DAIMLER

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Daimler continues along its successful path – best-ever unit sales and revenue in a third quarter

- **Unit sales significantly above prior-year level at 824,100 vehicles (+9%)**
- **Revenue up by 6% to €40.8 billion**
- **Group EBIT of €3.5 billion (Q3 2016: €4.0 billion)**
- **Net profit of €2.3 billion (Q3 2016: €2.7 billion)**
- **Free cash flow of industrial business of €5.8 billion in first nine months (Q3 2016: €2.6 billion)**
- **Significant growth in unit sales and revenue anticipated for full-year 2017**
- **Group EBIT expected to be significantly higher than in 2016**
- **Dr. Dieter Zetsche, Chairman of the Board of Management of Daimler AG and Head of Mercedes-Benz Cars: "Daimler is operating successfully and leads the premium segment with Mercedes-Benz. Now is therefore the right time to examine – from a position of strength – whether we can position ourselves even better to shape the automotive era definitively and successfully from the top."**
- **Bodo Uebber, Member of the Board of Management of Daimler AG responsible for Finance & Controlling and Daimler Financial Services: "To remain competitive over the long term combined with sustainable profitability, it is essential to be agile and flexible and to continuously develop further. For us, safeguarding Daimler's future is based on three elements: protecting and increasing the Group's success, pushing forward with shaping the future for the employees, and ensuring the long-term commitment of investors."**

Stuttgart, Germany – Daimler AG (ticker symbol DAI) continued along its successful path in the first nine months of 2017 and achieved best-ever figures for unit sales, revenue and EBIT in this period. From July through September, the Daimler Group once again increased its unit sales and revenue. Daimler sold 824,100 cars and commercial vehicles in the third quarter (+9%), setting a new record for **total unit sales**. All automotive divisions contributed to the best-ever quarterly unit sales, especially Mercedes-Benz Cars, which has now posted its 55th consecutive record month (Q3 2017: 597,300 units, +6%), and the significant increase in unit sales by Daimler Trucks (126,600 units, +30%). **Group revenue** amounted to €40.8 billion in the third quarter, und which is 6% above the prior-year level. Adjusted for exchange-rate effects, revenue rose by 8%.

The **Daimler Group's** third-quarter **EBIT** of €3,458 million in 2017 was significantly below the prior-year figure of €4,037 million. **Net profit** amounted to €2,268 million (Q3 2016: €2,726 million). Net profit attributable to the shareholders of Daimler AG amounts to €2,177 million (Q3 2016: €2,595 million), representing **earnings per share** of €2.03 (Q3 2016: €2.43).

The EBIT of the Mercedes-Benz Cars division was significantly below the prior-year figure, due in particular to expenses in connection with warranty measures and expenses for voluntary service activities. The Mercedes-Benz Vans and Daimler Buses divisions also posted significantly lower EBIT than in the third quarter of last year. On the other hand, Daimler Trucks significantly surpassed its earnings of the prior-year period, due in particular to growing unit sales in the NAFTA region and Asia. Daimler Financial Services also achieved a significant increase in third-quarter EBIT. The reconciliation of segment earnings to Group EBIT resulted in a considerably lower contribution to earnings than in the prior-year quarter.

“Daimler is operating successfully and leads the premium segment with Mercedes-Benz. Now is therefore the right time to examine – from a position of strength – whether we can position ourselves even better to shape the automotive era definitively and successfully from the top: with cars, vans, trucks, buses, financial services and mobility services. Because we intend to be at the top over the long term,” stated Dr. Dieter Zetsche, Chairman of the Board of Management of Daimler AG and Head of Mercedes-Benz Cars. “This project aims to strengthen the future viability of the business units in order to better utilize the potential for growth and earnings in the various markets.”

Daimler intends – subject to the approval of the Supervisory Board – to focus and strengthen the Group's business structure through the creation of legally independent entities. In addition to the existing legally independent Daimler Financial Services division, the divisions Mercedes-Benz Cars & Vans as well as Daimler Trucks & Buses may be transferred into two legally independent entities to give them greater entrepreneurial responsibility. Close consultation is taking place with the employee representatives; an agreement has been reached on the cornerstones of a balance of interests to secure Daimler's employees' future. Major elements are the extension of the agreement on safeguarding employment until the end of 2029 (»Zukunftssicherung 2030«) and increasing the funded status of pension obligations.

