categories are shown in table ↗ **F.70**.

Net gains or losses

Table ↗ **F.71** shows the net gains or losses of financial instruments included in the consolidated statement of income (excluding derivative financial instruments used in hedge accounting).

Net gains/losses of financial assets and liabilities measured at fair value through profit or loss primarily include gains and losses attributable to changes in fair values.

Net gains on available-for-sale financial assets mainly include income from the measurement of equity interests as well as gains realized on their disposal. In 2016, these gains primarily comprise income of €605 million from the transfer of the investments in Renault and Nissan into the Daimler Pension Trust e.V. (see Note 3).

Net losses on loans and receivables mainly include impairment losses that are charged to cost of sales, selling expenses and other financial income/expense, net. Foreign currency gains and losses are also included.

Net gains/losses on financial liabilities measured at (amortized) cost mainly include gains and losses from currency translation.

Total interest income and total interest expense

Total interest income and total interest expense for financial assets or financial liabilities that are not measured at fair value through profit or loss are shown in table ↗ **F.72.**

See Note 1 for qualitative descriptions of accounting for financial instruments (including derivative financial instruments).

Information on derivative financial instruments

Use of derivatives

The Group uses derivative financial instruments exclusively for hedging financial risks that arise from its commercial business or refinancing activities. These are mainly interest rate risks, currency risks and commodity price risks. For these hedging purposes, the Group mainly uses currency forward transactions, cross currency interest rate swaps, interest rate swaps, options and commodity forwards.

Fair values of hedging instruments

Table ↗ **F.73** shows the fair values of hedging instruments at the end of the reporting period.

Fair value hedges

The Group uses fair value hedges primarily for hedging interest rate risks.

Net gains and losses from these hedging instruments and the changes in the value of the underlying transactions are shown in table ↗ **F.74.**

F.71
Net gains/losses

	2017	2016
In millions of euros		
Financial assets and liabilities recognized at fair value through profit or loss[1]	131	-229
Available-for-sale financial assets	27	735
Loans and receivables	-542	-346
Financial liabilities measured at (amortized) cost	-50	-165

1 Financial instruments classified as held for trading; these amounts relate to financial instruments that are not used in hedge accounting.

F.72
Total interest income and total interest expense

	2017	2016
In millions of euros		
Total interest income	4,579	4,166
Total interest expense	-2,415	-1,932

F.73
Fair values of hedging instruments

	At December 31, 2017	2016
In millions of euros		
Fair value hedges	-68	72
Cash flow hedges	1,751	-805
Hedges of net investments in foreign operations	-180	-157

F.74
Net gains/losses from fair value hedges

	2017	2016
In millions of euros		
Net gains/losses from hedging instruments	-329	-195
Net gains/losses from underlying transactions	349	187

F.75

Unrealized gains/losses from cash flow hedges

	2017	2016
In millions of euros		
Unrealized gains/losses	2,525	125

F.76

Reclassifications of pre-tax gains/losses from equity to the statement of income

	2017	2016
In millions of euros		
Revenue	-6	-1,423
Cost of sales	34	-86
Interest income	–	–
Interest expense	-1	-2
	27	-1,511

Cash flow hedges

The Group uses cash flow hedges for hedging currency risks, interest rate risks and commodity price risks.

Unrealized pre-tax gains and losses on the measurement of derivatives, which are recognized in other comprehensive income, are shown in table ↗ **F.75.**

Table ↗ **F.76** provides an overview of the reclassifications of pre-tax gains/losses from equity to the statement of income for the period.

Net profit for 2017 includes net gains (before income taxes) of €11 million (2016: net losses (before income taxes) of €8 million) attributable to the ineffectiveness of derivative financial instruments entered into for hedging purposes (hedge-ineffectiveness).

The maturities of the interest rate hedges and cross currency interest rate hedges as well as of the commodity hedges correspond with those of the underlying transactions. The realization of the underlying transactions of the cash flow hedges is expected to correspond with the maturities of the hedging transactions shown in table ↗ **F.77**. As of December 31, 2017, Daimler utilized derivative instruments with a maximum maturity of 39 months (2016: 44 months) as hedges for currency risks arising from future transactions.

Hedges of net investments in foreign operations

Daimler also partially hedges the foreign currency risk of selected investments with the application of derivative or non-derivative financial instruments.

Nominal values of derivative financial instruments

Table ↗ **F.77** shows the nominal values of derivative financial instruments entered into for the purpose of hedging currency risks, interest rate risks and commodity price risks that arise from the Group's operating and/or financing activities.

Hedging transactions for which the effects from the measurement of the hedging instrument and the underlying transaction to a large extent offset each other in the consolidated statement of income mostly not classify for hedge accounting.

Even if derivative financial instruments do not or no longer qualify for hedge accounting, these instruments are still hedging financial risks from the operating business. A hedging instrument is terminated when the hedged item no longer exists or is no longer expected to occur.

Explanations of the hedging of exchange rate risks, interest rate risks and commodity price risks can be found in Note 32 in the sub-item finance market risk.

F.77

Nominal values of derivative financial instruments

	At December 31, 2017			At December 31, 2016
	Nominal values	Maturity ≤ 1 year	Maturity > 1 year	Nominal values
In millions of euros				
Hedging of currency risks from receivables/liabilities				
Forward exchange contracts	6,267	6,259	8	5,921
thereof cash flow hedges	3,380	3,380	–	–
Cross currency interest rate swaps	5,811	2,153	3,658	6,020
thereof cash flow hedges	3,238	1,559	1,679	3,453
thereof fair value hedges	1,676	361	1,315	1,622
Hedging of currency risks from forecasted transactions				
Forward exchange contracts and currency options	45,996	30,506	15,490	56,591
thereof cash flow hedges	45,542	30,061	15,481	55,925
Hedging of currency risks of net investments in foreign operations				
Currency swaps	–	–	–	–
thereof hedging of net investments in foreign operations	–	–	–	–
Hedging of interest rate risks from receivables/liabilities				
Interest rate swaps	49,934	2,395	47,539	49,483
thereof cash flow hedges	9,694	1,485	8,209	2,183
thereof fair value hedges	35,731	572	35,159	41,856
Hedging of commodity price risks from forecasted transactions				
Forward commodity contracts	742	495	247	1,128
thereof cash flow hedges	649	403	246	959
Total nominal values of derivative financial instruments	108,750	41,808	66,942	119,143
thereof cash flow hedges	62,503	36,888	25,615	62,520
thereof fair value hedges	37,407	933	36,474	43,478

32. Management of financial risks

General information on financial risks

As a result of its businesses and the global nature of its operations, Daimler is exposed in particular to market risks from changes in foreign currency exchange rates and interest rates, while commodity price risks arise from procurement. An equity price risk results from investments in listed companies (especially BAIC Motor). In addition, the Group is exposed to credit risks from its leasing and financing activities and from its operating business (trade receivables). With regard to the leasing and financing activities, credit risks arise from operating lease contracts, finance lease contracts and financing contracts. Furthermore, the Group is exposed to liquidity and country risks relating to its credit and market risks or a deterioration of its operating business or financial market disturbances. If these financial risks materialize, they could adversely affect Daimler's profitability, liquidity and capital resources and financial position.

Daimler has established internal guidelines for risk controlling procedures and for the use of financial instruments, including a clear segregation of duties with regard to financial activities, settlement, accounting and the related controlling. The guidelines upon which the Group's risk management processes for financial risks are based are designed to identify and analyze these risks throughout the Group, to set appropriate risk limits and controls and to monitor the risks by means of reliable and up-to-date administrative and information systems. The guidelines and systems are regularly reviewed and adjusted to changes in markets and products.

The Group manages and monitors these risks primarily through its operating and financing activities and, if required, through the use of derivative financial instruments. Daimler uses derivative financial instruments exclusively for hedging financial risks that arise from its commercial business or refinancing activities. Without these derivative financial instruments, the Group would be exposed to higher financial risks (additional information on financial instruments and especially on the nominal values of the derivative financial instruments used is included in Note 31). Daimler regularly evaluates its financial risks with due consideration of changes in key economic indicators and up-to-date market information.

Any market sensitive instruments including equity and debt securities that the plan assets hold to finance pension and other post-employment healthcare benefits are not included in the following quantitative and qualitative analysis. See Note 22 for additional information on Daimler's pension and other post-employment benefits.

Credit risk

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt in accordance with the contractual terms. Credit risk encompasses both the direct risk of default and the risk of a deterioration of creditworthiness as well as concentration risks.

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts (without consideration of collateral, if available). Table ↗ **F.78** shows the maximum risk positions.

Liquid assets
Liquid assets consist of cash and cash equivalents and marketable debt securities classified as available-for-sale. With the investment of liquid assets, banks and issuers of securities are selected very carefully and diversified in accordance with a limit system. In the recent years, the limit methodology was continuously enhanced to counteract the decline of the creditworthiness of the banking sector in the course of the financial crisis. Liquid assets are mainly held at financial institutions within and outside Europe with high creditworthiness, as bonds issued by German federal states and as money market funds. At the same time, the Group has increased the number of financial institutions with which investments are made. In connection with investment decisions, priority is placed on the borrower's very high creditworthiness and on balanced risk diversification. The limits and their utilizations are reassessed continuously. In this assessment, Daimler also considers the credit risk assessment of its counterparties by the capital markets. In line with the Group's risk policy, most liquid assets are held in investments with an external rating of "A" or better.

Receivables from financial services
Daimler's financing and leasing activities are primarily focused on supporting the sales of the Group's automotive products. As a consequence of these activities, the Group is exposed to credit risk, which is monitored and managed based on defined standards, guidelines and procedures. Daimler manages its credit risk irrespective of whether it is related to a financing contract or to an operating lease or a finance lease contract. For this reason, statements concerning the credit risk of Daimler Financial Services refer to the entire financing and leasing business, unless specified otherwise.

Exposure to credit risk from financing and lease activities is monitored based on the portfolio subject to credit risk. The portfolio subject to credit risk is an internal control quantity that consists of wholesale and retail receivables from financial services and the portion of the operating lease portfolio that is subject to credit risk. Receivables from financial services comprise claims arising from finance lease contracts and repayment claims from financing loans. The operating lease portfolio is reported under equipment on operating leases in the Group's consolidated financial statements. Overdue lease payments from operating lease contracts are recognized in trade receivables.

In addition, the Daimler Financial Services segment is exposed to credit risk from irrevocable loan commitments to retailers and end customers. At December 31, 2017, irrevocable loan commitments of Daimler Financial Services amounted to €1,880 million (2016: €1,493 million). These loan commitments had a maturity of less than one year.

The Daimler Financial Services segment has guidelines setting the framework for effective risk management at a global as well as at a local level. In particular, these rules deal with minimum requirements for all risk-relevant credit processes, the definition of financing products offered, the evaluation of customer quality, requests for collateral as well as the treatment of unsecured loans and non-performing claims. The limitation of concentration risks is implemented primarily by means of global limits, which refer to single customer exposures. As of December 31, 2017, exposure to the biggest 15 customers did not exceed 4.0% (2016: 5.4%) of the total portfolio.

With respect to its financing and lease activities, the Group holds collateral for customer transactions. The value of collateral generally depends on the amount of the financed assets. The financed vehicles usually serve as collateral. Furthermore, Daimler Financial Services mitigates the credit risk from financing and lease activities, for example through advance payments from customers.

Scoring systems are applied for the assessment of the default risk of retail and small business customers. Corporate customers are evaluated using internal rating instruments. Both evaluation processes use external credit bureau data if available. The scoring and rating results as well as the availability of security and other risk mitigation instruments, such as advance payments, guarantees and, to a lower extent, residual debt insurances, are essential elements for credit decisions.

Significant loans and leases to corporate customers are tested individually for impairment. An individual loan or lease is considered impaired when there is objective evidence that the Group will be unable to collect all amounts due as specified by the contractual terms. Examples of objective evidence that loans or lease receivables may be impaired include the following factors: significant financial difficulty of the borrower, a rising probability that the borrower will become bankrupt, delinquency in his installment payments, and restructured or renegotiated contracts to avoid immediate default.

Loans and finance lease receivables related to retail or small business customers are grouped into homogeneous pools and collectively assessed for impairment. Impairments are required for example if there are adverse changes in the payment status of the borrowers included in the pool, adverse changes in expected loss frequency and severity, and adverse changes in economic conditions.

Within the framework of testing for impairment, existing collateral is generally given due consideration. In that context, any excess collateral of individual customers is not netted off with insufficient collateral of other customers. The maximum credit risk is limited by the fair value of collateral (e.g. financed vehicles).

F.78

Maximum risk positions of financial assets and loan commitments

	see also Note	Maximum risk position **2017**	Maximum risk position 2016
In millions of euros			
Liquid assets		**22,135**	21,729
Receivables from financial services	14	**85,787**	80,507
Trade receivables	19	**11,990**	10,614
Derivative financial instruments used in hedge accounting (assets only)	16	**2,379**	1,730
Derivative financial instruments not used in hedge accounting (assets only)	16	**82**	106
Loan commitments	30	**1,894**	1,502
Other receivables and financial assets	16	**3,167**	3,089

If, in connection with contracts, a worsening of payment behavior or other causes of a need for impairment are recognized, collection procedures are initiated by claims management to obtain the overdue payments of the customer, to take possession of the asset financed or leased or, alternatively, to renegotiate the impaired contract. Restructuring policies and practices are based on the indicators or criteria which, in the judgment of local management, indicate that repayment will probably continue and that the total proceeds expected to be derived from the renegotiated contract exceed the expected proceeds to be derived from repossession and remarketing.

The allowance ratio decreased compared to the already low level of the previous year.

Further details on receivables from financial services and the balance of the recorded impairments are provided in Note 14.

Trade receivables
Trade receivables are mostly receivables from worldwide sales activities of vehicles and spare parts. The credit risk from trade receivables encompasses the default risk of customers, e.g. dealers and general distribution companies, as well as other corporate and private customers. Daimler manages its credit risk from trade receivables using appropriate IT applications and databases on the basis of internal guidelines which have to be followed globally.

A significant part of the trade receivables from each country's domestic business is secured by various country-specific types of collateral. This collateral includes conditional sales, guarantees and sureties as well as mortgages and cash deposits. In order to prevent the credit risk Daimler assesses the creditworthiness of the counterparties.

For trade receivables from export business, Daimler also evaluates each general distribution company's creditworthiness by means of an internal rating process and its country risk. In this context, the year-end financial statements and other relevant information on the general distribution companies such as payment history are used and assessed.

Depending on the creditworthiness of the general distribution companies, Daimler usually establishes credit limits and limits credit risks with the following types of collateral:

– credit insurances,
– first-class bank guarantees and
– letters of credit.

These procedures are defined in the export credit guidelines, which have Group-wide validity.

Appropriate provisions are recognized for the risks inherent in trade receivables. For this purpose, all receivables are regularly reviewed and impairments are recognized if there is any objective indication of non-performance or other contractual violations. In general, substantial individual receivables and receivables whose realizability is jeopardized are assessed individually. In addition, taking country-specific risks and any collateral into consideration, the other receivables are grouped by similarity of contract and tested for impairment collectively. One important factor for the definition of the impairment to be recognized is the respective country risk.

Further information on trade receivables and the status of impairments recognized is provided in Note 19.

Derivative financial instruments
The Group uses derivative financial instruments exclusively for hedging financial risks that arise from its commercial business or refinancing activities. Daimler manages its credit risk exposure in connection with derivative financial instruments through a limit system, which is based on the review of each counterparty's financial strength. This system limits and diversifies the credit risk. As a result, Daimler is exposed to credit risk only to a small extent with respect to its derivative financial instruments. In accordance with the Group's risk policy, most derivatives are contracted with counterparties which have an external rating of "A" or better.

Other receivables and financial assets
With respect to other receivables and financial assets in 2017 and 2016, Daimler is exposed to credit risk only to a small extent.

