Corporate Profile

Business model

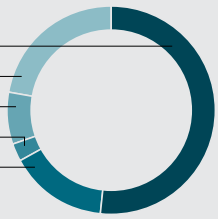
Daimler can look back on a tradition covering more than 130 years – a tradition that goes back to Gottlieb Daimler and Carl Benz, the inventors of the automobile, and features pioneering achievements in automotive engineering. Today, the Daimler Group is a globally leading vehicle manufacturer with an outstanding range of premium cars, 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 actively shaping that change. Daimler AG is the parent company of the Daimler Group and its headquarters are in Stuttgart. With the new corporate structure, effective as of January 1, 2020, the Group's business operations under the umbrella of Daimler AG are no longer managed in five divisions, but in three. Mercedes-Benz AG is responsible for the business of Mercedes-Benz Cars & Vans and Daimler Truck AG combines the activities of Daimler Trucks & Buses. Daimler Financial Services, which had already been legally independent for many years, was renamed as Daimler Mobility AG in July.

With the new structure, Daimler AG carries out the functions of steering and governance and provides services for the companies of the Group. As the parent company, it also defines the Group's strategy, makes strategic decisions for business operations, and ensures the effectiveness of organizational, legal, and compliance-related functions throughout the Group.

B.01

Group revenue by division

Mercedes-Benz Cars	51.9%
Daimler Trucks	22.2%
Mercedes-Benz Vans	8.0%
Daimler Buses	2.6%
Daimler Mobility	15.3%



We have used the previous structure of five divisions in our report on financial year 2019, analogously to the reports for the first three quarters of the year. The new reporting structure with three divisions will be used as of the first quarter of 2020.

The management reports for Daimler AG and for the Daimler Group are combined within this annual report.

With its strong brands, Daimler is active in nearly all the countries of the world. The Group has production facilities in Europe, North and South America, Asia and Africa. The global networking of research and development activities as well as of production and sales locations gives Daimler advantages in the international competitive field and also offers additional growth opportunities.

In 2019, Daimler increased its revenue by 3% to €172.7 billion. The Group's five divisions contributed to this total as follows: Mercedes-Benz Cars 52%, Daimler Trucks 22%, Mercedes-Benz Vans 8%, Daimler Buses 3% and Daimler Mobility 15%. At the end of 2019, Daimler employed a total workforce of more than 298,000 people worldwide.

The products supplied by the **Mercedes-Benz Cars** division comprise a broad spectrum of premium vehicles of the Mercedes-Benz brand, the Mercedes-AMG high-performance brand and the Mercedes-Maybach luxury brand. These vehicles range from compact models to a highly varied portfolio of off-road vehicles, roadsters, coupes and convertibles, and to the S-Class luxury sedans. The product range is rounded out by the Mercedes me brand and the high-quality small cars of the smart brand. In 2016, we launched the new EQ (Electric Intelligence) brand for all of our activities related to electric mobility. The most important markets for Mercedes-Benz Cars in 2019 were China with 29% of unit sales, Germany (14%), the other European markets (28%), the United States (13%), South Korea (3%) and Japan (3%). The Mercedes-Benz Cars division is continuously refining its flexible production network consisting of a total of more than 30 locations on four continents. In particular, we are preparing our worldwide production network to meet the requirements of electric mobility.

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 30 production facilities are located in the NAFTA region (17), Europe (7), Asia (4) 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. The activities related to electric mobility have been combined at the E-Mobility Group since 2018. The division offers and tests locally emission-free electric drive systems across its entire product range. Daimler Trucks' most important sales markets in 2019 were the NAFTA region with 41% of unit sales, Asia with 28% and the EU30 region (European Union, Switzerland and Norway) with 16%.

Mercedes-Benz Vans is a global supplier of a complete portfolio of vans and related services. The division's products range from the Citan small van with a gross vehicle weight of 1.8 metric tons to the Sprinter large van with a gross vehicle weight of up to 5.5 metric tons. The models offered in the commercial segment comprises the Sprinter large van, the Vito mid-size van (marketed as the "Metris" in the United States) and the Citan urban delivery van. In the segment for private customers, Mercedes-Benz Vans offers the V-Class multipurpose vehicle, the Marco Polo travel vans and recreational vehicles, and the X-Class mid-size pickup. As a result of the review and prioritization of the product portfolio, production of the X-Class is to be discontinued at the end of May 2020. Our eDrive activities demonstrate how systematically we are progressing with the development of alternative drive systems in all model series. The Mercedes-Benz Vans division has manufacturing facilities in Germany, Spain, the United States, Argentina, China and Russia. The division is active in the Chinese market through the joint venture Fujian Benz Automotive Ltd. Production of the Citan is part of the strategic alliance with Renault-Nissan-Mitsubishi. The most important markets for vans are the EU30 region, which accounted for 68% of unit sales in the year under review, the NAFTA region (13%) and Asia (9%).

The **Daimler Buses** division with its Mercedes-Benz and Setra brands is the 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 intercity 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 India. In 2019, Daimler Buses generated 68% of its revenue in the EU30 region and 15% 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.

The **Daimler Mobility** division supports the sales of the Daimler Group's automotive brands with tailored financial services. These services range from leasing, financing and insurance solutions to commercial fleet management services. In addition, the division is a strategic investor in mobility services for ride hailing, multimodal platforms, car sharing, parking and charging. The mobility services of the "YOUR NOW" joint ventures between Daimler and BMW have been consolidated in three units as of January 1, 2020: FREE NOW & REACH NOW, SHARE NOW, PARK NOW & CHARGE NOW. The mobility eco-

B.02

Daimler Group structure until 31.12.2019

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Mobility
Revenue	€93.9 billion	€40.2 billion	€14.8 billion	€4.7 billion	€28.6 billion
Employees	152,048	83,437	21,346	17,960	12,680
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, ATHLON

system is rounded out by flexible-use services from Daimler Mobility such as Mercedes-Benz Rent (rental vehicles) and Mercedes me Flexperience (a car-on-demand solution). During the year under review, Daimler Mobility financed or leased approximately 50% of the vehicles sold by the Group. The division's contract volume of €162.8 billion covers more than 5.4 million vehicles. Daimler Mobility operates in 40 countries and employs approximately 13,000 people.

Daimler is active in the global automotive industry and related sectors through a broad network of subsidiaries, associated companies and partnerships. The statement of investments of Daimler AG in accordance with Section 313 of the German Commercial Code (HGB) can be found in Note 41 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 2019. The most important projects are briefly described below.

Daimler and BMW Group are investing more than €1 billion in a joint mobility-services provider
After the successful closing of the joint venture agreement, the two companies held a joint press conference in February 2019 where they stated that they plan to invest more than €1 billion in the expansion and the closer integration of their existing services in the areas of ride hailing, multimodal platforms, car sharing, parking and charging. In doing so, they will systematically utilize the opportunities offered by digitization, shared services and customers' increasing mobility needs. In the period from February until the end of 2019, 588 million transactions were conducted through the YOUR NOW joint-venture group. The products and services of the joint ventures have been further systematically focused on customer requirements and consolidated into three pillars: 1. FREE NOW & REACH NOW. 2. SHARE NOW. 3. PARK NOW & CHARGE NOW. The establishment of a new parent company on January 1, 2020 supports the efficient management of these three pillars.

Daimler and Geely Holding establish a global joint venture for the further development of smart
In March 2019, Daimler AG and Zhejiang Geely Holding Group announced the establishment of a globally oriented 50:50 joint venture. Its aim is to turn smart, a pioneer of urban mobility, into one of the leading brands for electric mobility. The joint-venture agreement stipulates that the next generation of electric smart models will be manufactured in a new electric vehicle factory in China that will be especially built for this purpose. Global sales are scheduled to begin in 2022.

Daimler Trucks acquires a majority interest in Torc Robotics
In March 2019, Daimler Trucks and Torc Robotics, a pioneer in the area of autonomous driving systems, announced that they are to form a partnership for the marketing of automated trucks in the United States. The two companies agreed that Daimler Trucks and Buses US Holding LLC, a subsidiary of Daimler Truck AG, would acquire a majority of the shares in Torc Robotics in order to link the businesses in a way that goes far beyond a conventional manufacturer-supplier relationship. Automated trucks have great potential to meet globally growing transportation needs by improving efficiency and further increasing safety. Daimler Trucks and Torc Robotics augment one another perfectly with regard to resources, expertise and capabilities. The acquisition of the majority interest was concluded in the third quarter of 2019.

Daimler AG and BMW Group launch a long-term development partnership for automated driving
In July 2019, Daimler and BMW Group began to cooperate on automated driving. The two companies signed an agreement governing their long-term strategic collaboration in this area. Daimler and BMW Group plan to jointly develop the next generation of technology for driving assistance systems and automated driving on highways, as well as for automated parking functions. Moreover, the partners intend to conduct talks concerning a possible expansion of their partnership to include higher levels of automation in urban environments. This underscores the long-term, sustainable nature of the partnership, which will develop into a scalable platform for automated driving. The partnership is open to other automakers and technology partners. In addition, the results of the partnership are to be offered to other OEMs for licensing purposes. Among other things, the partnership aims to quickly launch the technology on the market. The first systems are scheduled to become available for privately owned cars in 2024. Each company will individually implement the results of the development cooperation in its own products. More than 1,200 experts will probably work in this partnership, some of them in mixed teams. Their tasks will include the design of a scalable architecture for driver-assistance systems including sensors, the creation of a joint computer center for the storage, administration and processing of data, and the development of various functions and software.

Important events

A large majority of the Daimler shareholders vote for the new corporate structure with Daimler AG as the parent company
At the Annual Shareholders' Meeting in Berlin, a large majority of the shareholders of Daimler AG voted in favor of restructuring of the Daimler Group. The new corporate structure took effect when the hive-downs were entered in the commercial register. As of October 31, 2019, today's Mercedes-Benz AG is responsible for the previous divisions Mercedes-Benz Cars and Mercedes-Benz Vans, while Daimler Truck AG is responsible for Daimler Trucks and Daimler Buses. Daimler Financial Services AG, which was already a legally independent company, was renamed as Daimler Mobility AG on July 23, 2019. Like Daimler AG and Daimler Mobility AG, the two new wholly owned subsidiaries are German stock corporations subject to codetermination with their headquarters in Stuttgart.

Changes in the Board of Management
After more than 13 years as Chairman of the Board of Management of Daimler AG and Head of Mercedes-Benz Cars, Dieter Zetsche stepped down from his position at the conclusion of the Annual Shareholders' Meeting in 2019. Following a two-year cooling-off period, the Supervisory Board intends to nominate Dieter Zetsche for election to the Supervisory Board at the Annual Meeting 2021. Manfred Bischoff will recommend that Dieter Zetsche succeed him as Chairman of the Supervisory Board of Daimler AG.

At the conclusion of the Annual Shareholders' Meeting, Ola Källenius took over as Chairman of the Board of Management of Daimler AG and Head of Mercedes-Benz Cars. Ola Källenius joined the Group in 1995. After holding various management positions in Germany and abroad, he was appointed to the Board of Management of Daimler AG with responsibility for Mercedes-Benz Cars Marketing & Sales effective January 2015. In January 2017, Ola Källenius took over Group Research and Mercedes-Benz Cars Development. Markus Schäfer succeeded him in this position on the Board of Management of Daimler AG at the conclusion of the Annual Shareholders' Meeting on May 22, 2019. On June 1, 2019, Markus Schäfer also took over responsibility for Mercedes-Benz Cars global procurement.

In addition, Harald Wilhelm, who was appointed to the Board of Management of Daimler AG on April 1, 2019, took over responsibility for Finance & Controlling and Daimler Financial Services (Daimler Mobility since July 2019) at the conclusion of the Annual Shareholders' Meeting. Harald Wilhelm was previously the Chief Financial Officer of Airbus and a member of its Executive Committee. He succeeded the long-serving Board of Management Member for Finance Bodo Uebber, who requested that his contract not be extended beyond its termination date of December 2019 and stepped down at the conclusion of the Annual Meeting.

Performance measurement system

Value-based management
The performance measurement system used at Daimler is designed to ensure that our investors' interests and expectations are taken into account within the framework of a value-based management system. Value added shows the extent to which the Group and its divisions achieve or exceed the return requirements of the investors, thus creating additional value.

Value added is derived from the financial value drivers which, due to their direct relationship to ongoing business operations, are utilized as financial performance indicators for the periodic assessment of the performance of the Group and its divisions. In this sense, value added can be calculated as the difference between the measure of operating profit (EBIT or net operating profit) and the cost of capital of the average net assets.
↗ B.03

The return on net assets (RONA) is calculated from the ratio of EBIT to net assets. Value is created for our shareholders when RONA exceeds the cost of capital. The required rate of return on net assets, and hence the cost of capital rate, is derived from the minimum rates of return that equity investors and lenders expect on their invested capital. During the year under review, the cost of capital rate of the Group remained unchanged at 8% after taxes. For the automotive divisions, the cost of capital rate amounted to 12% before taxes; for Daimler Mobility, a cost of equity of 13% before taxes was applied.
↗ B.04

The quantitative development of value added and the related financial performance measures is explained in the "Profitability" chapter. pages 75 f

B.03
Calculation of value added

Value added	=	Profit measure	–	Net assets × Cost of capital (%)
				Cost of capital

Financial performance measures

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. EBIT that is calculated at the Group level takes into account centrally managed matters and eliminations. In order to provide a more transparent presentation of our ongoing business, we will additionally calculate and report adjusted EBIT for both the Group and the divisions from financial year 2020 onwards. The adjustments include individual items if they lead to material effects in a reporting period. These individual items relate in particular to legal proceedings and related measures, restructuring measures and M&A matters. Group EBIT minus the centrally managed income taxes equals net operating profit. ↗ B.20 page 75

Return on sales
As one of the main factors influencing value added, return on sales is of particular importance for assessing the automotive divisions' profitability. Return on sales is the ratio of EBIT to revenue, whereby unit sales are the primary source of revenue. The measure of profitability for Daimler Mobility is not return on sales but return on equity (the ratio of EBIT to average equity on a quarterly basis). On the basis of adjusted EBIT, we will report an adjusted return on sales (ROS) for the automotive divisions and an adjusted return on equity (ROE) for Daimler Mobility starting in the 2020 financial year.

Net assets
All assets, liabilities and provisions for which the automotive divisions are responsible in day-to-day operations are allocated to those divisions. Performance measurement at Daimler Mobility is implemented on an equity basis. Net assets at the Group level include the net operating assets of the automotive divisions and the equity of Daimler Mobility, 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 76

Cash flow
A change in net assets – for example as a result of investments – generally leads to the application or release of liquid funds. Along with earnings, net assets thus also have a direct effect on the cash flow. Of outstanding importance for the financial strength of the Daimler Group is the free cash flow of the industrial business, which comprises the cash flows at the automotive divisions and the cash flows from interest, taxes and other reconciliation items that cannot be allocated to the divisions. The operating cash flow before interest and taxes (CFBIT) for the automotive divisions is derived from EBIT and the change in net assets. The cash conversion rate (CCR) is the ratio of CFBIT to EBIT over a period of time and is an important measure for cash-flow management. In order to provide a more transparent presentation of our ongoing business, we will additionally calculate and report the adjusted free cash flow of the industrial business and the adjusted CFBIT of the automotive divisions from financial year 2020 onwards. The adjustments include individual items if they lead to material effects in a reporting period. These individual items relate in particular to legal proceedings and related measures, restructuring measures and M&A matters. On the basis of adjusted CFBIT and adjusted EBIT, we will report an adjusted cash conversion rate (adjusted CCR) for the automotive divisions from financial year 2020 onwards.

B.04
Cost of capital

In percent	2019	2018
Group, after taxes	8	8
Industrial business, before taxes	12	12
Daimler Mobility, before taxes	13	13

Key performance indicators
The key financial indicators for measuring the operating financial performance of the Daimler Group, in addition to EBIT and revenue, are the free cash flow of the industrial business, investment, and expenditure for research and development. In addition, return on equity and new business are the key performance indicators for Daimler Mobility. As of financial year 2020, adjusted return on equity will replace return on equity as the key performance indicator for Daimler Mobility.

In addition to the financial indicators, 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 use as the basis for our capacity and human resources planning. The importance of the absolute number of employees as a performance indicator has been reduced, particularly in view of the increasing cooperation with partners in the form of partnerships and joint ventures. For this reason, the number of employees is no longer considered to be a key performance indicator.

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 65 ff and pages 196 ff

Corporate governance statement

The Declaration on Corporate Governance pursuant to Section 289f and Section 315d of the German Commercial Code (HGB), combined with the Corporate Governance Report, can be found in this Annual Report on pages 180 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

During the year under review, the world economy achieved real growth of only slightly above 2.5%. This was much weaker than in the previous year and was the first time since 2016 that it dropped below 3%. ↗ **B.05** The slowdown affected almost all regions, but to different degrees. Growth in global trade also slowed down considerably, a development that noticeably impacted export-dependent economies in particular.

The industrialized countries were unable to maintain the dynamic economic growth that they had attained in the two previous years. This was also the case with the US economy. Following a robust first quarter, economic growth slowed considerably later in the year, but remained solid with approximately 2.3% recorded for 2019 as a whole. While private consumption continued to be robust, business investment weakened substantially as the year progressed. This was due, in part, to the fading boost from tax cuts as well as ongoing insecurity regarding further escalation of the trade conflict with China. Economic development slackened even more in the euro zone. The weak global demand, especially in China, as well as the trade dispute between the United States and China and the risk of a no-deal withdrawal of the UK from the European Union, had an especially negative impact on the manufacturing sector. As a result, economic growth in the euro zone dropped to just over 1%, even though the services sector and private consumption remained resilient. Because of its pronounced dependence on industrial production and foreign trade, the German economy only grew by about 0.6%. The ongoing Brexit uncertainty and its dampening effect on investments caused the economy of the United Kingdom to slow down to a moderate pace of 1.3%. Slower export growth and continued low investments are also impacting the Japanese economy, which grew at approximately 1% or about the same as in the previous year.

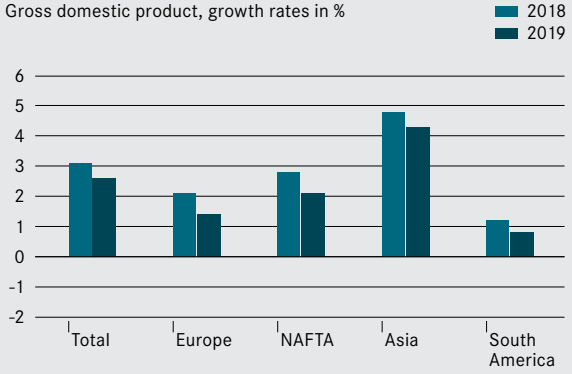
China's economic growth continued to lose momentum last year as a result of a weakening of both domestic and export demand. At just 6.1%, growth for the year as a whole was noticeably lower than in 2018. As expected, the other economies in Asia were unable to disconnect themselves from the slowdown in world trade and the weakening of China's economic growth. As a result, these economies grew much more slowly than in the previous year. The slowdown was especially pronounced in India, where economic growth dropped to around 5% and thus to the lowest level in ten years. South America's hopes for a noticeable economic rebound were not fulfilled. The ongoing and deep-seated crisis in Argentina and the continued rather disappointing development in Brazil have slowed down economic growth in the entire region. Growth was also lower than in the prior year in Central and Eastern Europe. This was mainly due to the severe economic crisis in Turkey as well as the substantial decline in the growth of the Russian economy. The much lower average price of oil over the year compared to the prior year ensured that economic growth continued to be rather weak in the Middle East as well. All in all, the growth of about 4% that was recorded in the emerging markets was significantly below the prior-year rate.

Currency exchange rates remained volatile in this heterogeneous growth environment. Against the US dollar, the euro moved between $1.08 and $1.16 during the year. At the end of 2019, the euro was around 2% weaker than at the end of 2018. The range of fluctuation of the Japanese yen against the euro was 116 to 128. Year-on-year, at the end of 2019, the euro had depreciated by about 3% against the yen. At the end of 2019, the value of the British pound was about 5% higher than at the end of the previous year. The euro rose by almost 2% against the Brazilian real and by about 10% against the Turkish lira. However, it depreciated considerably against the ruble, losing about 12% of its relative value.

B.05

Economic growth

Gross domestic product, growth rates in %



Source: IHS Markit, own calculations

Automotive markets

The **global car market** contracted by approximately 5% during the year under review. The Western European sales market posted stable growth and even the US market almost remained at the previous year's level, declining by only 1%. Global weakness in demand was mainly due to the continued unfavorable development of the Chinese market, which contracted by nearly 10% and was thus much weaker than in 2018. ↗ B.06

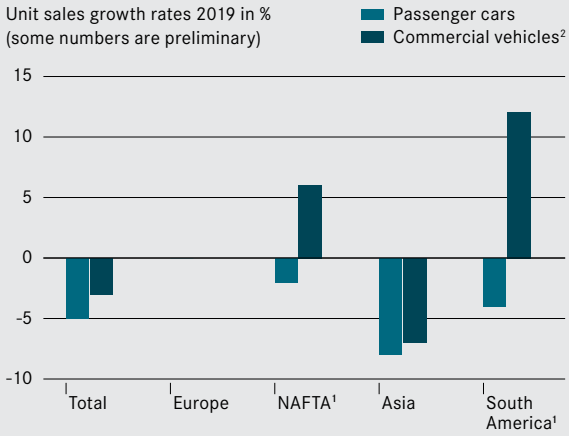
All in all, car sales were relatively stable in Europe. Within Western Europe, the German market expanded slightly by about 5%. The small increase of just under 2% that was recorded in France meant that sales there remained at about the prior-year level. Demand was rather weak in the UK, however, with sales falling by about 2%. Sales markets in Central and Eastern Europe were generally slightly weaker than in the previous year. Whereas car sales in the Central and Eastern European markets of the EU remained robust and showed some growth, they declined slightly in Russia. However, the main reason for the region's sales decrease was the double-digit drop recorded by the Turkish market.

Thanks to a still comparatively favorable economic environment, the market volume for cars and light trucks in the United States once again reached a high level with sales of around 17 million units. In comparison with the previous year, this corresponds to a slight drop of just over 1%. The segment shift toward pickups and SUVs continued, while conventional sedans saw demand decline significantly once again.

B.06

Global automotive markets

Unit sales growth rates 2019 in %
(some numbers are preliminary)



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

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

The weakness of the Chinese car market continued during the year under review. The drop in demand of nearly 10% was even larger than in 2018. This decrease is attributed mainly to the noticeable slowdown of economic growth, the insecurity of car buyers due to the ongoing trade dispute with the United States, and the continued negative aftereffects of the market stimulus measures of previous years. However, the premium segment, which is especially relevant for Mercedes-Benz, proved to be robust and once again grew substantially.

Meanwhile, car demand declined slightly in Japan. The small drop for the year as a whole was primarily due to the weak fourth quarter, when sales declined as a result of the sales-tax increase in early October. The Indian market decreased sharply due to the unexpectedly weak development of the country's economy.

Demand for medium-duty and heavy-duty trucks developed very disparately in the markets relevant to our operations. Despite the slackening of economic growth, the market in the NAFTA region, which was already at a very high level, expanded by another 8% in classes 6 to 8, although this dynamism weakened considerably in the second half of the year.

The truck market in the EU30 region (the European Union, Switzerland and Norway) remained relatively robust, given the region's rather weak macroeconomic performance. However, demand shifted considerably as the year progressed. A regulatory change that took effect in mid-June caused earlier-than-planned purchases in the first half of 2019 and an unusually large number of new registrations. In contrast, the market development was much weaker in the second half of the year. Despite this, the market was at about the prior-year high level during the year as a whole. Although economic growth was rather disappointing in Brazil, the dynamic recovery of the country's truck market continued with expansion of 34%. In Turkey, the economic crisis caused the truck market to contract significantly at a double-digit rate. Truck demand also decreased somewhat in Russia due to the weak economic situation.

The Japanese market for light-, medium- and heavy-duty trucks was influenced during the year by regulatory changes and a sales-tax increase in early October. As a result, demand decreased especially in the last few months of the year. However, unit sales during the year as a whole were at about the same level as in 2018. The market in Indonesia declined substantially in 2019. The Indian market for medium- and heavy-duty trucks developed very poorly and contracted at a clear double-digit rate. In China, demand for heavy-duty trucks remained stable at an unusually high level.

Demand for vans continued to develop positively in the EU30 region in 2019. Here, market volume in the combined segment for mid-size and large vans increased by 4%, while demand for small vans rose by 6%. The market for mid-size pickups remained at the prior-year level. In Germany, overall sales in the combined segment for mid-size and large vans increased by 8%. Demand for large vans in the United States expanded significantly. Demand in the market for mid-size vans that we address in China was slightly lower than in the previous year. Driven by developments in Brazil, the market volume for large vans in Latin America rose substantially from the low level of the previous year.

The market volume for **buses** in the EU30 region was significantly above the high level of the previous year. The situation in Latin America (excluding Mexico) improved considerably due to the noticeable market recovery in Brazil, although growth in the region was slowed by a sharp market contraction in Argentina. As a result of the ongoing difficult economic situation in Turkey, demand for buses once again decreased significantly there compared with 2018.

Business development

Unit sales
Daimler sold a total of 3.34 million vehicles in 2019 (2018: 3.35 million). As a result, the Group failed to achieve its goal of slightly increasing its unit sales. Unit sales were slightly lower than expected at Mercedes-Benz Cars (+0%), Daimler Trucks (-6%), Mercedes-Benz Vans (+4%) and Daimler Buses (+6%).

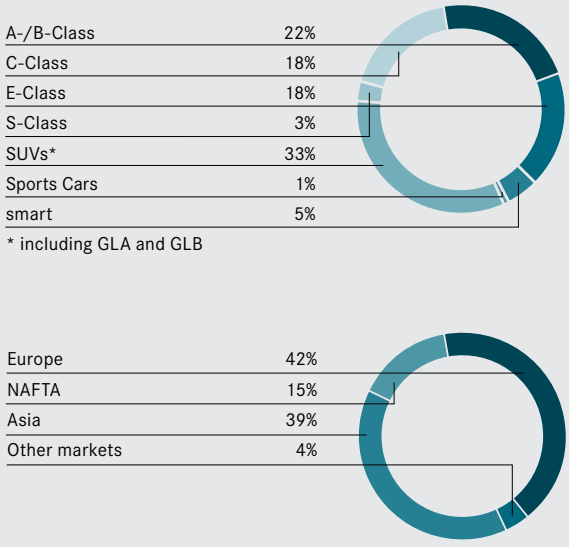
The **Mercedes-Benz Cars** division sold a total of 2,385,400 vehicles in 2019 despite difficult overall conditions, thus once again slightly exceeding the previous year's record (2018: 2,382,800). With unit sales of 2,278,300 (2018: 2,252,800) vehicles, the Mercedes-Benz brand was once again the strongest-selling premium brand in the automobile industry. We are the number one in the premium segment in Germany and several other key European markets, as well as in South Korea, Australia, India, Canada and Japan. In addition, we once again improved our position in China with a new sales record.

The A-Class and B-Class models were particularly successful in the year under review. Unit sales of these models, including the CLA and the CLA Shooting Brake, increased by 29% to a total of 527,000 vehicles. Sales of C-Class models decreased by 8% to 439,600 sedans, wagons, coupes and convertibles. The E-Class continued to perform very well on the market. At 418,100 vehicles, total unit sales of the E-Class did not, however, achieve the high level of the previous year. With sales of 71,300 units, the S-Class sedan continues to be the world's best-selling luxury sedan. In total, we sold 75,400 vehicles in this market segment in 2019 (2018: 83,800). Our unit sales in the SUV segment were impacted by the model changes for the GLE and the GLS. Demand for the new models was much higher than the actual number of vehicles available. Unit sales, however, were at the very high level of 789,800 (2018: 829,200) vehicles. Sales of our sports cars rose by 48% to 28,400 units; this increase was largely due to the market success of our Mercedes-AMG GT models. ↗ B.07

Mercedes-Benz Cars sold a total of 992,200 vehicles in Europe in 2019 (2018: 982,700). Sales growth in Germany (+4%) was accompanied by decreases in Italy (-1%) and Spain (-5%). Unit sales in the volume markets of the United Kingdom and France remained at the levels of the previous year. The Mercedes-Benz Cars division continued to be very successful in China during the year under review, with unit sales there increasing by 2% to 694,200 vehicles. We also set new records for unit sales in other Asian markets, for example in South Korea (+18%). At 368,900 vehicles, unit sales in the NAFTA region were lower than the high level of the previous year. Decreases were recorded in the United States (-4%) as well as in Canada (-12%).

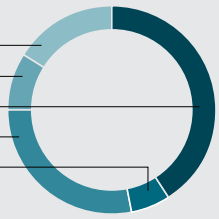
The sales development for the smart brand during the year under review was affected by the complete changeover of the smart to all-electric drive by the year 2020. The number of cars with combustion engines offered by the brand was therefore gradually reduced throughout the year. All in all, the smart brand sold a total of 107,100 fortwo and forfour models in about 40 markets worldwide in 2019 (2018: 130,000).
pages 158 ff

B.07
Unit sales structure of Mercedes-Benz Cars



B.08

Unit sales structure of Daimler Trucks



EU30	16%
Latin America	9%
NAFTA	41%
Asia	28%
Other markets	6%

B.09

Market share[1]

in %	2019	2018	19/18 Change in % points
Mercedes-Benz Cars			
European Union	6.4	6.2	+0.2
thereof Germany	10.8	10.5	+0.3
United States	1.9	1.8	+0.1
China	3.3	2.9	+0.4
Japan	1.6	1.6	0.0
Daimler Trucks			
Heavy- and medium-duty trucks EU30	20.0	20.6	-0.6
thereof Germany	35.2	36.5	-1.3
Heavy-duty trucks NAFTA region (Class 8)	38.8	38.8	0.0
Medium-duty trucks NAFTA region (Classes 6 and 7)	32.9	37.8	-4.9
Heavy- and medium-duty trucks Brazil	29.2	27.9	+1.3
Trucks Japan	18.8	19.3	-0.5
Heavy- and medium-duty trucks India	5.8	6.0	-0.2
Mercedes-Benz Vans			
Mid-size and large vans EU30	16.7	15.2	+1.5
thereof Germany	27.0	25.2	+1.8
Small vans EU30	2.4	3.1	-0.7
Large vans United States	8.8	8.4	+0.4
Daimler Buses			
Buses over 8 tons EU30	27.5	29.0	-1.5
thereof Germany	50.8	49.3	+1.5
Buses over 8 tons Brazil	53.8	51.6	+2.2

1 Based on estimates in certain markets.

Unit sales by Daimler Trucks in 2019 were slightly lower than in the previous year. In total, we delivered 488,500 heavy-, medium- and light-duty trucks as well as buses of the Thomas Built Buses and FUSO brands in the year under review (2018: 517,300). Daimler Trucks continues to be the world's biggest manufacturer of trucks above 6 tons. ↗ **B.08** In the EU30 region, the truck market weakened significantly in the second half of the year, following substantial earlier-than-planned purchases in the first half. Our unit sales decreased slightly to 79,800 trucks (2018: 85,400). Our Mercedes-Benz brand remained the market leader in the heavy-duty and medium-duty segments, although our market share declined to 20.0% (2018: 20.6%). ↗ **B.09**

In Latin America, however, we were able to significantly increase our sales once again, to 42,600 units (2018: 38,200). The growth was mainly due to the development of the region's main market, Brazil, where we sold 29,700 trucks. This represents a 39% increase on the previous year. Our Mercedes-Benz brand trucks increased their market share. In the heavy- and medium-duty segment, we expanded our market share to 29.2% (2018: 27.9%) and remained the market leader. In the NAFTA region, our sales once again slightly surpassed the previous year's high level, rising to 201,100 units (2018: 189,700). Our market share of Class 6 – 8 trucks amounted to 37.0% (2018: 38.4%), which enabled us to remain the market leader.

In Asia, the truck markets of Indonesia and India contracted significantly during the year under review. At 135,200 units (2018: 164,700), our sales in the region decreased considerably. This development was especially pronounced in Indonesia, where our sales declined by 39% to 39,100 units. We sold 14,500 units (2018: 22,500) in India. Unit sales were thus also substantially below the high level of the previous year. Our BharatBenz brand achieved a market share of 5.8% (2018: 6.0%). We sold 42,200 units in the Japanese truck market, thus not quite equaling the previous year's sales (2018: 44,000).