“To remain competitive over the long term combined with sustainable profitability, it is essential to be agile and flexible and to continuously develop further,” said Bodo Uebber, Member of the Board of Management of Daimler AG responsible for Finance & Controlling and Daimler Financial Services. “For us, safeguarding Daimler's future is based on three elements: protecting and increasing the Group's success, pushing forward with shaping the future for the employees, and ensuring the long-term commitment of investors. With these three factors, we will achieve – from a position of strength - the best-possible structure for the future, enabling us to continue along our successful path. In this way, we will create value for our employees, customers and investors.”

Free cash flow und liquidity

In the first nine months of 2017, the **free cash flow of the industrial business** amounted to €5.8 billion (Q1-3 2016: €2.6 billion). This increase resulted from the positive business performance and the positive development of working capital. Another factor affecting comparison with the prior-year period is the cash outflow in 2016 in 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. A cash inflow of €0.8 billion resulted from the dividend distributed by Beijing Benz Automotive Co., Ltd. In addition, the sale of real estate by Mitsubishi Fuso Truck and Bus Corporation at the Kawasaki site in Japan led to a cash inflow of €0.3 billion. Opposing effects resulted from increased investments in intangible assets and property, plant and equipment and from the acquisition of an interest in LSH Auto International Limited (LSHAI).

Compared with December 31, 2016, the **net liquidity of the industrial business** increased from €19.7 billion to €20.8 billion. The increase was mainly due to the positive free cash flow. Opposing effects resulted from the dividend payment to shareholders of Daimler AG and negative exchange-rate effects.

The Daimler Group once again utilized attractive conditions in the international money and capital markets for **refinancing** in the first three quarters of 2017. In the first nine months of 2017, Daimler had a cash inflow of €16.6 billion from the issuance of bonds (Q1-3 2016: €16.4 billion). The redemption of bonds resulted in cash outflows of €10.6 billion (Q1-3 2016: €8.1 billion). A large proportion of the issuance volume was carried out in the form of so-called benchmark bonds (bonds with high nominal values). In addition, multiple smaller issuances were undertaken in various countries. In August, Daimler placed a so-called panda-bond with a volume of RMB5.0 billion in the capital market of the People's Republic of China. In the third quarter, asset-backed securities (ABS) transactions were also conducted in China, the United States and Australia. In China, transactions of RMB5.0 billion were successfully placed in the market. In Australia, a first-time ABS transaction was placed in July (AUD0.8 billion). In addition, a refinancing volume of US$2.1 billion was generated with an ABS transaction in the United States.

Workforce

At the end of the third quarter of 2017, the Daimler Group had 292,121 **employees** worldwide (end of 2016: 282,488; Q3 2016: 284,482). Of that total, 175,166 were employed in Germany (end of 2016: 170,034) and 23,513 in the United States (end of 2016: 21,857). The consolidated companies in China had 3,986 employees at the end of September (end of 2016: 3,696).

Details of the divisions

The third quarter of this year had the strongest quarterly unit sales of **Mercedes-Benz Cars** so far. Worldwide, 597,300 automobiles of the Mercedes-Benz and smart brand were sold in that period (+6%). In Europe, the two brands posted a record quarter (+3%), with an increase of 5% in Germany. Belgium, Switzerland, Poland, Austria and Sweden contributed to the success in Europe with record **unit sales**. Demand in China including Hong Kong increased by 21% to a best-ever volume. Record unit sales were achieved also in Australia, India, Taiwan, Thailand as well as Canada. Sales of automobiles in the United States were affected by a generally contracting US market and amounted to 82,200 units in the past quarter (Q3 2016: 89,900).

Revenue increased by 1% to €23.4 billion. The division's third-quarter **EBIT** of €2,147 million was significantly lower than the figure for the prior-year period of €2,746 million. The division's **return on sales** was 9.2% (Q3 2016: 11.8%). The strong demand for SUVs had a positive effect on EBIT in the third quarter of 2017. On the other hand, earnings were negatively affected by expenses for a vehicle recall (€230 million) and expenses for voluntary service activities in connection with a comprehensive plan for diesel engines (€223 million). Furthermore, advance expenditure for new technologies and future products also had an impact on EBIT.