Liquidity risk

Liquidity risk comprises the risk that a company cannot meet its financial obligations in full.

Daimler manages its liquidity by holding adequate volumes of liquid assets and by maintaining syndicated credit facilities in addition to the cash inflows generated by its operating business. Additionally, the possibility to securitize receivables of financial services business (ABS transactions) also reduces the Group's liquidity risk. Liquid assets comprise cash and cash equivalents as well as debt instruments classified as held for sale. The Group can dispose of these liquid assets at short notice.

In general, Daimler makes use of a broad spectrum of financial instruments to cover its funding requirements. Depending on funding requirements and market conditions, Daimler issues commercial paper, bonds and financial instruments secured by receivables in various currencies. Bank credit lines are also used to cover financing requirements. These credit lines include a syndicated €9.0 billion credit facility of Daimler AG which was signed with a syndicate of international banks in September 2013 with a term until September 2020. This syndicated facility can be used to finance general corporate purposes and serves as a back-up for commercial paper drawings. At December 31, 2017, this facility had not been utilized. Potential downgrades of Daimler's credit ratings could have a negative impact on the Group's financing.

In addition, customer deposits at Mercedes-Benz Bank are used as a further source of refinancing.

The funds raised are used to finance working capital and capital expenditure as well as the cash needs of the lease and financing business and unexpected liquidity needs. In accordance with internal guidelines, the refunding of the lease and financing business is generally carried out with matching maturities so that financing liabilities have the same maturity profile as the leased assets and the receivables from financial services.

At December 31, 2017, liquidity amounted to €22.1 billion (2016: €21.7 billion). In 2017, significant cash inflows resulted from the positive business development of the automotive business segments. One cash inflow of €0.8 billion resulted from the dividend distributed by Beijing Benz Automotive Co., Ltd. Cash outflows resulted in particular from the portfolio growth of the leasing and sales finance activities at Daimler Financial Services as well as from the intensified investment offensive. In addition, there were cash outflows of €3.0 billion for the extraordinary contribution to the pension plan assets of Daimler AG.

From an operating point of view, the management of the Group's liquidity exposures is centralized by a daily cash pooling process. This process enables Daimler to manage its liquidity surplus and liquidity requirements according to the actual needs of the Group and each subsidiary. The Group's short-term and mid-term liquidity management takes into account the maturities of financial assets and financial liabilities and estimates of cash flows from the operating business.

Table ↗ F.79 provides an overview of how the future liquidity situation of the Group is affected by the cash flows from liabilities and financial guarantees as of December 31, 2017.

Information on the Group's financing liabilities is also provided in Note 24.

F.79

Liquidity runoff for liabilities and financial guarantees[1]

	Total	2018	2019	2020	2021	2022	≥ 2023
In millions of euros							
Financing liabilities[2]	135,329	51,156	29,656	21,122	9,996	5,813	17,586
Derivative financial instruments[3]	368	170	110	-15	-4	–	107
Trade payables[4]	12,474	12,459	12	2	1	–	–
Miscellaneous other financial liabilities excluding accrued interest	9,810	7,798	863	447	285	153	264
Irrevocable loan commitments of the Daimler Financial Services segment and of Daimler AG[5]	1,894	1,894	–	–	–	–	–
Financial guarantees[6]	667	667	–	–	–	–	–
	160,542	74,144	30,641	21,556	10,278	5,966	17,957

1 The amounts were calculated as follows:
(a) If the counterparty can request payment at different dates, the liability is included on the basis of the earliest date on which Daimler can be required to pay. The customer deposits of Mercedes-Benz Bank are mostly considered in this analysis to mature within the first year.
(b) The cash flows of floating interest financial instruments are estimated on the basis of forward rates.
2 The stated cash flows of financing liabilities consist of their undiscounted principal and interest payments.
3 The undiscounted sum of the net cash outflows of the derivative financial instruments is shown for the respective year. For individual periods, this may also include negative cash flows from derivatives with an overall positive fair value.
4 The cash outflows of trade payables are undiscounted.
5 The maximum available amounts are stated.
6 The maximum potential obligations under the issued guarantees are stated. It is assumed that the amounts are due within the first year.

Country risk

Country risk is the risk of economic loss arising from changes of political, economic, legal or social conditions in the respective country, e.g. resulting from sovereign measures such as expropriation or interdiction of foreign currency transfers.

Daimler is exposed to country risk mainly resulting from cross-border funding or collateralization of Group companies and customers (for example, Turkey), from investments in subsidiaries and joint ventures as well as from cross-border trade receivables (for example, China). Country risks also arise from cross-border cash deposits at financial institutions.

Daimler manages these risks via country exposure limits (e.g. for export credits or for hard currency portfolios of financial services entities) and via insurance of equity investments in high-risk countries. An internal rating system serves as a basis for Daimler's risk-oriented country exposure management; it assigns all countries to risk classes, with consideration of external ratings and capital market indications of country risks.

Finance market risks

The global nature of its businesses exposes Daimler to significant market risks resulting from fluctuations in foreign currency exchange rates and interest rates. In addition, the Group is exposed to market risks in terms of commodity price risk associated with its business operations, which the Group hedges for certain metals partially through derivative financial instruments. The Group is also exposed to equity price risk in connection with its investments in listed companies (including BAIC Motor). If these market risks materialize, they will adversely affect the Group's profitability, liquidity and capital resources and financial position.

Daimler manages market risks to minimize the impact of fluctuations in foreign exchange rates, interest rates and commodity prices on the results of the Group and its segments. The Group calculates its overall exposure to these market risks to provide the basis for hedging decisions, which include the selection of hedging instruments and the determination of hedging volumes and the corresponding periods. Decisions regarding the management of market risks resulting from fluctuations in foreign exchange rates, interest rates (asset-/liability management) and commodity prices are regularly made by the relevant Daimler risk management committees. Exposures are the basis of the hedging strategies and are updated regularly.

As part of its risk management system, Daimler employs value at risk analyses. In performing these analyses, Daimler quantifies its market risk due to changes in foreign currency exchange rates and interest rates and certain commodity prices on a regular basis by predicting the potential loss over a target time horizon (holding period) and confidence level.

The value at risk calculations employed:

- express potential losses in fair values, and
- assume a 99% confidence level and a holding period of five days.

Daimler calculates the value at risk for exchange rate and interest rate risk according to the variance-covariance approach. The value at risk calculation method for commodity hedging instruments is based on a Monte Carlo simulation.

When calculating the value at risk by using the variance-covariance approach, Daimler first computes the current market value of the Group's financial instruments portfolio. Then the sensitivity of the portfolio value to changes in the relevant market risk factors, such as particular foreign currency exchange rates or interest rates of specific maturities, is quantified. Based on volatilities and correlations of these market risk factors, which are obtained from the RiskMetrics™ dataset, a statistical distribution of potential changes in the portfolio value at the end of the holding period is computed. The loss which is reached or exceeded with a probability of only 1% can be derived from this calculation and represents the value at risk.

The Monte Carlo simulation uses random numbers to generate possible changes in market risk factors consistent with current market volatilities. The changes in market risk factors allow the calculation of a possible change in the portfolio value over the holding period. Running multiple iterations of this simulation leads to a distribution of portfolio value changes. The value at risk can be determined based on this distribution as the portfolio value loss which is reached or exceeded with a probability of 1%.

Oriented towards the risk management standards of the international banking industry, Daimler maintains its financial controlling unit independent of operating Corporate Treasury and with a separate reporting line.

Exchange rate risk

Transaction risk and currency risk management. The global nature of Daimler's businesses exposes cash flows and earnings to risks arising from fluctuations in exchange rates. These risks primarily relate to fluctuations between the euro and the US dollar, the Chinese renminbi, the British pound and other currencies such as currencies of growth markets. In the operating vehicle business, the Group's exchange rate risk primarily arises when revenue is generated in a currency that is different from the currency in which the costs of generating the revenue are incurred (transaction risk). When the revenue is converted into the currency in which the costs are incurred, it may be inadequate to cover the costs if the value of the currency in which the revenue is generated declined in the interim relative to the value of the currency in which the costs were incurred.

This risk exposure primarily affects the Mercedes-Benz Cars segment, which generates a major portion of its revenue in foreign currencies and incurs manufacturing costs primarily in euros. The Daimler Trucks segment is also subject to transaction risk, but to a lesser extent because of its global production network. The Mercedes-Benz Vans and Daimler Buses segments are also directly exposed to transaction risk, but also only to a minor degree compared to the Mercedes-Benz Cars segment. In addition, the Group is indirectly exposed to transaction risk from its equity-method investments.

Cash inflows and outflows of the business segments are offset if they are denominated in the same currency. This means that the exchange rate risk resulting from revenue generated in a particular currency can be offset by costs in the same currency, even if these costs are not directly related to the revenue. As a result, only the net exposure is subject to transaction risk. The Group's currency exposure is reduced by natural hedging to the extent that currency exposures of the operating businesses of individual segments offset each other partially at Group level, thereby reducing overall currency exposure. These natural hedges eliminate the need for hedging to the extent of the matched exposures. To provide an additional natural hedge against any remaining transaction risk exposure, Daimler generally strives to increase cash outflows in the same currencies in which the Group has a net excess inflow.

In order to mitigate the impact of currency exchange rate fluctuations for the operating business (future transactions), Daimler continually assesses its exposure to exchange rate risks and hedges a portion of those risks by using derivative financial instruments. Daimler's Foreign Exchange Committee (FXCo) manages the Group's exchange rate risk and its hedging transactions through currency derivatives. The FXCo consists of representatives of the relevant segments and central functions. The Corporate Treasury department aggregates foreign currency exposures from Daimler's subsidiaries and operative units and implements the FXCo's decisions concerning foreign currency hedging through transactions with international financial institutions. Any over-hedge caused by changes in exposure is generally reversed by taking suitable measures without delay.

Risk Controlling regularly informs the Board of Management of the actions taken by Corporate Treasury based on the FXCo's decisions.

The Group's targeted hedge ratios for forecasted operating cash flows in foreign currency are indicated by a reference model. On the one hand, the hedging horizon is naturally limited by uncertainty related to cash flows that lie far in the future; on the other hand, it may also be limited by the fact that appropriate currency contracts are not available. This reference model aims to limit risks for the Group from unfavorable movements in exchange rates while preserving some flexibility to participate in favorable developments. Based on this reference model and depending on the market outlook, the FXCo determines the hedging horizon, which usually varies from one to five years, as well as the average hedge ratios. Reflecting the character of the underlying risks, the hedge ratios decrease with increasing maturities. At year-end 2017, foreign exchange management showed an unhedged position in the automotive business for the underlying forecasted cash flows in US dollars in calendar year 2018 of 21%, for the underlying forecasted cash flows in Chinese renminbi in calendar year 2018 of 22%, as well as for the underlying forecasted cash flows in British pounds in calendar year 2018 of 28%.

The hedged position of the operating vehicle businesses is influenced by the amount of derivative currency contracts held. The derivative financial instruments used to cover foreign currency exposure are primarily forward foreign exchange contracts and currency options. Daimler's guidelines call for a mixture of these instruments depending on the assessment of market conditions. Value at risk is used to measure the exchange rate risk inherent in these derivative financial instruments.

Table ↗ **F.80** shows the period-end, high, low and average value at risk figures of the exchange rate risk for the 2017 and 2016 portfolios of derivative financial instruments, which were entered into primarily in connection with the operative vehicle businesses. Average exposure has been computed on an end-of-quarter basis. The offsetting transactions underlying the derivative financial instruments are not included in the following value at risk presentation. See also table ↗ **F.77** for the nominal volumes on the balance sheet date of derivative currency instruments entered into to hedge the currency risk from forecasted transactions.

F.80
Value at risk for exchange rate risk, interest rate risk and commodity price risk

				2017				2016
	Period-end	High	Low	Average	Period-end	High	Low	Average
In millions of euros								
Exchange rate risk (from derivative financial instruments)	**779**	**877**	**779**	**815**	912	1,525	812	1,182
Interest rate risk	**43**	**48**	**43**	**46**	50	90	42	62
Commodity price risk (from derivative financial instruments)	**14**	**25**	**14**	**17**	43	44	34	39

In 2017, the development of the value at risk from foreign currency hedging was mainly driven by changes of nominals and foreign currency rate volatilities.

The Group's investments in liquid assets or refinancing activities generally are not allowed to result in currency risk. Transaction risks arising from liquid assets or payables in foreign currencies that result from the Group's investment or refinancing on money and capital markets are generally hedged against currency risks at the time of investing or refinancing in accordance with Daimler's internal guidelines. The Group uses appropriate derivative financial instruments (e.g. cross currency interest rate swaps) to hedge against currency risk.

Since currency risks arising from the Group's investment or refinancing in foreign currencies and the respective hedging transactions principally offset each other, these financial instruments are not included in the value at risk calculation presented.

Effects of currency translation. For purposes of Daimler's consolidated financial statements, the income and expenses and the assets and liabilities of subsidiaries located outside the euro zone are converted into euros. Therefore, period-to-period changes in average exchange rates may cause translation effects that have a significant impact on, for example, revenue, segment results (EBIT) and assets and liabilities of the Group. Unlike exchange rate transaction risk, exchange rate translation risk does not necessarily affect future cash flows. The Group's equity position reflects changes in book values caused by exchange rates. In general, Daimler does not hedge against exchange rate translation risk.

Interest rate risk

Daimler uses a variety of interest rate sensitive financial instruments to manage the liquidity needs of its day-to-day operations. A substantial volume of interest rate sensitive assets and liabilities results from the leasing and sales financing business operated by the Daimler Financial Services segment. The Daimler Financial Services companies enter into transactions with customers that primarily result in fixed-rate receivables. Daimler's general policy is to match funding in terms of maturities and interest rates wherever economically feasible. However, for a limited portion of the receivables portfolio in selected and developed markets, the Group does not match funding in terms of maturities in order to take advantage of market opportunities. As a result, Daimler is exposed to risks due to changes in interest rates. In this regard, the Group is not exposed to any liquidity risks.

An asset/liability committee consisting of members of the Daimler Financial Services segment and the Corporate Treasury department manages the interest rate risk relating to Daimler's leasing and financing activities by setting targets for the interest rate risk position. The Treasury Risk Management department and the local Daimler Financial Services companies are jointly responsible for achieving these targets. As separate functions, the Daimler Financial Services Risk Management and the Daimler Financial Services Controlling & Reporting department monitors target achievement on a monthly basis. In order to achieve the targeted interest rate risk positions in terms of maturities and interest rate fixing periods, Daimler also uses derivative financial instruments such as interest rate swaps. Daimler assesses its interest rate risk position by comparing assets and liabilities for corresponding maturities, including the impact of the relevant derivative financial instruments.

Derivative financial instruments are also used in conjunction with the refinancing related to the automotive segments. Daimler coordinates the funding activities of the automotive and financial services businesses at the Group level.

Table ↗ **F.80** shows the period-end, high, low and average value at risk figures of the interest rate risk for the 2017 and 2016 portfolio of interest rate sensitive financial instruments and derivative financial instruments of the Group, including the financial instruments of the leasing and sales financing business. In this respect, the table shows the interest rate risk regarding the unhedged position of interest rate sensitive financial instruments. The average values have been computed on an end-of-quarter basis.

In the course of 2017, changes of the value at risk of interest rate sensitive financial instruments were primarily determined by the development of interest rate volatilities.

Commodity price risk

Daimler is exposed to the risk of changes in commodity prices in connection with procuring raw materials and manufacturing supplies used in production. A small portion of the raw material price risk, primarily relating to forecasted procurement of certain metals, is mitigated with the use of derivative financial instruments.

For precious metals, central commodity management shows an unhedged position of 38% of the forecasted commodity purchases at year-end 2017 for calendar year 2018. The corresponding figure at year-end 2016 was 27% for calendar year 2017.