Sales of **Auman** trucks, which we produce in China in cooperation with our joint venture Beijing Foton Daimler Automotive Co., Ltd. (BFDA), were significantly lower than in the prior year at 86,200 units (2018: 103,400). In mid-2019, we launched our new Auman EST-A heavy-duty truck in China. The vehicle is equipped with the locally produced Mercedes-Benz OM457 engine. pages 166 ff

Mercedes-Benz Vans achieved record unit sales once again in 2019. At 438,400 vehicles, the previous year's figure was surpassed by 4%. Whereas we mainly address commercial customers with the Sprinter, Vito and Citan models, the V-Class is primarily designed for private use. With the X-Class, we address diverse customers for both private and commercial applications. In the EU30 countries, which are our core region, our unit sales of 298,100 vehicles in 2019 were slightly above the prior-year level (2018: 278,300), while our market share in the combined segment for mid-size and large vans in the region amounted to 16.7% (2018: 15.2%). We sold 121,300 vans (2018: 107,300) in Germany. Unit sales in the NAFTA region continued to grow significantly, with a new record of 45,700 vans sold in the United States (2018: 38,700). Our market share for large vans increased to 8.8% (2018: 8.4%). Our sales of 18,600 vans in Latin America were at the prior-year level (2018: 18,700), as were sales of 29,500 units in China (2018: 29,100). However, unit sales in Russia and in a difficult market environment in Turkey were significantly lower than in 2018. At 231,500 units, global sales of Sprinter models were significantly higher than in the previous year (2018: 206,300). Sales of the Vito amounted to 109,300 units and were thus at the prior-year level (2018: 108,300). Sales of 63,100 V-Class multipurpose vehicles were also at the level of the previous year (2018: 63,900). Meanwhile, sales of the Mercedes-Benz Citan amounted to 20,700 units (2018: 26,300) and a total of 13,800 X-Class vehicles were sold in the year under review (2018: 16,700). pages 171 ff

Daimler Buses sold 32,600 buses and bus chassis worldwide in financial year 2019 (2018: 30,900). The slight increase was due in particular to the noticeable recovery of the market in Brazil, continued strong demand in our important EU30 market and substantial sales growth in Argentina. The division maintained its market leadership in its most important traditional core markets (EU30, Brazil, Argentina and Mexico). Due to continued high demand for our complete buses, sales in the EU30 region amounted to 9,300 units, which equaled the high figure recorded in the previous year (2018: 9,300). Daimler Buses defended its leading position in this region with a market share of 27.5% (2018: 29.0%). At 3,000 units, sales in Germany were 5% higher than in the previous year. At 200 units, sales in Turkey decreased significantly due to the ongoing difficult situation in the country (2018: 300). The market situation in Latin America (excluding Mexico) improved further on account of the noticeable market recovery in Brazil. Sales of Mercedes-Benz bus chassis in Brazil rose by 30% to 11,400 units. We were able to strengthen our leading market position in Brazil with a market share of 53.8% (2018: 51.6%). We sold 1,600 units in India, thus equaling the previous year's result (2018: 1,600). At 2,600 units, sales in Mexico were significantly lower than in the previous year (2018: 3,200). pages 174 ff

Business at **Daimler Mobility** continued to develop positively in the year under review. As we had forecast in Annual Report 2018, worldwide contract volume continued to grow, reaching the new record level of €162.8 billion in 2019 (+6%). At €74.4 billion, new business was also slightly higher than in 2018, which is what we had anticipated at the beginning of the year. Whereas new business grew in Europe (+3%), the Americas (+9%) and Africa & Asia-Pacific (+2%, excluding China), it decreased slightly in China (-4%). In the insurance business, we brokered approximately 2.4 million policies in the year under review, which corresponds with an increase of 5% compared with the previous year. In total, 588 million transactions were conducted through the mobility services of the YOUR NOW joint-venture group in 2019. Daimler Mobility had 425,000 contracts on its books with its Athlon and Daimler Fleet Management brands (+8%). Total contract volume amounted to €7.0 billion at the end of 2019. pages 177 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 individual models to changing levels of demand. Due in particular to continued strong demand in China and the European markets, the number of orders placed with Mercedes-Benz Cars during the year under review remained at a high level despite a slight decrease. This was driven on the product side primarily by the A-Class and B-Class models and the E-Class, as well as by the continued strong success of our SUVs. With an unchanged high level of production, the order backlog at the end of the year was below the prior-year level. At Daimler Trucks, both orders received and the order backlog at year-end were significantly lower than a year earlier. This was mainly due to the significant weakening of demand in the second half of the year in the NAFTA region and also the EU30 region.

Profitability

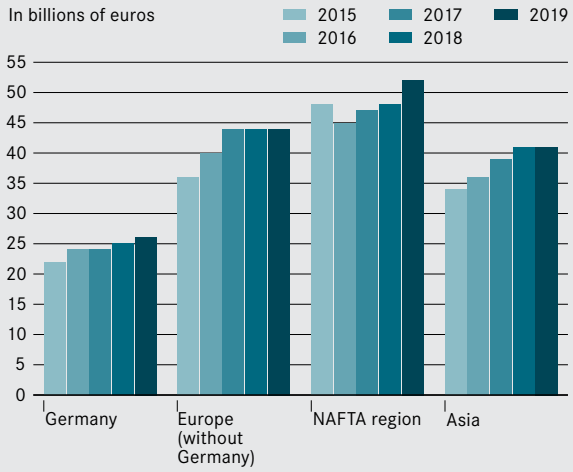
B.10

Revenue by segment and region

In millions of euros	2019	2018	19/18 % change
Daimler Group	172,745	167,362	+3
Divisions			
Mercedes-Benz Cars	93,877	93,103	+1
Daimler Trucks	40,235	38,273	+5
Mercedes-Benz Vans	14,801	13,626	+9
Daimler Buses	4,733	4,529	+5
Daimler Mobility	28,646	26,269	+9
Reconciliation	-9,547	-8,438	-13
Regions			
Europe	69,541	68,496	+2
thereof Germany	26,339	24,802	+6
NAFTA	52,196	47,952	+9
thereof United States	45,422	41,152	+10
Asia	40,657	40,627	+0
thereof China	18,954	19,790	-4
Other markets	10,351	10,287	+1

B.11

Consolidated revenue by region



To provide a better insight into the Group's profitability, cash flows and financial position, the statement of income, the condensed statement of cash flows and the condensed statement of financial position are shown for the Daimler Group as well as for the "Industrial business" and "Daimler Mobility". The industrial business and Daimler Mobility columns represent a business point of view. The industrial business comprises the vehicle segments Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans and Daimler Buses. Daimler Mobility is identical to the Daimler Mobility segment. Intra-group eliminations between the industrial business and Daimler Mobility are generally allocated to the industrial business.

Revenue and EBIT

Revenue

In the year 2019, the **Daimler Group's** revenue of €172.7 billion (2018: €167.4 billion) was slightly above the prior-year level. Also, adjusted for positive exchange-rate effects, revenue was slightly higher than in the previous year. ↗ B.10

The development of revenue was positively affected primarily by stronger pricing for new vehicles at Daimler Trucks and growth in contract volume at Daimler Mobility.

The Daimler Group therefore met the forecast made at the beginning of the year. The Mercedes-Benz Cars division achieved revenue at the prior-year level; at the beginning of the year, we had anticipated a slight increase in revenue. Revenue at Daimler Trucks was slightly above the prior-year level; we had forecasted a significant increase. The Mercedes-Benz Vans division had forecasted significant revenue growth for 2019 and was able to meet this forecast by the end of the year. The Daimler Buses division achieved a slight increase in revenue in 2019 and therefore did not meet the forecast of significant revenue growth in 2019. However, Daimler Mobility significantly increased its revenue in 2019 and therefore surpassed its forecast of slight revenue growth.

EBIT

The **Daimler Group** achieved EBIT of €4.3 billion in 2019, which is significantly lower than in the previous year (2018: €11.1 billion). The Daimler Group had expected EBIT to be slightly above the prior year figure. ↗ B.12 ↗ B.13

The Mercedes-Benz Cars and Mercedes-Benz Vans divisions posted earnings significantly below the prior-year figures. This mainly resulted from a reassessment of risks relating to ongoing governmental and legal proceedings and measures taken with regard to Mercedes-Benz diesel vehicles in various regions and markets, as well as from an updated risk assessment for an expanded recall of vehicles with Takata airbags. Earnings at the Mercedes-Benz Vans division were also reduced by expenses arising from the review and prioritization of the product portfolio, in connection with the planned discontinuation of production of the X-Class in May 2020. At Daimler Trucks, volume decreases mainly caused the negative earnings development. On the other hand, Daimler Buses posted earnings above the prior-year level. Daimler Mobility also surpassed its prior-year figure significantly. The earnings of the Daimler Group were reduced by declining discount rates. Exchange-rate effects in total also had a negative impact on operating profit.

The reconciliation of segment earnings to Group EBIT resulted in a higher expense than in the previous year.

In the Management Report for 2018, we had forecasted a return on sales for the Mercedes-Benz Cars division of between 6% and 8%. As the year 2019 progressed, in the context of our capital market reporting, we adjusted this expectation to a level of between 3% and 5%. The Mercedes-Benz Cars division met this expectation. For the Mercedes-Benz Vans division, we had anticipated a return on sales of between 5% and 7%. As the year 2019 progressed, in the context of our capital market reporting, we gradually adjusted the expectation downwards to a forecast of minus 15% to minus 17%. At the end of the year, the Mercedes-Benz Vans division was not able to meet that forecast. The downgrading of expectations for both divisions resulted mainly from a reassessment of risks relating to ongoing governmental and legal proceedings and measures taken with regard to Mercedes-Benz diesel vehicles in various regions and markets, as well as from an updated risk assessment for an expanded recall of vehicles with Takata airbags. For the Daimler Trucks division, we had originally forecasted a return on sales of between 7% and 9%. As the year progressed, in the context of our capital market reporting, we adjusted the forecast to 6% to 8%, which the Daimler Trucks division achieved at the end of the year. Daimler Buses met the forecast of a return on sales of between 5% and 7%. The Daimler Mobility division, however, did not achieve its anticipated return on equity of between 17% and 19% for the year 2019 due to expenses related to the realignment of the YOUR NOW group.

B.12

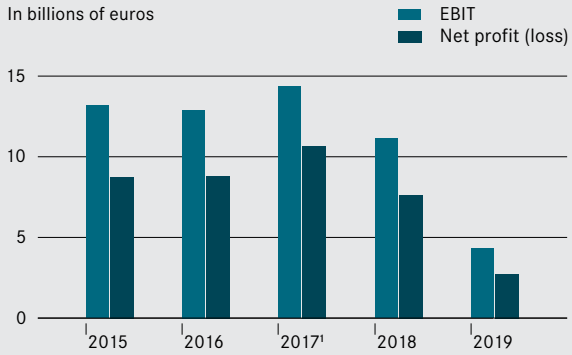
EBIT by segment

In millions of euros	2019	2018	19/18 % change
Mercedes-Benz Cars	3,359	7,216	-53
Daimler Trucks	2,463	2,753	-11
Mercedes-Benz Vans	-3,085	312	.
Daimler Buses	283	265	+7
Daimler Mobility	2,140	1,384	+55
Reconciliation	-831	-798	-4
Daimler Group[1]	4,329	11,132	-61

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 34 of the Notes to the Consolidated Financial Statements.

B.13

Development of earnings



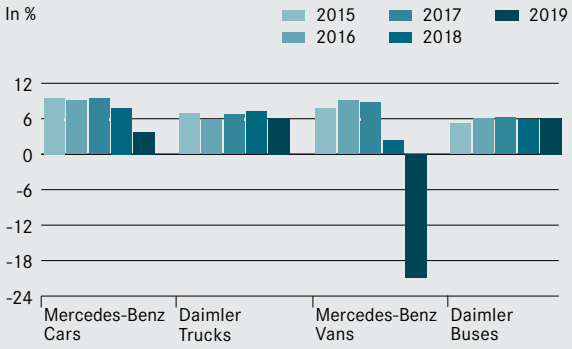
1 The prior-year figures have been adjusted due to the effects of the first-time adoption of IFRS 15 and IFRS 9.

The revenue of the **Mercedes-Benz Cars** division in the year 2019 was €93,877 million (2018: €93,103 million) and therefore at the prior-year level (+1%). The division posted EBIT of €3,359 million (2018: €7,216 million). Its return on sales was 3.6% and thus below the prior-year figure (2018: 7.8%). ↗ B.12

Earnings in 2019 were reduced by €1,882 million due to a reassessment of risks relating to ongoing governmental and legal proceedings and measures taken with regard to Mercedes-Benz Cars diesel vehicles in various regions and markets. Furthermore, expenses in connection with an updated risk assessment for an expanded recall of vehicles with Takata airbags caused a reduction in earnings of €600 million. In addition, earnings were reduced by advance expenditures for new technologies and vehicles, as well as by exchange-rate effects. Furthermore, the measurement at fair value of shares in Aston Martin Lagonda Global Holdings plc (Aston Martin) had a negative impact on EBIT. On the other hand, improved pricing had a positive effect on EBIT.

B.14

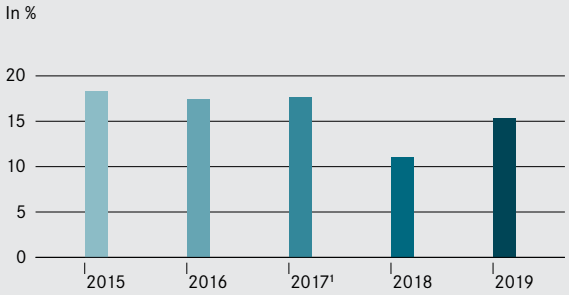
Return on Sales



B.15

Return on Equity

Daimler Mobility



1 The prior-year figures have been adjusted due to the effects of the first-time adoption of IFRS 15 and IFRS 9.

The **Daimler Trucks** division increased its revenue in the year 2019 by 5% to €40,235 million (2018: €38,273 million). The division achieved EBIT of €2,463 million (2018: €2,753 million). Its return on sales was below the prior-year figure at 6.1% (2018: 7.2%). ↗ B.12

In particular, higher unit sales in the NAFTA region and positive exchange-rate effects boosted EBIT. Further positive effects resulted from better pricing across all brands. Lower volumes, especially in the EU30 region and Asia, adversely affected earnings. Additional negative effects resulted from the adjustment of used-vehicle valuation. EBIT was also reduced by higher expenditures for new technologies as well as by costs in connection with capacity adjustments.

Due to higher unit sales and a more favorable model mix, the **Mercedes-Benz Vans** division's revenue increased in the year 2019 by 9% to €14,801 million (2018: €13,626 million). EBIT amounted to minus €3,085 million (2018: plus €312 million). The division's return on sales decreased to minus 20.8% (2018: plus 2.3%). ↗ B.12

EBIT was affected by a reassessment of risks relating to ongoing governmental and legal proceedings and measures taken with regard to Mercedes-Benz diesel vehicles in various regions and markets (€2,200 million). EBIT was also reduced by expenses in connection with the review and prioritization of the product portfolio (€828 million) and an updated risk assessment for an expanded recall of vehicles with Takata airbags (€341 million). Furthermore, exchange-rate effects adversely affected EBIT. On the other hand, EBIT was positively affected by higher unit sales and a more favorable model mix.

Due to the positive development of unit sales, the revenue of the **Daimler Buses** division increased by 5% to €4,733 million in the year 2019 (2018: €4,529 million). The division posted EBIT of €283 million (2018: €265 million). Its return on sales was at the prior-year level of 6.0% (2018: 5.9%). ↗ B.12

EBIT was positively affected by strong growth in unit sales in Brazil as well as by exchange-rate effects. Negative effects on earnings resulted in particular from the lower capitalization of development costs.

Daimler Mobility achieved EBIT of €2,140 million in 2019 (2018: €1,384 million). The division's return on equity increased to 15.3% (2018: 11.1%). ↗ B.15

Earnings increased by €718 million due to the merger of the mobility services of Daimler Group and BMW Group in the year 2019. Growth in contract volume also had a positive impact. The normalization of credit risk costs and expenses of €405 million in connection with the realignment of the YOUR NOW group affected EBIT negatively. In the year 2018, earnings had been reduced by €418 million due to effects from the conclusion of the Toll Collect arbitration proceedings.

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 €808 million (2018: €757 million). In the year 2019, expenses of €425 million are included in connection with ongoing governmental and legal proceedings and measures taken with regard to Mercedes-Benz diesel vehicles. In the prior year, the impairment by €150 million of Daimler's equity investment in BAIC Motor Corporation Ltd. (BAIC Motor) affected earnings negatively. Furthermore, expenses are included in both years in connection with the development of the divisional structure ("Project Future").

The elimination of intra-Group transactions resulted in an expense of €23 million in 2019 (2018: €41 million).

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

Change in the internal management and reporting structure as of January 1, 2020

As of January 1, 2020, changes have taken place in connection with the internal management and reporting structure and thus with the **reportable segments**. The Group's activities are now divided into the segments Mercedes-Benz Cars, Mercedes-Benz Vans, Daimler Trucks & Buses and Daimler Mobility. The Mercedes-Benz Cars and Mercedes-Benz Vans segments are combined for external reporting purposes into the reportable segment Mercedes-Benz Cars & Vans, in line with the type of products and services offered as well as the brands, distribution channels and customer profiles.

In addition, as explained in the Corporate Profile section in the chapter on **financial performance measures**, we now report adjusted EBIT in addition to EBIT for the Daimler Group and for the segments from the year 2020 onwards.

Table ↗ B.17 shows the reconciliation from EBIT as booked to adjusted EBIT for both the Daimler Group and the segments for the financial year 2019.

The adjustments in connection with legal proceedings comprise expenses from the reassessment of risks relating to ongoing governmental and legal proceedings and measures taken with regard to Mercedes-Benz Cars diesel vehicles in various regions and markets, as well as expenses in connection with the updated risk assessment for an extended recall of Takata airbags. The material adjustments in connection with restructuring measures comprise expenses from the realignment of the YOUR NOW group and expenses in connection with the review and prioritization of the product portfolio. The effects in connection with M&A transactions comprise income from the merger of the mobility services of Daimler Group and BMW Group.

B.16

Reconciliation of Group EBIT to profit before income taxes

In millions of euros	2019	2018
Group EBIT	4,329	11,132
Amortization of capitalized borrowing costs[1]	-16	-15
Interest income	397	271
Interest expense	-880	-793
Profit before income taxes	3,830	10,595

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

B.17

Reconciliation EBIT to adjusted EBIT

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Mobility	Reconciliation	Daimler Group
2019							
EBIT	3,359	2,463	-3,085	283	2,140	-831	4,329
Legal proceedings (and related measures) as well as Takata	2,482	–	2,541	–	–	425	5,448
Restructuring measures	–	–	828	–	405	–	1,233
M&A transactions	–	–	–	–	-718	–	-718
Adjusted EBIT	5,841	2,463	284	283	1,827	-406	10,292
Adjusted return on sales/return on equity (in %)[1]	6.2	6.1	1.9	6.0	13.1		

1 Adjusted return on sales is the ratio of adjusted EBIT to sales. Adjusted return on equity is the ratio of adjusted EBIT to average equity on a quarterly basis.

Statement of income

The Group's **total revenue** increased by 3.2% to €172.7 billion in 2019; adjusted for exchange-rate effects, it increased by 2.2%. The development of revenue was positively affected primarily by stronger pricing for new vehicles at the Daimler Trucks division and growth in contract volume at Daimler Mobility. ↗ B.18

Cost of sales amounted to €143.6 billion in 2019, increasing by 6.9% compared with the previous year. In 2019, a reassessment of risks relating to ongoing governmental and legal proceedings and measures taken with regard to Mercedes-Benz diesel vehicles in various regions and markets as well as expenses in connection with an updated risk assessment for an expanded recall of vehicles with Takata airbags adversely affected cost of sales at the Mercedes-Benz Cars and Mercedes-Benz Vans segments. Cost of sales also include expenses in connection with a review and prioritization of the product portfolio at the Mercedes-Benz Vans division. The increase in cost of sales was also caused by higher business volumes and consequentially higher material expenses. At Daimler Mobility, the normalization of credit-risk costs affected cost of sales. Further information on cost of sales is provided in Note 5 of the Notes to the Consolidated Financial Statements. ↗ B.18

Overall, **gross profit in relation to revenue** decreased from 19.8% to 16.9%.

Selling expenses decreased by €0.3 billion to €12.8 billion. As a percentage of revenue, selling expenses decreased from 7.8% to 7.4%. ↗ B.18

General administrative expenses of €4.1 billion were at prior year level (2018: €4.0 billion). As a percentage of revenue, general administrative expenses decreased slightly to 2.3% (2018: 2.4%). ↗ B.18

Research and non-capitalized development costs of €6.6 billion in 2019 remained at the prior-year level. 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, automated and autonomous driving and the digital connectivity of our products. As a proportion of revenue, research and non-capitalized development costs decreased from 3.9% to 3.8%. 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.18

Other operating income of €2.8 billion (2018: €2.3 billion) was above the level of the previous year. In 2019, it included income of €0.7 billion from the merger of the business units for mobility services of Daimler Group and BMW Group. In 2018, income from insurance compensation of €0.2 billion was included. **Other operating expense** increased to €4.5 billion (2018: €1.5 billion). Compared with the prior year, it included higher expenses in connection with ongoing governmental and legal proceedings and measures in the segments Mercedes-Benz Cars and Mercedes-Benz Vans relating to Mercedes-Benz diesel vehicles in various regions and markets. 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.18

B.18

Statement of income	Consolidated		Industrial Business		Daimler Mobility	
	2019	2018	**2019**	2018	**2019**	2018
In millions of euros						
Revenue	**172,745**	167,362	**144,099**	141,093	**28,646**	26,269
Cost of sales	**-143,580**	-134,295	**-118,626**	-111,589	**-24,954**	-22,706
Gross profit	**29,165**	33,067	**25,473**	29,504	**3,692**	3,563
Selling expenses	**-12,801**	-13,067	**-12,038**	-12,174	**-763**	-893
General administrative expenses	**-4,050**	-4,036	**-3,139**	-3,075	**-911**	-961
Research and non-capitalized development costs	**-6,586**	-6,581	**-6,586**	-6,581	**–**	–
Other operating income	**2,837**	2,330	**1,927**	2,137	**910**	193
Other operating expense	**-4,469**	-1,462	**-4,444**	-1,404	**-25**	-58
Profit/loss on equity-method investments, net	**479**	656	**1,245**	1,108	**-766**	-452
Other financial income/expense, net	**-262**	210	**-265**	218	**3**	-8
Interest income	**397**	271	**394**	270	**3**	1
Interest expense	**-880**	-793	**-868**	-788	**-12**	-5
Profit before income taxes	**3,830**	10,595	**1,699**	9,215	**2,131**	1,380
Income taxes	**-1,121**	-3,013	**-505**	-2,615	**-616**	-398
Net profit	**2,709**	7,582	**1,194**	6,600	**1,515**	982
thereof profit attributable to non-controlling interests	**332**	333				
thereof profit attributable to shareholders of Daimler AG	**2,377**	7,249				

In 2019, the **profit from equity-method investments** of €0.5 billion was lower than the prior-year level (2018: €0.7 billion). Both years include losses from Daimler Mobility companies. In the year 2019, losses of €0.8 billion from the YOUR NOW group reduced the profit from equity-method investments. In the year 2018, the agreement to conclude the Toll Collect arbitration proceedings had a negative effect on earnings of €0.4 billion. Also in the year 2018, a negative impact resulted from the impairment by €0.2 billion of the investment in BAIC Motor. ↗ B.18

Other financial expense/income worsened from income of €0.2 billion to an expense of €0.3 billion. Of that decrease, €0.2 billion is the result of the measurement at fair value of the interest in Aston Martin. Furthermore, an additional expense of €0.2 billion occurred from decreasing discount rates for provisions for other risks. ↗ B.18

Net interest expense amounted to €0.5 billion (2018: €0.5 billion). ↗ B.18

The tax expense of €1.1 billion (2018: €3.0 billion) stated under **income tax expense** decreased mainly due to the decline in profit before income taxes. The effective tax rate for 2019 was 29.3% (2018: 28.4%). ↗ B.18

Net profit of €2.7 billion (2018: €7.6 billion) is significantly below the prior-year figure. Net profit of €0.3 billion is attributable to **non-controlling interests** (2018: €0.3 billion). Net profit **attributable to the shareholders** of Daimler AG amounts to €2.4 billion (2018: €7.2 billion), representing a decrease in **earnings per share** to €2.22 (2018: €6.78). ↗ B.18

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

Dividend

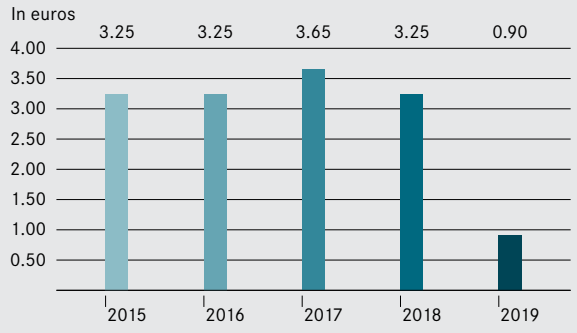
In line with a sustainable dividend policy, Daimler sets the dividend based on a distribution ratio of 40% of the net profit attributable to Daimler shareholders. We also take into consideration the free cash flow from the industrial business when setting the dividend. The Board of Management and the Supervisory Board will propose to the Annual Shareholders' Meeting to be held on April 1, 2019 that a dividend of €0.90 per share be distributed for financial year 2019 (2018: €3.25). This corresponds to a total dividend distribution to our shareholders of €1.0 billion (2018: €3.5 billion).] ↗ B.19

Net operating profit

Table ↗ B.20 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

Dividend per share



B.20

Reconciliation to net operating profit

In millions of euros	2019	2018	19/18 % change
Mercedes-Benz Cars	3,359	7,216	-53
Daimler Trucks	2,463	2,753	-11
Mercedes-Benz Vans	-3,085	312	.
Daimler Buses	283	265	+7
Daimler Mobility	2,140	1,384	+55
EBIT of the divisions	5,160	11,930	-57
Income taxes[1]	-1,261	-3,169	-60
Other reconciliation	-831	-798	+4
Net operating profit	3,068	7,963	-61

1 Adjusted for tax effects on interest income/expense and amortization of capitalized 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 product of net assets and cost of capital expressed as a percentage, which is subtracted from earnings in order to calculate value added. Tables ↗ B.21 and ↗ B.22 show value added and net assets for the Group and for the individual divisions. Table ↗ B.23 shows how net assets are derived from the consolidated statement of financial position.

The **Group's value added** decreased by €5.7 billion to minus €2.0 billion in 2019, representing a return on net assets of 4.8% (2018: 14.8%). The minimum required rate of return of 8% was therefore not achieved in the year under review. The significant decrease in value added was mainly due to the development of the divisions' EBIT. In addition, further negative effects on value added resulted from the sharp increase of €9.9 billion in average net assets caused by higher investments in non-current assets, the first-time capitalization of right-of-use assets from leasing contracts and increased average inventories. These effects were partially compensated by higher provisions for other risks.

B.21

Value added

In millions of euros	2019	2018	19/18 % change
Daimler Group	**-2.032**	3.658	.
Mercedes-Benz Cars	**-532**	4.062	.
Daimler Trucks	**1.230**	1.765	-30
Mercedes-Benz Vans	**-3.375**	-91	.
Daimler Buses	**110**	117	-6
Daimler Mobility	**325**	-236	.

B.22

Net assets (average)

In millions of euros	2019	2018	19/18 % change
Mercedes-Benz Cars	**32,418**	26,289	+23
Daimler Trucks	**10,274**	8,240	+25
Mercedes-Benz Vans	**2,412**	3,355	-28
Daimler Buses	**1,440**	1,233	+17
Daimler Mobility[1]	**13,961**	12,466	+12
Net assets of the divisions	**60,505**	51,583	+17
Equity-method investments[2]	**980**	1,066	-8
Assets and liabilities from income taxes[3]	**2,720**	1,707	+59
Other reconciliation[3]	**-459**	-547	-16
Daimler Group	**63,746**	53,809	+18

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

B.23

Net assets of the Daimler Group at year-end

In millions of euros	2019	2018	19/18 % change
Net assets[1]			
Intangible assets	**15,045**	13,872	+8
Property, plant and equipment	**36,782**	30,859	+19
Leased assets	**18,799**	18,509	+2
Inventories	**28,420**	28,096	+1
Trade receivables	**11,045**	10,545	+5
Less provisions for other risks	**-19,865**	-14,604	+36
Less trade payables	**-11,896**	-13,395	-11
Less other assets and liabilities	**-33,624**	-31,832	+6
Assets and liabilities from income taxes[1]	**2,559**	1,671	+53
Total equity of Daimler Mobility	**14,983**	12,810	+17
Daimler Group	**62,248**	56,531	+10

1 To the extent not allocated to Daimler Mobility.

Value added at **Mercedes-Benz Cars** of minus €0.5 billion was significantly below the prior-year amount of €4.1 billion. This was primarily due to the negative earnings development. An additional negative impact on value added resulted from the increase in average net assets to €32.4 billion mainly caused by higher investments in non-current assets as well as the first-time capitalization of right-of-use assets from leasing contracts. In addition, average net assets were also impacted by rising average inventories, partially offset by higher provisions for other risks.

Daimler Trucks' value added fell by €0.5 billion compared to previous year as a result of the development of earnings and the increase in average net assets of €2.0 billion. This increase resulted from the first-time capitalization of right-of-use assets from leasing contracts and an increase in average inventories.

At **Mercedes-Benz Vans**, value added decreased significantly by €3.3 billion to minus €3.4 billion, reflecting the sharp decline in earnings. On the other hand, higher provisions for other risks led to lower average net assets, which partially offset the negative development of value added.

The value added of the **Daimler Buses** division of €110 million remains nearly unchanged (2018: €117 million). Average net assets increased slightly to €1.4 billion.

Value added at **Daimler Mobility** of €0.3 billion was higher than the prior-year level of minus €0.2 billion. The division's return on equity amounted to 15.3% (2018: 11.1%). The development of value added primarily reflects the increase in earnings of €0.8 billion. On the other hand, the rise in average equity of €1.5 billion had a negative impact on value added.

Liquidity and Capital Resources

Principles and objectives of financial management

Financial management at the Daimler Group consists of capital structure management, cash and liquidity management, market-price risk management (foreign exchange rates, interest rates and commodity prices), as well as pension-asset management and credit and financial country risk management. Worldwide financial management is performed within the framework of legal requirements consistently for all Group entities by the Treasury department of the Daimler Group. 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 Daimler's mobility, production, sales or financing companies are based on the principles of cost-optimized and risk-optimized liquidity and capital resources.

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 credit, commercial paper and notes); liquidity surpluses are invested in the money market or the capital market taking into account risk and return expectations. Our goal is to ensure the level of liquidity regarded as necessary at optimal costs. Besides operational liquidity, the Daimler Group 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.

Cash management determines the cash requirements and surpluses. By means of cash-pooling procedures, liquidity is centrally concentrated on bank accounts of the Daimler Group in various currencies. Most of the payments between Group companies are made through internal clearing accounts, so that the number of external cash flows is reduced to a minimum. The Daimler Group 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 earnings 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. The hedging strategy is specified at the Group level and uniformly implemented in the segments. 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 internal committees.

Management of pension assets (plan assets) includes the investment of the assets to cover the corresponding pension obligations. The plan assets are legally separated from the Group's assets and are invested primarily in funds; they are not available for general business purposes. The plan assets are spread across various investment categories such as equities, fixed-interest securities, alternative investments and real estate, depending on the expected development of pension obligations and with the help of risk-return optimization. The performance of asset management is measured by comparing with defined reference indices. Local custodians 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.

The risk volume that is subject to **credit risk management** includes all of the Daimler Group'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 the application of 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 results from relationships with 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 Mobility 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. The Daimler Group has an internal rating system that assigns all countries in which it operates to risk categories. With equity-capital transactions of considerable magnitude in risk countries, the Group generally 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, an internal committee sets and restricts the level of hard-currency credits granted to Daimler Mobility companies in risk countries.