Unit sales by **Daimler Trucks** increased by 30% to 126,600 vehicles in the third quarter of 2017. The division's unit sales in the NAFTA region increased significantly to 45,300 vehicles (Q3 2016: 31,400). Significant growth was achieved also in Asia with sales of 40,000 trucks (Q3 2016: 28,100), due in particular to positive developments in Indonesia with sales of 11,900 units (Q3 2016: 6,700). Sales of 4,900 trucks in India were also significantly higher than in the prior-year period (Q3 2016: 2,400). In Japan, one of the major markets, sales of 11,900 trucks were around the prior-year level (Q3 2016: 11,700). Sales decreased slightly in the EU30 region (European Union, Switzerland and Norway) to 20,900 vehicles (Q3 2016: 21,300) and in Germany to 8,100 vehicles (Q3 2016: 8,300). After a prolonged weaker phase in Turkey, sales there developed positively with 3,400 units sold (Q3 2016: 1,700). In Latin America, unit sales were slightly above the level of the third quarter of last year. In Brazil, 3,700 vehicles were delivered, more than in the prior-year period for the first time once again (Q3 2016: 3,500). The joint venture in China increased its sales of Auman Trucks by 78% to 30,000 units.

Revenue of €9.2 billion was also significantly higher than in the prior-year period (Q3 2016: €7.9 billion). The division achieved **EBIT** of €614 million, which is significantly above the prior-year figure of €464 million. Its **return on sales** rose to 6.7% (Q3 2016: 5.9%). Earnings were boosted by growing unit sales in the NAFTA region and Asia as well as efficiency enhancements. Expenses for the planned fixed-cost optimization (€70 million) affected EBIT negatively. Higher expenses mainly for raw materials, new technologies and future products had also a negative impact on earnings.

Mercedes-Benz Vans increased its unit sales by 9% to the new third-quarter record of 93,100. In the EU30 region, the van division's third-quarter unit sales increased by 2%. Growth was particularly strong in the United Kingdom (+8%), Austria (+21%), Spain (+8%), Poland (+11%) and Switzerland (+9%). In the important German market, the van division had another very good third quarter (+2%). The development was very positive in the NAFTA region with growth of 19%. Unit sales increased significantly in both the United States and Latin America with rates of 17%, and 22% respectively. This was aided by the significant market recovery in Argentina as well as the very pleasing development in Brazil, despite the contraction of the overall market there. In China, Mercedes-Benz Vans further improved its position and posted its best-ever quarterly sales of 6,800 units (+64%).

Revenue of €3.1 billion was at the prior-year level. The division achieved **EBIT** of €218 million, which is significantly lower than the prior-year level (Q3 2016: €312 million). Its **return on sales** decreased to 7.1%, compared to 10.0% in the third quarter of last year. EBIT was influenced by expenses for new products and higher raw material prices. In addition, EBIT decreased due to the end of a contract manufacturing arrangement. Higher unit sales, particularly in Europe, the NAFTA region and China, only partially offset this effect.

Daimler Buses' third-quarter **unit sales** increased by 17% to 7,200 units. In the EU30 region, Daimler Buses sold 1,900 complete buses and bus chassis of the Mercedes-Benz and Setra brands in the third quarter (+1%). In Germany, the domestic market, the bus division maintained its undisputed market leadership with sales at the prior-year level. In Latin America (excluding Mexico), our unit sales increased significantly to 3,600 bus chassis (Q3 2016: 2,200). In Mexico, Daimler Buses sold 800 units in the third quarter (Q3 2016: 1,200).

Revenue of €1.0 billion was significantly higher than in the same period of last year (Q3 2016: €0.9 billion). Daimler Buses' **EBIT** of €26 million was significantly lower than the earnings in the prior-year period (Q3 2016: €45 million). **Return on sales** decreased to 2.6% (Q3 2016: 4.8%). The sales increase in Latin America and further efficiency enhancements did not offset negative exchange-rate effects and cost inflation, mainly in Latin America.

Daimler Financial Services increased its **new business** once again in the third quarter of 2017. Worldwide, 481,400 new leasing and financing contracts were concluded with a total volume of €17.4 billion, which is 11% more than in the prior-year period. **Contract volume** reached €135.8 billion at the end of September and was thus 2% higher than at year-end 2016. Adjusted for exchange-rate effects, contract volume grew by 8%. The **total number of mobility services users** increased to 15.9 million worldwide (+116%). The number of car2go customers grew to 2.8 million in the third quarter. By the end of September, the moovel Group registered approximately 16.4 million transactions on its apps. In August, the moovel Group acquired the Hamburg startup Familonet, a location-based app with more than 2 million users. mytaxi, Europe's number-one taxi app with more than 9.7 million registered users, started a pooling service under the label mytaxi match, which allows several customers to share a taxi.