Table ↗ **F.80** shows the period-end, high, low and average value at risk figures of the commodity price risk for the 2017 and 2016 portfolio of derivative financial instruments used to hedge raw material price risk. Average exposure has been computed on an end-of-quarter basis. The transactions underlying the derivative financial instruments are not included in the value at risk presentation. See also table ↗ **F.77** for the nominal values of derivative commodity price hedges at the balance sheet date.

Compared to the previous year, the value at risk of commodity derivatives has decreased. The main reasons for this development were the decrease in nominal hedge volumes and lower commodity-price volatilities.

Equity price risk

Daimler predominantly holds investments in shares of companies which are classified as long-term investments or which are accounted for using the equity method, such as BAIC Motor. Therefore, the Group does not include these investments in a market risk assessment.

33. Segment reporting

Reportable segments
The reportable segments of the Group are Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans, Daimler Buses and Daimler Financial Services. The segments are largely organized and managed separately, according to nature of products and services provided, brands, distribution channels and profile of customers.

The vehicle segments develop and manufacture passenger cars, trucks, vans and buses. The Mercedes-Benz Cars segment comprises premium vehicles of the Mercedes-Benz brand including the brands Mercedes-AMG and Mercedes-Maybach, and small cars under the smart brand, as well as the brand Mercedes me. Electric products will be marketed under the EQ brand in the future. Daimler Trucks distributes its trucks under the brand names Mercedes-Benz, Freightliner, Western Star, FUSO and BharatBenz. Furthermore, buses under the brands Thomas Built Buses and FUSO are included in the Daimler Trucks range of products. The vans of the Mercedes-Benz Vans segment are primarily sold under the brand name Mercedes-Benz and also under the Freightliner brand. Daimler Buses sells completely built-up buses under the brand names Mercedes-Benz and Setra. In addition, Daimler Buses produces and sells bus chassis. The vehicle segments also sell related spare parts and accessories.

The Daimler Financial Services segment supports the sales of the Group's vehicle segments worldwide. Its product portfolio primarily comprises tailored financing and leasing packages for end-customers and dealers, brokering of automotive insurance and banking services. The segment also provides services such as fleet management in Europe, which primarily takes place through the Athlon brand, which was acquired in 2016. Furthermore, Daimler Financial Services is active in the area of innovative mobility services, in particular under the brands moovel, mytaxi and car2go.

Management and reporting system
The Group's management reporting and controlling systems principally use accounting policies that are the same as those described in Note 1 in the summary of significant accounting policies according to IFRS.

The Group measures the performance of its operating segments through a measure of segment profit or loss which is referred to as "EBIT" in our management and reporting system.

EBIT comprises gross profit, selling and general administrative expenses, research and non-capitalized development costs, other operating income/expense, and our share of profit/loss from equity-method investments, net, as well as other financial income/expense, net. Although amortization of capitalized borrowing costs is included in cost of sales, it is not included in EBIT.

Intersegment revenue is generally recorded at values that approximate third-party selling prices.

Segment assets principally comprise all assets. The vehicle segments' assets exclude income tax assets, assets from defined benefit pension plans and other post-employment benefit plans, and certain financial assets (including liquidity). Segment liabilities principally comprise all liabilities. The vehicle segments' liabilities exclude income tax liabilities, liabilities from defined benefit pension plans and other post-employment benefit plans, and certain financial liabilities (including financing liabilities).

Daimler Financial Services' performance is measured on the basis of return on equity, which is the usual procedure in the banking business.

The residual value risks associated with the Group's operating leases and finance lease receivables are generally borne by the vehicle segments that manufactured the leased equipment. Risk sharing is based on agreements between the respective vehicle segments and Daimler Financial Services; the terms vary by vehicle segment and geographic region.

Non-current assets consist of intangible assets, property, plant and equipment and equipment on operating leases.

Capital expenditures for intangible assets and property, plant and equipment reflect the cash-effective additions to these intangible assets and property, plant and equipment as far as they do not relate to capitalized borrowing costs, goodwill or finance leases.

Depreciation and amortization may also include impairments as far as they do not relate to goodwill impairment pursuant to IAS 36.

Amortization of capitalized borrowing costs is not included in the amortization of intangible assets or depreciation of property, plant and equipment since it is not considered as part of EBIT.

Reconciliation
Reconciliation includes corporate items for which headquarters are responsible. Transactions between the segments are eliminated in the context of consolidation and the eliminated amounts are included in the reconciliation.

The effects of certain legal proceedings and compliance issues are excluded from the operating results and liabilities of the segments if such items are not indicative of the segments' performance, since the related results of operations may be distorted by the amount and the irregular nature of such events.

Reconciliation also includes corporate projects, profits and losses on derivative financial transactions allocated to headquarters and equity interests not allocated to the segments.

Information related to geographic areas
With respect to information about geographical regions, revenue is allocated to countries based on the location of the customer; non-current assets are presented according to the physical location of these assets.

Table ↗ **F.81** presents segment information as of and for the years ended December 31, 2017 and 2016.

Mercedes-Benz Cars
In the year 2017, Mercedes-Benz Cars segment's earnings include expenses for voluntary service activities in connection with a comprehensive plan for diesel engines and expenses for a specific vehicle recall of in total €425 million. On the other hand, the remeasurement of the equity investment in THERE Holding B.V. had a positive effect of €183 million on EBIT. In the year 2016, expenses of €480 million in connection with Takata airbags and of €238 million in connection with the remeasurement of inventories impacted earnings negatively. The optimization programs led to a cash inflow of €203 million (2016: €253 million) (see also Note 5).

F.81
Segment information

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total Segments	Reconciliation	Daimler Group
In millions of euros								
2017								
External revenue	90,992	34,182	12,601	4,246	22,309	164,330	–	164,330
Intersegment revenue	3,703	1,525	563	105	1,466	7,362	-7,362	–
Total revenue	94,695	35,707	13,164	4,351	23,775	171,692	-7,362	164,330
Segment profit (EBIT)	9,207	2,380	1,181	243	1,970	14,981	-299	14,682
thereof profit/loss from equity-method investments	1,198	-3	43	3	1	1,242	256	1,498
thereof profit/loss from compounding and effects from changes in discount rates of provisions for other risks	-33	-17	-5	-2	-4	-61	–	-61
Segment assets	70,191	21,762	8,743	3,928	149,986	254,610	995	255,605
thereof carrying amounts of equity-method investments	2,930	491	180	9	148	3,758	1,060	4,818
Segment liabilities	44,610	13,903	5,761	2,972	137,608	204,854	-14,563	190,291
Additions to non-current assets	16,034	2,350	2,000	474	14,896	35,754	22	35,776
thereof investments in intangible assets	2,668	97	525	33	90	3,413	1	3,414
thereof investments in property, plant and equipment	4,843	1,028	710	94	43	6,718	26	6,744
Depreciation and amortization of non-current assets	5,334	1,540	447	279	5,979	13,579	88	13,667
thereof amortization of intangible assets	1,230	291	84	18	131	1,754	1	1,755
thereof depreciation of property, plant and equipment	2,832	791	198	75	24	3,920	1	3,921

Daimler Trucks
In 2017, expenses of €172 million for fixed-cost optimizations affected EBIT negatively. On the other hand, the sale of real estate by Mitsubishi Fuso Truck and Bus Corporation at the Kawasaki site in Japan increased earnings by €267 million. In addition, the settlement of a pension plan in the NAFTA region had a positive impact of €117 million on EBIT. In the year 2016, expenses of €91 million resulted from Daimler Trucks' workforce adjustments.

Mercedes-Benz Vans
In the year 2016, expenses of €83 million in connection with Takata airbags had a negative effect on EBIT.

Daimler Buses
In the reporting year, there were no significant issues at the Daimler Buses segment.

Daimler Financial Services
The interest income and interest expense of Daimler Financial Services are included in revenue and cost of sales, and are presented in Notes 4 and 5.

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total Segments	Reconciliation	Daimler Group
In millions of euros								
2016								
External revenue	85,785	31,719	12,298	4,101	19,358	153,261	–	153,261
Intersegment revenue	3,499	1,468	537	75	1,302	6,881	-6,881	–
Total revenue	89,284	33,187	12,835	4,176	20,660	160,142	-6,881	153,261
Segment profit (EBIT)	8,112	1,948	1,170	249	1,739	13,218	-316	12,902
thereof profit/loss from equity-method investments	627	38	12	1	-1	677	-175	502
thereof profit/loss from compounding and effects from changes in discount rates of provisions for other risks	-82	-27	-10	-4	-5	-128	4	-124
Segment assets	65,024	22,110	7,351	3,841	141,842	240,168	2,820	242,988
thereof carrying amounts of equity-method investments	2,812	545	118	11	55	3,541	557	4,098
Segment liabilities	41,133	13,423	5,393	2,954	131,394	194,297	-10,442	183,855
Additions to non-current assets	14,289	2,403	1,526	476	13,461	32,155	-10	32,145
thereof investments in intangible assets	2,272	121	457	18	76	2,944	–	2,944
thereof investments in property, plant and equipment	4,147	1,243	373	97	37	5,897	-8	5,889
Depreciation and amortization of non-current assets	5,061	1,547	445	266	4,772	12,091	52	12,143
thereof amortization of intangible assets	1,161	279	70	16	62	1,588	–	1,588
thereof depreciation of property, plant and equipment	2,799	802	196	75	18	3,890	1	3,891

F.82
Reconciliation to Group figures

	2017	2016
In millions of euros		
Total of segments' profit (EBIT)	14,981	13,218
Equity-method investments	256	-175
Other corporate items	-510	-158
Eliminations	-45	17
Group EBIT	14,682	12,902
Amortization of capitalized borrowing costs[1]	-13	-12
Interest income	214	230
Interest expense	-582	-546
Profit before income taxes	14,301	12,574
Total of segments' assets	254,610	240,168
Carrying amount of equity-method investments[2]	1,060	557
Income tax assets[3]	2,665	3,744
Unallocated financial assets (including liquidity) and assets from pensions and similar obligations[3]	20,133	19,550
Other corporate items and eliminations	-22,863	-21,031
Group assets	255,605	242,988
Total of segments' liabilities	204,854	194,297
Income tax liabilities[3]	946	809
Unallocated financial liabilities and liabilities from pensions and similar obligations[3]	6,556	9,190
Other corporate items and eliminations	-22,065	-20,441
Group liabilities	190,291	183,855

1 Amortization of capitalized borrowing costs is not considered in the internal performance measure "EBIT" but is included in cost of sales.
2 In 2016 mainly comprises the carrying amount of the investment in BAIC Motor and in 2017 mainly comprises the carrying amount of the investments in BAIC Motor and LSHAI.
3 Unless allocated to Daimler Financial Services.

Reconciliations
Reconciliations of the segment amounts to the respective items included in the consolidated financial statements are shown in table ↗ **F.82.**

In 2017, the line item *Equity-method investments* comprises the reversal of an impairment of €240 million of Daimler's equity investment in BAIC Motor. In 2016, the impairment of €244 million of the equity investment in BAIC Motor had a negative effect on EBIT. In addition, both years primarily comprise the Group's proportionate share of profits and losses of BAIC Motor.

In 2017, the line item *Other corporate items* primarily comprises expenses related to legal proceedings. In the year 2016, expenses of €400 million related to a legal proceeding and losses of €241 million from currency transactions not allocated to business operations, affected the EBIT negatively. On the other hand, income of €605 million from the contribution of shares in Renault and Nissan to pension plan assets had a positive effect on earnings.

Revenue and non-current assets by region
Revenue from external customers and non-current assets by region are shown in table ↗ **F.83.**

F.83
Revenue and non-current assets by region

	Revenue		Non-current assets	
	2017	2016	2017	2016
In millions of euros				
Europe	68,437	63,417	59,583	54,054
thereof Germany	23,939	23,509	42,998	39,074
NAFTA region	46,916	44,960	25,510	26,898
thereof United States	40,459	39,169	22,623	24,118
Asia	38,766	35,562	2,510	2,482
thereof China	18,280	15,984	166	140
Other markets	10,211	9,322	1,827	1,987
	164,330	153,261	89,430	85,421

34. Capital management

“Net assets” and “value added” represent the basis for capital management at Daimler. The assets and liabilities of the segments in accordance with IFRS provide the basis for the determination of net assets at Group level. The vehicle segments are accountable for the operational net assets; all assets, liabilities and provisions which they are responsible for in day-to-day operations are therefore allocated to them. Performance measurement at Daimler Financial Services is on an equity basis, in line with the usual practice in the banking business. Net assets at Group level additionally include assets and liabilities from income taxes as well as other corporate items and eliminations.

The average annual net assets are calculated from the average quarterly net assets. The average quarterly net assets are calculated as an average of the net assets at the beginning and the end of the quarter and are shown in table ↗ F.84.

The cost of capital of the Group’s average net assets is reflected in value added. Value added shows the extent to which the Group achieves or exceeds the minimum return requirements of the shareholders and creditors, thus creating additional value. The required rate of return on net assets, and thus the cost of capital, are derived from the minimum rates of return that investors expect on their invested capital. The Group’s cost of capital comprises the cost of equity as well as the costs of debt and pension obligations unless these are allocated to Daimler Financial Services; in addition, the expected returns on liquidity and on the plan assets of the pension funds which are not allocated to Daimler Financial Services are considered with the opposite sign. In the reporting period, the cost of capital used for our internal capital management amounted to 8% after taxes.

The objective of capital management is to increase value added among other things by optimizing the cost of capital. This is achieved on the one hand by the management of the net assets, for instance by optimizing working capital, which is within the operational responsibility of the segments. In addition, taking into account legal regulations, Daimler strives to optimize the costs and risks of its capital structure and, consequently, the cost of capital, with due consideration of applicable law. Examples of this include a balanced relationship between equity and financial liabilities as well as an appropriate level of liquidity, oriented towards the operational requirements.

35. Earnings per share

The calculation of basic and diluted earnings per share is based on net profit attributable to shareholders of Daimler AG. Following the expiration of the stock option plan in 2014, dilutive effects no longer exist. The profit attributable to shareholders of Daimler AG (basic and diluted) amounts to €10,525 million (2016: €8,526 million). The weighted average number of shares outstanding (basic and diluted) amounts to 1,069.8 million (2016: 1,069.8 million).

F.84
Average net assets

	2017	2016
In millions of euros		
Mercedes-Benz Cars	**23,975**	22,345
Daimler Trucks	**8,421**	8,448
Mercedes-Benz Vans	**2,385**	1,739
Daimler Buses	**978**	887
Daimler Financial Services[1]	**11,165**	10,000
Net assets of the segments	**46,924**	43,419
Equity-method investments[2]	**941**	555
Assets and liabilities from income taxes[3]	**2,141**	3,372
Other corporate items and eliminations[3]	**-1,492**	-292
Net assets Daimler Group	**48,514**	47,054

1 Equity.
2 Unless allocated to the segments.
3 Unless allocated to Daimler Financial Services.

36. Related party relationships

Related parties are deemed to be associated companies, joint ventures, joint operations and unconsolidated subsidiaries, as well as persons who exercise a significant influence on the financial and business policy of the Daimler Group. The latter category includes all persons in key positions and their close family members. At the Daimler Group, those persons are the members of the Board of Management and of the Supervisory Board.

Most of the goods and services supplied within the ordinary course of business between the Group and related parties comprise transactions with associated companies, joint ventures and joint operations, and are shown in table ↗ **F.85.**

Associated companies
A large proportion of the Group's sales of goods and services with associated companies as well as receivables relates to business relations with LSH Auto International Limited (LSHAI) and with Beijing Benz Automotive Co., Ltd. (BBAC). In 2017, Daimler acquired a 15% stake in LSHAI. In the reporting period, Daimler sold the Group's own Mercedes-Benz dealership in Melbourne, Australia, to LSHAI.