Further information on the management of market-price risk, credit risk and liquidity risk is provided in Note 33 of the Notes to the Consolidated Financial Statements.

Cash flows

Cash provided by operating activities ↗ B.24 amounted to €7.9 billion in 2019 (2018: €0.3 billion). The increase was primarily due to effects from the leasing and sales-financing business. Those effects include a cash inflow of €0.9 billion at Daimler Mobility in connection with an off-balance-sheet ABS transaction carried out in July. Further overall positive effects resulted from working-capital management, in particular due to the positive development of inventories at all automotive segments. While the development of trade receivables also contributed to the positive development of working capital, changes in trade payables at all automotive segments had an opposing effect. Changes in lessee accounting also had a positive impact on cash provided by operating activities.

The lower profit before income taxes is primarily related to the non-cash-effective increases in provisions included in other operating assets and liabilities. Compared to the previous year, the lower operating profit led to lower income taxes paid, with a positive effect on the cash flow from operating activities. On the other hand, the fine of €870 million paid in conclusion of the administrative offense proceedings against Daimler AG had a negative effect.

Cash used for investing activities ↗ B.24 amounted to €10.6 billion (2018: €9.9 billion). The change compared with the previous year primarily reflects cash outflows (net) of €0.7 billion relating to the merger of the mobility services of Daimler Group and BMW Group. The main effect resulted from capital increases at the joint ventures. Furthermore, increased investments in intangible assets also affected cash used for investing activities. However, positive effects resulted from the acquisition and sale of marketable debt securities and similar investments conducted in the context of liquidity management. Compared to the previous year, there were higher total cash inflows (net) in 2019.

Cash provided by financing activities ↗ B.24 amounted to €5.6 billion (2018: €13.2 billion). The decrease was primarily caused by lower net cash inflows from financing liabilities, especially in the context of refinancing the leasing and sales-financing business. There was also an impact from the introduction of lessee accounting and the associated inclusion in the cash flow from financing activities of payments on outstanding leasing liabilities.

Cash and cash equivalents increased by €3.0 billion compared with December 31, 2018, after taking currency-translation effects into account. Total liquidity, which also includes marketable debt securities and similar investments, increased by €2.1 billion to €27.5 billion.

B.24

Condensed statement of cash flows	Consolidated		Industrial Business		Daimler Mobility	
	2019	2018	2019	2018	2019	2018
In millions of euros						
Cash and cash equivalents at beginning of period	15,853	12,072	12,799	9,515	3,054	2,557
Profit before income taxes	3,830	10,595	1,699	9,215	2,131	1,380
Depreciation and amortization/impairments	7,751	6,305	7,597	6,177	154	128
Other non-cash expense and income and gains/losses on disposals of assets	-737	-1,050	-824	-1,557	87	507
Change in operating assets and liabilities						
Inventories	99	-3,850	1	-3,738	98	-112
Trade receivables	-346	-884	-410	-779	64	-105
Trade payables	-1,625	1,694	-1,651	1,723	26	-29
Receivables from financial services	-4,664	-10,257	-8	-7	-4,656	-10,250
Vehicles on operating leases	-1,156	-1,609	550	1,208	-1,706	-2,817
Other operating assets and liabilities	5,641	877	5,789	1,067	-148	-190
Dividends received from equity-method investments	1,202	1,380	1,201	1,304	1	76
Income taxes paid	-2,107	-2,858	-959	-1,698	-1,148	-1,160
Cash used for/provided by operating activities	7,888	343	12,985	12,915	-5,097	-12,572
Additions to property, plant and equipment and intangible assets	-10,835	-10,701	-10,645	-10,534	-190	-167
Investments in and disposals of shareholdings	-1,225	-417	-582	14	-643	-431
Acquisitions and sales of marketable debt securities and similar investments	1,054	471	883	505	171	-34
Other	399	726	358	708	41	18
Cash used for investing activities	-10,607	-9,921	-9,986	-9,307	-621	-614
Change in financing liabilities	9,404	17,456	6,760	8,889	2,644	8,567
Dividends paid	-3,740	-4,220	-3,725	-4,215	-15	-5
Other transactions with shareholders	-36	-10	-26	-20	-10	10
Internal equity and financing transactions	–	–	-2,767	-5,127	2,767	5,127
Cash used for/provided by financing activities	5,628	13,226	242	-473	5,386	13,699
Effect of foreign exchange rate changes on cash and cash equivalents	121	133	112	149	9	-16
Cash and cash equivalents at end of period	18,883	15,853	16,152	12,799	2,731	3,054

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.25, which is derived from the reported cash flows from operating and investing activities. The cash flows from the acquisition and sale of marketable debt securities and similar investments included in cash flows from investing activities are deducted, as those securities are allocated to liquidity and changes in them are thus not a part of the free cash flow of the industrial business. In contrast, the recognition and measurement of right-of-use assets, which result from the change in lessee accounting and are largely non-cash items, are included in the free cash flow of the industrial business.

B.25

Free cash flow of the industrial business

	2019	2018	19/18
In millions of euros			Change
Cash provided by operating activities	12,985	12,915	+70
Cash used for investing activities	-9,986	-9,307	-679
Change in marketable debt securities and similar investments	-883	-505	-378
Right-of-use assets	-987	–	-987
Other adjustments	239	-205	+444
Free cash flow of the industrial business	1,368	2,898	-1,530

B.26

Reconciliation from CFBIT to the free cash flow of the industrial business

In millions of euros	2019
CFBIT automotive segments	**3,499**
Income taxes paid	-959
Interest paid	-388
Other reconciling items	-784
Free cash flow of the industrial business	**1,368**

Other adjustments mainly relate to the acquisitions and disposals of shareholdings within the Group resulting from "Project Future" and are reversed in the free cash flow of the industrial business. Furthermore, effects from the financing of dealerships and effects from internal deposits within the Group are adjusted. In addition, the calculation of the free cash flow includes the cash flows to be shown under cash provided by financing activities in connection with the acquisition or disposal of interests in subsidiaries without loss of control.

The **free cash flow of the industrial business** amounted to €1.4 billion in 2019 and was significantly lower than the prior-year figure of €2.9 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 second quarter of 2019. However, the target stated in the Outlook section of Annual Report 2018 that the free cash flow of the industrial business would probably be slightly higher than in the previous year was not met.

The decrease of €1.5 billion in the free cash flow of the industrial business to €1.4 billion resulted from a number of factors, primarily the fine paid in conclusion of the administrative offense proceedings against Daimler AG. As well as the negative effects relating to the recognition and measurement of right-of-use assets, additional effects on the free cash flow of the industrial business resulted from the negative development of operating leases and increased investments in intangible assets. Furthermore, increased cash outflows (net) for the acquisition and disposal of shareholdings also contributed negatively. On the other hand, the development of working capital and lower income tax payments had a positive impact.

Apart from derivation on the basis of cash flows from operating and investing activities, the free cash flow of the industrial business can be derived from the cash flows before interest and taxes (CFBIT) of the automotive segments ↗ B.26.

The **CFBIT of the automotive segments** is derived from EBIT and the change in net assets and includes additions to right-of-use assets.

The reconciliation from the CFBIT of the automotive segments to the free cash flow of the industrial business also includes income taxes and interest paid. Other reconciling items include eliminations between the segments and amounts allocated to the industrial business but for which the automotive segments are not accountable.

Starting from financial year 2020, apart from the free cash flow of the industrial business, the adjusted cash conversion rates of the automotive segments will also be forecast and reported.

Table ↗ B.27 shows for each of the automotive segments the reconciliation from **CFBIT to adjusted CFBIT**, as well as the **adjusted cash conversion rate**.

B.27

Reconciliation CFBIT to adjusted CFBIT of the automotive segments

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Sum automotive segments
2019					
CFBIT	851	2,431	-83	300	3,499
Legal proceedings (and related measures)	653	–	482	–	1,135
CFBIT adjusted	1,504	2,431	399	300	4,634
EBIT adjusted	5,841	2,463	284	283	8,871
Cash conversion rate adjusted[1]	0.3	1.0	1.4	1.1	

1 Cash conversion rate adjusted is the relationship of CFBIT adjusted to EBIT adjusted.

The adjustments from legal proceedings include all payments by the automotive segments in connection with ongoing governmental and legal proceedings and related measures taken with regard to Mercedes-Benz diesel vehicles.

In 2019, the **free cash flow of the Daimler Group** led to a cash outflow of €4.8 billion (2018: €10.2 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 Mobility. Additional effects resulted from the cash outflows (net) relating to the merger of the mobility services of Daimler Group and BMW Group.

The **net liquidity of the industrial business** ↗ B.28 is calculated as the total amount as shown in the statement of financial position of cash, cash equivalents and the marketable debt securities and similar investments included in liquidity management, less the currency-hedged nominal amounts of financing liabilities.

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

Due to the introduction of lessee accounting according to IFRS 16 and the associated recognition of leasing liabilities, the net liquidity of the industrial business decreased by €3.2 billion to €13.1 billion at January 1, 2019. Since the beginning of the year, net liquidity decreased by a further €2.1 billion to €11.0 billion. The main driver of the decrease in net liquidity was the dividend payment to Daimler AG shareholders, which was only partly offset by the positive free cash flow of the industrial business.

Net debt at Group level, which primarily results from refinancing the leasing and sales-financing business, increased compared with December 31, 2018 by €14.1 billion to €133.7 billion. The effect resulting from the introduction of lessee accounting is €3.4 billion. ↗ B.29.

B.28

Net liquidity of the industrial business

In millions of euros	Dec. 31, 2019	Dec. 31, 2018	19/18 Change
Cash and cash equivalents	16,152	12,799	+3,353
Marketable debt securities and similar investments	7,522	8,364	-842
Liquidity	23,674	21,163	+2,511
Financing liabilities	-13,289	-4,771	-8,518
Market valuation and currency hedges for financing liabilities	612	-104	+716
Financing liabilities (nominal)	-12,677	-4,875	-7,802
Net liquidity	10,997	16,288	-5,291

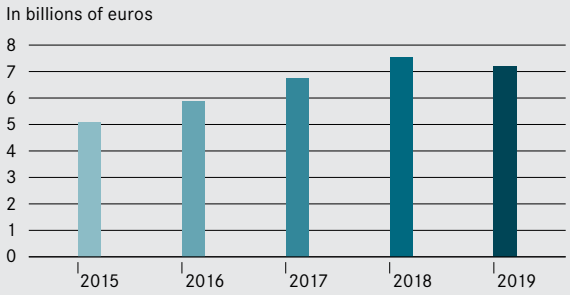
B.29

Net debt of the Daimler Group

In millions of euros	Dec. 31, 2019	Dec. 31, 2018	19/18 Change
Cash and cash equivalents	18,883	15,853	+3,030
Marketable debt securities and similar investments	8,655	9,577	-922
Liquidity	27,538	25,430	+2,108
Financing liabilities	-161,780	-144,902	-16,878
Market valuation and currency hedges for financing liabilities	579	-97	+676
Financing liabilities (nominal)	-161,201	-144,999	-16,202
Net debt	-133,663	-119,569	-14,094

B.30

Investment in property, plant and equipment



B.31

Investment in property, plant and equipment by division

In millions of euros	2019	2018	19/18 % change
Daimler Group	7,199	7,534	-4
in % of revenue	4.2	4.5	
Mercedes-Benz Cars	5,629	5,684	-1
in % of revenue	6.0	6.1	
Daimler Trucks	971	1,105	-12
in % of revenue	2.4	2.9	
Mercedes-Benz Vans	240	468	-49
in % of revenue	1.6	3.4	
Daimler Buses	134	144	-7
in % of revenue	2.8	3.2	
Daimler Mobility	87	64	+36
in % of revenue	0.3	0.2	

Contingent liabilities and other financial obligations

At December 31, 2019, the best estimate for potential obligations from contingent liabilities is €1.6 billion (2018: €0.8 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 statement of financial position at December 31, 2019. These financial obligations result from contractual commitments to acquire intangible assets, property, plant and equipment and leased property, and irrevocable loan commitments.

Detailed information on contingent liabilities and other financial obligations is provided in Note 31 of the Notes to the Consolidated Financial Statements.

Investments

In the context of our strategy of strengthening our core business and with the transformation of the automotive industry, we aim to make good use of the opportunities presented by the global automotive markets. In this context, we always focus on the dynamically changing wishes of our customers. We therefore aim to play a major role in shaping the fundamental technological change taking place in the automotive industry. This applies in particular to the electrification of our product range and the digital connectivity of our products and processes at all stages of the value chain. Achieving this goal will continue to require substantial investments in innovative products and new technologies, as well as in the expansion of our worldwide production network. In 2019, our investments in property, plant and equipment – as already announced in Annual Report 2018 – once again reached the very high level of €7.2 billion (2018: €7.5 billion).

At December 31, 2019, financial obligations of €3.7 billion exist in connection with future investments in property, plant and equipment (2018: €4.3 billion).

At Mercedes-Benz Cars, investments in property, plant and equipment remained at the very high level of €5.6 billion in 2019 (2018: €5.7 billion), primarily due to the ongoing product offensive. The most important projects included the successor generation of the current C-Class and the product ramp-up of the new GLE sports utility vehicle. We also made substantial investments in the reorganization of our German production facilities as competence centers, in the expansion of our international production network, and in the worldwide production network for electric mobility. The main areas of investment at Daimler Trucks in 2019 were successor generations for existing products, new products, global component projects and the optimization of the worldwide production and sales network. Total investment in property, plant and equipment at Daimler

Trucks amounted to €1.0 billion (2018: €1.1 billion). At the Mercedes-Benz Vans division, the focus of investment was on the further electrification of the Sprinter, Vito and V-Class model series. The main investments at Daimler Buses last year were in new products and the modernization of the production network.

Furthermore, we capitalized development costs of €3.1 billion in 2019 (2018: €2.5 billion); this is presented under intangible assets in Note 10.

Refinancing

The funds raised by Daimler in the year 2019 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, promissory-note loans, 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 €70 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 monetary policy of the central banks also affected the situation in the bond markets significantly in the reporting period. The high volumes of available liquidity meant that risk premiums for companies with investment-grade credit ratings largely 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 issuances (bonds with high nominal volumes) in the US dollar and euro markets. ↗ B.33

In the Chinese market, Daimler placed four so-called panda bonds with a total volume of CNY 10.0 billion. In addition, a large number of smaller bonds were issued in various currencies and markets.

B.32

Refinancing instruments

	Average interest rates		Carrying values	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
	in %		In millions of euros	
Notes/bonds and liabilities from ABS transactions	2.03	2.24	99,557	88,942
Liabilities to financial institutions	2.68	3.73	39,811	39,400
Deposits in the direct banking business	0.50	0.58	13,119	11,774

B.33

Benchmark issuances

Issuer	Volume	Month of emission	Maturity
Daimler International Finance B.V.	€1,500 million	Feb. 2019	Feb. 2023
Daimler International Finance B.V.	€1,000 million	Feb. 2019	Jun. 2026
Daimler AG	€750 million	Feb. 2019	Feb. 2031
Daimler Finance North America LLC	US$1,900 million	Feb. 2019	Feb. 2022
Daimler Finance North America LLC	US$600 million	Feb. 2019	Feb. 2024
Daimler Finance North America LLC	US$500 million	Feb. 2019	Feb. 2029
Daimler AG	€750 million	Aug. 2019	Feb. 2024
Daimler AG	€1,000 million	Aug. 2019	Nov. 2026
Daimler AG	€750 million	Aug. 2019	Feb. 2030
Daimler AG	€500 million	Aug. 2019	Aug. 2034
Daimler Finance North America LLC	US$1,500 million	Aug. 2019	Feb. 2022
Daimler Finance North America LLC	US$1,250 million	Aug. 2019	Aug. 2022
Daimler Finance North America LLC	US$750 million	Aug. 2019	Jun. 2024
Daimler Finance North America LLC	US$500 million	Aug. 2019	Aug. 2029
Daimler International Finance B.V.	€1,750 million	Nov. 2019	Nov. 2023
Daimler International Finance B.V.	€1,250 million	Nov. 2019	Mai. 2027
Daimler AG	€1,000 million	Nov. 2019	Nov. 2031

Daimler also issued small volumes of **commercial paper** in 2019.

In 2019, **asset-backed securities (ABS)** were issued in five countries worldwide. In the United States, a total refinancing volume of USD 8.7 billion was generated in six transactions, and in Canada, a total volume of CAD 1.0 billion in two transactions. In Australia, two transactions were conducted in a total volume of AUD 1.26 billion. For the first time, €0.5 billion was successfully placed with investors in Italy. Furthermore, an ABS transaction with a volume of CNY 8.5 billion was placed in China.

Bank credit was another important source of refinancing in 2019. 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.

Since July 2018, Daimler has had at its disposal a syndicated credit facility with a volume of €11 billion from a consortium of international banks. After the exercise of an extension option of one year beyond the original term, it grants Daimler additional financial flexibility until 2024. The term can be extended for another year until 2025. Daimler does not intend to utilize the credit line.

At the end of 2019, Daimler had unutilized short- and long-term credit lines totaling €28.1 billion (2018: €26.8 billion).

The carrying values of the main refinancing instruments and the weighted average interest rates are shown in table ↗ **B.32**. At December 31, 2019, they are mainly denominated in the following currencies: 42% in euros, 27% in US dollars, 8% in Chinese renminbi, 4% in British pounds, 3% in Canadian dollars and 3% in Japanese yen.

At December 31, 2019, the total of financial liabilities shown in the consolidated statement of financial position amounted to €161.8 billion (2018: €144.9 billion).

Detailed information on the amounts and terms of the main items of financing liabilities is provided in Notes 24 and 33 of the Notes to the Consolidated Financial Statements. Note 33 also provides information on the maturities of the other financial liabilities.

Credit ratings

The credit ratings of Daimler AG changed in 2019 with four of the agencies we have engaged to provide ratings. Moody's and S&P downgraded their short-term and long-term ratings by one notch. Both agencies changed the outlook from "stable" to "negative." DBRS also changed the trend on the long-term rating from "stable" to "negative." With Fitch, our short-term rating was upgraded by one notch to F1. ↗ B.34

On May 21, 2019, **Fitch Ratings** (Fitch) affirmed its long-term issuer default rating for Daimler AG of A- with a stable outlook. Fitch emphasized Daimler's strong business profile and the leading positions of its automotive divisions. At the same time, Fitch upgraded its short-term rating from F2 to F1. This step was taken with reference to the Group's good financial situation and financial flexibility.

The European rating agency **Scope Ratings** (Scope) confirmed its issuer rating of A for Daimler AG and its financing companies on December 17, 2019. Scope assumes that Daimler will continue to maintain its leading market position with Mercedes-Benz Cars and Daimler Trucks. The Group's diversified global presence also supports the rating. Daimler's financial risk profile in view of the significant surplus liquidity continues to be a key factor for the rating.

On December 12, 2019, **S&P Global Ratings** (S&P) lowered its long-term issuer rating for Daimler AG from A to A-. The outlook was assessed as "negative." The short-term rating was altered from A-1 to A-2. S&P explained this action primarily with Daimler's significantly reduced earnings guidance. In addition, S&P believes Daimler remains exposed to multiple headwinds. They include the transition of its product portfolio to electric vehicles, the challenge of complying with stricter European CO_2 targets, geopolitical risks for world trade, intensifying competition and the execution of Daimler's planned restructuring program.

B.34

Credit ratings

	End of 2019	End of 2018
Long-term credit rating		
S&P	**A–**	A
Moody's	**A3**	A2
Fitch	**A–**	A–
Scope	**A**	A
DBRS	**A**	A
Short-term credit rating		
S&P	**A-2**	A-1
Moody's	**P-2**	P-1
Fitch	**F1**	F2
Scope	**S-1**	S-1
DBRS	**R-1 (low)**	R-1 (low)

Moody's Investors Service (Moody's) downgraded its long-term credit rating for Daimler AG and its subsidiaries included in the rating from A2 to A3 on December 13, 2019. The outlook was changed to "negative." The short-term rating was downgraded to P-2. Moody's explained this step with Daimler's reduced earnings guidance for the coming years and the additionally anticipated restructuring costs from the announced efficiency program. Moody's also sees challenges in the changeover of the product portfolio to battery-electric vehicles, as well as from a potential general decline in demand for light vehicles.

The Canadian agency **DBRS** confirmed its long-term rating for Daimler AG at A in a press release on November 28, 2019. However, the trend was changed from "stable" to "negative." DBRS stated that this change reflects Daimler's recently weaker earnings and the structural headwinds in our core automotive business. The trend on the short-term rating of R-1 (low) was maintained at "stable."

Financial Position

The **balance sheet total** increased compared with December 31, 2018 from €281.6 billion to €302.4 billion; the increase includes effects from currency translation of €3.1 billion. Adjusted for the effects of currency translation, the increase amounts to €17.7 billion. Daimler Mobility accounts for €174.8 billion of the balance sheet total (2018: €165.3 billion), equivalent to 58% of the Daimler Group's total assets (2018: 59%).

The increase in total assets primarily reflects the higher volume of the financial services business as well as increased cash and cash equivalents. In addition, the recognition and measurement of right-of-use assets due to changed lessee accounting led to an increase in property, plant and equipment (see Note 11 of the Notes to the Consolidated Financial Statements). On the liabilities side of the balance sheet, there were increases primarily in financing liabilities (including liabilities from lease contracts) and provisions, while equity decreased compared with December 31, 2018. Table ↗ **B.35** shows the condensed statement of financial position for the Group as well as for the industrial business and Daimler Mobility.

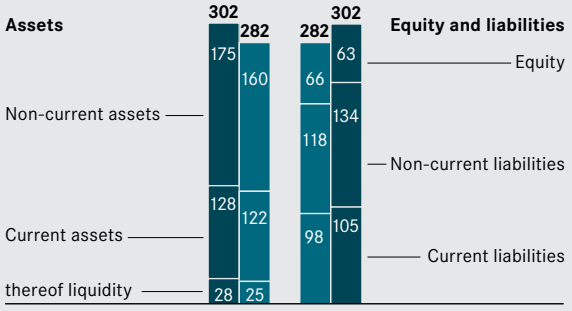
B.35

Condensed statement of financial position	Consolidated		Industrial Business		Daimler Mobility	
	2019	At December 31, 2018	2019	At December 31, 2018	2019	At December 31, 2018
In millions of euros						
Assets						
Intangible assets	15,978	14,801	15,077	13,913	901	888
Property, plant and equipment	37,143	30,948	36,782	30,859	361	89
Equipment on operating leases	51,482	49,476	18,799	18,509	32,683	30,967
Receivables from financial services	103,661	96,740	-88	-90	103,749	96,830
Equity-method investments	5,949	4,860	4,842	4,651	1,107	209
Inventories	29,757	29,489	28,420	28,096	1,337	1,393
Trade receivables	12,332	12,586	11,045	10,545	1,287	2,041
Cash and cash equivalents	18,883	15,853	16,152	12,799	2,731	3,054
Marketable debt securities and similar investments	8,655	9,577	7,522	8,364	1,133	1,213
thereof current	7,885	8,855	7,420	8,362	465	493
thereof non-current	770	722	102	2	668	720
Other financial assets	6,083	5,733	-13,283	-12,719	19,366	18,452
Other assets	12,515	11,025	2,349	1,376	10,166	9,649
Assets held for sale	–	531	–	–	–	531
Total assets	302,438	281,619	127,617	116,303	174,821	165,316
Equity and liabilities						
Equity	62,841	66,053	47,858	53,243	14,983	12,810
Provisions	30,652	22,955	29,473	21,942	1,179	1,013
Financing liabilities	161,780	144,902	13,289	4,771	148,491	140,131
thereof current	62,601	56,240	-21,218	-20,993	83,819	77,233
thereof non-current	99,179	88,662	34,507	25,764	64,672	62,898
Trade payables	12,707	14,185	11,896	13,395	811	790
Other financial liabilities	9,864	10,032	6,224	5,888	3,640	4,144
Contract and refund liabilities	13,631	12,519	13,239	12,146	392	373
Other liabilities	10,963	10,761	5,638	4,918	5,325	5,843
Liabilities held for sale	–	212	–	–	–	212
Total equity and liabilities	302,438	281,619	127,617	116,303	174,821	165,316

B.36

Balance sheet structure Daimler Group

In billions of euros



Current assets account for 42% of the balance sheet total, which is below the prior-year level (2018: 43%). Current liabilities amount to 35% of total equity and liabilities, which is at the prior-year level. Table ↗ **B.36** shows the structure of the balance sheet by maturity.

Intangible assets of €16.0 billion (2018: €14.8 billion) include €12.5 billion of capitalized development costs (2018: €11.3 billion), €1.7 billion of franchises, industrial property and similar rights (2018: €2.0 billion) and €1.2 billion of goodwill (2018: €1.1 billion). The Mercedes-Benz Car division accounts for 85% (2018: 81%) of the development costs while the Mercedes-Benz Vans division accounts for 8% (2018: 10%) and the Daimler Trucks division accounts for 6% (2018: 8%). Capitalized development costs amount to €3.1 billion in 2019 (2018: €2.5 billion) and account for 32% of the Group's total research and development expenditure (2018: 28%).

Property, plant and equipment increased to €37.1 billion (2018: €30.9 billion). Due to the application of single lessee accounting according to IFRS 16 as of January 1, 2019, right-of-use assets of €4.2 billion are included in property, plant and equipment. In 2019, €7.2 billion was invested worldwide (2018: €7.5 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 €4.4 billion of the capital expenditure (2018: €4.4 billion).

Equipment on operating leases and receivables from financial services rose to a total of €155.1 billion (2018: €146.2 billion). The increase adjusted for currency-translation effects of €6.5 billion was primarily caused by the higher level of new business at Daimler Mobility; contract volume increased in North and South America, Europe and Asia. The leasing and sales-financing business as a proportion of 51% of total assets was below the prior-year level (2018: 52%).

Equity-method investments increased to €5.9 billion (2018: €4.9 billion). The increase is mainly due to the merger of the mobility services of Daimler Group and BMW Group and the resulting first-time consolidation of five operating joint ventures, which were merged into YOUR NOW Holding GmbH at the end of 2019 (see Note 13 of the Notes to the Consolidated Financial Statements). Furthermore, they mainly comprise the carrying amounts of our equity interests in Beijing Benz Automotive Co., Ltd., BAIC Motor Corporation Ltd. and There Holding B.V.

Inventories increased slightly from €29.5 billion to €29.8 billion, equivalent to 10% of total assets, and were thus at the prior-year level. While inventories at the Mercedes-Benz Cars division increased mainly due to model changes and the launch of new models, inventories at the Daimler Trucks and Mercedes-Benz Vans divisions were reduced to below the prior-year level.

Trade receivables of €12.3 billion are below the prior-year level of €12.6 billion. The Mercedes-Benz Cars division accounts for 53% of these receivables (2018: 45%), the Daimler Trucks division accounts for 23% (2018: 25%) and the Mercedes-Benz Vans division accounts for 9% (2018: 8%).

Cash and cash equivalents increased compared with the end of 2018 by €3.0 billion to €18.9 billion.

Marketable debt securities and similar investments decreased compared with December 31, 2018 from €9.6 billion to €8.7 billion. Those assets include the debt instruments that are allocated to liquidity, most of which are traded in active markets. They generally have an external rating of A or better.

Other financial assets of €6.1 billion are above the prior-year level (2018: €5.7 billion). They primarily consist of equity and debt instruments, investments in non-consolidated subsidiaries, derivative financial instruments, and loans and other receivables due from third parties.

Other assets of €12.5 billion (2018: €11.0 billion) primarily comprise deferred tax assets and tax refund claims. The increase is mainly due to deferred tax assets on tax loss carryforwards.

The Group's **equity** decreased compared with December 31, 2018 from €66.1 billion to €62.8 billion. Positive effects in equity resulted from the net profit of €2.7 billion and the effects of currency translation of €0.5 billion. This was more than offset by the dividend of €3.5 billion paid out to Daimler's shareholders, the effect of remeasurement of derivative financial instruments not recognized in profit or loss of €0.5 billion, and actuarial losses from defined-benefit pension plans recognized in retained earnings of €2.2 billion. Equity attributable to the shareholders of Daimler AG accordingly decreased to €61.3 billion (2018: €64.7 billion).

While the balance sheet total increased, equity decreased compared with the previous year. The Group's **equity ratio** of 20.5% was therefore below the level at the end of 2018 (22.2%); the equity ratio for the industrial business was 36.7% (2018: 42.8%). It is necessary to consider the fact that the equity ratios at the end of 2018 and 2019 are adjusted for the paid and proposed dividend payments.

Provisions increased significantly from €23.0 billion to €30.7 billion; as a proportion of the balance sheet total, they were above the prior-year level at 10% (2018: 8%). They primarily comprise provisions for pensions and similar obligations of €9.7 billion (2018: €7.4 billion), which mainly consist of the difference between the present value of defined-benefit pension obligations of €36.2 million (2018: €31.7 billion) and the fair value of the pension-plan assets applied to finance those obligations of €27.8 billion (2018: €25.5 billion). The decrease in discount rates led to an increase in the present value of the defined-benefit pension obligations. This effect was only partially offset by a positive interest rate development for plan assets. Provisions also relate to liabilities for product warranties of €8.7 billion (2018: €7.0 billion), for personnel and social costs of €4.2 billion (2018: €4.3 billion), for liability risks, litigation risks and regulatory proceedings of €4.9 billion (2018: €2.1 billion), as well as other provisions of €3.1 billion (2018: €2.1 billion). The reassessment of risks especially at the Mercedes-Benz Cars and Mercedes-Benz Vans divisions led to an increase in provisions for product warranties and for liability risks, litigation risks and regulatory proceedings. The increase relates to ongoing governmental and legal proceedings and measures taken with regard to Mercedes-Benz diesel vehicles in several regions and markets, as well as an updated risk assessment for an extended recall of Takata airbags. The increase in other provisions is mainly due to the review and prioritization of the product portfolio at the Mercedes-Benz Vans division.

Financing liabilities of €161.8 billion were above the level of the previous year (2018: €144.9 billion). The increase, adjusted for exchange-rates effects, of €14.9 billion was primarily due to the refinancing of the growing leasing and sales-financing business and higher leasing liabilities of €3.9 billion caused by the application of single lessee accounting according to IFRS 16. 53% of the financing liabilities were accounted for by bonds, 25% by liabilities to financial institutions, 9% by liabilities from ABS transactions and 8% by deposits in the direct banking business.

Trade payables decreased compared with the prior year to €12.7 billion (2018: €14.2 billion). The Mercedes-Benz Cars division accounts for 64% (2018: 60%) of those payables, the Daimler Trucks division accounts for 20% (2018: 24%) and the Mercedes-Benz Vans division accounts for 7% (2018: 7%).

Other financial liabilities were nearly unchanged at €9.9 billion (2018: €10.0 billion) and mainly consist of liabilities from residual-value guarantees, liabilities from wages and salaries, deposits received and accrued interest on financing liabilities.

Contract and refund liabilities of €13.6 billion are higher than a year earlier (2018: €12.5 billion). They mainly comprise deferred revenue from service and maintenance contracts as well as extended warranties and obligations from sales in the scope of IFRS 15. Higher revenues from service and maintenance contracts and extended warranties mainly led to the increase in contract and refund liabilities.

Other liabilities of €11.0 billion (2018: €10.8 billion) primarily comprise deferred taxes, tax liabilities and deferred income.

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 ↗ **F.03**, the Consolidated Statement of Changes in Equity ↗ **F.05** and the related notes in the Notes to the Consolidated Financial Statements.

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 its headquarters are in Stuttgart.

On May 22, 2019, the Annual Shareholders' Meeting of Daimler AG voted with 99.75% of the votes cast to hive down assets and liabilities of the Mercedes-Benz Cars and Mercedes-Benz Vans divisions and of the Daimler Trucks and Daimler Buses divisions into two legally independent entities within the framework of "Project Future." The hive-down took place in accordance with Section 123 Subsection 3 No. 1 of the German Transformation Act (UmwG) into Mercedes-Benz AG and Daimler Truck AG. The hive-down is based on the hive-down agreement concluded between Daimler AG, Mercedes-Benz AG and Daimler Truck AG on March 25, 2019. The hive-down became effective upon being entered in the commercial register of Daimler AG on October 31, 2019 ("completion date"). When the hive-down became effective, the assets to be hived down as defined in the hive-down agreement were transferred to Mercedes-Benz AG and Daimler Truck AG under civil law by way of partial universal succession at their carrying amounts. The transfer of assets had a retroactive financial effect as of the hive-down date of January 1, 2019. In addition, when the hive-down became effective, further assets and liabilities as defined by the agreements concluded between Daimler AG and Mercedes-Benz AG and Daimler Truck AG within the hive-down agreement were transferred to Mercedes-Benz AG and Daimler Truck AG, respectively.