In the third quarter of 2017, the Daimler Financial Services division's **EBIT** of €507 million significantly surpassed the prior-year figure (Q3 2016: €438 million). This positive development was mainly the result of increased contract volume and lower cost of risk. On the other hand, the higher level of interest rates impacted earnings negatively.

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 €62 million in the third quarter of 2017 (Q3 2016: income of €39 million). Losses on equity-method investments of €53 million are included (Q3 2016: profit of €21 million). The elimination of intra-group transactions resulted in an income of €8 million in the third quarter of 2017 (Q3 2016: expense of €7 million).

Investment in the future

The Daimler Group invested €1.5 billion in **property, plant and equipment** in the third quarter of this year (Q3 2016: €1.4 billion). Most of that investment, €1.0 billion, was at the Mercedes-Benz Cars division (Q3 2016: €1.1 billion). The main focus of capital expenditure was on production preparations for the new generation of compact-class cars, especially the new A-Class. Another area of capital expenditure was for the ongoing expansion of the international production and component plants. At Daimler Trucks, the main investments were for new products and successor generations of existing products, global component projects and the optimization of the worldwide production network.

The Daimler Group's **research and development spending** in the third quarter of the year amounted to €2.3 billion (Q3 2016: €1.9 billion), of which €0.6 billion was capitalized (Q3 2016: €0.6 billion). Around three quarters of the research and development spending, €1.7 billion, was at the Mercedes-Benz Cars segment (Q3 2016: €1.4 billion). This already includes a substantial amount of advance expenditure for the mobility of the future. The other main areas were new vehicle models, fuel-efficient drive systems and the intensification of the modular strategy. Daimler Trucks invested primarily in the areas of emission reduction, alternative drive systems and future technologies, as well as in tailored products and technologies, especially for the Latin American markets and China.

Outlook for the markets

At the beginning of the fourth quarter, leading economic indicators suggest that the **world economy** will maintain its currently favorable rate of expansion. Forecasts for global economic growth in full-year 2017 have meanwhile stabilized at just above 3%.

According to recent assessments, **worldwide demand for cars** is likely to increase by approximately 2% from a high level this year. Only slight growth is expected for the **Chinese car market** due to last year's unusually high volume. However, a considerable number of purchases are expected to be brought forward to the remaining months of 2017, because tax incentives for buyers of cars with small engines seem likely to be terminated at the end of the year. So if the market grows faster than expected in the fourth quarter, China's importance would cause global growth to increase slightly. Although the **US market for cars and light trucks** remains at a high level, it will probably be slightly smaller than last year's volume. Slight growth is anticipated for the **European car market**. Following the strong revival of demand of recent years, the market in Western Europe should grow again slightly compared with 2016. In **Russia**, a significant recovery from a low level can be assumed. Significant growth is expected for the **Japanese market** and for demand in **India**.

Following the cyclical downturn of the prior year for the **truck market** in the **NAFTA region**, a noticeable recovery of demand has now started, which should continue in the coming months. Nonetheless, sales in classes 6-8 are likely to be slightly lower in full-year 2017 than in 2016. Daimler continues to anticipate a weaker development in the segment of heavy-duty trucks (class 8). Demand in the **EU30 region** is expected to stay close to the solid prior-year level. In the **Brazilian market**, despite recent signs of stabilization, it is to be assumed that truck sales will once again slightly decrease from last year's extremely weak level. Following last year's dramatic slump in demand in **Turkey**, another – if only slight – decrease is to be expected in 2017. The **Russian market** should recover significantly.

The most important **Asian markets** are likely to develop disparately in 2017. In **Japan**, demand for light-, medium- and heavy-duty trucks is likely to see a stable development at a solid level. The overall **Indonesian truck market** should be significantly above its level of 2016, following several years of significant contraction. In **India**, however, regulatory and fiscal changes have triggered uncertainty amongst truck customers. Due to the resulting purchasing restraint, significant market contraction is now to be expected for medium- and heavy-duty trucks. In **China**, there is an impact from special effects as well as from the economic recovery, so the market is likely to expand significantly compared with 2016.

For the year 2017, in the **EU30 region**, Daimler now expects significant market growth in the segment of **mid-size and large vans**. Slight market growth is anticipated for small vans. In the **United States**, demand for large vans is likely to remain stable. The market for large vans in **Latin America** should revive again significantly in 2017, but from a very low level. In **China**, a slight decrease in demand is now anticipated in the market addressed there.