The purchases of goods and services shown in table ↗ **F.85** were primarily from LSH Auto International Limited and MBtech Group GmbH & Co. KGaA (MBtech Group). MBtech Group develops, integrates and tests components, systems, modules and vehicles worldwide.

Joint ventures
Significant sales of goods and services took place with Fujian Benz Automotive Co., Ltd. (FBAC), as well as with DAIMLER KAMAZ RUS OOO, a company established with Kamaz PAO, another of the Group's associated companies.

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

DENZA is allocated to the Mercedes-Benz Cars segment. Daimler provided guarantees in a total amount of RMB 1,250 million (€160 million) to external banks which provided two loans to DENZA. As of December 31, 2017, loans amounting to RMB 705 million (€90 million) were utilized. In addition, Daimler provided a shareholder loan of RMB 250 million (€32 million) to DENZA, which is fully utilized. In accordance with its shareholding ratio, Daimler contributed additional equity of RMB 500 million (€64 million) to DENZA in July 2017.

In connection with its 45% equity interest in Toll Collect GmbH, Daimler has issued guarantees which are not shown in table ↗ **F.85** (€100 million at December 31, 2017 and at December 31, 2016).

F.85
Transactions with related parties

	Sales of goods and services and other income		Purchases of goods and services and other expense		Receivables		Payables	
					At December 31,[2]		At December 31,[3]	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
In millions of euros								
Associated companies	**9,507**	3,586	**703**	428	**2,827**	1,233	**253**	89
thereof LSHAI[1]	**5,177**	–	**298**	–	**1,075**	–	**127**	–
thereof BBAC	**3,933**	3,262	**80**	59	**1,673**	1,178	**65**	27
Joint ventures	**946**	507	**75**	64	**183**	150	**115**	110
Joint operations	**46**	40	**278**	288	**28**	38	**54**	30

1 Since the equity interest in LSHAI was acquired in May 2017, business relations with LSHAI are reported from June 2017 onward.
2 After write-downs totaling €52 million (2016: €51 million).
3 Including liabilities from default risks from guarantees for related parties.

Joint operations
Joint operations primarily relate to significant business transactions with Beijing Mercedes-Benz Sales Service Co., Ltd. and EM-motive GmbH.

Note 13 provides details of the business operations of the significant associated companies and joint ventures, as well as significant transactions in the years 2017 and 2016.

Contributions to plan assets
In 2017 and 2016, the Group made contributions of €3,692 million and €2,427 million to its external funds to cover pension and other post-employment benefits. See also Note 22 for further information.

Board members
Throughout the world, the Group has business relationships with numerous entities that are customers and/or suppliers of the Group. Those customers and/or suppliers include companies that have a connection with some of the members of the Board of Management or of the Supervisory Board and close family members of those board members of Daimler AG or of its subsidiaries.

Board of Management and Supervisory Board members and close family members of those board members may also purchase goods and services from Daimler AG or its subsidiaries as customers. When such business relationships exist, transactions are concluded on the basis of customary market conditions.

See Note 37 for information on the remuneration of board members.

37. Remuneration of the members of the Board of Management and the Supervisory Board

Remuneration granted to the members of the Board of Management and the Supervisory Board who were active as of December 31, 2017, affected net profit for the year ended December 31 as shown in table ↗ **F.86.**

Expenses for variable remuneration of the Board of Management with a long-term incentive effect, as shown in table ↗ **F.86**, result from the ongoing measurement at fair value at each balance sheet date of all rights granted and not yet due under the Performance Phantom Share Plans (PPSP), i.e. for the plans of the years 2014–2017. In 2017, the active members of the Board of Management were granted 151,157 (2016: 162,033) phantom shares in connection with the PPSP; the fair value of these phantom shares at the grant date was €10.2 million (2016: €10.2 million). See Note 21 for additional information on share-based payment of the members of the Board of Management.

According to Section 314 Subsection 1 Number 6a of the German Commercial Code (HGB) the overall remuneration granted to the members of the Board of Management, excluding service cost resulting from entitlements to post-employment benefits, amounted to €35.0 million (2016: €31.8 million).

The members of the Supervisory Board are solely granted short-term fixed remuneration for their board and committee activity, the amounts of which depend on their functions in the Supervisory Board. With the exception of remuneration paid to the members representing the employees in accordance with their contracts of employment, no remuneration was paid in 2017 for services provided personally beyond board and committee activities, in particular for advisory or agency services.

No advance payments or loans were made or abated to members of the Board of Management or to the members of the Supervisory Board of Daimler AG in 2017.

The payments made in 2017 to former members of the Board of Management of Daimler AG and their survivors amounted to €19.0 million (2016: €15.6 million). The pension provisions for former members of the Board of Management and their survivors amounted to €270.5 million as of December 31, 2017 (2016: €252.9 million).

Information regarding the remuneration of the members of the Board of Management and of the Supervisory Board is disclosed on an individual basis in the Remuneration Report, which is part of the combined Management Report.
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F.86
Remuneration of the members of the Board of Management and the Supervisory Board

	2017[1]	2016
In millions of euros		
Remuneration of the Board of Management		
Fixed remuneration (base salary)	**9.5**	10.0
Short-term variable remuneration (50% of annual bonus)	**7.7**	5.8
Mid-term variable remuneration (50% of annual bonus, "deferral")	**7.0**	5.2
Variable remuneration with a long-term incentive effect (PPSP)	**12.4**	13.1
Post-employment benefits (service cost)	**2.0**	2.8
Termination benefits	**–**	–
	38.6	36.9
Remuneration of the Supervisory Board	**4.2**	3.5
	42.8	40.4

1 Including the Board of Management remuneration paid to Dr. Wolfgang Bernhard until February 10, 2017.

38. Principal accountant fees

The shareholders of Daimler AG elected KPMG AG Wirtschaftsprüfungsgesellschaft as the external auditor at the Annual Shareholders' Meeting held on March 29, 2017. Table ↗ **F.87** shows the fees for services provided by KPMG AG Wirtschaftsprüfungsgesellschaft and the companies of the worldwide KPMG network to Daimler AG, the subsidiaries and the joint operations that are included in the Group's consolidated financial statements for the respective reporting periods.

The review of the interim financial statements (2016: €5 million), the audit of the accounting-related internal control system (2016: €3 million), as well as additional audit services that are caused by an audit or are made use of within an audit such as for instance accounting-related IT and process audits accompanying projects (2016: €5 million) have to be assigned to Audit Services as of the 2017 financial year due to underlying regulations.

F.87
Accountant fees

	2017	2016
In millions of euros		
Audit Services	44	39
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	21	21
Other Attestation Services	9	7
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	7	4
Tax Services	1	2
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	1	1
Other Services	6	5
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	5	4
	60	53

The previous year's figures for Other Attestation Services have been reduced accordingly. Other Attestation Services comprise in particular audits in connection with non-accounting-related IT systems and processes. Audits in connection with compliance management systems, the issuance of comfort letters, non-financial disclosures and reports as well as the application of funds audits are also included.

The tax advisory services primarily comprise tax advice in conjunction with value-added tax.

Other Services were performed primarily in connection with non-accounting-relevant processes, the implementation of new standards and M&A activities.

39. Additional information

German Corporate Governance Code
The Board of Management and the Supervisory Board of Daimler AG have issued a declaration pursuant to Section 161 of the German Stock Corporation Act (AktG) and have made it permanently available to their shareholders on Daimler's website at https://www.daimler.com/documents/company/corporate-governance/declarations/daimler-declaration-en-12-2017.pdf.

Information on investments
The statement of investments of the Daimler Group pursuant to Section 313 Subsection 2 No. 1–6 of the German Commercial Code (HGB) is presented in table ↗ **F.88**. In general cooperations without capital share are not reported. Information on equity and earnings and information on investments pursuant to Section 313 Subsection 2 No. 4 of the German Commercial Code is omitted insofar as, pursuant to Section 313 Subsection 3 Sentence 4 of the HGB, such information is of minor relevance for a fair presentation of the profitability, liquidity and capital resources, and financial position of the Daimler Group. In addition, the statement of investments indicates which consolidated companies make use of the exemption pursuant to Section 264 Subsection 3 of the HGB and/or Section 264b of the HGB. The consolidated financial statements of Daimler AG release those subsidiaries from the requirements that would otherwise apply.

F.88

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
I. Consolidated subsidiaries			
Athlon Beheer International B.V.	Almere, Netherlands	100.00	
Athlon Beheer Nederland B.V.	Almere, Netherlands	100.00	
Athlon Car Lease Belgium N.V.	Machelen, Belgium	100.00	
Athlon Car Lease International B.V.	Almere, Netherlands	100.00	
Athlon Car Lease Italy S.R.L.	Rome, Italy	100.00	
Athlon Car Lease Nederland B.V.	Almere, Netherlands	100.00	
Athlon Car Lease Polska Sp.z.o.o	Warsaw, Poland	100.00	
Athlon Car Lease Portugal, lda	Oeiras, Portugal	100.00	
Athlon Car Lease Rental Services B.V.	Almere, Netherlands	100.00	
Athlon Car Lease Rental Services Belgium N.V.	Machelen, Belgium	100.00	
Athlon Car Lease S.A.S.	Le Bourget, France	100.00	
Athlon Car Lease Spain, S.A.	Barcelona, Spain	100.00	
Athlon Dealerlease B.V.	Almere, Netherlands	100.00	
Athlon France S.A.S.	Le Bourget, France	100.00	
Athlon Germany GmbH	Düsseldorf, Germany	100.00	
Athlon Mobility Consultancy B.V.	Amsterdam, Netherlands	100.00	
Athlon Mobility Consultancy N.V.	Machelen, Belgium	100.00	
Athlon Rental Germany GmbH	Düsseldorf, Germany	100.00	
Athlon Sweden AB	Malmö, Sweden	100.00	
Athlon Switzerland AG	Schlieren, Switzerland	100.00	
AutoGravity Corporation	Irvine, USA	80.00	
Banco Mercedes-Benz do Brasil S.A.	São Paulo, Brazil	100.00	
Brooklands Estates Management Limited	Milton Keynes, United Kingdom	100.00	
Campo Largo Comercio de Veículos e Peças Ltda.	São Bernardo do Campo, Brazil	100.00	
car2go Canada Ltd.	Vancouver, Canada	100.00	
car2go China Co., Ltd.	Beijing, China	100.00	
car2go Deutschland GmbH	Leinfelden-Echterdingen, Germany	100.00	
car2go Europe GmbH	Leinfelden-Echterdingen, Germany	75.00	
car2go Group GmbH	Leinfelden-Echterdingen, Germany	100.00	5
car2go Iberia S.L.U.	Madrid, Spain	100.00	
car2go Italia S.R.L.	Milan, Italy	100.00	
car2go N.A. LLC	Wilmington, USA	100.00	
car2go Nederland B.V.	Utrecht, Netherlands	100.00	
car2go Österreich GmbH	Vienna, Austria	100.00	
CARS Technik & Logistik GmbH	Wiedemar, Germany	100.00	5
CLIDET NO 1048 (Proprietary) Limited	Centurion, South Africa	100.00	
Conemaugh Hydroelectric Projects, Inc.	Wilmington, USA	100.00	
DA Investments Co. LLC	Wilmington, USA	100.00	
DAF Investments, Ltd.	Wilmington, USA	100.00	
Daimler Australia/Pacific Pty. Ltd.	Melbourne, Australia	100.00	
Daimler Automotive de Venezuela C.A.	Valencia, Venezuela	100.00	
Daimler Buses North America Inc.	Oriskany, USA	100.00	
Daimler Canada Finance Inc.	Montreal, Canada	100.00	
Daimler Canada Investments Company	Halifax, Canada	100.00	
Daimler Capital Services LLC	Wilmington, USA	100.00	
Daimler Ceská republika Holding s.r.o.	Prague, Czech Republic	100.00	
Daimler Colombia S. A.	Bogota D.C., Colombia	100.00	
Daimler Compra y Manufactura Mexico S. de R.L. de C.V.	Mexico City, Mexico	100.00	
Daimler Export and Trade Finance GmbH	Berlin, Germany	100.00	5
Daimler Finance North America LLC	Wilmington, USA	100.00	
Daimler Financial Services Africa & Asia Pacific Ltd.	Singapore, Singapore	100.00	
Daimler Financial Services AG	Stuttgart, Germany	100.00	5
Daimler Financial Services India Private Limited	Chennai, India	100.00	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
Daimler Financial Services Japan Co., Ltd.	Kawasaki, Japan	100.00	
Daimler Financial Services México, S. de R.L. de C.V.	Mexico City, Mexico	100.00	
Daimler Financial Services, S.A. de C.V., S.O.F.O.M., E.N.R.	Mexico City, Mexico	100.00	
Daimler Fleet Management GmbH	Stuttgart, Germany	100.00	5
Daimler Fleet Management Singapore Pte. Ltd.	Singapore, Singapore	100.00	
Daimler Fleet Management South Africa (Pty.) Ltd.	Centurion, South Africa	65.00	
Daimler Fleet Management UK Limited	Milton Keynes, United Kingdom	100.00	
Daimler Fleet Services A.S.	Istanbul, Turkey	100.00	
Daimler FleetBoard GmbH	Stuttgart, Germany	100.00	5
Daimler Greater China Ltd.	Beijing, China	100.00	
Daimler Grund Services GmbH	Schönefeld, Germany	100.00	5
Daimler India Commercial Vehicles Private Limited	Chennai, India	100.00	
Daimler Insurance Agency LLC	Wilmington, USA	100.00	
Daimler Insurance Services GmbH	Stuttgart, Germany	100.00	5
Daimler Insurance Services Japan Co., Ltd.	Tokyo, Japan	100.00	
Daimler Insurance Services UK Limited	Milton Keynes, United Kingdom	100.00	
Daimler International Finance B.V.	Utrecht, Netherlands	100.00	
Daimler Investments US Corporation	Wilmington, USA	100.00	
Daimler Manufactura, S. de R.L. de C.V.	Mexico City, Mexico	100.00	
Daimler Mexico, S.A. de C.V.	Mexico City, Mexico	100.00	
Daimler Mobility Services GmbH	Leinfelden-Echterdingen, Germany	100.00	5
Daimler Motors Investments LLC	Wilmington, USA	100.00	
Daimler Nederland B.V.	Utrecht, Netherlands	100.00	
Daimler Nederland Holding B.V.	Utrecht, Netherlands	100.00	
Daimler North America Corporation	Wilmington, USA	100.00	
Daimler North America Finance Corporation	Newark, USA	100.00	
Daimler Northeast Asia Parts Trading and Services Co., Ltd.	Beijing, China	100.00	
Daimler Parts Brand GmbH	Stuttgart, Germany	100.00	5
Daimler Re Brokers GmbH	Bremen, Germany	74.90	5
Daimler Re Insurance S.A. Luxembourg	Luxembourg, Luxembourg	100.00	
Daimler Real Estate GmbH	Berlin, Germany	100.00	5
Daimler Retail Receivables LLC	Farmington Hills, USA	100.00	
DAIMLER SERVICIOS CORPORATIVOS MEXICO S. DE R.L. DE C.V.	Mexico City, Mexico	100.00	
Daimler South East Asia Pte. Ltd.	Singapore, Singapore	100.00	
Daimler Truck and Bus Australia Pacific Pty. Ltd.	Mulgrave, Australia	100.00	
Daimler Trucks and Buses (China) Ltd.	Beijing, China	100.00	
Daimler Trucks Canada Ltd.	Mississauga, Canada	100.00	
Daimler Trucks Korea Ltd.	Seoul, South Korea	100.00	
Daimler Trucks North America LLC	Wilmington, USA	100.00	
Daimler Trucks Remarketing Corporation	Portland, USA	100.00	
Daimler Trust Holdings LLC	Farmington Hills, USA	100.00	
Daimler Trust Leasing Conduit LLC	Wilmington, USA	100.00	
Daimler Trust Leasing LLC	Farmington Hills, USA	100.00	
Daimler UK Limited	Milton Keynes, United Kingdom	100.00	
Daimler Vans Hong Kong Limited	Hong Kong, China	67.55	
Daimler Vans USA, LLC	Wilmington, USA	100.00	
Daimler Vehículos Comerciales Mexico S. de R.L. de C.V.	Mexico City, Mexico	100.00	
Daimler Vermögens- und Beteiligungsgesellschaft mbH	Stuttgart, Germany	100.00	5
Daimler Verwaltungsgesellschaft für Grundbesitz mbH	Schönefeld, Germany	100.00	5
Daimler Vorsorge und Versicherungsdienst GmbH	Berlin, Germany	100.00	5
Daiprodco Mexico S. de R.L. de C.V.	Mexico City, Mexico	100.00	
Detroit Diesel Corporation	Detroit, USA	100.00	
Detroit Diesel Remanufacturing LLC	Detroit, USA	100.00	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
Detroit Diesel Remanufacturing Mexicana, S. de R.L. de C.V.	Toluca, Mexico	100.00	
Detroit Diesel-Allison de Mexico, S. de R.L. de C.V.	San Juan Ixtacala, Mexico	100.00	
Deutsche Accumotive GmbH & Co. KG	Kirchheim unter Teck, Germany	100.00	5
EHG Elektroholding GmbH	Stuttgart, Germany	100.00	5
EvoBus (Schweiz) AG	Kloten, Switzerland	100.00	
EvoBus (U.K.) Ltd.	Coventry, United Kingdom	100.00	
EvoBus Austria GmbH	Wiener Neudorf, Austria	100.00	
EvoBus Belgium N.V.	Kobbegem-Asse, Belgium	100.00	
EvoBus Ceská republika s.r.o.	Prague, Czech Republic	100.00	
EvoBus Danmark A/S	Koege, Denmark	100.00	
EvoBus France S.A.S.U.	Sarcelles, France	100.00	
EvoBus GmbH	Stuttgart, Germany	100.00	5
EvoBus Ibérica, S.A.U.	Sámano, Spain	100.00	
EvoBus Italia S.p.A.	Bomporto, Italy	100.00	
EvoBus Nederland B.V.	Nijkerk, Netherlands	100.00	
EvoBus Polska Sp. z o.o.	Wolica, Poland	100.00	
EvoBus Portugal, S.A.	Mem Martins, Portugal	100.00	
EvoBus Sverige AB	Vetlanda, Sweden	100.00	
Freightliner Custom Chassis Corporation	Gaffney, USA	100.00	
Friesland Lease B.V.	Drachten, Netherlands	51.11	
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Alpha 1 OHG	Schönefeld, Germany	100.00	5, 8
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Alpha 2 OHG	Schönefeld, Germany	100.00	5, 8
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Alpha 3 OHG	Schönefeld, Germany	100.00	5, 8
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Alpha 4 OHG	Schönefeld, Germany	100.00	5, 8
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Alpha 5 OHG	Schönefeld, Germany	100.00	5, 8
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Alpha 6 OHG	Schönefeld, Germany	100.00	5, 8
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Alpha 7 OHG	Schönefeld, Germany	100.00	5, 8
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Beta OHG	Schönefeld, Germany	100.00	5, 8
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Delta OHG	Schönefeld, Germany	100.00	5, 8
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Epsilon OHG	Schönefeld, Germany	100.00	5, 8
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 1 OHG	Schönefeld, Germany	100.00	5, 8
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 2 OHG	Schönefeld, Germany	100.00	5, 8
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 3 OHG	Schönefeld, Germany	100.00	5, 8
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 4 OHG	Schönefeld, Germany	100.00	5, 8
Grundstücksverwaltungsgesellschaft EvoBus GmbH & Co. OHG	Schönefeld, Germany	100.00	5, 8
Hailo Network Iberia S.L.	Madrid, Spain	100.00	
Hailo Network IP Limited	London, United Kingdom	100.00	
Highway 2015-I. B.V.	Amsterdam, Netherlands	0.00	3
Intelligent Apps GmbH	Hamburg, Germany	78.98	
Interleasing Luxembourg S.A.	Windhof, Luxembourg	100.00	
Invema Assessoria Empresarial Ltda	São Paulo, Brazil	100.00	
Koppieview Property (Pty) Ltd	Zwartkop, South Africa	100.00	
LBBW AM – Daimler Re Insurance	Luxembourg, Luxembourg	0.00	3
LBBW AM – MBVEXW	Stuttgart, Germany	0.00	3