As of the hive-down taking effect, Daimler AG acts as an operational management holding company and provides services to the Group companies. As the parent company, it also decides on the Group's strategy, decides on matters of strategic importance for business operations, and ensures regulatory, legal, and compliance functions throughout the Group.

Under the existing control and profit-and-loss-transfer agreements, the profits and losses of Mercedes-Benz AG and Daimler Truck AG are transferred to Daimler AG.

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 provisions, financial instruments, the leasing business and deferred taxes.

In view of the new function of Daimler AG as an operational management holding company, revenue and unit sales are no longer the most important performance indicators; net profit or loss is now the main performance indicator.

Due to the significant scope of the hive-down to Mercedes-Benz AG and Daimler Truck AG, the figures of Daimler AG for the 2019 financial year are not comparable with the prior-year figures.

Profitability

The **profitability** of Daimler AG in the 2019 financial year was affected by the hive-down of business operations to Mercedes-Benz AG and Daimler Truck AG. The change in profitability resulted in particular from the decrease in financial income of €7.9 billion to a financial expense of €0.5 billion, as well as by the lower tax expense of €1.1 billion. ↗ B.37

Daimler AG generated **revenue** of €2.0 billion primarily from the provision of services to companies of the Group (2018: €112.5 billion). The decrease in revenue was almost solely the result of hiving down the business operations to Mercedes-Benz AG and Daimler Truck AG.

Cost of sales comprises the services provided to Group companies to generate sales revenue and, due to the new management holding-company function, decreased to €2.0 billion (2018: €103.2 billion).

Due to the new corporate structure of Daimler AG, no **selling expenses** were incurred in 2019 (2018: €7.9 billion).

General administrative expenses amounted to €1.0 billion (2018: €2.3 billion). They include costs in connection with "Project Future" amounting to €0.2 billion. The decrease in general administrative expenses is caused by the hive-down.

Other operating expense amounted to €0.3 billion (2018: €0.3 billion) and primarily comprises expenses of €0.2 billion from increases in provisions for Group-external derivatives of the vehicle business.

Financial income fell by €7.9 billion to a financial expense of €0.5 billion, primarily due to a decrease of €11.8 billion in income from investments in subsidiaries and associated companies. This was mainly the result of expenses from the reassessment of risks in connection with ongoing governmental and legal proceedings and measures relating to Mercedes-Benz diesel vehicles in various regions and markets, as well as expenses in connection with an updated risk assessment for an expanded recall of Takata-Airbags, which led to a loss transfer from the affected company. On the other hand, interest expense decreased by €4.2 billion, primarily in connection with company pensions (€3.8 billion). This positive effect was mainly the result of lower expenses from the change in the discount rate and the compounding of the retirement benefit obligation due to the transfer of pension obligations to Mercedes-Benz AG and Daimler Truck AG, as well as the increased return on the special-purpose assets compared with 2018. In addition, the contribution of pension obligations and special-purpose assets to Daimler Pensionsfonds AG resulted in a one-time interest expense in 2018.

The **income tax expense** amounted to €0.0 billion (2018: €1.1 billion). The decrease is due to the tax-loss situation of the corporate group for tax purposes.

Net loss amounts to €1.7 billion (2018: net profit of €5.0 billion). This result is thus significantly below the expectation stated in the Outlook chapter of Annual Report 2018. This development is primarily due to the stronger than expected decrease in financial income, which was mainly caused by the lower income from subsidiaries and associated companies due to loss transfers from major subsidiaries.

The **economic situation** of Daimler AG in its management holding-company function depends mainly on the development of its subsidiaries. Daimler AG participates in the operating results of its subsidiaries through dividend distributions and profit-and-loss transfers. 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.

B.37

Condensed income statement of Daimler AG

In millions of euros	2019	2018
Revenue	2,019	112,491
Cost of sales (including R&D expenditure)	-1,959	-103,232
Selling expenses	-	-7,904
General adminstrative expenses	-964	-2,304
Other operating expense	-272	-292
Operating profit	-1,176	-1,241
Financial expense/income	-546	7,318
Income taxes	44	-1,055
Net loss (2018: net profit)	-1,678	5,022
Transfer from (2018: transfer to) retained earnings	2,641	-1,545
Distributable profit	963	3,477

Financial position, liquidity and capital resources

The **balance sheet total** of €99.4 billion is €17.8 billion lower than at the end of 2018. Table ↗ **B.38** shows the balance sheet of Daimler AG at December 31, 2019 compared with the balance sheet before the hive-down to Mercedes-Benz AG and Daimler Truck AG (December 31, 2018) and after the hive-down (January 1, 2019).

Non-current assets increased during the year by €2.1 billion to €57.2 billion, caused by the €12.9 billion increase in financial assets, which resulted in particular from corporate restructuring within the framework of "Project Future." The increase also reflects a capital contribution at the subsidiary LEONIE FS DVB GmbH and the acquisition within the Group of Mercedes-Benz Bank AG from Daimler Mobility AG. The decreases of €9.3 billion in property, plant and equipment and of €1.5 billion in intangible assets are mainly due to corporate restructuring within the framework of "Project Future."

Receivables, securities and other assets decreased compared with December 31, 2018 by €5.9 billion to €38.9 billion. This development mainly reflects a decrease of €9.3 billion from the hive-downs for corporate restructuring within the framework of "Project Future." Furthermore, other securities decreased by €1.1 billion and other assets decreased by €1.1 billion in 2019, primarily due to lower tax-refund claims. On the other hand, receivables due from subsidiaries increased by €5.6 billion.

Cash and cash equivalents decreased from €6.4 billion to €2.9 billion. The decrease includes a transfer of €1.5 billion as part of corporate restructuring within the framework of "Project Future."

Gross liquidity – defined as cash and cash equivalents and other marketable securities as well as fixed-term deposits presented under other assets – decreased by €4.7 billion to €9.6 billion on the balance sheet date. The reasons for the decrease in gross liquidity include the hive-downs for corporate restructuring within the framework of "Project Future" in an amount of €1.5 billion and the reduction in other securities of €1.1 billion in 2019.

Cash provided by operating activities amounted to €6.8 billion in 2019 (2018: €13.8 billion). The decrease resulted in particular from lower dividend distributions from subsidiaries and the end of cash flows from operations in the vehicle business. Another factor is that the amount for the previous year includes positive effects from trade receivables and payables with German and foreign companies of the Group and with external companies, which are no longer effective at Daimler AG due to the hive-down.

Cash flows from investing activities resulted in a net cash outflow of €7.6 billion in 2019 (2018: €14.7 billion). The decrease is due in particular to the end of investments by Daimler AG in intangible assets and property, plant and equipment, caused by the hive-down of business operations to Mercedes-Benz AG and Daimler Truck AG. Compared with the previous year, there were also lower cash outflows in the area of financial assets from corporate restructuring within the framework of "Project Future." Furthermore, there were positive effects from acquisitions and disposals of securities conducted in the context of liquidity management.

Cash flows from financing activities resulted in a net cash outflow of €2.6 billion (2018: inflow of €5.5 billion). The change is explained by higher receivables from the financing of subsidiaries and the lower increase in liabilities from the Group's internal transactions in connection with central financial and liquidity management. On the other hand, a cash inflow resulted in 2019 from higher external financing liabilities. Cash flows from financing activities include the payment of the dividend for the year 2018 in an amount of €3.5 billion.

Equity decreased in 2019 by €5.2 billion to €38.1 billion, primarily reflecting the decrease in distributable profit due to the dividend payment for 2018. In addition, €2.6 billion was transferred from retained earnings in 2019. The equity ratio at December 31, 2019 was 38.3% (December 31, 2018: 36.9%). Daimler AG holds no treasury shares at December 31, 2019.

Provisions decreased compared with December 31, 2019 by €14.8 billion to €1.6 billion. This was mainly the result of the transfer of provisions of €14.7 billion from Daimler AG to Mercedes-Benz AG and Daimler Truck AG as part of the corporate restructuring within the framework of "Project Future." On the other hand, additional provisions were recognized of €0.5 billion for internal derivatives in connection with the hive-down.

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Balance sheet structure of Daimler AG

in millions of euros	Dec. 31, 2019	Jan. 1, 2019[1]	Dec. 31, 2018
Assets			
Non-current assets	**57,214**	50,973	55,092
Inventories	-	1	10,524
Receivables, securities and other assets	**38,925**	35,437	44,784
Cash and cash equivalents	**2,942**	4,819	6,354
Current assets	**41,867**	40,257	61,662
Prepaid expenses	**285**	300	406
	99,366	91,530	117,160
Equity and liabilities			
Share capital	**3,070**	3,070	3,070
(conditional capital €500 million)			
Capital reserve	**11,480**	11,480	11,480
Retained earnings	**22,541**	25,182	25,182
Distributable profit	**963**	3,477	3,477
Equity	**38,054**	43,209	43,209
Provisions for pensions and similar obligations	**94**	123	838
Other provisions	**1,511**	2,136	15,595
Provisions	**1,605**	2,259	16,433
Trade payables	**227**	428	7,210
Other liabilities	**59,474**	45,634	49,232
Liabilities	**59,701**	46,062	56,442
Deferred income	**6**	0	1,076
	99,366	91,530	117,160

1 Amounts following the hive-down. Deviations from the hive-down balance sheet (published in the hive-down report of May 22, 2019) are the result of subsequent adjustments in accordance with the hive-down agreement.

The reduction was also caused by provisions for taxes and personnel and social provisions. There was an opposing effect from increases in provisions for derivative financial instruments.

Provisions for pensions and similar obligations amounted to €0.1 billion at December 31, 2019 (2018: €0.8 billion). The decrease is almost solely attributable to the transfer of pension obligations and special-purpose assets to Mercedes-Benz AG and Daimler Truck AG.

Liabilities increased by €3.3 billion to €59.7 billion. This was primarily due to the increase of €11.9 billion in liabilities to subsidiaries, which is mainly due to losses transferred from subsidiaries. In addition, bonds and other debt instruments were issued in an amount of €1.5 billion. On the other hand, liabilities decreased by €10.4 billion due to the hive-downs for corporate restructuring within the framework of "Project Future."

Risks and opportunities

The business development of Daimler AG as the operational management holding company mainly depends on the development of its worldwide subsidiaries and is therefore – through the profit and loss contributions from subsidiaries and associated companies – fundamentally subject to the same risks and opportunities as the Daimler Group. Daimler AG generally participates in the risks of its subsidiaries and associated companies in line with the percentage of its respective equity interest. The risks and opportunities are described in the Risk and Opportunity Report. 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.

Furthermore, pursuant to Section 133 Subsections 1 and 3 of the German Transformation Act (UmwG), Daimler AG is jointly and severally liable for liabilities of €24.3 billion that were transferred to Mercedes-Benz AG and Daimler Truck AG within the framework of "Project Future." According to the current appraisal, due to the assessment of the creditworthiness of Mercedes-Benz AG and Daimler Truck AG, an actual cash outflow for Daimler AG is considered to be unlikely.

Outlook

The financial position, cash flows and profitability of Daimler AG depend on the business development and performance of its operating subsidiaries, in whose development it participates through profit-and-loss-transfer agreements and dividend distributions.

We expect Daimler AG to achieve significantly improved profitability in 2020 compared with the year 2019. We assume that the operating performance will improve, due among other things to cost savings and the end of costs for "Project Future." We also anticipate a significant improvement in financial income as a result of improved profit transfers from subsidiaries.

In addition, due to the interrelations between Daimler AG and its subsidiaries, we refer to the statements in the Outlook chapter, which largely reflect our expectations also for the parent company.

Sustainability and Integrity

Sustainability at Daimler

At Daimler, sustainability means generating economic, environmental and social value added for all of our stakeholders: customers, investors, employees, business partners and society as a whole. We believe that the solutions we offer form a central component of future mobility systems that will be climate-neutral and sustainable. Together with players from industry, government and society we thus create the foundation for our future business success and value added for all of society. The basis for all of this is our sustainable business strategy. Among other things, this strategy formulates our ambitions, goals and measures for managing the economic, environmental and social impact of our business activities. This applies not only to our manufacturing locations but also to our entire upstream and downstream value chain.

Additional information on "Sustainability at Daimler" can be found in the "Non-Financial Report" section of this Annual Report pages 202 ff. The "Non-Financial Report" is also available on the Internet at daimler.com/nonfinancial-report. The new Daimler Sustainability Report for financial year 2019 will be available on the Group's website at the beginning of April 2020. 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 anew. 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 drive of our employees in research and development are key factors behind our vehicles' market success. At the end of 2019, Daimler employed 24,300 men and women at its research and development units around the world (2018: 25,600). A total of 16,200 of those employees (2018: 17,700) worked at Group Research & Mercedes-Benz Cars Development, 5,600 (2018: 5,300) at Daimler Trucks, 1,200 (2018: 1,300) at Mercedes-Benz Vans and 1,300 (2018: 1,300) at Daimler Buses. Around 5,100 researchers and development engineers (2018: 5,800) worked outside Germany.

Global research and development network
With our global research and development network, we are present in the key markets with direct proximity to our customers. Our biggest facilities are in Sindelfingen and Stuttgart-Untertürkheim in Germany. Our most important research facilities in North America are the US R&D locations in Sunnyvale, California; Long Beach, California; Portland, Oregon; and 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, China. Mercedes-Benz Research & Development India (MBRDI, with headquarters in Bangalore) is Daimler's largest research and development center outside Germany. Activities at MBRDI focus on digitalization, simulations and data science. In November 2018, we announced plans to build a further Research and Development (R&D) Tech Center in China with a total investment of approximately €145 million. This new center will further expand our presence in what is now our biggest single market. It will also be our second major R&D site in Beijing, following the Mercedes-Benz R&D Center, which was established in China in 2014. The new R&D Tech Center in China is scheduled to begin operating in 2020.

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.

We are open to cooperation – worldwide. Our partners include promising startups such as what3words and Anagog, as well as suppliers such as Bosch and, in selected fields, competitors such as BMW. Some of our Chinese partners are Baidu, Alibaba and Tsinghua University. We operate digital hubs as development centers around the world, for example in Berlin, Seattle, Lisbon and Tel Aviv.

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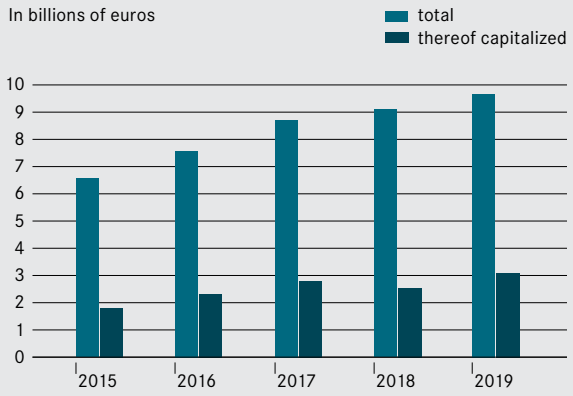
Research and development expenditure



B.40

Research and development expenditure by division

In millions of euros	2019	2018	19/18 % change
Daimler Group	9,662	9,107	+6
thereof capitalized	3,076	2,526	+22
Mercedes-Benz Cars	7,518	6,962	+8
thereof capitalized	2,904	2,269	+28
Daimler Trucks	1,490	1,295	+15
thereof capitalized	53	40	+33
Mercedes-Benz Vans	543	666	-18
thereof capitalized	96	176	-45
Daimler Buses	203	199	+2
thereof capitalized	23	41	-44

Targeted involvement of the supplier network

In order to achieve our ambitious goals, we also cooperate very closely with the research and development units of our suppliers. Daimler must be closely intermeshed with supplier partners 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 digitalization of processes throughout all stages of the value chain. Strong partners 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 in order to maintain the uniqueness of our brands and to safeguard the future of the automobile in general.

Protecting our brands and patents

Without the protection and management of its patents, brands and designs, Daimler could never have become as successful as it is today. That is why we seek to effectively protect and manage the Group's intellectual property and the innovations that inspire our customers around the globe. In this manner, we also intend to ensure the successful continuation of our tradition that goes back more than 130 years. We upheld this tradition in 2019 by registering more than 2,100 new ideas for patents (2018: 1,900), with an increasing focus on the future-oriented fields of connectivity, automated and autonomous driving, and electric drive systems. 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 7,500 registered designs (2018: 7,500). Our portfolio of more than 34,500 trademark rights worldwide (2018: 36,300) also serves to protect the Mercedes-Benz brand, our new EQ brand for electric mobility, and all of our other product brands in the relevant markets. In order to safeguard this intellectual property, we established an IP competence center for all brands and technologies last year under the name Daimler Brand & IP Management GmbH & Co. KG. This company registers and manages Daimler's portfolio of patents, brands, trademarks, designs and domains, handling everything from the process of invention disclosure to the granting or registration of the intellectual property right. In the event of disputes regarding improper use of Daimler's intellectual property, the team takes over its defense before the authorities and the courts.

€9.7 billion for research and development

We want to continue helping to shape mobility through our pioneering innovations in the coming years, while moving ahead with digitalization throughout the entire Group. We therefore slightly increased our very high level of investment in research and development to €9.7 billion in 2019 (2018: €9.1 billion). At the beginning of 2019 we assumed that development would remain at the same level as the previous year. Of that amount, €3.1 billion (2018: €2.5 billion) was capitalized as development costs, which represents a capitalization rate of 32% (2018: 28%). The amortization of capitalized research and development expenditure totaled €1.8 billion during the year under review (2018: €1.5 billion). With a rate of 5.6% (2018: 5.4%), research and development expenditure also remained at a high level in comparison with revenue. Along with the production launches, research in the year under review focused on the further development of our platforms and electric and conventional drivetrains. Digitalization and automated and autonomous driving are also becoming increasingly important.

Activities at Mercedes-Benz Cars in the year under review were marked by an increasing focus on digitalization, automated and autonomous driving, and the further development of electric drive systems and a new platform for vehicles with all-electric drive systems.

Automated driving, electromobility and connectivity played an important role at Daimler Trucks. The subsequent generations of existing products, fuel efficiency and emissions reduction were further focal points, along with customized products and technologies for future growth markets.

Activities at Mercedes-Benz Vans centered around the further development of the Sprinter, the Vito and the V-Class. However, Mercedes-Benz Vans is also forging ahead with the electrification of both its commercial and private model series.

Daimler Buses primarily focused its development activities on new products and measures to further reduce fuel consumption. Alternative drive systems, in particular electrification technology and other forward-looking projects related to automated and autonomous driving, also played a key role during the year under review. ↗ B.39 ↗ B.40

Innovation and safety

New mobility is taking shape and is becoming a reality
The automotive industry is undergoing a profound transformation. As the inventor of the automobile and a provider of personal mobility solutions ranging from smart vehicles to the broad range of Mercedes-Benz cars and Mercedes-Benz vans, we seek to shape and lead this extensive transformation. Technical challenges still exist with regard to linking the four key fields that are decisive for the future of mobility – connectivity (Connected), automated and autonomous driving (Autonomous), flexible use and services (Shared & Services) and electric drive systems (Electric). In the meantime, our electric mobility offensive in the field of cars is being consolidated under our EQ technology and product brand, which represents an important component on the road to emission-free driving and an effective instrument for achieving ever more ambitious global CO_2 reduction targets.

Connected: MBUX and Mercedes me
The Mercedes-Benz User Experience, MBUX, was expanded in 2019 to include several new features. In addition, the system was introduced in numerous new model series for the first time. The new features include the "In Car Store," which can be used to order navigation services, digital radio or smartphone integration functions. MBUX also makes it possible to pay street parking fees quickly and easily. Experience with the A-Class shows that customers like to invest in entertainment and connectivity features. Two out of every three customers now order the high-end version of the MBUX system.

Since it launched Mercedes me in 2014, Mercedes-Benz has developed more than 80 mobility-related digital services. New services are also constantly being introduced and made available in more and more markets. Mexico, Malaysia and India have recently been added, which means that Mercedes me can now be used in 47 markets. The activation rate for Mercedes me in new Mercedes-Benz vehicles is over 90%, which translates into approximately four million active users at the moment.

EQ models equipped with Mercedes me offer important functions for electric mobility today and in the future, including navigation, the display of the remaining vehicle range, and an auxiliary climate control system. The features can be programmed directly via MBUX or the Mercedes me app. The EQ-specific content in MBUX includes the display of the state of charge and the energy flow. Drive programs, charging current and departure time can also be controlled and set via MBUX.

The ENERGIZING comfort control unit connects the various comfort systems in the vehicle. A new feature that is now available offers intelligent recommendations via the ENERGIZING COACH system. This service uses an intelligent algorithm to recommend one of the ENERGIZING comfort control programs suited to the given situation. The aim here is for the occupants to feel comfortable and relaxed even during demanding or monotonous journeys.

The Bertha tank app allows drivers to quickly and easily locate the nearest or cheapest service station, or the one best suited to their needs in the immediate area or at a desired location. Drivers can also use the app's integrated payment function to pay for fuel directly at the vehicle.

At the end of 2019, together with the district of Zollernalb, we announced that we would run a pilot project to determine how car-to-X communication can be used to enhance safety on wintry roads and improve the efficiency of municipal winter services. Car-to-X is a term used to describe communication between vehicles, as well as communication between vehicles and the transport infrastructure. Mercedes-Benz passenger cars that are equipped with car-to-X technology, and whose owners have activated the Live Traffic Service, are providing the necessary data for the pilot tests. When the ESP® or ABS sensors in these vehicles detect slippery road conditions, this information, including the associated GPS data, is sent to the Daimler Vehicle Backend in real time via the mobile phone network. The anonymized information is displayed in real time on digital maps in the Zollernalb district's two road-maintenance depots.

New forms of automated driving
We have teamed up with the BMW Group in order to reach a milestone on the road to automated driving. We plan to work together with BMW to develop the next generation of technologies for driving assistance systems, automated driving on highways and automated parking systems. The partnership is open to other vehicle manufacturers and technology partners. In addition, the results of the partnership will be offered to other OEMs for licensing purposes.

We are also working with Bosch on the development of an automated driving system operating at SAE Level 4/5 and designed especially for urban traffic. In December 2019, we began offering a select group of users a ridesharing service using automatically driving Mercedes-Benz S-Class vehicles in the Silicon Valley city of San José. Daimler Mobility AG is operating and managing the test fleet and the associated app-based mobility service.

Shared & Services: a joint venture with the BMW Group
Daimler AG and the BMW Group are combining their mobility services in the YOUR NOW joint ventures with the goal of creating a new global player that will introduce sustainable urban mobility solutions that consistently focus on customer utility. Together we are investing more than one billion euros in the further expansion and close interconnection of existing services in the areas of ride hailing, multimodal platforms, car sharing, parking and charging. The products and services of the joint ventures are being further systematically aligned with customer requirements and have been consolidated into three units: 1. FREE NOW & REACH NOW. 2. SHARE NOW. 3. PARK NOW & CHARGE NOW.

Electric mobility offensive – new products and highlights at IAA 2019
Mercedes-Benz is forging ahead with the electrification of its vehicles. We plan to electrify the entire Mercedes-Benz Cars portfolio as soon as 2022, which means that various electric alternatives are to be offered in every segment – from compact cars to SUVs. We expect all-electric vehicles to account for up to 25% by 2025.

We have also set other goals within the framework of our "Ambition 2039" strategy. For example, plans call for the Mercedes-Benz Cars business division to offer a completely CO_2-neutral new vehicle fleet by 2039. In addition, we want more than half of our vehicle sales in 2030 to consist of vehicles with electric drive systems, i.e. all-electric and plug-in

hybrid vehicles. By 2030, nearly all of our production sites in Germany will use electricity generated exclusively from renewable sources. We are also looking to achieve CO_2-neutral production throughout Europe as of 2022, while our long-term plans call for the value chain to be transformed into a value cycle that will incorporate the entire supplier chain. As we move ahead here, electric mobility will become our core business, and future vehicle architectures will be designed for electric mobility from the very beginning.

The Mercedes-Benz VISION EQS had its world premiere at the press conference for the 2019 IAA International Motor Show in Frankfurt. This show car offers a preview of the future of sustainable modern luxury. It is a premium electric sedan that emphasizes sustainability as its central theme. That's because the VISION EQS show car is based on a new and fully variable electric drive system platform that is scalable in a variety of ways and can be used in different vehicle models.

Plug-in hybrids offer customers the best of two worlds: they can be driven in the all-electric mode in cities, while on long journeys they benefit from the combustion engine's range. Plug-in hybrid technology makes vehicles more efficient overall – it allows for braking-energy recovery on the one hand and the use of the combustion engine at more favorable operating points on the other.

At the end of 2019, Mercedes-Benz had more than ten plug-in hybrid models on offer – an attractive portfolio ranging from compacts to the Mercedes-Benz S-Class flagship model. Our goal here is to offer our customers well over 20 hybrid model variants by 2020.

With the A 250 e (fuel consumption combined: 1.6 – 1.4 l/100 km; CO_2 emissions combined: 36 – 32 g/km; power consumption combined: 15.3 – 14.6 kWh/100 km)[1], the A 250 e sedan (fuel consumption combined: 1.5 – 1.3 l/100 km; CO_2 emissions combined: 35 – 31 g/km; power consumption combined: 15.2 – 14.5 kWh/100 km)[1] and the B 250 e (fuel consumption combined: 1.6 – 1.4 l/100 km; CO_2 emissions combined: 36 – 32 g/km; power consumption combined: 15.4 – 14.7 kWh/100 km)[1], three compact-family models equipped with the third-generation hybrid system were unveiled for the first time.

The electric mobility offensive is also being systematically implemented in the SUV segment. The new GLE 350 de 4MATIC (fuel consumption combined: 1.3 – 1.1 l/100 km; CO_2 emissions combined: 34 – 29 g/km; power consumption combined: 28.7 – 25.4 kWh/100 km)[1] has a battery with a capacity of 31.2 kWh, which gives it an all-electric range of more than 100 kilometers, assuming an appropriate driving style.

The GLC also enters its new model year with an even more striking design, the MBUX infotainment system and the latest driving assistance systems. As an all-wheel drive SUV, the GLC 300 e 4MATIC (fuel consumption combined: 2.5 – 2.2 l/100 km; CO_2 emissions combined: 58 – 51 g/km; power consumption combined: 18.3 – 16.5 kWh/100 km)[1] is also an ideal towing vehicle.

Solutions for the electric charging infrastructure

Our electric mobility offensive also includes the latest solutions for the electric charging infrastructure. Studies estimate that about 70 to 80% of the energy required for charging processes in the EU and the USA will be covered at home or at the workplace, and only about 20 to 30% at semi-public or public installations. We offer the right solutions in all of these areas. Such solutions include charge@home for fast and safe recharging at home with the new Mercedes-Benz Wallbox, and Mercedes me Charge for easy and convenient charging on the road. With the charge@Daimler project, we are consolidating our activities relating to the establishment of an intelligent charging infrastructure at all Daimler locations in Germany, while with charge@highway we are forging ahead with an adequate infrastructure for battery charging on long journeys. Through the joint venture IONITY, we are working together with several other vehicle manufacturers to establish a powerful fast-charging network for electric vehicles in Europe. In addition, our charge@fleet project offers an intelligent charging solution for companies and fleet operators.

Modern combustion engines remain indispensable

Combustion engines should continue to form the backbone of global personal mobility for many years to come. This makes it all the more important to further improve the efficiency and environmental compatibility of combustion engines. As planned, we continued and expanded our engine offensive at Mercedes-Benz in the year under review. Our new highly efficient four and six-cylinder engines are already available in diesel or gasoline versions in numerous models. We are convinced that diesel will continue to be a firm element of the drive-system mix in the future, not least due to the low CO_2 emissions of diesel engines.

Significantly reduced NO_x emissions are a characteristic feature of vehicles that are certified in accordance with the Euro 6d-TEMP standard. All Mercedes-Benz passenger cars that can be ordered as new vehicles now comply with this standard.

2019: a year of safety anniversaries

Vehicle safety is one of our core areas of expertise and a key component of our product strategy. Our vision of accident-free driving will continue to motivate us to make mobility as safe as possible for everyone in the future. This year we once again presented an Experimental Safety Vehicle: the ESF 2019. This new ESF offers an insight into the ideas that our safety-research experts are currently working on. The vehicle features more than a dozen innovations including both near-series developments and developments that look well into the future. Examples here include the PRE-SAFE® child seat concept and a new holistic safety concept for the automated drive program. The ESF also features a new type of driver airbag and a unique steering-wheel and pedal system.

1 The stated figures are the measured "NEDC CO_2 figures" within the meaning of Art. 2 No. 1 Commission Implementing Regulation (EU) 2017/1153. The fuel consumption figures were calculated on the basis of these figures. The range and the electrical consumption were determined on the basis of Commission Regulation (EC) No. 692/2008. A different value is applied in accordance with the German Electric Mobility Act (EmoG). A higher figure may apply as the basis for calculating the motor vehicle tax.

Further information on official fuel consumption figures and the official specific CO_2 emissions can be found in the guide "Information on the fuel consumption, CO_2 emissions and electric power consumption of new cars," which is available free of charge at all sales dealerships and from Deutsche Automobil Treuhand GmbH at www.dat.de.

The year 2019 was a special year for safety milestones as well, as it marked the 50th year that our experts have been examining serious accidents involving current vehicles bearing the three-pointed star. The knowledge gained at Mercedes-Benz Accident Research is used to improve updated and new models and their design. Mercedes-Benz Accident Research also established itself on an international scale several years ago by bringing together its German experts with colleagues in India and China. Here, the accident researchers in Asia benefit from the expertise from Sindelfingen. Augmented reality glasses enable the colleagues to exchange information with one another directly and in real time, and thus to conduct joint analyses, even though the German accident research experts are at a different location. The first crash test in the brand's history was conducted 60 years ago, thus ushering in a new era for safety research at Mercedes-Benz. The Technology Center for Vehicle Safety (TFS) in Sindelfingen can performs approximately 900 crash tests each year, as well as about 1,700 sled tests. In the latter, a test mule (body shell or test assembly) is mounted on a test sled and subjected to the forces arising during a real vehicle crash. We have repeatedly set new standards for crash test procedures and testing facilities that have been adopted across the industry and have resulted in improved vehicle safety in the interests of all road users on a lasting basis. Mercedes-Benz' vehicle safety unit is currently testing the use of X-ray technology in crash tests in cooperation with the Fraunhofer Institute for High-Speed Dynamics and the Ernst Mach Institute (EMI) in Freiburg. This method enables us to investigate the behavior of safety-relevant components by taking a look inside the parts.

STARTUP AUTOBAHN begins its seventh program round
Launched in Stuttgart, successful worldwide: STARTUP AUTOBAHN was launched on the initiative of Daimler AG, which in 2016 wanted to create an innovative connection between the world of startups and that of the well-established corporations in manufacturing sectors such as the automotive industry. Daimler founded the innovation platform STARTUP AUTOBAHN in cooperation with the startup accelerator Plug and Play, the University of Stuttgart, and the research factory ARENA2036. Daimler organizes two three-month pilot programs annually, each of which concludes with an EXPO DAY.

In the summer of 2019, STARTUP AUTOBAHN launched its seventh program under the motto "THE NEXT GREEN THING" – with a clear focus on sustainability. During the round's scouting phase, Daimler examined ideas from more than 500 startups worldwide in the areas of climate protection and air quality, conservation of resources and livable cities. Around 30 of these ideas were then analyzed in detail by numerous experts, after which a few were selected for further development in specific collaboration projects. The range of topics is varied, providing an indication of the wealth of ideas available in the startup scene. One startup, for example, extracts CO_2 from the air and uses it to produce polymers that can then be utilized as either soft or hard foam materials in car seats.