Daimler now expects a market volume for **buses** in the **EU30 region** at the level of 2016. Market developments in **Latin America** continue to be affected by the currently difficult economic situation, especially in **Brazil**. Following the significant declines of recent years, demand is assumed to have bottomed out in the year 2016. A significant recovery is therefore anticipated in 2017, especially in Brazil, although the market volume will remain very low.

Outlook for the divisions

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

Also in the third quarter of 2017, **Mercedes-Benz Cars** continued along its successful path of the previous quarters and achieved the highest quarterly unit sales in the company's history. In full-year 2017, the car division plans for a **significant increase in unit sales** compared with the previous year and to achieve a new record level. This will be especially supported in the fourth quarter by the bestselling model families, the C-Class and E-Class, as well as by the SUVs. Since September, the comprehensively modernized S-Class sedan has been available also in the United States and its biggest sales market, China (in Europe since July), and should also boost unit sales in the fourth quarter. The refreshed S-Class coupe and convertible had their world premieres at the Frankfurt Motor Show. In addition, the sports-car and high-performance brand, **Mercedes-AMG**, will continue to be an important sales driver.

For the year 2017, **Daimler Trucks** now anticipates a **significant increase in its total unit sales** compared with 2016. In the NAFTA region, the truck division expects to further consolidate its strong market position and to sell significantly more trucks than in the previous year. A slight increase in unit sales is anticipated also in the EU30 region. The division assumes that its sales volume in Brazil will also slightly surpass the low level of the year 2016. In Japan, where the latest generation of the FUSO Super Great heavy-duty truck was presented this year, Daimler Trucks continues to expect its unit sales to be at a similar level to the previous year. Significantly increasing unit sales are anticipated also in Indonesia and India.

Mercedes-Benz Vans plans to achieve **significant growth in unit sales** in 2017. A significant increase in sales of vans is anticipated also in the EU30 region. In the context of the strategy for the division, »Mercedes-Benz Vans goes global«, the V-Class multipurpose vehicle and the Vito van were launched in 2016 also in China, the world's biggest market for motor vehicles. This will additionally boost demand there. And towards the end of this year, the division will enter the midsize-pickup segment with the X-Class, enabling it to further increase its worldwide unit sales in the long term.

Daimler Buses assumes that it will be able to defend its market leadership in its traditional core markets for buses above 8 tons with innovative, future-oriented and high-quality products. Overall, the division anticipates a **significant increase in unit sales** in the year 2017. In the EU30 region, it is now assumed that unit sales will be in the magnitude of the previous year. Following the significant decrease in Brazil last year, a significant recovery is expected for the year 2017, although still at a very low level. In Mexico, a slight decrease in unit sales is now anticipated.

Daimler Financial Services anticipates **significant growth in new business** and **further growth in contract volume** in the year 2017. This will continue to be driven by the good sales development of the automotive divisions, especially Mercedes-Benz Cars. An additional factor is that Daimler Financial Services is utilizing new market potential especially in Asia, and applying new and digital possibilities for customer contacts – in particular by systematically further developing its online sales channels. Good growth opportunities continue to be seen worldwide also in the field of innovative mobility services.

Outlook for Daimler

Daimler assumes that **Group revenue will increase significantly** in the year 2017. As a result of the significant growth in unit sales, the Mercedes-Benz Cars, Daimler Buses, and

Daimler Financial Services divisions expect significantly higher revenues than in 2016. Mercedes-Benz Vans anticipates slight revenue growth and the Daimler Trucks division now also expects its revenue to be significantly higher than in the previous year. In regional terms, the strongest growth is anticipated in Asia and Europe.

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

The individual **divisions** have the following expectations for EBIT in the year 2017:

– Mercedes-Benz Cars: significantly above the prior-year level,
– Daimler Trucks: significantly above the prior-year level,
– Mercedes-Benz Vans: around the prior-year level,
– Daimler Buses: slightly below the prior-year level, and
– Daimler Financial Services: significantly above the prior-year level.

Daimler Trucks anticipates expenses in connection with the planned optimization of fixed costs, especially at the Mercedes-Benz brand, of up to €0.2 billion, most of which will be recognized in 2017. Due to employee-transfer opportunities within the Daimler Group, Daimler Trucks now expects these expenses to be lower than originally assumed. In the first nine months of 2017, expenses of €94 million were recognized in this respect. The realization of the fixed cost reduction/optimization continues as scheduled.