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
Li-Tec Battery GmbH	Kamenz, Germany	100.00	5
Mascot Truck Parts Canada Ltd (2017)	Mississauga, Canada	100.00	
Mascot US LLC	Wilmington, USA	100.00	
MBarc Credit Canada Inc.	Mississauga, Canada	100.00	
MDC Power GmbH	Kölleda, Germany	100.00	5
MDC Technology GmbH	Arnstadt, Germany	100.00	5
Mercedes AMG High Performance Powertrains Ltd	Brixworth, United Kingdom	100.00	
Mercedes pay AG	Küsnacht, Switzerland	100.00	
Mercedes pay S.A.	Luxembourg, Luxembourg	100.00	
Mercedes-AMG GmbH	Affalterbach, Germany	100.00	5
Mercedes-Benz - Aluguer de Veículos, Unipessoal Lda.	Mem Martins, Portugal	100.00	
Mercedes-Benz (China) Ltd.	Beijing, China	75.00	
Mercedes-Benz (Thailand) Limited	Bangkok, Thailand	100.00	
Mercedes-Benz (Yangzhou) Parts Distribution Co., Ltd.	Yangzhou, China	100.00	
Mercedes-Benz Accessories GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz AG & Co. Grundstücksvermietung Objekte Leipzig und Magdeburg KG	Düsseldorf, Germany	100.00	3
Mercedes-Benz Antwerpen N.V.	Antwerp, Belgium	100.00	
Mercedes-Benz Argentina S.A.	Buenos Aires, Argentina	100.00	
Mercedes-Benz Asia GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Assuradeuren B.V.	Utrecht, Netherlands	100.00	
Mercedes-Benz Australia/Pacific Pty Ltd	Melbourne, Australia	100.00	
Mercedes-Benz Auto Finance Ltd.	Beijing, China	100.00	
Mercedes-Benz Auto Lease Trust 2015-B	Wilmington, USA	0.00	3
Mercedes-Benz Auto Lease Trust 2016-1	Wilmington, USA	0.00	3
Mercedes-Benz Auto Lease Trust 2016-2	Wilmington, USA	0.00	3
Mercedes-Benz Auto Lease Trust 2016-A	Wilmington, USA	0.00	3
Mercedes-Benz Auto Lease Trust 2016-B	Wilmington, USA	0.00	3
Mercedes-Benz Auto Lease Trust 2017-A	Wilmington, USA	0.00	3
Mercedes-Benz Auto Receivables Trust 2013-1	Wilmington, USA	0.00	3
Mercedes-Benz Auto Receivables Trust 2014-1	Wilmington, USA	0.00	3
Mercedes-Benz Auto Receivables Trust 2015-1	Wilmington, USA	0.00	3
Mercedes-Benz Auto Receivables Trust 2016-1	Wilmington, USA	0.00	3
Mercedes-Benz Bank AG	Stuttgart, Germany	100.00	
Mercedes-Benz Bank GmbH	Salzburg, Austria	100.00	
Mercedes-Benz Bank Polska S.A.	Warsaw, Poland	100.00	
Mercedes-Benz Bank Rus OOO	Moscow, Russian Federation	100.00	
Mercedes-Benz Bank Service Center GmbH	Berlin, Germany	100.00	5
Mercedes-Benz Banking Service GmbH	Saarbrücken, Germany	100.00	5
Mercedes-Benz Belgium Luxembourg S.A.	Brussels, Belgium	100.00	
Mercedes-Benz Bordeaux S.A.S.	Begles, France	100.00	
Mercedes-Benz Broker Biztositási Alkusz Hungary Kft.	Budapest, Hungary	100.00	
Mercedes-Benz Brooklands Limited	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Canada Inc.	Toronto, Canada	100.00	
Mercedes-Benz Capital Rus OOO	Moscow, Russian Federation	100.00	
Mercedes-Benz Cars UK Limited	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Ceská republika s.r.o.	Prague, Czech Republic	100.00	
Mercedes-Benz CharterWay España, S.A.	Alcobendas, Spain	100.00	
Mercedes-Benz CharterWay Gesellschaft mit beschränkter Haftung	Berlin, Germany	100.00	5
Mercedes-Benz CharterWay S.A.S.	Montigny-le-Bretonneux, France	100.00	
Mercedes-Benz CharterWay S.r.l.	Trent, Italy	100.00	
Mercedes-Benz Comercial, Unipessoal Lda.	Mem Martins, Portugal	100.00	
Mercedes-Benz Compañía Financiera Argentina S.A.	Buenos Aires, Argentina	100.00	
Mercedes-Benz Connectivity Services GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Corretora de Seguros Ltda	São Paulo, Brazil	99.98	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
Mercedes-Benz CPH A/S	Horsholm, Denmark	100.00	
Mercedes-Benz Credit Pénzügyi Szolgáltató Hungary Zrt.	Budapest, Hungary	100.00	
Mercedes-Benz Danmark A/S	Copenhagen, Denmark	100.00	
Mercedes-Benz Dealer Bedrijven B.V.	The Hague, Netherlands	100.00	
Mercedes-Benz do Brasil Assessoria Comercial Ltda.	São Paulo, Brazil	100.00	
Mercedes-Benz do Brasil Ltda.	São Bernardo do Campo, Brazil	100.00	
Mercedes-Benz Drogenbos N.V.	Drogenbos, Belgium	100.00	
Mercedes-Benz Espana, S.A.U.	Alcobendas, Spain	100.00	
Mercedes-Benz Finance Co., Ltd.	Tokyo, Japan	90.00	
Mercedes-Benz Financial Services Australia Pty. Ltd.	Melbourne, Australia	100.00	
Mercedes-Benz Financial Services Austria GmbH	Salzburg, Austria	100.00	
Mercedes-Benz Financial Services BeLux NV	Brussels, Belgium	100.00	
Mercedes-Benz Financial Services Canada Corporation	Mississauga, Canada	100.00	
Mercedes-Benz Financial Services Ceská republika s.r.o.	Prague, Czech Republic	100.00	
Mercedes-Benz Financial Services España, E.F.C., S.A.	Alcobendas, Spain	100.00	
Mercedes-Benz Financial Services France S.A.	Montigny-le-Bretonneux, France	100.00	
Mercedes-Benz Financial Services Hong Kong Ltd.	Hong Kong, China	80.00	
Mercedes-Benz Financial Services Italia SpA	Rome, Italy	100.00	
Mercedes-Benz Financial Services Korea Ltd.	Seoul, South Korea	80.00	
Mercedes-Benz Financial Services Nederland B.V.	Utrecht, Netherlands	100.00	
Mercedes-Benz Financial Services New Zealand Ltd	Auckland, New Zealand	100.00	
Mercedes-Benz Financial Services Portugal - Sociedade Financeira de Crédito S.A.	Mem Martins, Portugal	100.00	
Mercedes-Benz Financial Services Rus OOO	Moscow, Russian Federation	100.00	
Mercedes-Benz Financial Services Schweiz AG	Schlieren, Switzerland	100.00	
Mercedes-Benz Financial Services Slovakia s.r.o.	Bratislava, Slovakia	75.00	
Mercedes-Benz Financial Services South Africa (Pty) Ltd	Centurion, South Africa	100.00	
Mercedes-Benz Financial Services Taiwan Ltd.	Taipei, Taiwan	100.00	
Mercedes-Benz Financial Services UK Limited	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Financial Services USA LLC	Wilmington, USA	100.00	
Mercedes-Benz Finans Danmark A/S	Copenhagen, Denmark	100.00	
Mercedes-Benz Finans Sverige AB	Malmö, Sweden	100.00	
Mercedes-Benz Finansal Kiralama Türk A.S.	Istanbul, Turkey	100.00	
Mercedes-Benz Finansman Türk A.S.	Istanbul, Turkey	100.00	
Mercedes-Benz Försäljnings AB	Malmö, Sweden	100.00	
Mercedes-Benz France S.A.S.	Montigny-le-Bretonneux, France	100.00	
Mercedes-Benz Gent N.V.	Gent, Belgium	100.00	
Mercedes-Benz Grand Prix Ltd.	Brackley, United Kingdom	60.00	
Mercedes-Benz Hellas S.A.	Kifissia, Greece	100.00	
Mercedes-Benz Hong Kong Limited	Hong Kong, China	100.00	
Mercedes-Benz India Private Limited	Pune, India	100.00	
Mercedes-Benz Insurance Broker S.R.L.	Voluntari, Romania	100.00	
Mercedes-Benz Insurance Services Nederland B.V.	Utrecht, Netherlands	100.00	
Mercedes-Benz Insurance Services Taiwan Ltd.	Taipei, Taiwan	100.00	
Mercedes-Benz Italia S.p.A.	Rome, Italy	100.00	
Mercedes-Benz Japan Co., Ltd.	Tokyo, Japan	100.00	
Mercedes-Benz Korea Limited	Seoul, South Korea	51.00	
Mercedes-Benz Leasing (Thailand) Co., Ltd.	Bangkok, Thailand	100.00	
Mercedes-Benz Leasing Co., Ltd.	Beijing, China	65.00	
Mercedes-Benz Leasing do Brasil Arrendamento Mercantil S.A.	Barueri, Brazil	100.00	
Mercedes-Benz Leasing GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Leasing Hrvatska d.o.o.	Zagreb, Croatia	100.00	
Mercedes-Benz Leasing IFN S.A.	Bucharest, Romania	100.00	
Mercedes-Benz Leasing Kft.	Budapest, Hungary	100.00	
Mercedes-Benz Leasing Polska Sp. z o.o.	Warsaw, Poland	100.00	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
Mercedes-Benz Leasing Taiwan Ltd.	Taipei, Taiwan	100.00	
Mercedes-Benz Leasing Treuhand GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Ludwigsfelde GmbH	Ludwigsfelde, Germany	100.00	5
Mercedes-Benz Malaysia Sdn. Bhd.	Kuala Lumpur, Malaysia	51.00	
Mercedes-Benz Manhattan, Inc.	Wilmington, USA	100.00	
Mercedes-Benz Manufacturing (Thailand) Limited	Bangkok, Thailand	100.00	
Mercedes-Benz Manufacturing Hungary Kft.	Kecskemét, Hungary	100.00	
Mercedes-Benz Master Owner Trust	Wilmington, USA	0.00	3
Mercedes-Benz Mexico, S. de R.L. de C.V.	Mexico City, Mexico	100.00	
Mercedes-Benz Minibus GmbH	Dortmund, Germany	100.00	5
Mercedes-Benz Mitarbeiter-Fahrzeuge Leasing GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Molsheim S.A.S.	Molsheim, France	100.00	
Mercedes-Benz Nederland B.V.	Utrecht, Netherlands	100.00	
Mercedes-Benz New Zealand Ltd	Auckland, New Zealand	100.00	
Mercedes-Benz Ninove N.V.	Ninove, Belgium	100.00	
Mercedes-Benz Österreich GmbH	Salzburg, Austria	100.00	
Mercedes-Benz Paris SAS	Port-Marly, France	100.00	
Mercedes-Benz Parts Logistics Ibérica, S.L.U.	Azuqueca de Henares, Spain	100.00	
Mercedes-Benz Parts Logistics UK Limited	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Parts Manufacturing & Services Ltd.	Shanghai, China	100.00	
Mercedes-Benz Polska Sp. z.o.o	Warsaw, Poland	100.00	
Mercedes-Benz Portugal, S.A.	Mem Martins, Portugal	100.00	
Mercedes-Benz PRAHA s.r.o.	Prague, Czech Republic	100.00	
Mercedes-Benz Renting, S.A.	Alcobendas, Spain	100.00	
Mercedes-Benz Research & Development North America, Inc.	Wilmington, USA	100.00	
Mercedes-Benz Retail Group UK Limited	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Retail, S.A.	Madrid, Spain	100.00	
Mercedes-Benz Risk Solutions South Africa (Pty.) Ltd.	Centurion, South Africa	100.00	
Mercedes-Benz Roma S.p.A.	Rome, Italy	100.00	
Mercedes-Benz Romania S.R.L.	Bucharest, Romania	100.00	
Mercedes-Benz Russia AO	Moscow, Russian Federation	100.00	
Mercedes-Benz Schweiz AG	Schlieren, Switzerland	100.00	
Mercedes-Benz Service Leasing S.R.L.	Bucharest, Romania	100.00	
Mercedes-Benz Services Correduria de Seguros, S.A.	Alcobendas, Spain	100.00	
Mercedes-Benz Services Malaysia Sdn Bhd	Petaling Jaya, Malaysia	100.00	
Mercedes-Benz Sigorta Aracilik Hizmetleri A.S.	Istanbul, Turkey	100.00	
Mercedes-Benz Sosnowiec Sp. z o.o.	Sosnowiec, Poland	100.00	
Mercedes-Benz South Africa Ltd	Pretoria, South Africa	100.00	
Mercedes-Benz Sverige AB	Malmö, Sweden	100.00	
Mercedes-Benz Taiwan Ltd.	Taipei, Taiwan	51.00	
Mercedes-Benz Trucks España S.L.U.	Alcobendas, Spain	100.00	
Mercedes-Benz Trucks UK Limited	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Türk A.S.	Istanbul, Turkey	66.91	
Mercedes-Benz U.S. International, Inc.	Vance, USA	100.00	
Mercedes-Benz Ubezpieczenia Sp. z o.o.	Warsaw, Poland	100.00	
Mercedes-Benz USA, LLC	Wilmington, USA	100.00	
Mercedes-Benz V.I. Lyon SAS	Genas, France	100.00	
Mercedes-Benz V.I. Paris Ile de France SAS	Wissous, France	100.00	
Mercedes-Benz Vans Australia Pacific Pty. Ltd.	Mulgrave, Australia	100.00	
Mercedes-Benz Vans España, S.L.U.	Madrid, Spain	100.00	
Mercedes-Benz Vans Mobility GmbH	Berlin, Germany	100.00	
Mercedes-Benz Vans UK Limited	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Vans, LLC	Wilmington, USA	100.00	
Mercedes-Benz Versicherung AG	Stuttgart, Germany	100.00	5