Daimler Trucks & Buses: moving the world – sustainably
Transport is the backbone of our economy and our modern way of life. Without trucks and buses, factories could not manufacture anything, supermarkets couldn't sell anything and people's mobility would be severely restricted. In other words, the world would come to a standstill. Our customers move the world – and our goal at Daimler Trucks & Buses is to offer our customers the products and services that increase their business success. In the future, we will focus in particular on the CO_2-neutral transport of goods and people in driving operation (tank to wheel) and on accident-free driving. Both of these fields are part of the sustainable corporate strategy pursued at Daimler Trucks & Buses, which is one of the world's leading manufacturers of commercial vehicles. Within the framework of this strategy, the company is developing vehicles and services that move our society forward efficiently and electrically, automatically, in a reliable network of connected vehicles and infrastructure.

Daimler Trucks: efficient and electric
Daimler Trucks & Buses aims to offer only new vehicles that are CO_2-neutral in driving operation ("tank-to-wheel") in the major markets of Europe, Japan and the NAFTA region by 2039. As early as 2022, the company plans to have a vehicle portfolio comprising series-produced vehicles with battery-electric drive systems in the main sales regions of Europe, the United States and Japan. Plans also call for all Daimler Trucks & Buses plants in Europe to be CO_2-neutral by 2022. All of the company's other production facilities will then follow. Light-, medium- and heavy-duty trucks equipped with battery-electric drive are already being tested extensively by customers: the light-duty FUSO eCanter in large cities around the world, the heavy-duty Mercedes-Benz eActros in Germany and Switzerland, and the medium-duty Freightliner eM2 and heavy-duty Freightliner eCascadia in the United States.

All-electric FUSO eCanter distribution trucks have now been driven for more than one million kilometers in locally emission-free urban distribution haulage. This figure is rather remarkable given the fact that a FUSO eCanter generally only clocks up around 30 to 80 kilometers each day in local distribution operations. Around 150 vehicles are now being operated by customers in New York, Tokyo, Berlin, London, Amsterdam, Paris and Lisbon. In March 2019, Penske Truck Leasing, one of the biggest fleet operators in the United States, also began using FUSO eCanter models. The FUSO eCanter is thus the third electric truck model series from Daimler Trucks in the Penske fleet (the company already uses the eCascadia and the eM2 from the Freightliner sister brand).

The Mercedes-Benz eActros all-electric truck has been proving its worth for customers under tough real operating conditions since autumn 2018. As part of the eActros "Innovation Fleet," Mercedes-Benz Trucks began to hand over a total of ten 18 and 25-ton trucks to customers in Germany and Switzerland in the fall of 2018 for testing under real conditions. The analysis of tens of thousands of kilometers driven by customers, as well as close communication with drivers, dispatchers and fleet managers, have enabled the experts at Mercedes-Benz Trucks to obtain extensive knowledge about the trucks and their operation. The findings are directly incorporated into the further development of the eActros as it moves toward series production, which is scheduled to begin in 2021.

Daimler Trucks is also further expanding its field tests for medium and heavy-duty electric trucks in the United States. The Freightliner eCascadia and eM2 are scheduled to be launched on the market in 2021.

In November 2019, the E-Mobility Group at Daimler Trucks & Buses introduced a new service for truck customers that offers a comprehensive ecosystem for launching an electric transport logistics system. The service includes consulting and the cre-

ation of a suitable charging infrastructure for electric trucks. The modular program covers not only personal and individual consulting but also digital applications that make it easier to get started with electric mobility. The first step will focus on the markets of Europe, North America and Japan.

By the second half of this decade, Daimler Trucks & Buses plans to extend its range of models to include hydrogen-powered production vehicles. With this in mind, Daimler Trucks presented the Vision F-Cell fuel-cell prototype from FUSO at the Tokyo Motor Show in Japan at the end of October 2019, thus systematically intensifying its efforts to step up activities in the area of hydrogen technology.

Automated Daimler Trucks: aiming for more safety
The vision of accident-free driving has been guiding the activities at Daimler Trucks & Buses for decades now. State-of-the-art active safety systems hold the key to transforming the vision into a reality, and the company has already done a great deal of pioneering work in this regard. For example, numerous safety systems that are now the industry standard were first introduced in Mercedes-Benz trucks. Close cooperation within the Group means that these new technologies quickly make their way into other brands from Daimler Trucks.

At the beginning of 2019, Daimler Trucks presented the new Freightliner Cascadia – the first partially automated (SAE Level 2) series production truck for North America – at the Consumer Electronics Show (CES) in Las Vegas. With Detroit Assurance 5.0 featuring Lane Keeping Assist in the new Freightliner Cascadia and with Active Drive Assist in the Mercedes-Benz Actros and the FUSO Super Great, Daimler Trucks began offering partially automated driving features (SAE Level 2) in production trucks to customers in the United States, Europe and Japan in 2019. The new systems can assist the driver with braking, accelerating and steering the vehicle. Unlike systems that do not go into action until a certain speed is reached, Active Drive Assist/Detroit Assurance 5.0 can assist the driver with partially automated driving functions in all speed ranges for the first time in a production truck. Since November 2019, customers in Asia who purchase a new FUSO Super Great (SAE Level 2) have also been benefiting from our global expertise in the area of automated driving.

In addition to developing active safety systems, Mercedes-Benz Trucks is now introducing such systems even more systematically on a broad basis. For example, starting in January 2020, the premium truck manufacturer will offer the latest generation of its emergency braking system (ABA 5) as standard equipment in its heavy-duty model series throughout Europe. The Sideguard Assist system, which was presented for the first time in 2016, is now available not only ex works but also as a comparable retrofit solution. In this manner, Daimler Trucks & Buses is meeting its social responsibility to prevent accidents involving commercial vehicles to the greatest possible extent through the use of active safety systems.

Developing and testing highly automated trucks (SAE Level 4)
In the transportation industry, SAE Level 4 is the next logical step after Level 2 to increase efficiency and productivity for customers and significantly reduce costs per kilometer. Daimler Trucks is thus skipping the intermediate step of conditional automation (SAE Level 3). Level 3 does not offer truck customers any significant advantage over the current situation, as the higher costs of the technologies required for it are not matched by corresponding benefits in practice.

In order to accelerate this development, in March 2019 Daimler Trucks entered into a partnership with Torc Robotics, a pioneering US company in the field of automated driving. The partners plan to jointly develop and market highly automated production trucks (SAE Level 4) in the United States. In June 2019, Daimler Trucks combined all of its global expertise and activities in the field of automated driving into the Daimler Trucks Autonomous Technology Group. The new unit is responsible for the formulation and implementation of an overall strategy for automated driving, including all research and development activities and the establishment of the required infrastructure and network for vehicle operation. Daimler Trucks' goal for the Autonomous Technology Group is to bring highly automated trucks (SAE Level 4) to market maturity within a decade. In September 2019, Daimler Trucks and Torc Robotics began testing highly automated trucks with SAE Level 4 technology for the first time on selected public roads in southwest Virginia. The trials on public roads were preceded by months of extensive testing on closed tracks. Over the long term Daimler Trucks plans to focus strategically on the operation of highly automated trucks (SAE Level 4) for long-distance Hub2Hub haulage between logistics hubs.

Daimler Trucks: reliable and connected
Reliability is a core brand value at Daimler Trucks. As the world's largest manufacturer of trucks above 6 metric tons gross vehicle weight, Daimler Trucks continuously works to reduce unnecessary vehicle downtimes and thus continuously increase vehicle availability for customers. This is important because downtimes impair customers' business success.
In today's digital age, innovative connectivity solutions and software services have become a part of the core business of Daimler Trucks as never before. Along with the management of its current portfolio of services, Fleetboard is also now working systematically on the development of new digital solutions for its customers. In the first quarter of 2019, for example, Fleetboard acquired the habbl logistics application. The software developed by habbl enables customers to easily integrate Mercedes-Benz trucks into their scheduling processes and make order data available in order to simplify communication with drivers.

As of 2019 anyone who gets behind the wheel of a new Mercedes-Benz Actros or Arocs with "Multimedia Cockpit interactive" is just a click away from an innovative, fully networked world of vehicles, drivers and logistics. An overview of all the installed apps can be seen simply by pressing the "Connect" button on the main screen of the navigation system. In addition, transport companies can use the new Mercedes-Benz Truck App Portal to take advantage of new networking opportunities and equip their trucks with efficiency and comfort-enhancing apps. The Mercedes-Benz Truck App Portal offers three types of apps: in-house apps from Daimler, which include apps from Mercedes-Benz Trucks and Fleetboard; selected apps from third-party providers – for example for the digital management of process steps or for processing transport requests; and apps from customers themselves. These apps make it possible to effectively integrate trucks into the digital business processes of the transport company. The aim here is always to make the everyday lives of dispatchers, fleet managers and drivers as easy as possible.

Data-based and networked services also form the foundation of the latest initiative from Daimler Trucks that is designed to take service and the customer experience to a new level in North America. Since June 2019, Daimler Trucks has been utilizing its new customer experience (CX) organization to ensure that customer requests and suggestions can be responded to and implemented in an even faster and more customized manner. An important role is played here by services that enable customers to make their core business safer, more efficient and more successful through the use of Daimler Trucks products in a wide variety of situations. The idea is that the entire service process – from vehicle reception and maintenance to post-maintenance pick-up – should be made significantly more efficient for customers. To this end, Daimler Trucks in North America has introduced new app-based communication channels that enable customers to interact intuitively with service reception and workshops while on the move. The overall objective here is to guarantee service-order processing within 24 hours in every case.

Mercedes-Benz Vans: vans with electric drive

Mercedes-Benz Vans is systematically forging ahead with the electrification of its product portfolio with locally emission-free electric drive systems that help ensure more sustainable mobility for people and goods in cities. The first step in this direction was made with the eVito panel van, which was followed by the eVito Tourer (electricity consumption in combined test cycle: 24.2 – 20.2 kWh/100 km; combined CO_2 emissions: 0 g/km)[1]. Production of the eSprinter was launched in Düsseldorf at the end of 2019. Also in 2019, Mercedes-Benz Vans presented our first purely battery-electric premium full-size MPV: the EQV (combined electricity consumption: 27.0 kWh/100 km; combined CO_2 emissions: 0 g/km, preliminary figures).[2] The vehicle offers a range of up to 405 km [2] without compromising the usability of its interior space.

Well connected: making transport safer and more efficient

Along with personal mobility, the transport of goods also plays a key role in urban traffic. Mercedes-Benz Vans offers digital solutions in this area with Mercedes PRO connect. The service from Mercedes PRO includes providing the responsible fleet customers with data that they can use to analyze the driving style of their drivers and its effect on fuel consumption or vehicle wear and tear, for example. Drivers can then receive training in line with the results of these analyses. Such training courses can help reduce fuel consumption and the risk of accidents. Mercedes PRO connect is currently available in 19 European countries and in the United States. The web-based service benefits fleet operators ranging from small businesses to major clients.

The eDrive@VANs strategy involves not only the electrification of the vehicle fleet but also a customized overall system solution for each individual fleet. This includes advice on vehicle selection, assistance with tools such as the eVAN Ready app, and an overview of the total cost of ownership. Equally decisive for potential electric van users is the analysis of the organizational and technical circumstances at commercial customer sites. Finally, the integration of an intelligent charging infrastructure lays the foundation for conserving resources with a commercial fleet while remaining economically competitive.

digital@Vans bundles innovative solutions in the field of digitalization. Under the web-based brand Mercedes PRO, Mercedes-Benz Vans combines all digital services and solutions for the daily requirements of its customers, from small businesses to major clients. For example, Mercedes PRO optimizes communication between fleet managers, vehicles and drivers. In addition, it enables the online control of jobs and the retrieval of vehicle information such as location, fuel level or maintenance intervals almost in real time. Mercedes-Benz Vans also develops tailored digital solutions for various sectors, while its VAN2SHARE and In-Van Delivery & Return services allow customers and the company itself to employ entirely new business and service models.

Mercedes-Benz Vans is presenting Vision URBANETIC under autonomous@Vans as a supplement to its electrification solutions. This is an innovative mobility concept showing how autonomous mobility might work in the future. Vision URBANETIC removes the separation between passenger and goods transport by utilizing an innovative body-switching approach that enables the needs-based, sustainable and efficient movement of people and goods. In this manner, Vision URBANETIC meets the requirements of cities, companies from diverse sectors, urban residents and travelers in an innovative way. The concept reduces traffic flows, eases the strain on inner-city infrastructure and helps to improve the quality of life in cities.

Efficient passenger transport

Buses from the Mercedes-Benz and Setra brands are an indispensable part of local public transport and play a key role worldwide in reducing the impact of traffic, pollution and nitrogen oxide pollution close to our roads. Our aim is to enable more efficient mobility in cities and help reduce the negative impact caused by traffic in urban areas in particular. At the same time, we are focusing on keeping the total cost of ownership (TCO) low and reducing emissions even further. As a result, Daimler Buses offers a complete range of highly economical and innovative vehicles, all tailored to customer requirements and specific intended applications. We do this because our goal is to provide customers with the right solution for every type of public transport system – in small towns and large metropolitan areas, and on smooth or rough terrain.

On the move with environmentally friendly public transport

We continue to work hard on the electrification of our vehicles, focusing particularly on vehicles that operate in cities. With the all-electric Mercedes-Benz eCitaro, Daimler Buses has been offering a locally emission-free city bus since 2018, thereby contributing to environmentally friendly local public transport in cities and metropolitan areas. The battery-electric eCitaro is a series-production model. Products such as the eCitaro make an important contribution to climate protection and air quality in cities.

1 Energy consumption was determined on the basis of Directive 692/2008/EC. Energy consumption is dependent on the vehicle configuration, and in particular on the selected maximum speed restriction.

2 Figures for electrical consumption and range are provisional and were determined by the technical service for the certification according to UN/ECE-regulation 101. EC type approval and conformity certification with official figures are not yet available. There may be differences between the stated figures and the official figures.

We also continue to develop our environmentally friendly technologies and expand their use. Beginning in 2020, for example, we will also be offering the eCitaro as an articulated bus, and at the end of the same year it will also be available with solid-state batteries (lithium polymer batteries). The launch of the eCitaro with the next generation of batteries is scheduled for 2021. In 2022 we plan to begin equipping the battery-electric bus with a range extender in the form of a fuel cell.

The eCitaro is part of Daimler Buses' overall eMobility system. In order to support our customers during their transition to electric bus fleets, we offer advice on different use scenarios, taking into account bus route lengths, passenger numbers, energy requirements, range calculations, charging management and other aspects. We also offer an Eco Training program for bus customers and drivers that promotes an environmentally friendly driving style.

Safety at Daimler Buses: the vision of accident-free driving
As a bus pioneer, Daimler Buses has traditionally focused on the safety of city and intercity buses and touring coaches. We want to significantly increase safety in road traffic by means of state-of-the-art driver assistance systems and vehicle-based protection systems, with the ultimate objective of enabling accident-free driving. Our pursuit of this goal will also help the European Union achieve its target of reducing traffic fatalities to nearly zero by 2050. Our strategy here is also helping to improve the quality of life in cities. The overall aim of the integral safety concept is an ambitious one: to make the vision of accident-free driving a reality.

At Daimler Buses, safety does not consist of individual measures. Instead, it is the result of a comprehensive integral safety concept. Its central component comprises a large number of innovative safety features that are employed in line with the vehicle in question and the way it is to be used. The general objective here is to continually improve active and passive safety. This is supported by additional measures such as driver training programs that teach drivers how to identify and avoid hazards in a timely way and react correctly in the event of an accident. The concept also involves informing passengers on how to use the onboard safety equipment – starting with putting on their seat belts. It goes far beyond that, however, and also includes responsible vehicle maintenance and the use of certified original replacement parts when the vehicle is serviced. The objective of the integral safety concept is to make the vision of accident-free driving a reality.

The continuous further development of our safety and assistance systems demonstrates our commitment to moving closer and closer to this vision. For example, in 2019 the Active Brake Assist 4 emergency braking system became standard equipment in all Mercedes-Benz and Setra touring coaches. The system warns the driver of potential collisions with pedestrians and automatically initiates emergency braking when it detects stationary or moving obstacles ahead of the vehicle. Preventive Brake Assist – the first active emergency braking assistance system for city buses – has been available as an option for the entire Mercedes-Benz Citaro model family and the Mercedes-Benz Conecto since 2019. Sideguard Assist, which is a radar-based turning assistant with pedestrian detection for buses, supports bus drivers during right turns, which can be dangerous in certain situations. Sideguard Assist is available for all variants of the Mercedes-Benz Citaro, the Tourismo and all Setra ComfortClass 500 and Setra TopClass 500 touring coaches.

Environmental Protection

A comprehensive approach to environmental protection
The transition to CO_2-neutral mobility is vital if the impact of climate change is to be limited. We at Daimler are working hard to make this vision reality. Mercedes-Benz AG has had its climate protection measures scientifically confirmed by the Science Based Targets Initiative (SBTI). By means of these targets, the company would like to make a contribution to environmental protection in line with the Paris agreement on global climate change.

Furthermore, in our sustainable business strategy, we have set ourselves the goal of making our fleet of new cars CO_2-neutral for the vehicles' entire lifecycle by 2039. Daimler Trucks & Buses aims to offer only new vehicles that are CO_2-neutral in driving operation (tank-to-wheel) in the major markets of Europe, Japan and the NAFTA region by 2039. Mercedes-Benz Vans is currently striving to achieve similar reductions in CO_2 emissions.

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 that have 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 determined during the first phases of its development. The earlier we integrate environmentally responsible product development (design for the environment, DfE) into the development process, the more efficiently we can reduce the impact on the environment.
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CO_2 emissions from our car fleet
In the year under review, the average CO_2 emissions of our car fleet in Europe (EU28 plus Iceland and Norway) probably increased to 137 g/km (NEDC, including vans registered as passenger cars (M1)) (Mercedes-Benz Cars 135 g/km). This means that we were unable to reduce our CO_2 emissions from the prior-year level. There were several reasons for this development. First, the shift of sales from vehicles with diesel engines to those powered by gasoline engines. In addition, the certification changeover became fully effective in 2019 with the roll-out of WLTP. We intend to achieve our objective of reducing our CO_2 emissions for 2020, thus continuing to comply with the valid EU limit values by means of a planned expansion of our portfolio to include further electric models and assuming corresponding customer demand. More detailed information can be found in the Non-Financial Report section of this Annual Report. pages 197 ff

Inner-city air quality
In addition to climate protection, the improvement of inner-city air quality is an important environmental consideration for us. That's because road traffic still accounts for a considerable share of nitrogen dioxide pollution (NO_2) near roads.

Plans call for our new vehicle fleet to no longer have any relevant impact on NO_2 emissions in urban areas by 2025. Another of our aims is to increase transparency with regard to vehicle-related particulate emissions and forge ahead with the research and development of measures for reducing such emissions.

A reduction in NO_x emissions is made possible by an innovative overall package consisting of the engine and the exhaust treatment system. This package is being continuously enhanced and has been comprehensively launched on the market in the new engine generation encompassing the OM 654, 656 and 608.

Overall, Daimler is developing software updates for a majority of Euro 6b and Euro 5 diesel passenger cars in Europe. These updates should improve the nitrogen-oxide emissions of the vehicles in normal operation by 25 to 30 percent on average. This will be verified with the WLTC 1, 2, 3 measurement cycle. As early as 2017 Daimler had announced that it would offer voluntary service measures that would include software updates for several millions of diesel vehicles in Europe. The company has since then extended this update campaign, among other things to include van models. As is well known, Daimler has in addition been carrying out obligatory recalls – during which software updates are also applied – at the order of Germany's Federal Motor Transport Authority (KBA) since 2018.

An important role is also being played by the launch of vehicles that comply with the Euro 6d-TEMP emissions standard. In the meantime all Mercedes-Benz passenger cars that can be ordered as new vehicles now comply with this standard at a minimum.

Conserving resources: consistently high recyclability
Raw materials that we require for use in our vehicles are available in sufficient quantities today. However, we will only be able to safeguard the supply of these materials in the long term if they are extracted and recycled in ways that are environmentally friendly and socially responsible and in acceptable amounts. We therefore seek to establish a completely closed-loop value and supply chain. This objective is also the driving force behind our implementation of various measures to lower resource consumption in all areas – from development all the way through to recycling. In this manner, we plan to increasingly decouple resource consumption per vehicle from the company's sales growth.

In order to evaluate the environmental compatibility of a vehicle, we analyze the use of resources throughout its entire life cycle. The production of vehicles naturally requires great quantities of materials. Therefore, one of the focal points of our development tasks is to keep the demand for natural resources as low as possible. During vehicle development, we also prepare a recycling concept for every one of our Mercedes-Benz car models. This concept includes an analysis of the suitability of all components and materials for the various stages of the recycling process. As a result, all Mercedes-Benz car models are 85% recyclable and 95% 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 (GTC),
- the remanufacturing of used parts, and
- the workshop waste disposal system MeRSy (Mercedes-Benz Recycling System).

Environmental protection in production
Beginning in 2022, we plan to achieve CO_2-neutral production in all of our Mercedes-Benz car plants in Europe. New plants are already being planned with this in mind. Factory 56 is showing the way. This new factory building in the Mercedes-Benz Sindelfingen plant will already be supplied with CO_2-neutral energy when it goes into operation. The plant in Hambach, France, already covers all of its electricity requirements with energy from renewable sources (green electricity, biogas). Its production operations are CO_2-neutral. Production at the Mercedes-Benz plant in Jawor, Poland, will also be CO_2-neutral as of the plant's commissioning. The new plant will be completely supplied with electricity from renewable resources by a wind farm. Heating will be provided by a heating plant directly adjacent to the plant site. This will provide energy from renewable resources.

In Germany, Mercedes-Benz AG will also in the future obtain electricity from German wind power facilities whose subsidies in accordance with Germany's Renewable Energy Act (EEG) are due to expire after 2020. This will support the long-term operation of six wind farms in northern Germany. Energy efficiency is already being implemented in production operations today. Various technical measures such as the optimization of lighting and ventilation technology (including more efficient systems and optimized switching times), intelligent control (including automatic switch-off of consumers during breaks and production-free periods) and the use of efficient technology in planning (such as high-efficiency turbo compressors for central compressed-air generation, energy-efficient pumps) contribute to further energy saving. The measures are supported by efficient control of the electric power supply.

An energy management system has been implemented for the continual reduction of energy consumption. The workforce in the plants is being sensitized to this initiative through a variety of measures. These include generally visible tips for energy saving and training courses in the production facilities. The employees make a substantial contribution to energy saving through their energy awareness and their innovative ideas. More detailed information can be found in the "Non-Financial Report" section of this Annual Report. pages 197 ff

The workforce

Number of employees at prior-year level
On December 31, 2019, the Daimler Group employed a total of 298,655 men and women (2018: 298,683). Contrary to the forecast in Annual Report 2018, the number of employees remained at the prior-year level. ↗ B.41

The number of employees in Germany decreased from 174,663 in 2018 to 173,813 in the year under review. Whereas employee numbers in 2019 declined in the United States to 25,788 (2018: 26,310), they increased in Brazil to 11,128 (2018: 10,307) and in Japan to 10,056 (2018: 9,918). ↗ B.42 Our consolidated subsidiaries in China had a total of 4,439 employees at the end of the year (2018: 4,424). At the end of the reporting year, the parent company Daimler AG employed a total of 6,887 men and women (2018: 149,797). The decline in workforce numbers at Daimler AG was due to the implementation of "Project Future," which was approved by the 2019 Annual Shareholders' Meeting. Within the framework of this project, the Mercedes-Benz Cars, Mercedes-Benz Vans, Daimler Trucks and Daimler Buses divisions were separated from Daimler AG and established as legally independent units known as Mercedes-Benz AG and Daimler Truck AG. Following this separation, Daimler AG was restructured into an operational management holding company that provides services to the Group companies.

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 have a negligible affect on our financial position, cash flow or profitability; those companies employed approximately 13,400 men and women at the end of 2019.

The Group's total workforce also does not include the employees of companies that we manage together with Chinese partners; on December 31, 2019, they numbered approximately 22,600 people (2018: 19,900).

Human resources strategy
The key aims of our human resources strategy are to further increase our appeal as an employer and to safeguard and further extend the competitiveness of our workforce. Because our executives should motivate their employees to achieve top performance and assume more personal responsibility, 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 specialized employees and qualified managers. In this regard, we also make use of external communication channels such as our Careers website daimler.com/career and social media sites (e.g. Instagram and Facebook). We also develop target group-specific marketing campaigns. The most recent example of such a campaign is the "Next Big Thing," an international campaign designed to make IT and artificial intelligence experts more aware of what Daimler has to offer as an attractive employer. Our primary objectives for such measures are to ensure attractive and fair compensation and to establish and maintain a work culture that promotes outstanding performance and a high level of motivation and satisfaction among our employees and management staff.

Our employees' individual circumstances require working times to be flexibly organized. We therefore offer a varied range of working-time arrangements that include mobile working, part-time work and job sharing, all of which improve performance by helping employees reconcile their professional and personal responsibilities.

Diversity and inclusion
Diversity is one of the five corporate principles at Daimler and a firmly established part of our culture. We require and encourage a working environment featuring equal opportunities and a culture of appreciation and respect. With "Diversity Shapes our Future," we are underscoring the importance of diversity as a strategic factor for success at Daimler. Diversity management enables us to reflect the diversity of our customers, suppliers and investors around the world.

Daimler's approximately 300,000 employees provide the Group with a vibrant mixture of cultures and ways of life. We shape diversity and inclusion with targeted programs and measures for our employees. With staff from more than 160 countries and a workforce that spans five generations, our company is an organization made up of international teams – with members of all ages. We provide our employees with the opportunity to express their sexual orientation and identity. We offer equal opportunities to people with disabilities and also support their further training and qualification. We expressly promote equality of opportunity between the genders.

We have committed ourselves to raising the proportion of women in senior management positions at the Group to at least 20% by the end of 2020. The proportion of women in such positions has continually risen in recent years to reach 19.8% at the end of 2019 (2018: 18.8%). Our instruments for supporting the targeted promotion of women include mentoring, special events and training courses, and employee networks.

In order to fulfill the requirements of legislation in Germany regarding 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 management 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 "Declaration on Corporate Governance, Corporate Governance Report" section on pages 185 ff of this Annual Report.

Securing young talent
Daimler takes a holistic approach to securing young talent. This begins with programs for children and teenagers (in our Genius initiative, for example) and extends to a broad range of activities such as social media campaigns, hackathons, competitions and internships that offer young talents the possibility to get in touch with the company. After university students graduate, we offer them attractive possibilities to join our company directly or launch their careers at Daimler by taking part in our global training programs.

Employee qualification
We provide 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. The rapid pace of technological change is making lifelong learning more important, especially as we must now assume that employees will need to make more major changes than ever before to their skills profiles throughout their careers. Our range of qualification measures for safeguarding our workforce's employability includes practical training courses, e-learning courses, seminars, workshops, specialist conferences and financial support for employees who participate in a course of study while continuing to work. In 2019, for example, we offered training courses on new developments in the fields of electric mobility and robotics. During the year under review, around 45,000 employees throughout Germany participated in training programs relating to electric mobility.

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 work safety concepts and standards, ergonomics, the provision of medical care, nutritional advice, individual exercise, measures to promote mental health and personal resilience, and much more. Our Health & Safety unit defines, coordinates and monitors measures that promote and ensure occupational health and safety at the company. The implementation of such measures at our plants is managed by corresponding experts.

Further information on employee matters can be found in the Non-Financial Report on pages 203 ff.

Social responsibility

The goals associated with our social commitment
As one of the world's leading vehicle manufacturers, Daimler and its numerous brands are well known around the globe. Our company stands for business success, advanced solutions and social responsibility. This combination is important for us because we can only remain successful in the future if the climate that we operate in is also prospering. A high level of education among the population, as well as a high degree of economic and social stability, are crucial for ensuring a society worth living in – and ultimately the success of our work as well. This is why we work to achieve sustainable social development in our markets and in the communities in which we operate. We also encourage our employees to support our efforts here. This is important because social commitment expands one's horizons and also strengthens our own corporate culture.

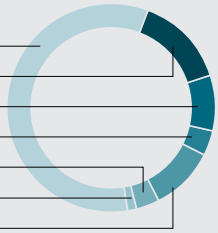
B.41
Employees by division

Employees (December 31)	2019	2018	19/18 % change
Daimler Group	298,655	298,683	-0
Mercedes-Benz Cars[1]	152,048	151,316	+0
Daimler Trucks[1]	83,437	82,676	+1
Mercedes-Benz Vans[1]	21,346	21,810	-2
Daimler Buses[1]	17,960	17,729	+1
Daimler Mobility	12,680	14,070	-10
Group Functions & Services[1]	11,184	11,082	+1

1 Adjustment of the workforce numbers in 2018 due to changes to the assignment of employees within the Group.

B.42
Employees at 12/31/2019
By region

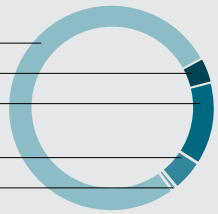
Germany	58.2%
Europe, excluding Germany	14.4%
USA	8.6%
Brazil	3.7%
Japan	3.4%
China*	1.5%
Other	10.2%



* excluding non-consolidated associated companies and joint ventures

B.43
Donations and sponsoring in 2019

Charity & Community	77%
Arts & Culture	4%
Education	13%
Science & Technology & Environment	5%
Political dialogue	1%



All of our activities in this area, as well as initiatives such as "Mobile Kids" and "Genius," form a part of our sustainable business strategy within the framework of the three pillars "With our employees," "For our locations" and "Worldwide." ↗ B.43 In 2019, we spent around €60 million on donations to non-profit institutions and the sponsorship of socially beneficial projects. This does not include our foundations or self-initiated projects.

With our employees
One of our employees' social commitment initiatives is the ProCent program, in which Daimler employees voluntarily donate the cent amounts of their net salaries and Daimler matches every cent donated. The total amount then goes into a support fund for socially beneficial projects, which can be nominated by the employees. As a result, a total of €8.45 million has been released since the launch of the initiative in December 2011. Donation recipients included the "Verein der Palliativ-Care-Teams im Kreis Böblingen e. V." palliative care association, which received laptops equipped with special software.

Social Days, the "Day of Caring" and other hands-on campaigns such as "Give a Smile" give our employees the opportunity to participate in socially beneficial projects. During the year under review, around 2,600 employees participated in the Social Days alone. All of these activities are for a good cause, and they also aim to strengthen the motivation and cooperation of our employees within the company.

For our locations
We conduct a wide variety of projects that not only support social development at our locations but also address specific challenges that our neighboring communities face. Since 2016, for example, we have been working with the Stuttgart Civic Foundation and other companies in the Stuttgart Campus education and training project to support the integration of immigrants and refugees. In November 2019, Stuttgart Campus was presented with an integration award after it had been selected as one of the ten best integration projects in Germany.

Worldwide
We initiate aid projects worldwide to help people determine the course of their lives independently, on their own responsibility, and without material deprivation, and in this manner create a better future for the generations to come. The "Bon Pasteur" project, for example, conducts targeted education programs in order to improve the future prospects of more than 19,000 people from eight villages in cobalt-mining and other mining regions in the Democratic Republic of the Congo. The project has also established safe spaces especially for children, girls and women in order to protect them against the worst forms of child labor and gender-based violence.

Funding through foundations
Our foundations support projects around the world related to science, research, technology, education and sports. The Laureus Sport for Good Foundation uses sports to bring people together. It primarily enables socially disadvantaged children and teenagers to discover their potential through sports, and thus creates opportunities for a better future. There are now around 200 Laureus projects under way in more than 40 countries. One example is the "Moving the Goalposts" project in Kenya, in which girls in one of the country's poorest regions are taught how to become confident young women. The project offers training and education courses that teach the girls how to speak effectively in public and better organize their daily lives.

The Daimler and Benz Foundation supports interdisciplinary scientific dialog and research projects. The purpose of the foundation is to examine and clarify the interrelationships between human beings, the environment and technology. The foundation offers scholarships to outstanding young scientists, and it also designs and implements innovative research formats and organizes lecture series.

The Daimler Fund in the Donors' Association focuses on structural problems related to research and teaching, as well as on the engineering sciences and international and scientific cooperation. Since 1993, it has helped establish 27 endowed professorships/assistant professorships in Germany and abroad.