The anticipated development of earnings in the automotive divisions will have a positive impact on the **free cash flow of the industrial business** also in the year 2017. Despite a further increase in advance expenditure for new products and technologies, the free cash flow from the industrial business – without taking into consideration a planned extraordinary contribution of €3.0 billion to the German pension plan assets of Daimler AG – should be slightly above the level of 2016 and thus higher than the dividend distribution in 2017. Taking into consideration the extraordinary contribution to the pension plan assets, we expect the free cash flow from the industrial business to be lower than in 2016. “With our good balance sheet and solid cash flow, we intend to increase the funded status of our pension obligations. In this way, we are reaffirming our pension commitments to our employees,” stated Bodo Uebber. Furthermore, the company intends to contribute to the strengthening of Daimler’s A-Rating.

In order to achieve its ambitious growth targets, Daimler will once **again significantly increase** its already very high **investment in property, plant and equipment** in the year 2017 (2016: €5.9 billion). Capital expenditure in 2017 at both Mercedes-Benz Cars and Daimler Trucks will primarily be for successor generations for existing products, new products, global component projects and the optimization of the worldwide production network.

With its **research and development activities**, Daimler anticipates a total volume **significantly above last year’s spending** of €7.6 billion. Key projects at Mercedes-Benz

Cars include successor models for the current S-Class and C-Class. In addition, the Group is investing in new, more efficient engines, alternatively driven vehicles and drive systems, autonomous driving and connectivity. At Daimler Trucks, the main areas of investment continue to be for improved fuel efficiency, alternative drive systems and future technologies, as well as the development of tailored products and technologies, especially for Latin America and China.

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

Important events

In July, Daimler announced its intention to carry out a feasibility study on the **creation of legally independent entities**. On the basis of the positive results of that feasibility analysis, the Board of Management decided in October – subject to the consent of the Supervisory Board – to continue with the project and in this context approved the preparatory measures to be taken. Daimler aims to focus and strengthen the business structures of the Group through the creation of legally independent entities. In addition to the existing Daimler Financial Services division, it is planned that the two divisions Mercedes-Benz Cars & Vans and Daimler Trucks & Buses will take greater entrepreneurial responsibility as legally independent entities. This project is intended to strengthen the future viability of the business units and better utilize the potential for growth and earnings in the various markets. Daimler will invest a three-digit million euro amount for the first steps. The company is in close consultations with the employee representatives and has reached an agreement on the cornerstones of a balance of interests for the workforce. Major elements of that balance of interests are the extension of the agreement on safeguarding employment until the end of 2029 (»Securing the Future 2030«), increasing the funded status of pension obligations and extending the common profit-sharing bonus at Daimler AG.

In July, the Daimler Board of Management decided on comprehensive **future plan for diesel engines**. It includes the massive expansion of the current voluntary service activities for customers' vehicles as well as the rapid market launch of a completely newly developed family of diesel engines. Already since March, Mercedes-Benz has offered owners of compact-class vehicles an improvement in NOx emissions for one engine version. In order to effectively improve the emissions of other model series as well, the Board of Management of Daimler AG decided this July to extend the service activities to more than three million Mercedes-Benz vehicles. The measures for a large proportion of EU5 and EU6 vehicles in Europe and other markets are being carried out in close consultation with the regulatory authorities. In this respect, Daimler is spending an amount of €223 million. The service action will be carried out for customers free of charge. In order to rejuvenate the fleet of vehicles on the roads, Daimler is offering owners of EU1 to EU4 diesel cars in Europe a bonus of €2,000 when they buy or order a new Mercedes-Benz car this year. The bonus for a new smart electric drive is €1,000. Daimler is participating in the mobility fund that has been jointly launched by the German government and German industry in line with its market share.

Mercedes-Benz Vans is entering the ride-sharing market. In this context, the Daimler Group's van division is founding a **joint venture** together with the New York-based **startup, Via**. The contract was signed in early September in Stuttgart. Via's intelligent algorithm facilitates a dynamic mass-transportation system that supplements the public-transportation system and reduces road traffic in cities. In this way, the technology from Via and the engineering from Mercedes-Benz Vans form a perfect combination for efficient, inexpensive and sustainable ride-sharing services.