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
Mercedes-Benz Vertrieb NFZ GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Vertrieb PKW GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Vietnam Ltd.	Ho Chi Minh City, Vietnam	70.00	
Mercedes-Benz Warszawa Sp. z o.o.	Warsaw, Poland	100.00	
Mercedes-Benz Waterloo S.A.	Braine-L'Alleud, Belgium	100.00	
Mercedes-Benz Wavre S.A.	Wavre, Belgium	100.00	
Mercedes-Benz Wemmel N.V.	Wemmel, Belgium	100.00	
Mercedes-Benz Wholesale Receivables LLC	Wilmington, USA	100.00	
MFTA Canada, Inc.	Toronto, Canada	100.00	
Mitsubishi Fuso Truck and Bus Corporation	Kawasaki, Japan	89.29	
MITSUBISHI FUSO TRUCK EUROPE - Sociedade Europeia de Automóveis, S.A.	Tramagal, Portugal	100.00	
Mitsubishi Fuso Truck of America, Inc.	Logan Township, USA	100.00	
moovel Group GmbH	Stuttgart, Germany	100.00	5
moovel North America, LLC	Portland, USA	100.00	
Multifleet G.I.E	Le Bourget, France	50.10	8
myTaxi Iberia SL	Barcelona, Spain	100.00	
mytaxi Network Ireland Ltd.	Dublin, Ireland	100.00	
mytaxi Network Ltd.	London, United Kingdom	100.00	
N.V. Mercedes-Benz Aalst	Erembodegem, Belgium	100.00	
N.V. Mercedes-Benz Mechelen	Mechelen, Belgium	100.00	
NuCellSys GmbH	Kirchheim unter Teck, Germany	100.00	
P.T. Mercedes-Benz Distribution Indonesia	Jakarta, Indonesia	100.00	
P.T. Mercedes-Benz Indonesia	Bogor, Indonesia	100.00	
P.T. Star Engines Indonesia	Bogor, Indonesia	100.00	4
Renting del Pacífico S.A.C.	Lima, Peru	100.00	
Sandown Motor Holdings (Pty) Ltd	Bryanston, South Africa	62.62	
SelecTrucks of America LLC	Portland, USA	100.00	
SelecTrucks of Toronto, Inc.	Mississauga, Canada	100.00	
Setra of North America, Inc.	Oriskany, USA	100.00	
Silver Arrow Australia Trust 2017-1	Melbourne, Australia	0.00	3
SILVER ARROW CHINA 2016-1 Auto Loan Asset Backed Notes Trust c/o CITIC Trust Co., Ltd.	Beijing, China	0.00	3
SILVER ARROW CHINA 2016-2 Auto Loan Asset Backed Notes Trust c/o CITIC Trust Co., Ltd.	Beijing, China	0.00	3
SILVER ARROW CHINA 2017-1 RETAIL AUTO LOAN ASSET BACKED NOTES TRUST c/o CITIC TRUST CO., LTD.	Beijing, China	0.00	3
SILVER ARROW CHINA 2017-2 RETAIL AUTO LOAN ASSET BACKED NOTES TRUST c/o CITIC TRUST CO., LTD.	Beijing, China	0.00	3
Silver Arrow Lease Facility Trust	Wilmington, USA	0.00	3
Silver Arrow S.A.	Luxembourg, Luxembourg	0.00	3
smart France S.A.S.	Hambach, France	100.00	
smart Vertriebs gmbh	Berlin, Germany	100.00	5
Special Lease Systems (SLS) B.V	Almere, Netherlands	100.00	
Star Assembly SRL	Sebes, Romania	100.00	
Starexport Trading S.A.	São Bernardo do Campo, Brazil	100.00	
Sterling Truck Corporation	Portland, USA	100.00	
Sumperská správa majetku k.s.	Prague, Czech Republic	100.00	8
Thomas Built Buses of Canada Limited	Calgary, Canada	100.00	
Thomas Built Buses, Inc.	High Point, USA	100.00	
Trona Cogeneration Corporation	Wilmington, USA	100.00	
Ucafleet S.A.S	Le Bourget, France	65.00	
Vierzehnte Vermögensverwaltungsgesellschaft DVB mbH	Stuttgart, Germany	100.00	5
Western Star Trucks Sales, Inc	Portland, USA	100.00	
Zuidlease B.V.	Sittard, Netherlands	51.00	
3218095 Nova Scotia Company	Halifax, Canada	100.00	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
II. Unconsolidated subsidiaries[2]			
AEG Olympia Office GmbH	Stuttgart, Germany	100.00	
Anota Fahrzeug Service- und Vertriebsgesellschaft mbH	Berlin, Germany	100.00	
Beat Chile SpA	Santiago, Chile	100.00	
car2go Belgium SPRL	Brussels, Belgium	100.00	
car2go Danmark A/S	Copenhagen, Denmark	100.00	
car2go Sverige AB	Stockholm, Sweden	100.00	
car2go UK Ltd.	Milton Keynes, United Kingdom	100.00	
Circulo Cerrado S.A. de Ahorro para Fines Determinados	Buenos Aires, Argentina	72.17	
Clever Tech S.R.L.	Bucharest, Romania	100.00	
Clever Tech Sud S.R.L.	Bucharest, Romania	100.00	
Cúspide GmbH	Stuttgart, Germany	100.00	
Daimler AG & Co. Anlagenverwaltung OHG	Schönefeld, Germany	100.00	8
Daimler Commercial Vehicles (Thailand) Ltd.	Bangkok, Thailand	100.00	
Daimler Commercial Vehicles Africa Ltd.	Nairobi, Kenya	100.00	
Daimler Commercial Vehicles MENA FZE	Dubai, United Arab Emirates	100.00	
Daimler Commercial Vehicles South East Asia Pte. Ltd.	Singapore, Singapore	100.00	
Daimler Culture Development Co., Ltd.	Beijing, China	50.00	3
Daimler Financial Services UK Trustees Ltd.	Milton Keynes, United Kingdom	100.00	
Daimler Gastronomie GmbH	Esslingen am Neckar, Germany	100.00	
Daimler Group Services Berlin GmbH	Berlin, Germany	100.00	
Daimler Group Services Madrid, S.A.U.	San Sebastián de los Reyes, Spain	100.00	
Daimler Innovation Technology (China) Co., Ltd.	Beijing, China	100.00	
Daimler International Assignment Services USA, LLC	Wilmington, USA	100.00	
Daimler Mitarbeiter Wohnfinanz GmbH	Stuttgart, Germany	100.00	
Daimler Parts Logistics Australia Pty. Ltd.	Mulgrave, Australia	100.00	
Daimler Protics GmbH	Leinfelden-Echterdingen, Germany	100.00	
Daimler Purchasing Coordination Corp.	Wilmington, USA	100.00	
Daimler Starmark A/S	Horsholm, Denmark	100.00	
Daimler Trucks Asia Taiwan Ltd.	Taipei, Taiwan	51.00	
Daimler TSS GmbH	Ulm, Germany	100.00	
Daimler UK Share Trustee Ltd.	Milton Keynes, United Kingdom	100.00	
Daimler UK Trustees Limited	Milton Keynes, United Kingdom	100.00	
Daimler Unterstützungskasse GmbH	Stuttgart, Germany	100.00	7
Deutsche Accumotive Verwaltungs-GmbH	Kirchheim unter Teck, Germany	100.00	
Dreizehnte Vermögensverwaltungsgesellschaft DVB mbH	Stuttgart, Germany	100.00	
EvoBus Reunion S. A.	Le Port, France	96.00	
EvoBus Russland OOO	Moscow, Russian Federation	100.00	
Familonet GmbH	Hamburg, Germany	100.00	
FLINC GmbH	Darmstadt, Germany	100.00	
Fünfte Vermögensverwaltungsgesellschaft Zeus mbH	Stuttgart, Germany	100.00	
LAB1886 GmbH	Stuttgart, Germany	100.00	
Lapland Car Test Aktiebolag	Arvidsjaur, Sweden	100.00	
Legend Investments Ltd.	Milton Keynes, United Kingdom	100.00	
LEONIE CORP DVB GmbH	Stuttgart, Germany	100.00	
LEONIE DMS DVB GmbH	Stuttgart, Germany	100.00	
LEONIE FS DVB GmbH	Stuttgart, Germany	100.00	
LEONIE FSM DVB GmbH	Stuttgart, Germany	100.00	
LEONIE PV AG	Stuttgart, Germany	100.00	
LEONIE PV DVB GmbH	Stuttgart, Germany	100.00	
LEONIE TB AG	Stuttgart, Germany	100.00	
LEONIE TB DVB GmbH	Stuttgart, Germany	100.00	
LEONORE IP GmbH	Stuttgart, Germany	100.00	
MB GTC GmbH Mercedes-Benz Gebrauchtteile Center	Neuhausen auf den Fildern, Germany	100.00	
MBition GmbH	Berlin, Germany	100.00	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
Mercedes-Benz Adm. Consorcios Ltda.	São Bernardo do Campo, Brazil	100.00	
Mercedes-Benz AG & Co. Grundstücksvermietung Objekte Baden-Baden und Dresden OHG	Düsseldorf, Germany	100.00	3, 8
Mercedes-Benz Cars Middle East FZE	Dubai, United Arab Emirates	100.00	
Mercedes-Benz Commercial Vehicles Iran GmbH	Stuttgart, Germany	100.00	
Mercedes-Benz Consulting GmbH	Leinfelden-Echterdingen, Germany	100.00	
Mercedes-Benz Customer Assistance Center Maastricht N.V.	Maastricht, Netherlands	100.00	
Mercedes-Benz Egypt S.A.E.	New Cairo, Egypt	100.00	
Mercedes-Benz Energy Americas LLC	Wilmington, USA	100.00	
Mercedes-Benz Energy GmbH	Kamenz, Germany	100.00	
Mercedes-Benz ExTra LLC	Farmington Hills, USA	100.00	
Mercedes-Benz Formula E Limited	Brackley, United Kingdom	100.00	
Mercedes-Benz G GmbH	Raaba, Austria	100.00	
Mercedes-Benz Group Services Phils., Inc.	Cebu City, Philippines	100.00	
Mercedes-Benz Hungária Kft.	Budapest, Hungary	100.00	
Mercedes-Benz IDC Europe S.A.S.	Montigny-le-Bretonneux, France	100.00	
Mercedes-Benz Manufacturing Poland sp. zo. o.	Warsaw, Poland	100.00	
Mercedes-Benz Manufacturing Rus Ltd	Moscow, Russian Federation	80.00	
Mercedes-Benz Museum GmbH	Stuttgart, Germany	100.00	
Mercedes-Benz Parts Logistics Eastern Europe s.r.o.	Prague, Czech Republic	100.00	
Mercedes-Benz Project Consult GmbH	Stuttgart, Germany	100.00	
Mercedes-Benz Research & Development Tel Aviv Ltd.	Tel Aviv, Israel	100.00	
Mercedes-Benz Research and Development India Private Limited	Bangalore, India	100.00	
Mercedes-Benz Slovakia s.r.o.	Bratislava, Slovakia	100.00	
Mercedes-Benz Solihull Ltd.	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Srbija i Crna Gora d.o.o.u likvidaciji	Novi Beograd, Serbia	100.00	4
Mercedes-Benz Trucks Ceská republika s.r.o.	Prague, Czech Republic	100.00	
Mercedes-Benz Trucks Nederland B.V.	Utrecht, Netherlands	100.00	
Mercedes-Benz Vans Ceská republika s.r.o	Prague, Czech Republic	100.00	
Mercedes-Benz Vans Mobility S.L.	Alcobendas, Spain	100.00	
Mercedes-Benz Vans Nederland B.V.	Utrecht, Netherlands	100.00	
Mercedes-Benz Venezuela S.A.	Valencia, Venezuela	100.00	
Mercedes-Benz.io GmbH	Stuttgart, Germany	100.00	
MercedesService Card Beteiligungsgesellschaft mbH	Kleinostheim, Germany	51.00	
Mitsubishi Fuso Bus Manufacturing Co., Ltd.	Toyama, Japan	100.00	
Monarch Cars (Tamworth) Ltd.	Milton Keynes, United Kingdom	100.00	
Montajes y Estampaciones Metálicas, S.L.	Esparraguera, Spain	51.00	
mytapp Portugal Unipessoal LDA	Lisbon, Portugal	100.00	
mytaxi Austria GmbH	Vienna, Austria	100.00	
MYTAXI ITALIA S.R.L.	Milan, Italy	100.00	
MYTAXI POLSKA SPÓLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	Warsaw, Poland	100.00	
mytaxi Sweden AB	Stockholm, Sweden	100.00	
myTaxi Swiss GmbH	Zug, Switzerland	100.00	
myTaxi UG	Hamburg, Germany	100.00	
myTaxi UK Ltd.	London, United Kingdom	100.00	
myTaxi USA Inc.	New York, USA	100.00	
NAG Nationale Automobil-Gesellschaft Aktiengesellschaft	Stuttgart, Germany	100.00	
ogotrac S.A.S.	Paris, France	100.00	
PABCO Co., Ltd.	Ebina, Japan	100.00	
Porcher & Meffert Grundstücksgesellschaft mbH & Co. Stuttgart OHG	Schönefeld, Germany	100.00	8
PT Daimler Commercial Vehicles Indonesia	Jakarta, Indonesia	100.00	
R.T.C. Management Company Limited	Banbury, United Kingdom	88.89	
Reva SAS	Cunac, France	100.00	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
Ring Garage AG Chur	Chur, Switzerland	100.00	
Sechste Vermögensverwaltungsgesellschaft Zeus mbH	Stuttgart, Germany	100.00	
SelecTrucks Comércio de Veículos Ltda	Mauá, Brazil	100.00	
SportChassis LLC	Clinton, USA	0.00	3
Star Egypt For Import LLC	New Cairo, Egypt	99.50	
Star Transmission srl	Cugir, Romania	100.00	
STARKOM d.o.o.	Maribor, Slovenia	100.00	
T.O.C (Schweiz) AG	Schlieren, Switzerland	51.00	
Taxibeat Ltd. UK	London, United Kingdom	100.00	
Taxibeat Peru S.A.	Lima, Peru	100.00	
Taxibeat Teknoloji Hizmetleri A.S.	Istanbul, Turkey	100.00	
trapoFit GmbH	Chemnitz, Germany	100.00	
Zweite Vermögensverwaltungsgesellschaft Zeus mbH	Stuttgart, Germany	100.00	
III. Joint operations accounted for using the equity method			
Cooperation Manufacturing Plant Aguascalientes, S.A.P.I de C.V.	Mexico City, Mexico	50.00	
IV. Joint operations accounted for using the equity method			
AFCC Automotive Fuel Cell Cooperation Corp.	Burnaby, Canada	50.10	
EM-motive GmbH	Hildesheim, Germany	50.00	
North America Fuel Systems Remanufacturing LLC	Kentwood, USA	50.00	
V. Joint ventures accounted for using the equity method			
Beijing Foton Daimler Automotive Co., Ltd	Beijing, China	50.00	
Daimler Kamaz Trucks Holding GmbH	Vienna, Austria	50.00	
Enbase Power GmbH	Munich, Germany	25.10	
Fujian Benz Automotive Co., Ltd.	Fuzhou, China	50.00	
IONITY Holding GmbH & Co. KG	Munich, Germany	25.00	
Polomex, S.A. de C.V.	Garcia, Mexico	26.00	
SelecTrucks of Atlanta LLC	McDonough, USA	50.00	
SelecTrucks of Houston LLC	Houston, USA	50.00	
SelecTrucks of Houston Wholesale LLC	Houston, USA	50.00	
SelecTrucks of Omaha LLC	Council Bluffs, USA	50.00	
Shenzhen DENZA New Energy Automotive Co. Ltd.	Shenzhen, China	50.00	
TASIAP GmbH	Stuttgart, Germany	60.00	
Toll Collect GbR	Berlin, Germany	45.00	8
Toll Collect GmbH	Berlin, Germany	45.00	
Via Netherlands B.V.	Amsterdam, Netherlands	50.00	
Wagenplan B.V.	Almere, Netherlands	50.00	
VI. Associated companies accounted for using the equity method			
BAIC Motor Corporation Ltd.	Beijing, China	10.08	
Beijing Benz Automotive Co., Ltd.	Beijing, China	49.00	
BlackLane GmbH	Berlin, Germany	30.57	
FlixMobility GmbH	Munich, Germany	5.62	
FUSO LAND TRANSPORT & Co. Ltd.	Kawasaki, Japan	21.67	
KAMAZ PAO	Naberezhnye Chelny, Russian Federation	15.00	
Kanagawa Mitsubishi Fuso Truck & Bus Sales Co., Ltd.	Yokohama, Japan	43.83	
LSH Auto International Limited	Hong Kong, China	15.00	
MBtech Group GmbH & Co. KGaA	Sindelfingen, Germany	35.00	
Okayama Mitsubishi Fuso Truck & Bus Sales Co., Ltd.	Okayamashi, Japan	50.00	
P.T. Krama Yudha Tiga Berlian Motors	Jakarta, Indonesia	30.00	
P.T. Mitsubishi Krama Yudha Motors and Manufacturing	Jakarta, Indonesia	32.28	
There Holding B.V.	Rijswijk, Netherlands	33.33	
Via Transportation Inc.	New York, USA	12.38	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
VII. Joint operations, joint ventures, associated companies and substantial other investments accounted for at (amortized) cost[2]			
Abgaszentrum der Automobilindustrie GbR	Weissach, Germany	25.00	8
BDF IP Holdings Ltd.	Burnaby, Canada	33.00	
Beijing Mercedes-Benz Sales Service Co., Ltd.	Beijing, China	51.00	
ChargePoint Inc.	Campbell, USA	5.39	
COBUS Industries GmbH	Wiesbaden, Germany	40.82	
Esslinger Wohnungsbau GmbH	Esslingen am Neckar, Germany	26.57	
European Center for Information and Communication Technologies - EICT GmbH	Berlin, Germany	33.33	
EvoBus Hungária Kereskedelmi Kft.	Budapest, Hungary	33.33	
Gottapark, Inc.	San Francisco, USA	18.09	
Grundstücksgesellschaft Schlossplatz 1 mbH & Co. KG	Berlin, Germany	18.37	
H2 Mobility Deutschland GmbH & Co. KG	Berlin, Germany	2.90	
inpro Innovationsgesellschaft für fortgeschrittene Produktionssysteme in der Fahrzeugindustrie mbH	Berlin, Germany	20.00	
Juffali Industrial Products Company	Jeddah, Saudi Arabia	0.00	6
Laureus World Sports Awards Limited	London, United Kingdom	50.00	
MBtech Verwaltungs-GmbH	Sindelfingen, Germany	35.00	
MercedesService Card GmbH & Co. KG	Kleinostheim, Germany	51.00	
MFTB Taiwan Co., Ltd.	Taipei, Taiwan	33.40	
National Automobile Industry Company Ltd.	Jeddah, Saudi Arabia	26.00	
Omuta Unso Co., Ltd.	Ohmuta, Japan	33.51	
PDB - Partnership for Dummy Technology and Biomechanics GbR	Ingolstadt, Germany	20.00	8
Rally Bus Corp.	New York, USA	12.33	
smart-BRABUS GmbH	Bottrop, Germany	50.00	
STARCAM s.r.o.	Most, Czech Republic	51.00	
tiramizoo GmbH	Munich, Germany	20.84	
Toll4Europe GmbH	Berlin, Germany	30.00	
Toyo Kotsu Co., Ltd.	Sannoseki, Japan	28.20	
Turo Inc.	San Francisco, USA	5.38	
Verimi GmbH	Berlin, Germany	11.11	
VfB Stuttgart 1893 AG	Stuttgart, Germany	11.75	
Volocopter GmbH	Bruchsal, Germany	10.17	
what3words Ltd.	Hinxworth, United Kingdom	13.38	
Zonar Systems, Inc.	Seattle, USA	19.42	