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 208 ff

Integrity, compliance and legal affairs

Shared values and rules provide orientation in times of technological transformation and social change. These values and rules help us make the right decisions and fulfill our responsibility not just for our business success but also for the environment and the societies we live in.

As one of our main corporate values, integrity is as much a part of everyday business conduct at Daimler as compliance and legal responsibility. The foundation is our Integrity Code, which was modernized and updated in 2019, and which focuses, among other topics, on technical compliance. It is binding on all companies and employees of Daimler AG and all Group companies worldwide. The Code contains central corporate principles of behavior that we expect all of our employees and business partners to adhere to out of a sense of conviction. We expect our executives to serve as role models in terms of ethical behavior and thus offer employees guidance in this regard.

The task of Integrity Management is to promote the culture of integrity at the Daimler Group and support its further development and to provide the management and the employees with the necessary tools and knowledge. The unit's goal is to establish and maintain a common understanding of integrity in order to reduce risks and help ensure Daimler's sustained success.

To this end, a large number of communication activities and measures are carried out. These include dialog events, training programs and employee surveys that provide employees with important stimuli and advice related to their daily work and business decision-making. Our "Infopoint Integrity" is available to all of our employees as a central point of contact and a center of advice on integrity-related issues in the daily working environment. In addition, a network of integrity contact persons supports the divisions in ensuring that all integrity-related measures are firmly embedded within their organizations. One of the things we focused on in 2019 was dialog sessions that addressed the topic of technical integrity in the development departments of our various business divisions.

Further information can be found in the Non-Financial Report.
pages 211 ff

Compliance and legal responsibility
Value-based compliance is an indispensable part of our daily business activities at Daimler. For us, compliance means acting in accordance with laws and regulations. Our objective here is to ensure that all of our employees worldwide are always able to carry out their work in a manner that is in compliance with applicable laws, regulations, agreements with workers' representative bodies, voluntary commitments and our values, as set out in binding form in our Integrity Code. Our compliance activities focus on complying with anti-corruption regulations, the maintenance and promotion of fair competition, the compliance of our products with technical and regulatory stipulations, respect for and the protection of human rights, adherence to data protection laws, compliance with sanctions and the prevention of money laundering. Our compliance and legal organizations are designed to ensure that they can advise and support 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), which has its basis in our culture of integrity, is designed to support the observation of laws and policies in the company and by its employees and to prevent misconduct. The measures needed for this are defined by our compliance and legal affairs organizations in a process that also takes business requirements into account as appropriate. Our CMS consists of basic principles and measures for the promotion of compliant behavior throughout the Group. The CMS is based on national and international standards and is applied on a global scale at Daimler AG and all Group companies. The systematic minimization of compliance risks is extremely important here, and for this reason we analyze and assess the compliance risks of our Group companies every year. These analyses are based on centrally compiled information on the Group companies; specific additional details are taken into account if necessary. 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 212 ff

In order to ensure an independent external assessment of our Antitrust and Anti-Corruption Compliance Program, KPMG AG Wirtschaftsprüfungsgesellschaft audited the Compliance Management System for antitrust law and anti-corruption in accordance with Audit Standard 980 of the Institute of Public Auditors in Germany. This audit, which was based on the principles of appropriateness, implementation and effectiveness, was already successfully completed at the end of 2016 (antitrust) and at the end of 2019 (anti-corruption).

Overall Assessment of the Economic Situation

In the opinion of the Board of Management, at the time of publication of this Annual Report, the Daimler Group is in a phase of transition, which brings great opportunities but also considerable risks:

- We have presented a new sustainable business strategy, which is designed to lead us into a CO_2-neutral future.
- After receiving the approval of the Annual Shareholders' Meeting, we launched a new corporate structure effective November 1, 2019, which makes us more flexible and focuses our businesses more closely on our customers.
- We are on the threshold of a far-reaching transformation process that will change the Daimler Group and the automotive industry as a whole to an unprecedented extent in the coming years.
- An additional factor is an environment featuring trade conflicts, extremely demanding targets for CO_2 reductions, and economic and political uncertainties.

Against this backdrop, our divisions generally performed well in the market in 2019. In Interbrand's current Best Global Brands 2019 ranking, the Mercedes-Benz brand is the world's most successful and most valuable premium automotive brand. In 2019, the brand set a new record for unit sales for the ninth consecutive year, although growth was somewhat weaker than expected. We also increased our unit sales of vans and buses, and maintained or actually strengthened our position in key markets. Although our unit sales of trucks were lower than in the previous year, we continue to be the world's largest manufacturer of trucks over 6 tons. At Daimler Mobility, new business and contract volume continued to develop positively in the year under review.

With a large number of new and innovative products and services, we have established a good starting position to meet the upcoming challenges. We are also very well positioned in the key technologies that are important for the future of mobility.

Daimler is pushing ahead with the electrification of the automobile. The entire Mercedes-Benz car portfolio is to be electrified by 2022. This means that various electrified alternatives will be offered in each segment – from compact cars to large SUVs. By 2025, we expect all-electric vehicles to account for up to 25%. To this end, we plan to launch more than ten all-electric automobiles. Mercedes-Benz Vans already offers the eVito, the eSprinter and our battery-powered multipurpose vehicle is to follow in 2020. And Mercedes-Benz Vans has also announced an electric version of the successor model to the Citan. By 2022, Daimler Trucks will make electric vehicles ready for series production in all major regions and segments, with a focus on battery-powered trucks. The range will be supplemented in the second half of this decade by fuel-cell and hydrogen-based systems for trucks. Daimler Buses already presented the all-electric eCitaro in mid-2018. Buses equipped with fuel-cell systems are to supplement the product range.

In the field of automated driving, we launched a long-term development cooperation with BMW in the year under review. We intend to jointly develop the next generation of technology for driver assistance systems and automated driving on highways, as well as automated parking functions. As of 2024, such systems are to be available for private customers in passenger cars. Daimler Trucks will initially focus on Hub2Hub operations in SAE Level 4 automated driving mode on American highways. The potential elimination of the driver and the associated cost savings could result in a viable business model. All expertise and activities for trucks with automated driving functions have been brought together at the Daimler Trucks Autonomous Technology Group. Torc Robotics, in which we acquired a majority interest in 2019, is part of the Autonomous Technology Group.

In order to further improve our competitiveness and combine our strengths, we have entered into pioneering partnerships for mobility services, for the further development of the smart brand's model portfolio, and for the establishment of a wide-ranging charging infrastructure for electric vehicles.

Numerous positive aspects of the Group's current situation are of benefit to us with regard to the current transformation process. On the other hand, we have a generally unsatisfactory development of key financial performance indicators.

The operating profit (EBIT) of the Daimler Group of €4.3 billion was significantly lower than in the previous year (€11.1 billion). There were particularly significant decreases at the Mercedes-Benz Cars and Mercedes-Benz Vans divisions. In the automotive business as a whole, our return on sales of 1.5% was significantly below our target, and the free cash flow of the industrial business of €1.4 billion was also significantly lower than in the

previous year. Various special factors contributed to this development, such as expenses relating to regulatory proceedings for diesel vehicles. But even if we exclude these special items and also take into account the ongoing high level of expenditure for new products and technologies, we cannot be satisfied with our earnings in 2019.

This is true also because we plan to invest approximately €14 billion in property, plant and equipment and nearly €19 billion in research and development projects in 2020 and 2021. We are thus maintaining the high level of expenditure necessary to secure our future – despite the fact that we are applying funds much more efficiently, focusing even more on the most important projects and sharing costs in collaborative projects.

High expenses for the transition to a CO_2-neutral future will continue to reduce our earnings in the coming years. It is therefore important that we now take the measures that will enable us to generate adequate returns and cash flows again in the medium term, even under less favorable conditions. For that reason, we are initiating comprehensive measures to increase profitability at all our divisions and at Daimler AG. They include personnel measures, material-cost savings, prioritization of investments, portfolio and model adjustments, the implementation of platform strategies and the thorough digitization of processes at Daimler Mobility.

In November 2019, we presented our sustainable business strategy with its focuses of MOVE, PERFORM and TRANSFORM, whose implementation will open up the way to a successful future. pages 52 ff

We aim to offer sustainable solutions for the personal mobility and the goods transport of the future. We want to inspire emotionally and convince rationally. With our Mercedes-Benz automobiles, we take this path with sustainable, modern luxury. And with innovative and highly efficient commercial vehicles, we intend to make our customers successful in the transport and haulage business. Achieving our return targets and a solid cash flow are currently our top priorities. Because an appropriate rate of return is also the precondition for meeting the justified demands of our investors, our employees, our suppliers, and society as a whole.

In order to achieve our goals, we are systematically implementing our sustainable business strategy. Our starting position on the road to a profitable and at the same time CO_2-neutral future is significantly better than current earnings figures suggest. There is still a lot to do, but we laid down the decisive markers in 2019. In doing so, we took into account that the transformation of the automotive industry not only involves risks, but also offers considerable opportunities, which we intend to utilize systematically. For example, the VISION EQS concept car, which we presented in September 2019, sets the direction: With such vehicles, we can completely redefine the automotive luxury segment. But CO_2-neutral and automated driving opens up new market potential also for commercial vehicles, as the success of our eCitaro electric city bus shows.

All of this gives us great confidence for the coming years and the challenges that lie ahead.

Events after the Reporting Period

Personnel measures in production-related and administrative areas in the years 2020 to 2022
In January 2020, Daimler agreed with the General Works Council on a general company agreement that, among other things, regulates voluntary agreements on termination of employment primarily for employees in indirect areas (i.e. in administration and production-related areas). Discussions with employees on voluntary agreements on termination of employment will begin in the second quarter of 2020.

Establishment of joint venture smart Automobile Co., Ltd.
Mercedes-Benz AG and Zhejiang Geely Holding Group established the joint venture smart Automobile Co., Ltd. in December 2019. The two companies are expected to contribute equal shares of RMB 2.7 billion each to the equity of the joint venture in the first half of 2020. The equity interest of Mercedes-Benz AG will mainly consist of the contribution of the smart brand, which will have a positive impact on earnings before taxes of approximately €0.1 billion to €0.2 billion at the future Mercedes-Benz Cars & Vans segment.

Sale of 30% of the shares in HERE
In December 2019, There Holding B.V. (THBV) and HERE International B.V. (HERE) and other companies signed an agreement on the basis of which 30% of the shares in HERE are to be sold to a joint venture between Mitsubishi Corporation and Nippon Telegraph and Telephone Corporation. The transaction is expected to be completed in the first half of 2020 after receiving the approval of the relevant authorities. The completion is expected to lead to a gain of €0.1 billion.

Remuneration Report

Principles of Board of Management remuneration

Goals
The remuneration system for the Board of Management members aims to promote the Company's business strategy and its sustainable long-term development. When determining the total remuneration of the individual Board of Management members, Daimler takes the condition of the Company into account as well as the members' areas of activity and responsibility. This is done in line with legal requirements and with a clear focus on the competition. A balanced combination of non-performance-related (fixed) and performance-related (variable) components of remuneration that also takes into account suitably ambitious performance parameters and performance indicators provides the Board of Management with an incentive to implement the corporate strategy and ensure the Group's sustained success. In this way, Daimler reconciles the interests of all stakeholders, in particular those of the shareholders as the owners of the Company and those of the employees.

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 a 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, medium and long-term variable components;
- and the amount of the target remuneration consisting of a fixed base remuneration, an annual bonus as a short and medium-term variable component, and a 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. It consists of the Executive Vice Presidents and the management level 1 of Daimler AG in Germany.

In the event of significant changes in the relationship between the remuneration of the Board of Management and the horizontal and vertical comparison groups the Supervisory Board establishes the causes and in the absence of objective reasons for the deviations adjusts the remuneration of the Board of Management as necessary.

In carrying out this review of the appropriateness of the remuneration system and the remuneration, the Presidential Committee and the Supervisory Board consult independent external advisors. This was also done in late 2019. The result confirmed that the remuneration system for 2019 complied with the requirements of applicable law.

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 (the short and medium-term variable remuneration components) for the upcoming financial year. Furthermore, sustainability-based non-financial targets are drawn up for the Board of Management as a whole, as are transformation targets oriented toward the implementation of future-focused measures for the Group's technological and sustainable realignment. Since the 2019 financial year, the annual bonus for the Board of Management and for managers has been calculated according to uniform goals/criteria and a uniform system.

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. The uniform approach for the targets/criteria and the PPSP system has been in force for the Board of Management and for managers since it was introduced in 2005.

After the end of each financial year, the amount of the annual bonus is determined by measuring the achievement of the financial, non-financial and transformation targets by 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 amount to be paid out for the long-term variable remuneration component (PPSP) is determined at the end of the four-year plan period and approved for payment after the Presidential Committee and the Supervisory Board have been informed.

The remuneration system was approved by the Annual Shareholders' Meeting in 2019 with an approval ratio of 97.87%.

The system of Board of Management remuneration in 2019
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.44

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 (STOXX Europe Auto Index) page 48 ff, 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 as amended on February 7, 2017 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 (cash payments) of the members of the Board of Management were set for financial year 2019 at 1.9 times the target remuneration for its members. It was 1.5 times the target remuneration for its Chairman, who was in office until the end of the Annual Meeting 2019, and is 1.7 times the target remuneration for the new Board of Management 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 2019, with payment of the PPSP 2019 in 2023. ↗ B.45

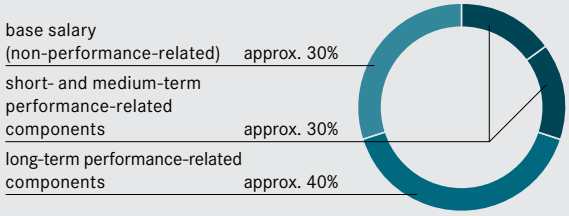
The individual components of the remuneration system are as follows:

The **base salary** is fixed remuneration relating to the entire year, oriented toward the area of responsibility of each Board of Management member and paid out in twelve monthly installments. ↗ B.46

B.44

Remuneration structure

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



B.45

Maximum limit of total remuneration[1] 2019 (cash payments)

Chairman of the Board of Management	1.7 times the target remuneration[1]
Other members of the Board of Management	1.9 times the target remuneration[1]

Base salary in 2019
+ target bonus = 100% of the 2019 base salary
+ PPSP value when granted for 2019

Target remuneration[1] 2019

Base salary in 2019
+ annual bonus for 2019
(50% paid out in 2020 + 50% in 2021)
+ PPSP payment for 2019 (in 2023)
incl. dividend equivalent payments

Total remuneration[1] in 2019

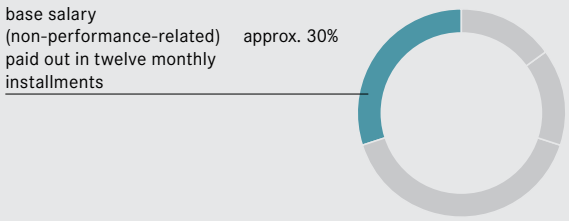
The possible cap on the amount exceeding the maximum limit takes place with the payment of the PPSP for 2019 in 2023.

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

B.46

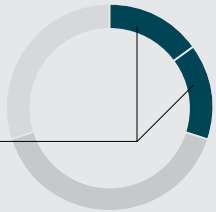
Base salary – fixed page 109

base salary – fixed – oriented towards the area of responsibility



B.47

Annual bonus – short- and medium-term performance-related remuneration page 110



annual bonus 2019 = target bonus × overall target achievement

target bonus = 100% of base salary 2019

target achievement EBIT
+/- target achievement for the non-financial targets
+/- target achievement for the transformation targets

overall target achievement

time of payment of annual bonus 2019

50% of annual bonus = in March of the year after the reporting year (2020)

50% of annual bonus (deferral) = in March of the second year after the reporting year (2021)

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

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

The **annual bonus** is a short and medium-term variable remuneration, the level of which during the reporting period is primarily linked to the operating profit of the Daimler Group (EBIT) in the form of a comparison of actual and target values. For the past financial year, the Supervisory Board has derived the target value for the annual bonus from the growth targets and the especially ambitious level of the medium-term return that is based on the competition's performance. ↗ **B.47**

The annual bonus is also impacted by the transformation targets set by the Supervisory Board as well as by the sustainability-oriented non-financial targets for the Board of Management as a whole. These factors can raise or lower the annual bonus by up to +/-25% and +/-10%, respectively.

Primary reference parameter:
- comparison of actual EBIT in 2019 with EBIT targeted for 2019.

Amount with 100% target achievement (target annual bonus):
In 2019, this is equivalent to the respective base salary.

B.48

Overview of the determination of the annual bonus from January 1, 2019

Financial targets
Strategic targets for the operational result

- EBIT targeted/actual comparison

Non-financial targets
- Employee targets
- Customer targets
- Diversity targets
- Integrity targets

Transformation targets
- CASE ecosystem
- Digitalization/ connectivity
- Electric driving/ integrated services
- Autonomous driving
- Strategic/organizational/ structural contribution of the Board of Management

- 50% payout after one year
- 50% deferral coupled with **share price performance compared to competitors**

0% – 200% + **-10% – +10%** + **-25% – +25%** = **Maximally 235% (cap)**

Range of possible target achievement:

Financial target
The range of possible target achievement is between 0% and 200%. The lower limit of this range is 50% of the EBIT target value; the upper limit is approximately 117% of the EBIT target value. If the actually achieved EBIT value is at or under the lower limit of the range, the target achievement degree is always 0%. The total absence of a bonus is therefore possible. If the EBIT target is achieved, the degree of target achievement amounts to 150%.

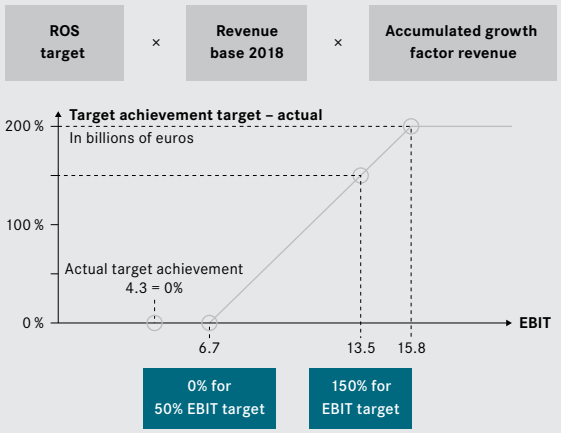
If the actually achieved EBIT value is at or above the upper limit of the range, the degree of target achievement is always the maximum 200%. The range of target achievement develops linearly within the range. ↗ B.49

Transformation targets
The transformation targets represent both quantitative and qualitative aspects. They can add or deduct up to 25 percentage points to/from the degree to which the financial target has been achieved.

In order to take into account the implementation of the future-oriented measures for the technological and sustainable realignment of the Group, the divisions defined key performance indicators and target values at the beginning of financial year 2019 for the future-oriented CASE fields – Connected, Autonomous, Shared & Services, Electric.

This criteria-based consideration of the future-oriented CASE fields was based on assessments of the success of product-related, technical and economic activities/progress. Furthermore, the Company assessed the progress of sustainability/Environment Social Governance (ESG) aspects and the success of strategic M&A activities. The defined key performance indicators are used for measuring the degree to which the transformation targets have been achieved. They also support the corresponding activities, corrections or implementation steps of the Group's sustainability strategy (for example, investment volume, growth of revenue from digital services, activation and connectivity rates of digital services, proportion of alternative drive systems, emission targets, development discipline with regard to the development progress of products and digital services, number of online contracts, proportion of digital self-services, revenue from mobility services).

B.49
Financial target
Achievement of EBIT target results in 150% and is determined by



After the conclusion of financial year 2019, a comparison of the actual and target values was conducted for the transformation targets of each division. The Supervisory Board derived the Board of Management's shared degree of target achievement from the divisions' degrees of target achievement as well as the strategic, organizational and structural contribution of the Board of Management as a whole, taking into account the economic environment and the competitive situation and positioning of the Group. For the financial year 2019 this leads to the addition of **22%** to the degree to which the financial target has been achieved.

B.50

Integrity

Degree of target achievement	Addition or deduction	Integrity indicator	+	Approval rate of any question
Excellent	2.5%	>80%		>74%
Good	2.0%	71-80%		65-74%
Average	1.0%	61-70%		60-64%
Low	-2.5%	≤60%		≤59%

B.51

Quality

Degree of target achievement	Addition or deduction	Quality KPIs of all divisions
Excellent	2.5%	The addition or deduction is dependent on the respective target value, which is defined for each specific division and product.
Good	2.0%	
Average	1.0%	
Low	-2.5%	

B.52

Employee engagement

Degree of target achievement	Addition or deduction	Employee engagement	+	Participation rate
Excellent	2.5%	>35%		>70%
Good	2.0%	31-35%		66-70%
Average	1.0%	25-30%		61-65%
Low	-2.5%	≤25%		≤60%

B.53

Diversity

Degree of target achievement	Addition or deduction	Gender Diversity Aspirational Guidelines
Excellent	2.5%	Target overachieved ≥ 10%
Good	2.0%	Target overachieved < 10%
Average	1.0%	Target achieved
Low	-2.5%	Target not achieved

Non-financial targets

The non-financial targets, which are oriented toward sustainability and cultural aspects and have been uniform at all management levels since financial year 2019, are divided into four categories. Each category is weighted equally and receives an addition or a deduction of up to 2.5 percentage points to or from the degree of achievement of the financial target. After the end of the financial year, the degree of target achievement is calculated by comparing the target value and the actual value. On this basis, an addition to or a deduction from the degree of financial target achievement of up to a total amount of 10 percentage points is possible. The total of the addition or deduction resulting from the non-financial targets is rounded to two significant figures. For the financial year 2019 this results in an addition of **+3%** (rounded).

Specifically:
Achievement of the Group-level targets regarding the further development and permanent establishment of integrity was measured on the basis of certain standardized questions in a global employee survey. This measurement was based on the achieved approval rate of any question and the average approval rate achieved across all questions (integrity indicator). This served as the basis for determining that **+2.0%** of the target was achieved at the Group level. ↗ B.50

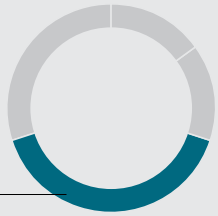
Quality and/or customer satisfaction targets (quality KPIs of all divisions) were defined by the individual divisions for the financial year. With regard to vehicles, a comparison of the target number and the actual number of claims during a predefined period of time (MIS xx) was carried out. With regard to services, this comparison was carried out by means of a customer satisfaction index. The degree of target achievement at the Group level (**-2.5%**) was derived as a weighted average of the individual divisional degrees of target achievement. ↗ B.51

The degree of the employees' commitment to the Group (employee engagement) was calculated on the basis of their answers to certain standardized questions in our global employee survey. These answers, together with the participation rate achieved in the employee survey, were used to derive a **+1.0%** degree of target achievement at the Group level for the maintenance and enhancement of a high level of satisfaction and motivation among the employees. ↗ B.52

A target for the proportion of women in executive positions was defined at the Group level for a period of several years on the basis of Daimler's in-house guidelines for the proportion of women in management positions (Gender Diversity Aspirational Guidelines), which go beyond the legally obligatory targets. A **+2.0%** degree of target achievement was determined for this in a comparison of actual and target values that was conducted at the end of the financial year. ↗ B.53

B.54

Performance Phantom Share Plan (PPSP) – long-term performance-related remuneration page 113



long-term performance-related remuneration approx. 40%

amount when granted in euros page 113
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 2019
in February of the year 2023

B.55

PPSP 2019

dependent upon	
Development of the performance factor	– 50% relates to the "return on sales" achieved in a three-year comparison with the defined group of competitors page 114 Bandwidth of possible target achievement: 0% – 200%[1] – 50% relates to "relative share performance," i.e. the performance of Daimler's share in a three-year comparison with the performance of the defined group of competitors (index). 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) has 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 has not been reached.

Compliance
Agreements have been reached with all the members of the Board of Management allowing for the partial reduction or complete elimination of the annual bonus for any member who violates the duties of Section 93 of the German Stock Corporation Act (AktG) or in particular the principles laid down in the Company's 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.

Limit for the annual bonus
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.54** ↗ **B.55**

Performance parameters for Plan 2019:

- 50% relates to the Group's return on sales in a three-year comparison with a group of competitors comprising listed vehicle manufacturers with an automotive component of more than 70% by revenue and an investment-grade credit rating (BMW, Ford, GM, Honda, Hyundai, Isuzu, Kia, Mazda, Nissan, Paccar, Subaru, 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 revenue-weighted average return on sales of the group of competitors. Maximum target achievement of 200% occurs if Daimler's return on sales exceeds 105% of the revenue-weighted 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, 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 in the third year of the performance period. 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 performance of Daimler's share in a three-year comparison with the performance of the defined group of competitors (index). If the performance of Daimler's share (in percent) is the same as that of the index (in percent), target achievement is deemed to be 100%. If the performance of Daimler's share price (in percent) is 50 percentage points or more below (above) the performance 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.

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

Value upon allocation:
Determined annually by the Supervisory Board; for 2019, approximately 1.4 times the base salary.

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.

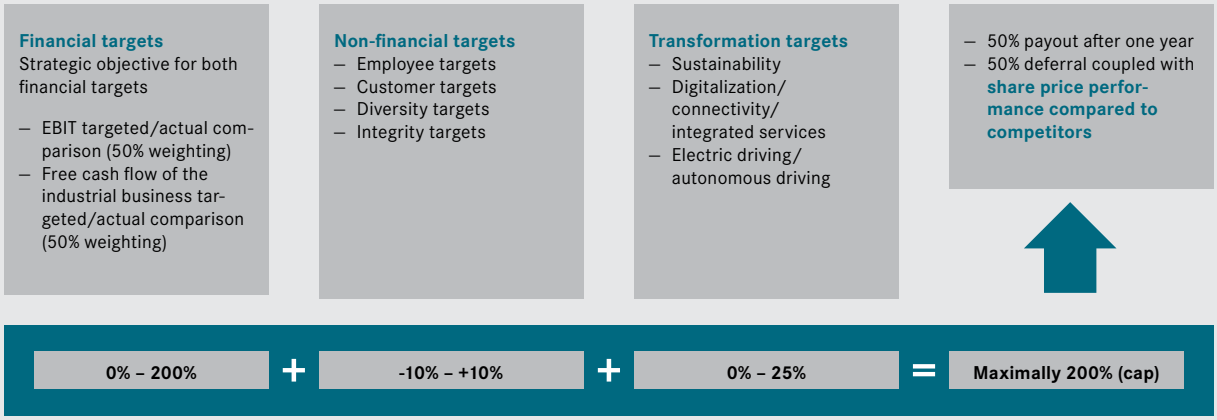
The value of the phantom shares to be paid out after the conclusion of the plan period depends on target achievement measured according to the criteria described above and on the share price relevant for the payout. This share price is limited to 2.5 times the share price at the beginning of the plan. 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 also 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 principles laid down in the Company's Integrity Code 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.

Policies for share ownership
As a supplement to these three components of remuneration, "Stock Ownership Policies" exist for the Board of Management. These guidelines require the members of the Board of Management to purchase 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 policies, 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.

B.56

Overview of the determination of the annual bonus from January 1, 2020



Further refinement of the remuneration system with effect from January 1, 2020

Change to the annual bonus as a short-term and medium-term component of the remuneration

Effective in financial year 2019, the annual bonus was revised in view of the fundamental technological changes and the associated changes in the competitive environment in our industry, as well as changing customer behavior, the need for significant investments in new technologies, and the expectations of our shareholders. The main focus was on the implementation of the new corporate strategy and on safeguarding the Group's future by expanding our business model as an automaker and a provider of mobility services.

At the beginning of 2020, the Act on the Implementation of the Second Shareholders' Rights Directive (Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie/ARUG II) went into effect. Subject to the implementation periods specified therein, it will extensively change the requirements regarding Board of Management remuneration. The new German Corporate Governance Code (DCGK), which is expected to come into effect in the first quarter of 2020, will also contain new recommendations regarding the remuneration of members of the Board of Management. The Supervisory Board took this opportunity to reassess the Board of Management remuneration system. In its meeting in December 2019, the Supervisory Board decided to further refine the Board of Management remuneration system as of January 1, 2020. This decision was made on the basis of the latest conditions, Daimler's in-house corporate strategy, and the expectations of our shareholders. The changes only affect the organization of the annual bonus and are explained below.

Because the Supervisory Board and the Board of Management continue to consider it important to have a uniform incentive system, the Board of Management has also decided to make a corresponding adjustment to the annual bonus for all the other management levels.

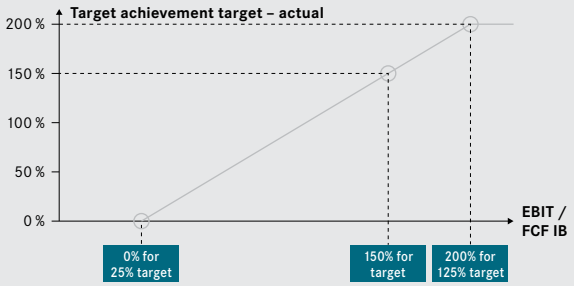
Additional financial target

In times of comprehensive transformation, it is especially important to align the incentives in the remuneration system with a responsible prioritization of the allocation of capital. As a result, the free cash flow of the industrial business will be included as an additional financial target and have equal weight to the Daimler Group's operating result (EBIT). In addition to EBIT, the free cash flow of the industrial business is one of the most important financial performance indicators for the Daimler Group's operational financial performance.

B.57

Financial targets:
EBIT and free cash flow of the industrial business (FCF IB)

Achievement of EBIT respectively FCF IB target results in 150% target achievement



The free cash flow of the industrial business, which comprises the cash flows at the automotive business divisions and the cash flows from taxes and other reconciliation items that cannot be allocated to the divisions, is of particular importance for the financial strength of the Daimler Group.

The target value of EBIT for each financial year continues to be derived on the basis of the desired medium-term return, which is set by the Supervisory Board and is ambitious and oriented toward the competitive environment, and derived from the growth targets. The starting point of the calculation is now the revenue of the previous financial year. The target value for the free cash flow of the industrial business in the respective financial year is based on the defined target EBIT of the segments of the automobile business (which, in turn, is derived from the strategic growth and return on sales targets) as well as on a strategic target for the cash conversion rate. The cash conversion rate is the proportion of the period's result that is scheduled to flow into the Group's liquidity after the payments for the necessary investments in research, development, tangible fixed assets, and working capital are taken into account as part of the strategic growth target.

As part of the comparison of target and actual values, the actually achieved value used in determining the free cash flow target achievement is adjusted for certain factors that were already taken into account in the target achievement of the annual bonus in 2019 or earlier.

The range of possible target achievement for the two financial targets (EBIT and free cash flow of the industrial business) is between 0% and 200%. The lower limit of this range is 25% of the target value; the upper limit is 125% of the target value. If the actually achieved value is at or under the lower limit of the range, the target achievement degree is always 0%. The total absence of a bonus is therefore possible. If the actually achieved value is at or above the upper limit of the range, the target achievement degree is 200%, which is the maximum it can reach. The degree of target achievement develops linearly within the range. ↗ B.57

The total amount to be paid out from the annual bonus is limited to 2 times the base salary of the respective financial year.

Non-financial targets

The non-financial targets are uniform at all management levels and continue to be divided into four equally weighted categories. Each category receives an addition or a deduction of up to 2.5 percentage points to or from the degree of achievement of the financial target.

After the end of the financial year, the degree of achievement of the non-financial targets is calculated by comparing the target values and the actual values. An addition to or deduction from the degree of target achievement of the financial targets of up to a total of 10 percentage points is possible. The relevant target tiers for financial year 2020 can be found in tables ↗ B.58, ↗ B.59, ↗ B.60 and ↗ B.61.

Transformation targets

Effective as of financial year 2019, transformation targets replaced the previous shared performance value for the Board of Management as a whole, which was derived from the Board of Management members' individual target agreements and degrees of target achievement. Especially during the transformation phase, these transformation targets refer to quantitative as well as qualitative aspects and are assessed and evaluated accordingly by the Supervisory Board. Sustainability/Environment Social Governance (ESG) aspects will play an even more explicit role for the transformation targets in the future, because sustainability is an integral part of our corporate strategy and thus an important factor in our business activities.