Mercedes-Benz is systematically continuing its global electric offensive. Electric vehicles of the **EQ product** and technology brand are to drive off the production line at the US plant in **Tuscaloosa**. It is also planned to set up a battery factory near the existing car plant. Mercedes-Benz intends to **invest** a total of **US$1 billion** in the expansion of its industrial activities in the region, which should result in the creation of more than 600 new jobs. In the future, Mercedes-Benz Cars will thus have six production sites for electric vehicles and five production sites for batteries on three continents. In total, Daimler is investing over €1 billion in a global battery production network. As in vehicle production, this network can react flexibly and efficiently to market demand.

Daimler's Brazilian subsidiary **Mercedes-Benz do Brasil** will **invest approximately €600 million** in its commercial-vehicle business in the next five years. In this way, the biggest manufacturer of commercial vehicles in Latin America is underscoring its strong commitment to the Brazilian market. The investment will flow into the modernization of the model range, digital services and the two largest production plants in São Bernardo do Campo and Juiz de Fora. By 2022, both plants are to meet the highest production standards, making them even more competitive. Since 2010, Daimler has invested approximately €1 billion in Brazil.

The Daimler Group's **truck division** has **invested** in the Israeli company **StoreDot Ltd**. in the context of a recent capital increase at StoreDot. A representative of Daimler AG will be a member of the board of directors. Founded in 2012, StoreDot is a pioneer in the field of nanotechnology materials and one of the leading companies for electrical charging systems and energy-storage materials. The two partners have also agreed on a **strategic partnership** with a focus on **rapid battery charging**.

Daimler Buses is the world's biggest and most profitable bus manufacturer. In order to remain fit for the future at its sites in Europe, the management and works council agreed in September on a **future package** for **efficiency enhancements** in production. Furthermore, Daimler Buses will systematically continue to shape the future of mobility. In the coming years, a total of **approximately €340 million will be invested**. Of that total, about €140 million will flow into the plants in Europe for optimized structures and more efficient processes. In this context, EvoBus GmbH is also extending the **future safeguards** for its employees in Germany **until the end of 2024**. In addition, the Daimler Buses division is pushing forward with the implementation of the **CASE strategy** and will **invest**

approximately €200 million in this area by 2020. Further investment in CASE and thus in the future of Daimler Buses is to follow.

Daimler is the **first truck manufacturer** in the United States to test digitally linked trucks – so-called **platooning** – on **public highways**. This was announced in September at the North American Commercial Vehicle Show in Atlanta. With truck platooning, connectivity and automated driving enhance safety with trucks driving in a convoy and reduce stress on drivers, as well as improving fuel efficiency due to reduced distances between the trucks. Following successful tests on the test track of Daimler Trucks North America (DTNA) in Madras, Oregon, DTNA was licensed by the regional regulatory authority Oregon Department of Transportation (ODOT) to test the system on public highways. As the first step, DTNA is testing its platooning technology in two coupled Freightliner New Cascadia semitrailer-truck combinations (pairing).

Mercedes-Benz Vans has been active **in China for ten years** with its **joint venture Fujian Benz Automotive** Co., Ltd. (FBAC). Daimler's van division celebrated this anniversary together with partners with an event at the FBAC site in Fuzhou in September. China is the world's biggest car market and meanwhile one of the most important growth drivers for Mercedes-Benz Vans. Local production at FBAC – made in China for China – plays a key role for the vans with the three-pointed star. Solely **in the first nine months of this year**, Mercedes-Benz Vans sold around **17,500 vehicles in China**, representing growth of 78% compared with the prior-year period.

Investment is continuing at the **Mercedes-Benz plant in Mannheim**: the Building 150 of the engine plant is gaining a north wing approximately 100 meters long in order to further optimize production processes and internal routines. Groundbreaking took place in early September and the new building will go into operation in the second half of 2018. This construction is part of the extensive **investment plan** for the Mercedes-Benz plant in Mannheim, which has a total volume of **€1 billion in the period of 2014 through 2020**. A large proportion of this investment will flow into product projects and capacity expansion for the new engine series, the heavy-duty engine platform and the medium-duty engine generation.

Business Innovation, Daimler's innovation incubator, had its **tenth anniversary** in late August. Like a startup, this "think-and-act tank" has been successfully working on the development of ideas and projects for new business models since 2007. It has resulted for example in the flexible car-sharing service, car2go, the mobility app, moovel, and the digital access to the world of Mercedes-Benz, Mercedes me. On the occasion of the anniversary, Daimler is now starting the next stage of evolution in its innovation process: **Business Innovation is becoming Lab1886.** The goal is to move faster from the idea to the product or business model. Lab1886 will function as a new innovation laboratory for Daimler with its own incubator, providing not only hardware and software, but also qualified personnel that expertly support the Daimler employees with implementation.