1 Shareholding pursuant to Section 16 of the German Stock Corporation Act (AktG).
2 For the accounting of unconsolidated subsidiaries, joint operations, joint ventures and associated companies we refer to Note 1.
3 Control due to economic circumstances.
4 In liquidation.
5 Qualification for exemption pursuant to Section 264 Subsection 3 and Section 264b of the German Commercial Code (HGB).
6 Joint control due to economic circumstances.
7 Control over the investment of the assets. No consolidation of the assets due to the contractual situation.
8 Daimler AG or one respectively several consolidated subsidiares are the partners with unlimited liability.

Furthermore, Daimler AG or one respectively several consolidated subsidiares are the partners with unlimited liability in MOST Cooperation GbR, Karlsruhe (Germany).

"WE PURSUE A SUSTAINABLE AND SOUND DIVIDEND POLICY!"

At the Annual Shareholders' Meeting on April 5, 2018, the Board of Management and the Supervisory Board will therefore propose the payment of an increased dividend of €3.65 per share (prior year: €3.25). We aim to achieve a sustainable dividend development also in the coming years. In setting the dividend, our target is generally to distribute approximately 40% of the net profit attributable to Daimler shareholders.

G | Further information

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the financial position, cash flows and profit or loss of the Group, and the Group management report, which has been combined with the management report for DAG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Stuttgart, February 9, 2018

Dieter Zetsche

Martin Daum

Renata Jungo Brüngger

Ola Källenius

Wilfried Porth

Britta Seeger

Hubertus Troska

Bodo Uebber

Independent Auditor's Report

To Daimler AG, Stuttgart

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Opinions
We have audited the consolidated financial statements of Daimler AG, Stuttgart, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of income, consolidated statement of comprehensive income/loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of Daimler AG for the financial year from January 1 to December 31, 2017.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2017, and of its financial performance for the financial year from January 1 to December 31, 2017, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions
We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Impairment Risk on Operating Leases

Please refer with regard to the accounting policies and methods applied to the notes to the consolidated financial statements Note 1 "Significant accounting policies" and Note 2 "Accounting estimates and management judgements". Further information on the operating leases can be found in the notes to the consolidated financial statements Note 12 "Equipment on operating leases" and in the comments in the combined management report on "Industry and business risks and opportunities".

The Financial Statement Risk
The balance sheet caption "Equipment on operating leases" (€ 47,714 million) comprises motor vehicles on operating leases. The impairment risk with regard to these vehicles is primarily dependent on the residual value achievable at the end of the lease. These future residual values depend on the situation in the used-vehicle markets prevailing when the vehicles are returned. The future-oriented valuation is based on a number of discretionary assumptions. The risk for the financial statements is that any impairment losses will not be recognized or that the amounts recognized will be inadequate.

Our Audit Approach
We audited the recoverability of the balance sheet caption "Equipment on operating leases" based on Daimler's internal portfolio allocation. The main focus of our risk-oriented audit approach was addressed to those vehicles with an enhanced impairment risk. We investigated and assessed the indications assumed by the group for a possible requirement for the recognition on an impairment loss. We appraised Daimler's assessment with regard to the residual values that can be achieved at the end of the term of the leases. We also included vehicles with diesel technology in this appraisal. In this connection, we in particular critically reviewed the main influencing factors, such as the expected number of returns from leasing, the current remarketing results in order to assess the accuracy of the estimates and future vehicle model changes. For significant markets we furthermore also audited the consistency of the assumptions made by Daimler with residual value forecasts by independent expect third parties.

Our Observations
The assumptions and assessments providing the basis for the valuation of the carrying amounts of "equipment on operating leases" are appropriate.

Allowances on Receivables from Financial Services

Please refer with regard to the accounting policies and methods applied to the notes to the consolidated financial statements Note 2 "Accounting estimates and management judgements". Further information on allowances on receivables from financial services can be found in the notes to the consolidated financial statements Note 14 "Receivables from financial services and Note 32 "Management of financial risks" and in the comments in the combined management report on "Industry and business risks and opportunities".

The Financial Statement Risk
The receivables from financial services (€ 85,787 million) resulting from the financing and leasing activities of the Group include receivables from sales financing with customers, receivables from sales financing with dealers and receivables from finance lease contracts. The allowances on these receivables amounted at the balance sheet date to € 870 million.

The calculation of the allowances is based on various value-determining factors such as the risk classification of the customers, the definition of statistical default probabilities and assumptions regarding future cash flows, the determination of which includes to a high degree discretionary assessments and uncertainties.

The risk for the financial statements is that the credit-worthiness of customers and future cash flows is misjudged or that the calculation of the risk provision parameter is incorrect so that allowances are not recognized or are insufficient.

Our Audit Approach
We obtained a comprehensive understanding of the development of the portfolios, the associated counterparty default risks and the processes for identifying, managing, monitoring and measuring credit risks by inspecting analyses and risk reports, and through interrogations and the review of guidelines and working instructions.

We audited the appropriateness and effectiveness of the internal control system with regard to the risk classification process and the determination of the probability of defaults, the loss rates and the allowances. To this end, we also evaluated the relevant IT systems and internal procedures. In addition to the audit by our IT specialists of the propriety of the systems affected and related interfaces to ensure the completeness and correctness of the data, the audit also included the audit of automatic controls for data entry and data processing.

The main focus of our audit was the evaluation of the methodical approach in the determination of risk categories, default probabilities and loss rates that are derived from historical data. We obtained an understanding of this based on a risk-oriented selection of credit portfolios. We satisfied ourselves with regard to the appropriateness of significant risk parameters based on the results of a validation performed by Daimler Financial Services and evaluated the adjustments of the parameters to the current market situation. In addition, we satisfied ourselves in conjunction with a conscious sample of audits of individual cases that the risk classification is correct and that the amount of the calculated specific allowance is appropriate.

Our Observations
The methodical approach, the procedures and processes to calculate the allowance and the assumptions and risk parameters flowing into the measurement are appropriate for the timely identification of credit risks and the establishment of adequate allowances.

Measurement of the Provision for Product Warranties

Please refer with regard to the accounting policies and methods applied to the notes to the consolidated financial statements Note 2 “Accounting estimates and management judgements”. Further information on the guarantees and product warranties can be found in the notes to the consolidated financial statements Note 23 “Provisions for other risks” and in the comments in the combined management report on “Company-specific risks and opportunities – Warranty and goodwill cases”.

The Financial Statement Risk
The provision for product warranties amounts to € 6,654 million. Daimler faces various claims under product guarantees or grants various kinds of product warranties, which are entered into for the error-free functioning of a Daimler product sold or service rendered over a defined period of time. In order to confirm or reassess future guarantee, warranty and goodwill expenses, continuously updated information on the nature and volume and the remedying of faults that have occurred is recorded and analyzed at the level of the business unit, model series, damage key and sales year.

Significant uncertainty for the calculation of the provision arises with regard to the future loss event. The risk for the financial statements is that the provision is not properly measured.

Our Audit Approach
Our audit procedures included among other things the evaluation of the process to calculate the provision for product warranties and the evaluation of the relevant assumptions and their derivation for the measurement of the provisions. These include primarily assumptions on expected susceptibility to and the course of damage, and in addition the value of the damage per vehicle based on the actual warranty, guarantee and goodwill losses. We assessed the accuracy of the forecasts of past warranty, guarantee and goodwill costs on the basis of historical analyses. Furthermore, we examined wether updated assessments of future repaid costs and procedures were taken into account. We obtained an understanding for the underlying quantities of vehicles through the actual unit sales.

Our Observations
The calculation methods and the assumptions made are appropriate.

Accounting Treatment of legal proceedings

Please refer with regard to the accounting policies and methods applied to the notes to the consolidated financial statements Note 2 "Accounting estimates and management judgements". Further information on the legal proceedings can be found in the notes to the consolidated financial statements Note 29 "Legal proceedings" and in the comments in the combined management report on "Risks from guarantees, legal and tax risks – legal risks".

The Financial Statement Risk
Various legal proceedings, claims and governmental investigations and inquiries (legal proceedings) are pending against Daimler on a wide range of topics, including for example vehicle safety, emissions, fuel economy, financial services, dealer, supplier and other contractual relationships, intellectual property rights, product warranties, environmental matters, antitrust matters (including actions for damages), criminal proceedings against employees and shareholder matters. Legal proceedings relating to products deal with claims on account of alleged vehicle defects. Some of these claims are asserted by way of class action suits. If the outcome of such legal proceedings is detrimental to Daimler, the Group may be required to pay substantial compensatory and punitive damages or to undertake service actions, recall campaigns, monetary penalties or other costly actions and sanctions.