Against this backdrop, other performance continues to be taken into account in the transformation targets within the context of the implementation of our sustainability strategy (for example, growth of revenue from digital services, activation and connectivity rates of digital services, proportion of alternative drive systems, emission targets, development discipline, development progress of products and digital services, number of online contracts, proportion of digital self-services, revenue from mobility services). In order to further reduce the methodological complexity of the Board of Management remuneration system, the target tier of the transformation targets was aligned so that it can no longer result in a deduction from the degree of target achievement for the financial targets in the future.

Reduction of the maximum target achievement in the annual bonus (cap)

The maximum target achievement in the annual bonus (cap) will be reduced from 235% to 200% of the target bonus. In this way we are maintaining the current opportunity-risk profile of the annual bonus while at the same time taking the adjustment of the target tier of the transformation targets into account. The higher relative weighting of the non-financial targets and transformation targets in the total target achievement further underlines their significance.

No change in the other components of the remuneration system

The remainder of the remuneration system, in particular the composition of the remuneration of the Board of Management from the non-performance-related base salary, the annual bonus as a short-term and medium-term variable component with deferral and the long-term variable component PPSP, also remains unchanged, as does the relationship between the individual components of the remuneration. The current design of the PPSP, with the four-year duration of the plan, the measurement of the success targets compared to a defined and regularly monitored group of competitors that face the same strategic challenges, and the linkage with the absolute development of the share price, is already oriented toward the long-term success of the company.

B.58

Integrity

Degree of target achievement	Addition or deduction	Integrity indicator	+	Approval rate of any question
Excellent	2.5%	> 80%		> 74%
Good	2.0%	71-80%		65-74%
Average	1.0%	61-70%		60-64%
Low	-2.5%	≤ 60%		≤ 59%

B.59

Quality

Degree of target achievement	Addition or deduction	Quality KPIs of all divisions
Excellent	2.5%	The addition or deduction is dependent on the respective target value, which is defined for each specific division and product.
Good	2.0%	
Average	1.0%	
Low	-2.5%	

B.60

Employee engagement

Degree of target achievement	Addition or deduction	Employee engagement	+	Participation rate
Excellent	2.5%	> 35%		> 70%
Good	2.0%	31-35%		66-70%
Average	1.0%	25-30%		61-65%
Low	-2.5%	≤ 25%		≤ 60%

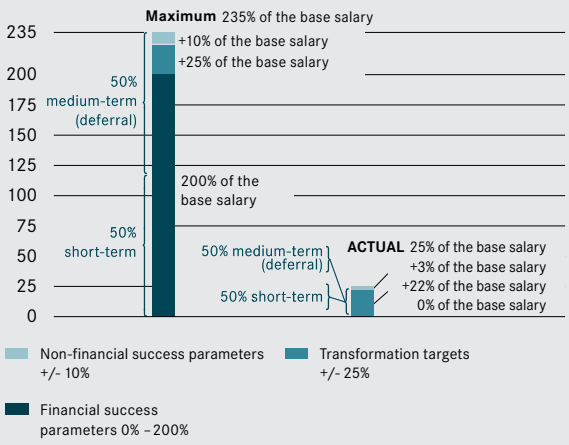
B.61

Diversity

Degree of target achievement	Addition or deduction	Gender Diversity Aspirational Guidelines
Excellent	2.5%	Target overachieved ≥ 10%
Good	2.0%	Target overachieved < 10%
Average	1.0%	Target achieved
Low	-2.5%	Target not achieved

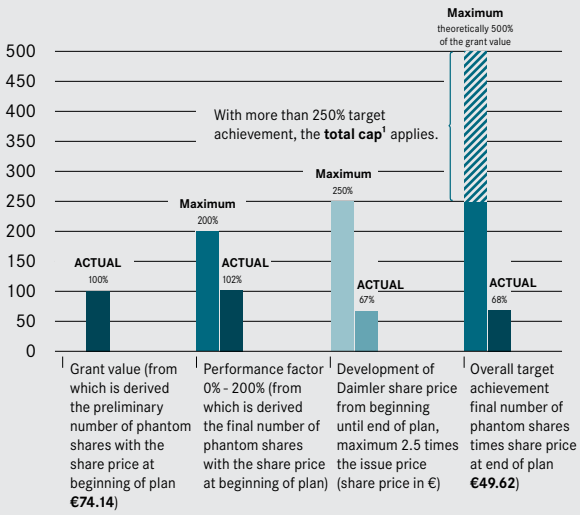
B.62

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



B.63

PPSP 2015 (paid in 2019) (long-term variable remuneration ↗ B.67)



1 Amount paid out including dividend-equivalent payments of PPSP 2015.

Board of Management remuneration in financial year 2019

Board of Management remuneration in 2019 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 2019,
- the half of the annual bonus for 2019 payable in 2020 and measured as of the end of the reporting period,
- the half of the medium-term share-based component of the annual bonus for 2019 payable in 2021 with its value at the end of the reporting period (entitlement depending on the development of Daimler's share price compared with the STOXX Europe Auto Index),
- the value of the long-term share-based remuneration (PPSP) at the time when granted in 2019, and
- the taxable non-cash benefits in 2019.

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 upper limits with regard to the annual bonus and the PPSP are shown in tables ↗ **B.62** and ↗ **B.63**.

The total remuneration of the Board of Management for the financial year 2019 amounts to €24.2 million (2018: €24.7 million). Of that total, €8.9 million was fixed, that is, non-performance-related remuneration (2018: €9.5 million), €2.0 million (2018: €5.0 million) was short-term and medium-term variable performance-related remuneration (annual bonus with deferral), and €13.3 million was variable performance-related remuneration granted in the financial year 2019 with a long-term incentive effect (2018: €10.2 million). ↗ **B.64**

The granting of non-cash benefits in kind, primarily expenses for security precautions and the provision of company cars, resulted in taxable benefits for the members of the Board of Management in 2019 as shown in table ↗ **B.65**.

B.64

Board of Management remuneration in 2019

In thousands of euros		Base salary	Short and medium-term variable remuneration (annual bonus)		Long-term variable remuneration (PPSP)		Total
			Short-term	Medium-term	Number (2019: at share price €50.00) (2018: at share price €70.13)	Value when granted	
Ola Källenius[1]	**2019**	**1,340**	**168**	**168**	**36,982**	**1,849**	**3,525**
	2018	832	260	260	14,896	1,045	2,397
Martin Daum	**2019**	**832**	**104**	**104**	**22,169**	**1,108**	**2,148**
	2018	832	260	260	14,896	1,045	2,397
Renata Jungo Brüngger	**2019**	**832**	**104**	**104**	**22,169**	**1,108**	**2,148**
	2018	832	260	260	14,896	1,045	2,397
Wilfried Porth	**2019**	**832**	**104**	**104**	**23,177**	**1,159**	**2,199**
	2018	832	260	260	15,573	1,092	2,444
Markus Schäfer[2]	**2019**	**508**	**64**	**64**	**17,735**	**887**	**1,523**
	2018	–	–	–	–	–	–
Britta Seeger	**2019**	**832**	**104**	**104**	**22,169**	**1,108**	**2,148**
	2018	832	260	260	14,896	1,045	2,397
Hubertus Troska	**2019**	**832**	**104**	**104**	**22,169**	**1,108**	**2,148**
	2018	832	260	260	14,896	1,045	2,397
Harald Wilhelm[3]	**2019**	**638**	**80**	**80**	**16,627**	**831**	**1,629**
	2018	–	–	–	–	–	–
Bodo Uebber[4]	**2019**	**379**	**47**	**47**	**26,502**	**1,325**	**1,798**
	2018	967	302	302	17,807	1,249	2,820
Dr. Dieter Zetsche[4]	**2019**	**804**	**101**	**101**	**56,429**	**2,822**	**3,828**
	2018	2,048	640	640	37,915	2,659	5,987
Total	**2019**	**7,829**	**980**	**980**	**266,128**	**13,305**	**23,094**
	2018	8,007	2,502	2,502	145,775	10,225	23,236

1 Board of Management remuneration paid as a member until May 21, 2019; as the Chairman from May 22, 2019.
2 Board of Management remuneration paid from May 22, 2019.
3 Board of Management remuneration paid from April 1, 2019.
4 Board of Management remuneration paid until May 22, 2019.

B.65

Taxable non-cash benefits and other fringe benefits

In thousands of euros	**2019**	2018
Ola Källenius[1]	**90**	161
Martin Daum	**120**	121
Renata Jungo Brüngger	**95**	93
Wilfried Porth	**87**	88
Markus Schäfer[2]	**57**	–
Britta Seeger	**94**	164
Hubertus Troska[3]	**394**	494
Harald Wilhelm[4]	**62**	–
Bodo Uebber[5]	**44**	164
Dr. Dieter Zetsche[5]	**65**	195
Total	**1,108**	1,480

1 Board of Management remuneration paid as a member until May 21, 2019; as the Chairman from May 22, 2019 (2018: including an anniversary bonus of €69,456.50).
2 Board of Management remuneration paid from May 22, 2019.
3 For the fulfillment of disclosure obligations pursuant to Section 285 No. 9a of the German Commercial Code (HGB), this amount is reduced by €149,366 for the financial year 2019 (2018: €182,254). 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.
4 Board of Management remuneration paid from April 1, 2019.
5 Board of Management remuneration paid until May 22, 2019.

Details of Board of Management remuneration in 2019 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 as amended on February 7, 2017.

The total of "benefits granted" for financial year 2018 is calculated from
- the base salary in 2018,
- the taxable non-cash benefits and other fringe benefits in 2018,
- the half of the annual bonus paid in 2019 for 2018 at the value for target achievement of 100%,
- the half of the medium-term annual bonus payable in 2020 for 2018 at the value for target achievement of 100% (deferral),
- the value of the long-term share-based remuneration (PPSP) at the time when granted in 2018 (payable in 2022), and
- the retirement pension expense in 2018 (service costs in 2018).

The total of "benefits granted" for financial year 2019 is calculated from
- the base salary in 2019,
- the taxable non-cash benefits and other fringe benefits in 2019,
- the half of the annual bonus payable in 2020 for 2019 at the value for target achievement of 100%,
- the half of the medium-term annual bonus payable in 2021 for 2019 at the value for target achievement of 100% (deferral),
- the value of the long-term share-based remuneration (PPSP) at the time when granted in 2019 (payable in 2023), and
- the retirement pension expense in 2019 (service costs in 2019).

The total of "payments made" for financial year 2018 is calculated from
- the base salary in 2018,
- the taxable non-cash benefits and other fringe benefits in 2018,
- the half of the annual bonus paid in 2019 for 2018 at the value as of the end of the reporting period in financial year 2018,
- the half of the medium-term annual bonus paid in 2018 for 2016 (deferral),
- the value of the long-term share-based remuneration (PPSP 2014) paid in 2018,
- the dividend equivalent of the current PPSP (2015, 2016, 2017 and 2018) paid in 2018, and
- the retirement pension expense in 2018 (service costs in 2018).

The caps possible to ensure the total maximum amount shown in the table of benefits granted for financial year 2018 are implemented with the payout of PPSP 2018, which constitutes the last payment to be made of the components of remuneration granted in financial year 2018. For financial year 2018, therefore, the possible cap would take place in 2022, the year that PPSP 2018 is paid out.

The total of "payments made" for financial year 2019 is calculated from
- the base salary in 2019,
- the taxable non-cash benefits and other fringe benefits in 2019,
- the half of the annual bonus payable in 2020 for 2019 at the value as of the end of the reporting period,
- the half of the medium-term annual bonus paid in 2019 for 2017 (deferral),
- the value of the long-term share-based remuneration (PPSP 2015) paid in 2019,
- the dividend equivalent of the current PPSP (2016, 2017, 2018 and 2019) paid in 2019, and
- the retirement pension expense in 2019 (service costs in 2019).

The caps possible to ensure the total maximum amount shown in the table of benefits granted for reporting year 2019 are implemented with the payout of PPSP 2019, which constitutes the last payment to be made of the components of remuneration granted in financial year 2019. For financial year 2019, therefore, the possible cap would take place in 2023, the year that PPSP 2019 is paid out.

B.66

Benefits granted

	Ola Källenius[2] Chairman of the Board of Management, Chairman of the Board of Management of Mercedes-Benz AG				Martin Daum Chairman of the Board of Management of Daimler Truck AG			
	Jan. 1 – Dec. 31		Jan. 1 – Dec. 31		Jan. 1 – Dec. 31		Jan. 1 – Dec. 31	
	2018	**2019**	min.	max.	2018	**2019**	min.	max.
In thousands of euros								
Base salary	832	**1,340**	1,340	1,340	832	**832**	832	832
Taxable non-cash benefits and other fringe benefits	161	**90**	90	90	121	**120**	120	120
Total	993	**1,430**	1,430	1,430	953	**952**	952	952
Annual variable remuneration (50% of annual bonus, short-term)	416	**670**	0	1,575	416	**416**	0	978
Deferral (50% of annual bonus, medium-term)	416	**670**	0	1,575	416	**416**	0	978
Long-term variable remuneration (plan period of 4 years)	1,045	**1,849**	0	4,588	1,045	**1,108**	0	2,750
Total	1,877	**3,189**	0	7,738	1,877	**1,940**	0	4,706
Retirement pension expense (service costs)	257	**261**	261	261	244	**250**	250	250
Total remuneration	3,127	**4,880**	1,691	9,429	3,074	**3,142**	1,202	5,908
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)	5,252			7,878	5,252			5,252

1 Total limit → 1.7 times for Mr. Källenius as of May 22, 2019 (1.5 times for Dr. Zetsche)/1.9 times target remuneration (base salary, target annual bonus, value when granted of PPSP, excluding fringe benefits and retirement pension commitments).
2 Board of Management remuneration paid as a member until May 21, 2019; as the Chairman from May 22, 2019.

Benefits granted

	Renata Jungo Brüngger Integrity & Legal Affairs				Wilfried Porth HR and Labor Relations Director & Mercedes-Benz Vans			
	Jan. 1 – Dec. 31		Jan. 1 – Dec. 31		Jan. 1 – Dec. 31		Jan. 1 – Dec. 31	
	2018	**2019**	min.	max.	2018	**2019**	min.	max.
In thousands of euros								
Base salary	832	**832**	832	832	832	**832**	832	832
Taxable non-cash benefits and other fringe benefits	93	**95**	95	95	88	**87**	87	87
Total	925	**927**	927	927	920	**919**	919	919
Annual variable remuneration (50% of annual bonus, short-term)	416	**416**	0	978	416	**416**	0	978
Deferral (50% of annual bonus, medium-term)	416	**416**	0	978	416	**416**	0	978
Long-term variable remuneration (plan period of 4 years)	1,045	**1,108**	0	2,750	1,092	**1,159**	0	2,875
Total	1,877	**1,940**	0	4,706	1,924	**1,991**	0	4,831
Retirement pension expense (service costs)	251	**254**	254	254	292	**0**	0	0
Total remuneration	3,053	**3,121**	1,181	5,887	3,136	**2,910**	919	5,750
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)	5,252			5,252	5,347			5,347

1 Total limit → 1.7 times for Mr. Källenius as of May 22, 2019 (1.5 times for 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

	Markus Schäfer, Group Research & Mercedes-Benz Cars Development				Britta Seeger, Mercedes-Benz Cars Marketing & Sales			
	Jan. 1 – Dec. 31		May 22 – Dec. 31		Jan. 1 – Dec. 31		Jan. 1 – Dec. 31	
	2018	**2019**	min.	max.	2018	**2019**	min.	max.
In thousands of euros								
Base salary	–	**508**	508	508	832	**832**	832	832
Taxable non-cash benefits and other fringe benefits	–	**57**	57	57	164	**94**	94	94
Total	–	**565**	565	565	996	**926**	926	926
Annual variable remuneration (50% of annual bonus, short-term)	–	**254**	0	597	416	**416**	0	978
Deferral (50% of annual bonus, medium-term)	–	**254**	0	597	416	**416**	0	978
Long-term variable remuneration (plan period of 4 years)	–	**887**	0	2,200	1,045	**1,108**	0	2,750
Total	–	**1,395**	0	3,394	1,877	**1,940**	0	4,706
Retirement pension expense (service costs)	–	**155**	155	155	248	**254**	254	254
Total remuneration	–	**2,115**	720	4,114	3,121	**3,120**	1,180	5,886
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)	–			3,602	5,252			5,252

1 Total limit → 1.7 times for Mr. Källenius as of May 22, 2019 (1.5 times for 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

	Hubertus Troska, Greater China				Harald Wilhelm, Finance & Controlling, Daimler Mobility			
	Jan. 1 – Dec. 31		Jan. 1 – Dec. 31		Jan. 1 – Dec. 31		April 1 – Dec. 31	
	2018	**2019**	min.	max.	2018	**2019**	min.	max.
In thousands of euros								
Base salary	832	**832**	832	832	–	**638**	638	638
Taxable non-cash benefits and other fringe benefits	494	**394**	394	394	–	**62**	62	62
Total	1,326	**1,226**	1,226	1,226	–	**700**	700	700
Annual variable remuneration (50% of annual bonus, short-term)	416	**416**	0	978	–	**319**	0	750
Deferral (50% of annual bonus, medium-term)	416	**416**	0	978	–	**319**	0	750
Long-term variable remuneration (plan period of 4 years)	1,045	**1,108**	0	2,750	–	**831**	0	2,063
Total	1,877	**1,940**	0	4,706	–	**1,469**	0	3,563
Retirement pension expense (service costs)	244	**250**	250	250	–	**218**	218	218
Total remuneration	3,447	**3,416**	1,476	6,182	–	**2,387**	918	4,481
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)	5,252			5,252				3,990

1 Total limit → 1.7 times for Mr. Källenius as of May 22, 2019 (1.5 times for 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				**Dr. Dieter Zetsche** Chairman of the Board of Management, Head of Mercedes-Benz Cars		
	Jan. 1 – Dec. 31		Jan. 1 – May 22		Jan. 1 – Dec. 31		Jan. 1 – May 22	
	2018	**2019**	min.	max.	2018	**2019**	min.	max.
In thousands of euros								
Base salary	966	**379**	379	379	2,048	**804**	804	804
Taxable non-cash benefits and other fringe benefits	164	**44**	44	44	195	**65**	65	65
Total	1,130	**423**	423	423	2,243	**869**	869	869
Annual variable remuneration (50% of annual bonus, short-term)	483	**190**	0	447	1,024	**402**	0	945
Deferral (50% of annual bonus, medium-term)	483	**190**	0	447	1,024	**402**	0	945
Long-term variable remuneration (plan period of 4 years)	1,249	**1,325**	0	3,288	2,659	**2,822**	0	7,000
Total	2,215	**1,705**	0	4,182	4,707	**3,626**	0	8,890
Retirement pension expense (service costs)	886	**362**	362	362	0	**0**	0	0
Total remuneration	4,231	**2,490**	785	4,967	6,950	**4,495**	869	9,759
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)	6,171			3,940	10,344			6,612

1 Total limit → 1.7 times for Mr. Källenius as of May 22, 2019 (1.5 times for Dr. Zetsche)/1.9 times target remuneration (base salary, target annual bonus, value when granted of PPSP, excluding fringe benefits and retirement pension commitments).

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Payments made

	Ola Källenius[1] Chairman of the Board of Management, Chairman of the Board of Management of Mercedes-Benz AG		Martin Daum[2] Chairman of the Board of Management of Daimler Truck AG	
	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31
	2018	**2019**	2018	**2019**
In thousands of euros				
Base salary	832	**1,340**	832	**832**
Taxable non-cash benefits and other fringe benefits	161	**90**	121	**120**
Total	993	**1,430**	953	**952**
Annual variable remuneration (50% of annual bonus, short-term)	260	**168**	260	**104**
Deferral (50% of annual bonus, medium-term)	525	**728**	–	**607**
Long-term variable remuneration				
Payment of PPSP 2014	402	**–**	510	**–**
Payment of PPSP 2015	–	**751**	–	**277**
Dividend equivalent PPSP 2015	55	**–**	20	**–**
Dividend equivalent PPSP 2016	60	**40**	22	**16**
Dividend equivalent PPSP 2017	56	**50**	56	**50**
Dividend equivalent PPSP 2018	54	**48**	54	**48**
Dividend equivalent PPSP 2019	–	**120**	–	**72**
Total	1,412	**1,905**	922	**1,174**
Retirement pension expense (service costs)	257	**261**	244	**250**
Total remuneration[3]	2,662	**3,596**	2,119	**2,376**
1 Payments as a Board of Management member made up to May 21, 2019; as the Chairman from May 22, 2019.				
2 Payments from the long-term variable remuneration also include amounts granted before the Board of Management membership.				
3 Amount actually paid during the financial year: (The difference pertains to the annual variable remuneration paid at the beginning of the following year compared to the non-cash benefits in kind that were not paid out and the retirement pension expense).	2,784	**3,337**	2,161	**2,162**

Payments made

	Renata Jungo Brüngger[1] Integrity & Legal Affairs		Wilfried Porth HR and Labor Relations Director & Mercedes-Benz Vans	
	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31
	2018	2019	2018	2019
In thousands of euros				
Base salary	832	832	832	832
Taxable non-cash benefits and other fringe benefits	93	95	88	87
Total	925	927	920	919
Annual variable remuneration (50% of annual bonus, short-term)	260	104	260	104
Deferral (50% of annual bonus, medium-term)	525	728	525	728
Long-term variable remuneration				
Payment of PPSP 2014	208	–	1,448	–
Payment of PPSP 2015	–	120	–	785
Dividend equivalent PPSP 2015	9	–	58	–
Dividend equivalent PPSP 2016	60	40	62	42
Dividend equivalent PPSP 2017	56	50	59	52
Dividend equivalent PPSP 2018	54	48	57	51
Dividend equivalent PPSP 2019	–	72	–	75
Total	1,172	1,162	2,469	1,837
Retirement pension expense (service costs)	251	254	292	-
Total remuneration[2]	2,348	2,343	3,681	2,756

1 Payments from the long-term variable remuneration also include amounts granted before the Board of Management membership.
2 Amount actually paid out during the financial year: (The difference pertains to the annual variable remuneration paid at the beginning of the following year compared to the non-cash benefits in kind that were not paid out and the retirement pension expense).

	2,544	2,150	3,841	2,825

Payments made

	Markus Schäfer[1] Group Research & Mercedes-Benz Cars Development		Britta Seeger[1] Mercedes-Benz Cars Marketing & Sales	
	Jan. 1 – Dec. 31	May 22 – Dec. 31	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31
	2018	2019	2018	2019
In thousands of euros				
Base salary	–	508	832	832
Taxable non-cash benefits and other fringe benefits	–	57	164	94
Total	–	565	996	926
Annual variable remuneration (50% of annual bonus, short-term)	–	64	260	104
Deferral (50% of annual bonus, medium-term)	–	–	–	728
Long-term variable remuneration				
Payment of PPSP 2014	–	–	56	–
Payment of PPSP 2015	–	–	–	37
Dividend equivalent PPSP 2015	–	–	3	–
Dividend equivalent PPSP 2016	–	13	6	4
Dividend equivalent PPSP 2017	–	17	56	50
Dividend equivalent PPSP 2018	–	19	54	48
Dividend equivalent PPSP 2019	–	58	–	72
Total	–	171	435	1,043
Retirement pension expense (service costs)	–	155	248	254
Total remuneration[2]	–	891	1,679	2,223

1 Payments from the long-term variable remuneration also include amounts granted before the Board of Management membership.
2 Amount actually paid out during the financial year: (The difference pertains to the annual variable remuneration paid at the beginning of the following year compared to the non-cash benefits in kind that were not paid out and the retirement pension expense).

	–	615	1,807	2,031

Payments made

	Hubertus Troska Greater China		Harald Wilhelm Finance & Controlling, Daimler Mobility	
	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	April 1 – Dec. 31
	2018	2019	2018	2019
In thousands of euros				
Base salary	832	832	–	638
Taxable non-cash benefits and other fringe benefits	494	394	–	62
Total	1,326	1,226	–	700
Annual variable remuneration (50% of annual bonus, short-term)	260	104	–	80
Deferral (50% of annual bonus, medium-term)	525	728	–	–
Long-term variable remuneration				
Payment of PPSP 2014	1,385	–	–	–
Payment of PPSP 2015	–	751	–	–
Dividend equivalent PPSP 2015	55	–	–	–
Dividend equivalent PPSP 2016	60	40	–	–
Dividend equivalent PPSP 2017	56	50	–	–
Dividend equivalent PPSP 2018	54	48	–	–
Dividend equivalent PPSP 2019	–	72	–	54
Total	2,395	1,793	–	134
Retirement pension expense (service costs)	244	250	–	218
Total remuneration[1]	3,965	3,269	–	1,052
1 Amount actually paid out during the financial year: (The difference pertains to the annual variable remuneration paid at the beginning of the following year compared to the non-cash benefits in kind that were not paid out and the retirement pension expense).	3,767	2,781	–	692

Payments made

	Bodo Uebber Finance & Controlling, Daimler Financial Services		Dr. Dieter Zetsche Chairman of the Board of Management, Head of Mercedes-Benz Cars	
	Jan. 1 – Dec. 31	Jan. 1 – May 22	Jan. 1 – Dec. 31	Jan. 1 – May 22
	2018	2019	2018	2019
In thousands of euros				
Base salary	967	379	2,048	804
Taxable non-cash benefits and other fringe benefits	164	44	195	65
Total	1,131	423	2,243	869
Annual variable remuneration (50% of annual bonus, short-term)	302	47	640	101
Deferral (50% of annual bonus, medium-term)	624	848	1,349	1,780
Long-term variable remuneration				
Payment of PPSP 2014	1,656		3,463	
Payment of PPSP 2015	–	898	–	1,877
Dividend equivalent PPSP 2015	66	–	138	–
Dividend equivalent PPSP 2016	71	–	149	–
Dividend equivalent PPSP 2017	67	–	144	–
Dividend equivalent PPSP 2018	65	–	138	–
Dividend equivalent PPSP 2019	–	–	–	–
Total	2,851	1,793	6,021	3,758
Retirement pension expense (service costs)	886	362	–	–
Total remuneration[1]	4,868	2,578	8,264	4,627
1 Amount actually paid out during the financial year: (The difference pertains to the annual variable remuneration paid at the beginning of the following year compared to the non-cash benefits in kind that were not paid out and the retirement pension expense).	4,448	2,679	9,407	5,635

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 and 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 maximum 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 (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 in the committed amount (sum of the capital components credited including interest) 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 civil 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 civil 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 pension claims 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 the spouse/registered civil partner 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 are also provided with a company car, in some cases for a defined period.

Service costs for pension obligations to Board of Management members in accordance with IFRS amounted to €2.0 million in financial year 2019 (2018: €2.4 million). The present value of the total defined benefit obligation according to IFRS amounted to €32.9 million as of December 31, 2019 (December 31, 2018: €86.0 million). Taking age and period of service into account, the individual entitlements, service costs and present values are shown in the table. ↗ B.68

Early termination of service

The durations of the contracts of service of the members of the Board of Management correspond to their terms of appointment. page 32 f

In the case of unilateral 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 components 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 severance cap of the German Corporate Governance Code as amended on February 7, 2017, 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.

As part of the mutually agreed early termination of the Board of Management activities of Dr. Dieter Zetsche and Bodo Uebber at the conclusion of the Daimler AG Annual Shareholders' Meeting on May 22, 2019, it was agreed that the Company's service contract benefits would continue to be provided until the respective service contracts expired on December 31, 2019. For the period from May 23 to December 31, 2019 Dr. Zetsche thus received a base salary of €1,244,291 and short-term variable remuneration of €311,073 (measured as of the end of the reporting period, to be paid in 2020) as well as medium-term variable remuneration of €311,073 (measured as of the end of the reporting period, to be paid in 2021 subject to the bonus/malus rule) and fringe benefits of €142,244. The claims from long-term variable remuneration (PPSP) and the company pension scheme are paid out in accordance with the respective plan conditions.

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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)
Ola Källenius	**2019**	**–**	**261**	**4,062**
	2018	–	257	2,971
Martin Daum	**2019**	**–**	**250**	**3,738**
	2018	–	244	3,261
Renata Jungo Brüngger	**2019**	**–**	**254**	**1,655**
	2018	–	251	1,290
Wilfried Porth	**2019**	**156**	**–**	**12,130**
	2018	156	292	11,270
Markus Schäfer[2]	**2019**	**–**	**155**	**3,114**
	2018	–	–	–
Britta Seeger	**2019**	**–**	**254**	**1,995**
	2018	–	248	1,467
Hubertus Troska	**2019**	**–**	**250**	**6,028**
	2018	–	244	5,285
Harald Wilhelm[3]	**2019**	**–**	**218**	**134**
	2018	–	–	–
Bodo Uebber[4]	**2019**	**–**	**362**	
	2018	275	886	18,387
Dr. Dieter Zetsche	**2019**	**–**	**–**	**–**
	2018	1,050	–	42,023
Total	**2019**	**156**	**2,004**	**32,856**
	2018	1,481	2,422	85,954

1 The amounts of the present values are primarily due to the low level of the relevant discount rate.
2 Mr. Schäfer pro rata from May 22, 2019.
3 Mr. Wilhelm pro rata from April 1, 2019.
4 Mr Uebber pro rata until May 22, 2019.

For the period from May 23 to December 31, 2019, Mr. Uebber received a base salary of €587,166, short-term variable remuneration of €146,792 (measured as of the end of the reporting period, to be paid in 2020), medium-term variable remuneration of €146,792 (measured as of the end of the reporting period, to be paid in 2021 subject to the bonus/malus rule) and fringe benefits of €63,818. The service cost for the pension obligations to Mr. Uebber amounted to €567,696 (€490,313 pursuant to Section 285 No. 9a HGB) for the period from May 23 to December 31,2019. The claims from long-term variable remuneration (PPSP) and the company pension scheme are also paid out in accordance with the respective plan conditions in this case.

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 statutory supervisory boards or comparable boards of business enterprises, they are disclosed in the notes to the annual financial statements of Daimler AG, which are 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 2019, no advances or loans were made or abated 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 2019 to former members of the Board of Management of Daimler AG and their survivors amounted to €19.5 million (2018: €16.2 million). Pension provisions according to IFRS for former members of the Board of Management and their survivors amounted to €355.8 million as of December 31, 2019 (2018: €270.2 million).

Remuneration of the Supervisory Board

Supervisory Board remuneration in 2019
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 (such as the Legal Affairs Committee formed in 2019) 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 in a financial year if the committee has actually convened to fulfill its duties in this period.

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.

In connection with the remuneration adjustment in 2017, 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.

In financial year 2019, 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 individual remuneration of the members of the Supervisory Board is shown in the following table. ↗ B.69

The total remuneration of all the activities of the members of the Supervisory Board of Daimler AG in the year 2019 was thus €4.6 million (2018: €4.2 million).

Loans to members of the Supervisory Board
No advances or loans were made or abated to members of the Supervisory Board of Daimler AG in 2019.

B.69

Supervisory Board remuneration

Name	Function(s) remunerated	Total in 2019	thereof remuneration from subsidiaries
In euros			
Dr. Manfred Bischoff[1]	Chairman of the Supervisory Board, the Presidential Committee and the Nomination Committee as well as member of the Legal Affairs Committee	602,542	51,638
Michael Brecht[1, 2]	Deputy Chairman of the Supervisory Board, the Presidential Committee, the Audit Committee and the Legal Affairs Committee	499,129	47,925
Dr. Paul Achleitner	Member of the Supervisory Board and the Nomination Committee	180,500	–
Bader M. Al Saad[1]	Member of the Supervisory Board	164,833	13,133
Sari Baldauf[1]	Member of the Supervisory Board and the Nomination Committee	194,733	13,133
Michael Bettag[2]	Member of the Supervisory Board	152,800	–
Dr. Clemens Börsig[1]	Member of the Supervisory Board and Chairman of the Audit Committee and the Legal Affairs Committee	331,436	13,133
Raymond Curry[3]	Member of the Supervisory Board	150,600	–
Michael Häberle[1, 2]	Member of the Supervisory Board and the Legal Affairs Committee	185,443	15,539
Dr. Jürgen Hambrecht[1]	Member of the Supervisory Board and the Presidential Committee	237,353	20,353
Petraea Heynike[1]	Member of the Supervisory Board	167,239	15,539
Joe Kaeser[1]	Member of the Supervisory Board and the Audit Committee	240,339	14,439
Ergun Lümali[1, 2]	Member of the Supervisory Board and the Audit Committee	279,532	50,332
Dr. Bernd Pischetsrieder[1]	Member of the Supervisory Board	175,559	22,759
Elke Tönjes-Werner[2]	Member of the Supervisory Board	152,800	–
Sibylle Wankel[1, 2]	Member of the Supervisory Board and the Legal Affairs Committee	185,443	15,539
Dr. Frank Weber[1]	Member of the Supervisory Board	168,339	15,539
Marie Wieck[1]	Member of the Supervisory Board and the Legal Affairs Committee	184,343	15,539
Dr. Sabine Zimmer[2]	Member of the Supervisory Board	152,800	–
Roman Zitzelsberger[1, 2]	Member of the Supervisory Board and the Presidential Committee	236,253	19,253

1 Including remuneration as a member of the Supervisory Board of Daimler Truck AG and/or Mercedes-Benz AG.
2 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.
3 Mr. Curry has directed that he receive no remuneration whatsoever and that his corresponding 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, 2019. 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) in the version of December 31, 2019, 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, 2019.