In September, Daimler Trucks launched the **FUSO eCanter** in New York, the world's **first fully electric light-duty truck from series production**. The first customers in the United States are (UPS) United Parcel Service and four charitable organizations in New York. Since July, the FUSO eCanter has been produced in Tramagal, Portugal, for Europe and the United States; the trucks for Japan are produced in Kawasaki. Within the next few years, a total of 500 trucks of this generation are to be delivered to selected customers. Large-scale production is planned for 2019.

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Figures for the 3rd quarter and the first nine months 2017

Daimler Group	Q3 2017	Q3 2016	Change 17/16	YTD 2017	YTD 2016	Change 17/16
Revenue, in millions of EUR	40,807	38,597	+ 6 %	120,741	112,260	+ 8 %
EBIT, in millions of EUR	3,458	4,037	- 14 %	11,212	9,443	+ 19 %
Net profit, in millions of EUR	2,268	2,726	- 17 %	7,576	6,578	+ 15 %
Earnings per share (EPS), in EUR	2.03	2.43	- 16 %	6.84	5.96	+ 15 %
Employees (Sept. 30)	292,121	284,482	+ 3 %	292,121	284,482	+ 3 %
Net liquidity (industrial business, Sept. 30), in millions of EUR	20,832	17,906	+ 16 %	20,832	17,906	+ 16 %
Free cash flow (industrial business), in millions of EUR	2,733	473	+ 478 %	5,771	2,593	+ 123 %

EBIT by Divisions in millions of EUR	Q3 2017	Q3 2016	Change 17/16	YTD 2017	YTD 2016	Change 17/16
Mercedes-Benz Cars	2,147	2,746	- 22 %	6,785	5,551	+ 22 %
Daimler Trucks	614	464	+ 32 %	1,825	1,601	+ 14 %
Mercedes-Benz Vans	218	312	- 30 %	933	1,014	- 8 %
Daimler Buses	26	45	- 42 %	155	172	- 10 %
Daimler Financial Services	507	438	+ 16 %	1,553	1,349	+ 15 %

RoS by Divisions in %	Q3 2017	Q3 2016	Change 17/16	YTD 2017	YTD 2016	Change 17/16
Mercedes-Benz Cars	9.2	11.8	- 2.6 %pts.	9.7	8.5	+ 1.2 %pts.
Daimler Trucks	6.7	5.9	+ 0.8 %pts.	7.0	6.5	+ 0.5 %pts.
Mercedes-Benz Vans	7.1	10.0	- 2.9 %pts.	9.9	10.8	- 0.9 %pts.
Daimler Buses	2.6	4.8	- 2.2 %pts.	5.1	6.0	- 0.9 %pts.
Daimler Financial Services (RoE)	18.5	17.7	+ 0.8 %pts.	18.9	18.1	+ 0.8 %pts.

Revenue by Divisions in millions of EUR	Q3 2017	Q3 2016	Change 17/16	YTD 2017	YTD 2016	Change 17/16
Mercedes-Benz Cars	23,449	23,251	+ 1 %	69,743	65,353	+ 7 %
Daimler Trucks	9,199	7,851	+ 17 %	26,167	24,721	+ 6 %
Mercedes-Benz Vans	3,077	3,120	- 1 %	9,394	9,376	+ 0 %
Daimler Buses	1,010	937	+ 8 %	3,064	2,889	+ 6 %
Daimler Financial Services	5,835	5,133	+ 14 %	17,676	15,009	+ 18 %

Sales in units	Q3 2017	Q3 2016	Change 17/16	YTD 2017	YTD 2016	Change 17/16
Daimler Group	824,130	754,130	+ 9 %	2,400,893	2,199,355	+ 9 %
Mercedes-Benz Cars	597,253	565,564	+ 6 %	1,760,501	1,608,837	+ 9 %
Daimler Trucks	126,558	97,143	+ 30 %	336,994	311,089	+ 8 %
Mercedes-Benz Vans	93,106	85,238	+ 9 %	283,277	261,468	+ 8 %
Daimler Buses	7,213	6,185	+ 17 %	20,121	17,961	+ 12 %