Whether the recognition of a provision and, if so, in what amount it is necessary on account of legal proceedings is dependent to a high degree on estimates and assumptions by the legal representatives. In view of this and the monetary amounts involved with regard to the risks, the following legal proceedings of Daimler are in our opinion of particular importance.

a) Enquiries and investigations by the authorities on test results and the use of emission control systems
Several state and federal authorities and institutions worldwide have made inquiries and / or performed investigations. The inquiries and investigations cover test results, the emission control systems used in Mercedes-Benz diesel vehicles and Daimler's interaction with the relevant state and federal authorities as well as related legal issues and implications, including, but not limited to, under applicable environmental, securities and criminal and antitrust laws.

b) Class-action lawsuits NOx USA/Canada
Since the beginning of 2016, several consumer class-action lawsuits have been filed against Mercedes-Benz USA, LLC in federal courts in the USA, which have been combined to form a single class-action lawsuit against Daimler AG and Mercedes-Benz USA, LLC, and against Daimler AG and further group companies in Canada. The main allegation is the use of devices that impermissibly impair the effectiveness of emission control systems in reducing nitrogen-oxide (NO_X) emissions and which cause excessive emissions from vehicles with diesel engines, and the deliberate misleading of customers in connection with advertising for Mercedes-Benz diesel vehicles.

c) Antitrust and subsequent proceedings
Following the imposition of a fine by the European Commission against Daimler and other truck manufacturers in July 2016, truck customers have raised damage claims against Daimler.

Since July 25, 2017 several class-action lawsuits have been filed in the USA and in Canada against Daimler AG and other automobile manufacturers and several of their North American subsidiaries. The plaintiffs claim to have suffered losses because the defendants have engaged since the nineteen nineties in anticompetitive behaviour with regard to motor vehicle technology, costs, suppliers, markets and other anticompetitive matters, including diesel exhaust cleansing technology. In the meantime all pending US class actions have been centralized in one proceeding.

Daimler AG already filed an application for immunity ("leniency application") some time ago with the European Commission in this connection.

d) Toll Collect
The arbitration proceedings initiated in 2004 by the Federal Republic of Germany in connection with the establishment and operation of a toll system were filed among others against Daimler Financial Services AG and its Toll Collect GbR investment. In the course of these arbitration proceedings, damages due to lost toll revenue and contractual penalties due to violations of the contracts have been claimed.

The recognition and measurement of the provisions set up for the legal proceedings are based on discretionary assessments by the legal representatives.

The risk for the financial statements is that provisions for legal proceedings are not set up or are inadequate.

Our Audit Approach
Our audit procedures comprised on the one hand an evaluation of the process established by Daimler to ensure the recording, the estimation of the outcome of the proceedings and the reflection in the balance sheet of the legal proceedings. On the other hand, we held discussions with the internal legal department and with further departments familiar with the matters under dispute and Daimler's external advisors and attorneys, in order to obtain explanations on the developments and the reasons that had led to the respective estimations. Above that we have reviewed the underlying documents and minutes. We were provided by Daimler with the estimation of the legal representatives in the aforementioned areas in writing. External attorneys' letters, which support the assessment of the risks by the legal representatives, were obtained at the balance sheet date.

Finally, we evaluated the appropriateness of the description in the notes to the consolidated financial statements of the aforementioned legal proceedings.

Our Observations
The assumptions are appropriate.

Other Information
Management is responsible for the other information. The other information comprises:

- the non-financial statement and the corporate governance statement, and
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

As instructed, we have performed a separate business management review of the separate non-financial statement. Please refer with regard to the nature, scope and results of this business management review to our audit opinion dated Februrary 9, 2018.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report
Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group`s position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group`s financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group´s position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the consolidated financial statements and the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management´s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group`s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with (German) law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on March 29, 2017. We were engaged by the supervisory board on April 25, 2017. We have been the group auditor of the Daimler AG without interruption since the financial year 1998.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Dr. Axel Thümler.

Stuttgart, February 9, 2018

KPMG AG Wirtschaftsprüfungsgesellschaft

Becker Wirtschaftsprüfer	Dr. Thümler Wirtschaftsprüfer

Ten Year Summary

G.01

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
€ amounts in millions										
From the statements of income										
Revenue	98,469	78,924	97,761	106,540	114,297	117,982	129,872	149,467	153,261	**164,330**
Personnel expenses [1]	15,066	13,928	16,454	17,424	18,002	18,753	19,607	20,949	21,141	**22,186**
Research and development expenditure [2]	4,442	4,181	4,849	5,634	5,644	5,489	5,680	6,564	7,572	**8,711**
thereof capitalized	1,387	1,285	1,373	1,460	1,465	1,284	1,148	1,804	2,315	**2,773**
EBIT [1]	2,730	-1,513	7,274	8,755	8,820	10,815	10,752	13,186	12,902	**14,682**
Operating margin (%) [1]	2.8	-1.9	7.4	8.2	7.7	9.2	8.3	8.8	8.4	**8.9**
Profit (loss) before income taxes [1]	2,795	-2,298	6,628	8,449	8,116	10,139	10,173	12,744	12,574	**14,301**
Net operating profit (loss) [1]	1,370	-2,102	5,120	6,240	7,302	9,173	7,678	9,007	9,007	**11,127**
as % of net assets (RONA) [1, 3]	4.4	-6.6	17.5	19.9	19.6	22.6	18.8	20.1	19.1	**22.9**
Net profit (loss) [1]	1,414	-2,644	4,674	6,029	6,830	8,720	7,290	8,711	8,784	**10,864**
Net profit (loss) per share (€) [1]	1.41	-2.63	4.28	5.32	6.02	6.40	6.51	7.87	7.97	**9.84**
Diluted net profit (loss) per share (€) [1]	1.40	-2.63	4.28	5.31	6.02	6.40	6.51	7.87	7.97	**9.84**
Total dividend	556	0	1,971	2,346	2,349	2,407	2,621	3,477	3,477	**3,905**
Dividend per share (€)	0.60	0.00	1.85	2.20	2.20	2.25	2.45	3.25	3.25	**3.65**
From the statements of financial position										
Property, plant and equipment	16,087	15,965	17,593	19,180	20,599	21,779	23,182	24,322	26,381	**27,981**
Leased equipment	18,672	18,532	19,925	22,811	26,058	28,160	33,050	38,942	46,942	**47,714**
Other non-current assets [1]	42,077	40,044	41,309	45,023	48,947	48,138	56,258	62,055	67,613	**73,175**
Inventories	16,805	12,845	14,544	17,081	17,720	17,349	20,864	23,760	25,384	**25,686**
Liquid assets	6,912	9,800	10,903	9,576	10,996	11,053	9,667	9,936	10,981	**12,072**
Other current assets	31,672	31,635	31,556	34,461	38,742	42,039	46,614	58,151	65,687	**68,977**
Total assets [1]	132,225	128,821	135,830	148,132	163,062	168,518	189,635	217,166	242,988	**255,605**
Shareholders' equity [1]	32,730	31,827	37,953	41,337	39,330	43,363	44,584	54,624	59,133	**65,314**
thereof share capital	2,768	3,045	3,058	3,060	3,063	3,069	3,070	3,070	3,070	**3,070**
Equity ratio Group (%) [1]	24.3	24.7	26.5	26.3	22.7	24.3	22.1	23.6	22.9	**24.0**
Equity ratio industrial business (%) [1]	42.7	42.6	45.8	46.4	39.8	43.4	40.8	44.2	44.7	**46.4**
Non-current liabilities [1]	47,313	49,456	44,738	51,940	65,016	66,047	78,077	85,461	99,398	**103,186**
Current liabilities [1]	52,182	47,538	53,139	54,855	58,716	59,108	66,974	77,081	84,457	**87,105**
Net liquidity industrial business	3,106	7,285	11,938	11,981	11,508	13,834	16,953	18,580	19,737	**16,597**
Net assets (average) [1, 3]	31,466	31,778	29,338	31,426	37,521	40,648	40,779	44,796	47,054	**48,514**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
€ amounts in millions										
From the statements of cash flows										
Investments in property, plant and equipment	3,559	2,423	3,653	4,158	4,827	4,975	4,844	5,075	5,889	**6,744**
Depreciation and amortization	3,023	3,264	3,364	3,575	4,067	4,368	4,999	5,384	5,478	**5,676**
Cash provided by (used for) operating activities	-786	10,961	8,544	-696	-1,100	3,285	-1,274	222	3,711	**-1,652**
investing activities	-4,812	-8,950	-313	-6,537	-8,864	-6,829	-2,709	-9,722	-14,666	**-9,518**
financing activities	-2,915	1,057	-7,551	5,842	11,506	3,855	2,274	9,631	12,009	**13,129**
Free cash flow of the industrial business	-3,915	2,706	5,432	989	1,452	4,842	5,479	3,960	3,874	**2,005**
From the stock exchanges										
Share price at year-end (€)	26.70	37.23	50.73	33.92	41.32	62.90	68.97	77.58	70.72	**70.80**
Average shares outstanding (in millions)	957.7	1,003.8	1,050.8	1,066.0	1,066.8	1,068.8	1,069.8	1,069.8	1,069.8	**1,069.8**
Average diluted shares outstanding (in millions)	959.9	1,003.8	1,051.5	1,067.1	1,067.1	1,069.1	1,069.8	1,069.8	1,069.8	**1,069.8**
Ratings										
Credit rating, long-term										
Standard & Poor's	A-	BBB+	BBB+	BBB+	A-	A-	A-	A-	A	**A**
Moody's	A3	A3	A3	A3	A3	A3	A3	A3	A3	**A2**
Fitch	A-	BBB+	BBB+	A-	A-	A-	A-	A-	A-	**A-**
DBRS	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)	**A**
Scope	–	–	–	–	–	–	–	–	–	**A**
Average annual number of employees	274,330	258,628	258,120	267,274	274,605	275,384	279,857	284,562	284,957	**289,530**

1 For the year 2012, the figures have been adjusted, primarily for effects arising from application of the amended version of IAS 19.
2 For the year 2013, the figure has been adjusted due to reclassifications within functional costs.
3 In the context of fine tuning the performance measurement system, the definition of net assets was adjusted with retroactive effect as of 2015.

Glossary

BRIC
This abbreviation stands for the four countries of Brazil, Russia, India and China.

CASE
Four strategic fields for the future of mobility: connectivity (Connected), autonomous driving (Autonomous), flexible use and services (Shared & Services), and electric drive systems (Electric).

Compliance
By the term compliance, we understand adherence to all laws, rules, regulations and voluntary commitments, as well as the related internal guidelines and policies in connection with all activities of the Daimler Group.

Consolidated Group
The consolidated Group is the total of all those companies that are included in the consolidated financial statements.

Corporate governance
The term corporate governance applies to the proper management and supervision of a company. The structure of corporate governance at Daimler AG is determined by Germany's Stock Corporation Act (AktG), Codetermination Act (MitbestG) and capital-market legislation.

Cost of capital
The cost of capital is the product of the average amount of capital employed and the cost-of-capital rate. The cost-of-capital rate is derived from the investors' required rate of return. page 94

CSR – corporate social responsibility
A collective term for the social responsibility assumed by companies, including economic, environmental and social aspects.

EBIT
Earnings before interest and taxes are the measure of operating profit before taxes. pages 101 ff

Equity method
Accounting and valuation method for shareholdings in associated companies and joint ventures.

EU30
The region EU30 includes the 28 member states of the European Union plus Norway and Switzerland.

Fair value
The amount for which an asset or liability could be exchanged in an arm's length transaction between knowledgeable and willing parties who are independent of each other.

Goodwill
Goodwill represents the excess of the cost of an acquired business over the fair values assigned to the separately identifiable assets acquired and liabilities assumed.

Hybrid drive
Hybrid drive systems combine internal-combustion engines with electric motors, which can be operated separately or together depending on the type of vehicle and driving situation.

IFRS – International Financial Reporting Standards
The IFRS are a set of standards and interpretations for companies' external accounting and financial reporting developed by an independent private-sector committee, the International Accounting Standards Board (IASB).

Integrity Code
The "Integrity Code" has been in effect since November 2012. It defines the principles of behavior and guidelines for everyday conduct that are applicable at Daimler. Fairness, responsibility and compliance with legislation are key principles in this context.

INTELLIGENT DRIVE
With this new technology from Mercedes-Benz, thanks to improved environment sensors, intelligent assistance systems analyze complex situations and recognize potential dangers in road traffic even better.

Lithium-ion batteries
They are at the heart of future electric drive systems. Compared with conventional batteries, lithium-ion batteries are considerably smaller and feature significantly higher power density, short charging times and long lives.

NEDC – New European Driving Cycle
A measuring method used in Europe for the objective assessment of vehicles' fuel consumption.

Net assets
Net assets represent the capital employed by the Group and the industrial divisions. The relevant capital basis for Daimler Financial Services is equity capital.
page 106

Rating
An assessment of a company's creditworthiness issued by a rating agency.

RDE
Since September 2017, emissions of particulate matter, nitrogen oxides and other pollutants have had to be measured using mobile equipment and the Real Driving Emissions (RDE) test.
page 219

ROE – return on equity
The profitability of Daimler Financial Services is measured by return on equity. ROE is defined as the quotient of EBIT and shareholders' equity.

ROS – return on sales
The profitability of the industrial divisions is measured by return on sales. ROS is defined as the quotient of EBIT and revenue.

Value added
Value added indicates the extent to which operating profit exceeds the cost of capital. When value added is positive, return on net assets is higher than the cost of capital.
pages 105 f

Value at risk
This measures the potential future loss (related to market value) for a given portfolio in a certain period and for which there is a certain probability that it will not be exceeded.

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Daimler Worldwide

G.02

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Sales Organization Automotive Businesses	Daimler Financial Services
Europe						
Production locations	14	7	3	7	–	–
Sales outlets	–	–	–	–	3,940	54
Revenue (in millions of euros)	40,426	11,226	9,798	3,081	–	10,592
Employees	124,565	35,808	22,231	15,774	–	8,549
NAFTA						
Production locations	1	14	1	1	–	–
Sales outlets	–	–	–	–	1,516	4
Revenue (in millions of euros)	20,226	14,822	1,522	280	–	10,438
Employees	9,383	21,507	713	490	–	1,922
Latin America (excluding Mexico)						
Production locations	2	2	1	3	–	–
Sales outlets	–	–	–	–	688	2
Revenue (in millions of euros)	1,037	1,699	521	734	–	290
Employees	837	7,866	2,023	1,474	–	335
Africa						
Production locations	1	–	–	1	–	–
Sales outlets	–	–	–	–	380	1
Revenue (in millions of euros)	1,413	936	229	58	–	381
Employees	3,780	498	142	74	–	165
Asia						
Production locations	2	3	–	2	–	–
Sales outlets	–	–	–	–	2,409	9
Revenue (in millions of euros)	29,673	6,351	839	159	–	1,774
Employees	3,768	13,601	62	449	–	1,819
Australia/Oceania						
Production locations	–	–	–	–	–	–
Sales outlets	–	–	–	–	253	2
Revenue (in millions of euros)	1,901	673	255	49	–	288
Employees	333	203	84	31	–	222

Notes: Unconsolidated revenue of each division (segment revenue).

Internet, Information, Financial Calendar

Information on the Internet
Special information on our shares and earnings development can be found in the "Investor Relations" section of our website. daimler.com It includes the Group's annual and interim reports and the company financial statements of Daimler AG. You can also find topical reports, presentations, an overview of various key figures, information on our share price and other services.
daimler.com/investors

Publications for our shareholders:

Annual Report
(German, English)

Interim Reports for the 1st, 2nd and 3rd quarters
(German, English)

Responsibility – Focus Sustainability 2017
(German, English)

Daimler Corporate Brochure
(German, English)

daimler.com/ir/reports
daimler.com/downloads/en

The aforementioned publications can be requested from:
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Financial Calendar 2018

Annual Shareholders' Meeting 2018
April 5, 2018

Interim Report Q1 2018
April 27, 2018

Interim Report Q2 2018
July 26, 2018

Interim Report Q3 2018
October 25, 2018

As changes to the above dates cannot be ruled out, it is advisable to check on our website a short time in advance.
daimler.com/ir/calendar

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