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 (PPSPs) 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 or out of their own funds 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 PPSPs, 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 rules of procedure of the Supervisory Board of Daimler AG stipulate that the initial appointment of members of the Board of Management should generally be limited 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.

In accordance with Article 7 Subsection 2 of the Articles of Incorporation, amendments to the Articles of Incorporation that only affect the wording can be decided upon by the Supervisory Board. 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 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 of April 5 2018, 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 4, 2023, 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 2018). Subscription rights can, under these defined conditions, be excluded in the event of a capital increase through non-cash contributions for the purpose 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 issue.

No use has yet been made of Approved Capital 2018.

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 paper) in a total nominal amount of up to €10 billion with a maximum term of ten years, and to grant the owners/lenders of those 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 interests 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.

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).

No use has yet been made of this authorization to issue convertible bonds and/or bonds with warrants.

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 €11 billion, which the lenders are entitled to terminate if (i) Daimler AG becomes a subsidiary of another company, or (ii) Daimler AG becomes controlled either individually or jointly by one or more persons acting together. For the purposes of the syndicated credit line, subsidiary in relation to a company means another company (i) that is controlled directly or indirectly by the first-mentioned company, (ii) of which more than 50% of the subscribed capital (or other equity) is held directly or indirectly by the first-mentioned company, or (iii) which is a subsidiary of another subsidiary of the first-mentioned company. Control for the purposes of the syndicated credit line means (i) the right to determine the affairs of a company, (ii) the right to control the composition of the managing board or similar bodies, or (iii) the right to control the composition of the supervisory board (if elected by the shareholders).
- Credit agreements of Mercedes-Benz AG and Daimler Truck AG with lenders for an amount totaling €1.2 billion, for the repayment of which Daimler AG is jointly and severally liable, which provide for a right of termination for the lenders in the event that natural or legal persons or a group of at least two persons acting jointly acquire control of Daimler AG. For the pur-

poses of the credit agreements, a group acting jointly exists when a group acts jointly on the basis of formal or informal agreements or other arrangements. Control for the purposes of the credit agreements means (i) holding or controlling more than 50% of the voting rights in Daimler AG, (ii) the right to determine or appoint the majority of the members of a decision-making body of Daimler AG (e.g. the management, board of management, advisory board, supervisory board), (iii) the right to receive more than 50% of the distributable dividends of Daimler AG, or (iv) exercise of an otherwise comparable controlling influence on Daimler AG. Control can be exercised directly or indirectly through share ownership, contractual arrangement, fiduciary status, economic circumstances or otherwise, and through either a single person or a group acting together.

- A master cooperation agreement on wide-ranging strategic cooperation with Renault S.A., Renault-Nissan B.V. and Nissan Motor Co., Ltd. as well as with Mitsubishi Motors Corporation. 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 by 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; the aforementioned cooperation agreements (with the exception of the Master Cooperation Agreement) have been transferred from Daimler AG to Mercedes-Benz AG.
- 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. This agreement has been transferred from Daimler AG to Daimler Truck AG in the context of the separation of the Trucks & Buses division.
- 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 one 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.
- An agreement between Daimler AG and BMW AG, which contains basic provisions for six joint ventures between Daimler Mobility Services GmbH and group companies of BMW AG in the field of mobility services (car sharing, ride hailing, parking, charging, multimodal and a joint venture holding the common brand). A change of control is defined as the acquisition by a third party of more than 50% of the voting rights or shares, or the conclusion of a control agreement over Daimler AG by a third party. As a result of a change of control, the other party may initiate a shoot-out process, which is more precisely defined in the agreement.
- An agreement between Daimler AG and BMW AG on the development of technologies for automated driving (Highway-Pilot) of the second generation (as of 2024). In the event of a change of control, either party can terminate this contract in written form at any time without further notice and with immediate effect. Change of control is defined as the indirect or direct acquisition by a third party of at least 30% of the voting rights in one of the parties. This agreement has been transferred by Daimler AG to Mercedes-Benz AG in the context of the separation of the Cars & Vans division.
- An agreement between Daimler AG and Zhejiang Geely Holding Group Co., Ltd. for the development, production, sales and aftersales of smart-brand cars of the next generation. In the event of a change of control, the party for which no change of control has occurred can terminate this agreement after a maximum of three months of fruitless negotiations in written form and with immediate effect. Furthermore, the party for which no change of control has occurred has the possibility to exercise a call option or a put option vis-à-vis the other party. Change of control is defined as the indirect or direct acquisition by a third party of (i) more than 50% of the voting rights in one of the parties, (ii) the right to appoint a majority of the directors of a board or similar body of one of the parties, or (iii) the right, either contractual or otherwise, to manage one of the parties. This agreement has been transferred by Daimler AG to Mercedes-Benz AG in the context of the separation of the Cars & Vans division.

Risk and Opportunity Report

The Daimler Group is exposed to a large number of risks that are directly linked with the business activities of Daimler AG and its subsidiaries 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 segments from achieving its targets. This includes financial and non-financial risks. At the same time, it is important to identify opportunities in order to safeguard and enhance the competitiveness of the Daimler Group. An opportunity is understood as the possibility due to events, developments or actions to safeguard or to surpass the planned targets of the Group or of a segment.

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.

B.70

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** 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 risk management system is integrated into the value-based management and planning system of the Daimler Group and is an integral part of the overall planning, management and reporting process in the companies, segments and corporate functions.

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 met or exceeded. Opportunity management considers relevant and realizable opportunities that have not yet been included in any planning.

In the context of the operational planning, risks and opportunities are identified and assessed with the use of appropriate categories for a two-year planning period. Furthermore, the discussions for the derivation of mid-term and strategic targets in the context of strategic planning also include the consideration of risks and opportunities relating to a longer period. Group Risk Management regularly reports on the identified risks and opportunities to the Board of Management and the Supervisory Board. Besides the reporting at specific times, risk and opportunity management is established as a continuous task within the Group. In addition to reporting at specific intervals, risk and opportunity management in established at the Group as a continuous process. There is an internal reporting obligation within the Group for material risks arising unexpectedly.

The reporting of risks and opportunities in the Management Report generally relates to a period of one year. 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.

At 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.70 and is conducted before measures are planned. In addition to the quantifiable risks and opportunities, risk management also considers qualitative risks and opportunities. Qualitative risks include issues that can have a negative impact on the public's perception and thus on the reputation of the Daimler Group. They primarily comprise those risks connected with aspects presented in the Non-Financial Report. Risks in connection with compliance violations are also considered in the context of risk management. 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 identified risks enter the risk management process. The internal control system (ICS) is responsible for the monitoring of general uncertainties without any clear indication of a possible effect on earnings.

The scope of consolidation for risk and opportunity management corresponds to the scope of the consolidated financial statements and goes beyond that if necessary. The risks and opportunities of the segments and operating units, important associated companies, joint ventures, joint operations and the corporate departments are included.

Furthermore, the employees responsible for risk management include have the task of defining measures and if necessary, initiating such measures to avoid, reduce or protect the Group against risks. Within the context of opportunity management, measures are to be taken with which opportunities can be seized, improved and (fully or partially) realized. The cost-effectiveness of a measure is assessed before its implementation. The feasible impact and probability of occurrence of all risks and opportunities of the individual entities and the related measures that have been initiated are continually monitored. The management activities take place at the level of the segments based on individual risks and opportunities. As the parent company of the Daimler Group, Daimler AG monitors implementation by the segments as part of its duty to manage the Group.

The **internal control 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 the relevant companies, organizational 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" 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 a definition of control with the objective of identifying significant risks relating to the processes of corporate accounting and financial reporting in the main companies, organizational 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 control weaknesses are eliminated. At the end of the annual cycle, the selected companies, organizational entities and corporate functions confirm the effectiveness of the internal control 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 materially 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 companies, organizational entities and corporate functions report on concrete risks and opportunities to the next-higher entity at regular intervals. Through the segments, this information is passed on to Group Risk Management, which processes it and provides it to the Board of Management and the Supervisory Board as well as to the Group Risk Management Committee (GRMC). The GRMC is responsible for the continual improvement of the risk management system and for assessing its efficiency and effectiveness. It is composed of representatives of Accounting & Financial Reporting, the Legal Department, Compliance and Technical Compliance, and the members responsible for finance of the Boards of Management of Mercedes-Benz AG, Daimler Truck AG and Daimler Mobility AG; it is chaired by the Board of Management members of Daimler AG responsible Finance & Controlling/Daimler Mobility and for Integrity and Legal Affairs. 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 with the segments, corporate functions, organizational entities and companies.

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, as well as to the Boards of Management of Mercedes-Benz AG, Daimler Truck AG and Daimler Mobility AG. Furthermore, the risks and opportunities of business operations are regularly discussed by the responsible persons in the Board of Management of the relevant company.

The Audit Committee of the Supervisory Board of Daimler AG and the committees of the Supervisory Boards of Mercedes-Benz AG, Daimler Truck AG and Daimler Mobility AG are 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 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 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 segments. Reporting on the risks and opportunities takes place in line with the new corporate structure. As of January 1, 2020, the business operations of the Group are managed in the segments Mercedes-Benz Cars, Mercedes-Benz Vans, Daimler Trucks & Buses and Daimler Mobility. These segments reflect the future internal reporting and organizational structure. The Mercedes-Benz Cars and Mercedes-Benz Vans segments are aggregated in the Mercedes-Benz Cars & Vans reportable segment in line with the type of products and services offered, their brands, sales channels and customer profiles.

In addition to the risks and opportunities described below, 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.71.

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 growth of the **world economy** to continue in 2020 at about the rate of the previous year. At the beginning of 2020, the relationship of risks and opportunities also seems similar to that in 2019. Economic developments in 2019 are described in detail in the "Economic Conditions and Business Development" section of this Management Report; growth assumptions and forecasts for general developments in 2020 are explained in the "Outlook" section on pages 65 ff and 150 ff.

Although the renewed escalation of the **trade conflict** between the United States and China has become less likely with the conclusion of the "Phase One" partial trade deal, it continues to be a significant risk for the further development of the world economy. Furthermore, the threat by the United States to impose additional tariffs on imported vehicles and parts, including from the European Union, still exists. These two factors could significantly affect the development of unit sales and earnings, especially at Mercedes-Benz Cars & Vans. In addition, there is a danger that countries will implement increasingly protectionist measures such as specific market-access barriers or industry-political concepts. This would have significant impacts on the global value chains at Mercedes-Benz Cars & Vans and Daimler Trucks and Buses, leading to higher costs and adversely affecting business developments and sales possibilities. On the other hand, unforeseen trade facilitations could provide positive impulses and lead to more trade and higher growth. In that case, the Daimler Group could also benefit.

Even without a further escalation of the various trade conflicts, the ongoing uncertainty could ensure that the global investment cycle weakens even more than previously assumed. A **further slowdown in investment activity** – particularly in North America and Europe – would adversely affect the unit sales of heavy-duty commercial vehicles in particular and would therefore have a particularly negative impact on the unit sales and profitability of Daimler Trucks & Buses.

If the **recession,** which has so far been limited to the **industrial sector**, spreads more to the service sector and spreads even more than before to the United States, in addition to the euro zone and China, this would have noticeable effects on employment and wages in those regions. This would have a significant impact on consumer confidence and consumption, one of the most important drivers of the current economic expansion. The resulting lower growth or even decline in overall economic consumption would have a correspondingly negative impact on the sales prospects of Mercedes-Benz Cars & Vans in particular. Opportunities would arise, however, if the cyclical downturn in the industry ended earlier than expected.

The European market will continue to be of great importance for all segments of the Daimler Group in the future, so changes in investment and consumer behavior will affect the development of unit sales in all segments. The risk of a disorderly **withdrawal of the United Kingdom from the European Union** due to the Brexit of January 31, 2020 and the related exit agreement no longer exists. However, uncertainty is now likely to shift to the negotiations on a future agreement between the UK and the EU, which according to the transitional agreement would have to be concluded by the end of 2020 in order to prevent customs duties as of January 2021. These negotiations are likely to be very difficult and connected with a high degree of political uncertainty. In extreme cases, renewed distortions in the European financial markets and corresponding decreases in economic growth are to be expected. This would significantly impact growth above all in the United Kingdom, with an adverse effect on the development of the Group's unit sales across all segments. In the euro zone, the risk of political conflicts also remains increased. Phases of political uncertainty could have a negative impact on consumption and investment decisions by households and companies. On the other hand, if there is concerted fiscal stimulus in the euro zone or if the ECB's expansionary measures have a greater impact than currently assumed, this could lead to a stronger recovery in growth, with positive effects on companies and households.

In the **United States,** political uncertainty in the run-up to the presidential elections and ongoing trade tensions could lead to a more pronounced reduction in corporate investment than previously assumed. This would have a particularly negative effect on the unit sales of the Daimler Trucks & Buses segment. If, as already mentioned, the overall economic growth slowdown were to be more pronounced than previously expected, consumption by private households would also suffer significantly due to negative employment and income effects. This in turn could have a negative impact on the unit sales of Mercedes-Benz Cars & Vans. On the opportunities side, economic and fiscal policy in the run-up to the presidential election could turn out to be more expansive than previously assumed. In addition, the US central bank could further reduce key interest rates, contrary to current expectations. If investment activity should subsequently become significantly more dynamic, resulting in stronger growth combined with positive employment and income effects, demand could benefit in all automotive segments. As Mercedes-Benz Cars & Vans, Daimler Trucks & Buses and Daimler Mobility generate substantial proportions of their revenues in the United States, these developments would have considerable consequences for the Group's success. Furthermore, stronger economic growth in the United States would also have spillover effects on the rest of the world.

In general, **public and private debt** remains high in many economies. In the event of a more pronounced economic downturn, this could limit the scope for governments to take fiscal countermeasures or lead to increased defaults by companies and households. This would lead to increased instability in the financial markets and also adversely affect overall economic demand, with negative effects on the unit sales of the Daimler Group's segments.

From an economic perspective, the **high indebtedness of Chinese companies,** especially state-owned enterprises, also represents a considerable risk. If the government's efforts to restrict credit growth in combination with the negative impact of US tariffs on imports from China lead to a more significant growth slowdown than currently expected, this could result in an excessive increase in credit defaults, which would then lead to turbulences in the banking sector and the financial markets. In particular at the Mercedes-Benz Cars & Vans segment, for which China is now one of the biggest sales markets, the aforementioned risks could result in significant negative effects on unit sales. On the other hand, growth in 2020 triggered by further stimulus measures by the Chinese government could turn out to be stronger than expected. The resulting stronger growth in overall economic consumption would offer additional opportunities, especially for Mercedes-Benz Cars & Vans.

The outbreak of the coronavirus may result in macroeconomic risks that could lead to significant reductions in economic growth in China, other Asian economies and also worldwide. Risks for the Daimler Group may not only affect the development of unit sales, but may also lead to significant adverse effects on production, the procurement market and the supply chain.

Another risk is that the pressure on the **emerging markets** could intensify further if underlying sentiment in the financial markets deteriorates significantly. In such a case, even more capital would flow out of the emerging markets. Growth in the emerging markets would then be significantly weaker and put pressure on global growth. Furthermore, changes in central-bank policy in the developed and emerging markets to support economic development (such as currency devaluation) entail a high risk. Although the risk of a debt crisis in the emerging markets – triggered by US interest-rate rises and the resulting higher interest burden due to the predominance of US dollar debt – has recently been reduced by the US Federal Reserve's shift to a looser monetary policy, it has not been fully resolved. Possible crises in individual countries would have a noticeable impact on sales prospects in those markets and possible also on conditions for the Group's local operations.

B.71

Industry and business risks and opportunities

Risk category	Probability of occurrence	Impact	Opportunity category	Impact
General market risks	Low	High	General market opportunities	Medium
Risks relating to the legal and political framework	Medium	High	Opportunities relating to the legal and political framework	Medium
Procurement market risks	Medium	High	Procurement market opportunities	Medium

Although oil prices fell significantly last year, if political crises – especially in the Middle East – and ensuing temporary supply bottlenecks lead to a significant rise in oil prices that OPEC countries are unable to offset in the short term, inflation could rise significantly and adversely affect global growth. Moreover, an escalation of geopolitical conflicts in other regions of the world could also significantly slow down global economic growth.

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 segments of the Daimler Group.

Potential effects of the **risks on the development of unit sales** are included in risk scenarios. Increasing customer demand for model series with lower profit margins can have a negative impact on the earnings of the segments concerned. Causes of declining vehicle sales may result in particular from the partially unstable economic environment and in the context of political or economic uncertainties. A rising oil price and volatile exchange rates can also lead to market uncertainty and thus to falling demand. Differences between the segments exist due to the partly varying regional focus of their activities. The development of markets, unit sales and inventories is continually analyzed and monitored by the segments; if necessary, specific marketing and sales programs are implemented.

Volatilities with regard to market developments can also lead to the overall market or regional conditions for the automotive industry developing better than assumed in the internal forecasts and premises, and business opportunities in the market. Opportunities may also arise from an improvement in the competitive situation or a positive development of demand for the segments, utilization of which is supported by sales and marketing campaigns.

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 financial situation of strategically relevant dealerships and vehicle importers is continuously monitored; if necessary, alternative sales channels are created. Further risks result from the dependency on certain dealerships, so in certain circumstances, relationships with new business partners may have to be developed. The loss of important dealerships and vehicle importers can lead to customer demand not being fully served and lower unit sales. Risks of this kind exist for dealerships and vehicle importers of Mercedes-Benz Cars & Vans and Daimler Trucks & Buses.

The launch of new products by competitors, more aggressive pricing policies and poorer price enforcement in the aftersales business can lead to increasing **competitive and price pressure** in the automotive segments. 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. Daimler also applies various programs to boost sales, which include financial incentives for customers.

In connection with the sale of vehicles, Daimler offers its customers a wide range of **financing and leasing options.** The resulting risks for the Daimler Mobility segment are mainly due to borrowers' worsening creditworthiness, so receivables might not be recoverable in whole or in part because of customers' insolvency (default or credit risk). Daimler counteracts credit risks by means of creditworthiness checks on the basis of standardized scoring and rating methods, the collateralization of receivables, as well as an effective risk management with a firm focus on monitoring both internal and macroeconomic leading indicators.

In connection with leasing agreements, risks and opportunities arise if the market value of a leased vehicle at the end of the agreement term differs from the residual value originally calculated and forecasted at the time the agreement was concluded and used as a basis for the leasing installments. A residual-value risk arises if the expected market value of a vehicle at the end of the contract term is lower than the residual value calculated and forecasted when the contract was concluded. Particularly at Mercedes-Benz Cars & Vans and Daimler Mobility, risks therefore result from the development of the used car markets and thus from the **residual values of the vehicles produced.** Above all, the existing uncertainties 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. This can adversely affect the proceeds from the sale of used cars. Appropriate measures are defined to counteract these risks. 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 lower price reductions granted on new vehicles.

In addition, a **residual-value risk from non-Daimler vehicles** exists for the Daimler Mobility companies that operate commercial fleet management and leasing management, because most of those vehicles are not covered by manufacturers' residual-value guarantees. The negative development of sale prices for used cars on stock can adversely affect earnings. 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 forecasted in good time and suitable countermeasures may be initiated.

Across all segments, the assessment of general market risks is unchanged compared to the previous year. However, due to increasing political and economic uncertainty, the impact of market opportunities has increased from "Low" to "Medium" due to a potential increase in demand in the automotive segments. The risks and opportunities shown in the previous year under "Risks and opportunities relating to the leasing and sales-financing business" have been integrated into the section "General market risks and opportunities" for the current financial year.

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, safety and certification, as well as tariff aspects, 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 proportion of its research and development budget to ensure compliance with these regulations. The possible impact and probability of occurrence of risks from the legal and political framework is unchanged compared to the previous year. However, the assessment of the possible impact of the opportunities has increased from "Low" to "Medium".

Many countries and regions have already implemented stricter **regulations to reduce vehicles' emissions and fuel consumption** or are currently preparing such laws. For example, they relate to the environmental impact of vehicles, including emission levels, fuel economy and noise, as well as pollutants from the emissions caused by production facilities. Noncompliance with regulations applicable in the various regions might result in significant penalties and reputational harm. In case of violations of regulations concerning vehicles' environmental compatibility, it might even mean that vehicles could not or could no longer be registered in the relevant markets. In addition, the risk exists that vehicles already in the markets will have to be rectified. The cost of compliance with these regulations is significant, especially for conventional engines, and Daimler expects a further increase in costs in this context.

Mercedes-Benz Cars & Vans faces risks with respect to regulations on mandatory targets for the average fleet fuel consumption and CO_2 emissions of new vehicles. Especially in the markets of China, Europe and the United States Daimler gives these targets due consideration in its product planning. The increasingly ambitious targets require significant proportions of actual unit sales of plug-in hybrids or cars with other types of electric drive. The ambitious statutory requirements will be difficult to fulfill in some countries. The market success of these drive systems is greatly influenced not only by customer acceptance but also by regional market conditions, like for example the battery-charging infrastructure and state support.

As the negative headlines on diesel engines and the implementation of driving bans on diesel vehicles unsettle customers, this can result in lasting shifts in the drive-system portfolio (fewer diesel and more gasoline engines). This would require additional cost-intensive development and production measures in order to meet the CO_2 fleet limits applicable as of 2020.

The EU Commission is still revising, and amending or supplementing, the framework conditions for the WLTP measurement method, which has been applicable since September 2018. This may result in increased and additional WLTP testing and documentation costs.

Due to a procedural error in the legislation, the Court of the European Union has at first instance annulled parts of the Real Driving Emissions (RDE) legislation and has given the legislators 12 months from the date of the decision on the appeal to amend the contested parts of the regulation. If the appeal against the ruling is unsuccessful, the new regulation could pose significant risks to the eligibility of vehicles for registration, also of the Daimler Group. In the worst case, the new vehicles concerned, also of the Daimler Group, would no longer be allowed to be registered and operated throughout the EU. In parallel with these proceedings, a solution acceptable to all sides is being sought in the political process (trilogue).

Strict regulations for the reduction of vehicles' emissions and fuel consumption also create potential risks for **Daimler Trucks & Buses,** because it will be difficult to fulfill the statutory requirements in some countries. Above all this applies to the markets of Japan, the United States, China and Europe. The European Commission has developed a method for determining the CO_2 emissions of heavy commercial vehicles, named VECTO, the application of which has been mandatory for the most important vehicle categories since January 1, 2019. The prescribed level of CO_2 reduction in Europe of 15% by 2025 and 30% by 2030, in each case compared to the new-vehicle fleet in the period of July 2019 to June 2020, cannot be achieved with conventional technology alone. Daimler Trucks & Buses will therefore have to apply the latest technologies in order to fulfill these requirements. Achieving the 2025 target will require significant shares of battery-electric trucks or other electrified drive systems in the actual market, which may only be achievable at higher costs.

The position of the Daimler Group in key foreign markets could also be affected by an **increase in or changes in free-trade agreements.** If free-trade agreements are concluded without the participation of countries in which Daimler has production facilities, this could result in a competitive disadvantage for Daimler compared with competitors that produce in those countries that participate in the free-trade agreements. In addition, if the content of the free-trade agreements currently used by Daimler is made significantly stricter, this could also significantly impair the position of the Daimler Group, as the Group could no longer benefit from those free-trade agreements. At the same time, however, the conclusion of new free-trade agreements could also result in opportunities for the Daimler Group vis-à-vis its competitors, if the competitors do not produce in the countries concerned, but Daimler does.

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 measures.** Furthermore, interruptions in the supply chain due to potential trade conflicts cannot be ruled out. **Industrial policy measures** are intended to attract investment into a country and increase local value added along the entire value chain. This can lead to increased costs if production facilities have to be established or expanded or local purchasing has to be increased. 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 **customs procedures.** These measures generally exacerbate uncertainties in the planning process; they can also lead to lower unit sales if importing is made more difficult.

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. 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 developments may dampen the development of unit sales, especially in the growth markets. In European cities, discussions about driving bans are increasingly intensifying the pressure to reduce individual transport, especially for vehicles with diesel engines. This may in turn lead to more demand for vehicles with alternative drive systems.

Daimler continuously 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 great challenge of the coming years will be to offer an appropriate range of drive systems and the right product portfolio in each market.

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. Potential claims from suppliers due to the premature termination of development and production agreements by the Daimler Group may also lead to decreased earnings. This risk situation has not changed in terms of probability of occurrence and possible impact compared to the previous year. The impact of the opportunities is also unchanged.

The automotive segments of the Daimler Group require certain raw materials for the manufacture of vehicle components and vehicles, which are purchased on the world market. The level of costs depends on the **price development of raw materials.** Due to largely unchanged macroeconomic conditions, price fluctuations are expected with uncertain and inconsistent trends also for the year 2020. For example, raw-material markets can be impacted by political crises and uncertainties – combined with possible supply bottlenecks – as well volatile demand for specific raw materials. Potential tariff increases for certain raw materials as a result of increasing protectionist tendencies worldwide can have a negative impact on price developments. In general, the ability to pass on the higher costs of commodities and other materials in form of higher prices for manufactured vehicles is limited because of strong competitive pressure in the international automotive markets. Rising raw-material prices may therefore have a negative impact on the margins on the vehicles sold and thus lead to lower earnings in the respective segment.

The financial situation of some suppliers remains tense due to the gloomy market environment. The resulting possible production losses at suppliers may cause an interruption in the supply chain of the Daimler Group's automotive segments and prevent vehicles from being completed and delivered to customers on time. In order to counteract such interruptions in the supply chain, support measures may be necessary to ensure production and sales by suppliers. Supplier risk management aims to identify potential **financial bottlenecks for suppliers** at an early stage and to initiate suitable countermeasures. Specifically, depending on the warning signals recorded and the internal classification, regular reporting dates are agreed upon for suppliers at which key performance indicators are reported to Daimler and any support measures can be determined if necessary.

Due to the planned electrification of new model series and a shift in customer demand from diesel to gasoline engines, Mercedes-Benz Cars & Vans 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 suppliers cannot cover their fixed costs, there is the risk that they may demand compensation payments. Necessary capacity expansion at suppliers' plants could also require cost-effective participation.

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.72.

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. Technical solutions, 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 are integrated in the strategic product planning of the automotive segments.
As a result of 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, production and technology risks exist for product launches and manufacturing in the automotive segments.

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 continuously 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, delays in the ramp-up phase of an innovation or during a product's lifecycle can lead to inefficiencies in the production process and as a consequence to a temporary reduction in production volumes. Late design changes in the development process, for example in connection with new regulatory requirements, as well as quality or availability problems of supplied vehicle components can have a negative impact on production ramp-ups. Furthermore, the planned increase in battery production due to the increasing electrification of the vehicle fleet means that initial problems during the production of the various battery types and possible technical limitations on battery lifecycles cannot be ruled out. Affected are those automotive segments 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 on 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 reduced plant availability or the failure of **production equipment or production plants** may cause internal bottlenecks that would consequently generate costs. These risks mainly exist for Mercedes-Benz Cars & Vans. The production equipment is continuously 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.

Capacity restrictions in the production of batteries, interruptions in the supply chain and possible interruptions in supply by energy providers can lead to bottlenecks, especially at Mercedes-Benz Cars & Vans. Restrictions on certain equipment components in new vehicle models and the lack of availability of vehicle parts at the right time also mean that vehicles cannot be handed over to customers as planned. 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 ensuring the quantity and quality of the components required to manufacture the vehicles. The lack of availability and quality problems with certain vehicle parts can lead to production downtimes and cause costs.

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 both with components in vehicles from external suppliers and in connection with technical innovations in vehicles may require 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. If the high technical quality standards of purchased components are not fulfilled, this can lead to Daimler asserting claims against the respective supplier.

The probability of occurrence and possible impact of production and technology risks are unchanged compared to the previous year across all segments.

B.72
Company-specific risks and opportunities

Risk category	Probability of occurrence	Impact	Opportunity category	Impact
Production and technology risks	Low	High	Production and technology opportunities	Low
Information technology risks	Low	High	Information technology opportunities	–
Personnel risks	Medium	Medium	Personnel opportunities	–
Risks related to equity investments and cooperations	Low	Medium	Opportunities related to equity investments and cooperations	Low

Information technology risks and opportunities
The systematically pursued digitization strategy enables Daimler to utilize new opportunities to increase customer benefit and the value of the company. Nonetheless, the high penetration of information technology (IT) in all segments also brings risks for their business and production processes, as well as for their services and products.

The ever-growing threat from cybercrime and the spread of aggressive malicious code brings risks that can affect the availability, integrity and confidentiality of information and IT-supported operating resources. Despite extensive precautions, in the worst-case scenario, this can lead to a temporary interruption of IT-supported business processes with severe negative effects on the Group's earnings. In addition, the loss or misuse of sensitive data may under certain circumstances lead to a loss of reputation. In particular, stricter regulatory requirements such as the EU Data Protection Directive may, among other things, give rise to claims by third parties and result in costly regulatory requirements and penalties with an impact on earnings.

It is essential for the globally active Daimler Group and its wide-ranging business and production processes that information is available and can be exchanged in an up-to-date, complete and correct form. The framework for IT security is based on international standards such as ISO/IEC 2700x and the NIST Cybersecurity Framework, and its protective measures also apply industry standards and best practice. Appropriately secure IT systems and a reliable IT infrastructure must be used to protect information. Cyber threats must be identified over the entire lifecycle of applications and IT systems, and dealt with in line with their seriousness. Particular attention is paid to 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. The advancing digitization and connectivity of production equipment is accompanied by coordinated technical and organizational security measures.

Due to growing requirements concerning the confidentiality, integrity and availability of data, Daimler has implemented various preventive and corrective measures so that the related risks are minimized and possible damage is limited. For example, the Group reduces 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 and employees are trained and regularly sensitized in order to maintain operating capability. Specific threats are analyzed and countermeasures are coordinated at a globally active Cyber Intelligence & Response Center. The protection of products and services at the risk of by hacking and cybercrime is continually developed.

The possible impact and probability of occurrence of information-technology risks are unchanged compared to the previous year.

Personnel risks and opportunities
Competition for highly qualified staff and management is still very intense in the industry and the regions in which Daimler operates. The future success of the Daimler Group also depends on the extent to which it succeeds over the long term in recruiting, integrating and retaining specialist employees. The established human resources instruments take such personnel risks into consideration. One focus of human resources management is the targeted personnel development and further training of the workforce. Employees benefit for example from a range of courses offered by the Daimler Corporate Academy and from transparency in the context of performance management. In order to remain successful as a company, management culture and principles are 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 is addressed by measures taken in the area of generation management that do justice to the scope of the issue.

We counter economic, market and competitive fluctuations with the established time and flexibility instruments to enable us to react appropriately to the situation. In order to achieve the long-term reduction in personnel costs necessary for the transformation, Daimler's management and the General Works Council have concluded an agreement which includes a staff-reduction program. As this is based on an agreement that is voluntary for both parties, there is a risk that its implementation may not be able to take place to the full extent planned.

Personnel risks have increased from "Low" to "Medium" due to the upcoming negotiations on collective bargaining conditions in the metal and electrical industries in Germany and the associated potential production losses. The probability of occurrence of personnel risks is currently assessed as unchanged compared with the previous year.

Risks and opportunities related to equity investments and cooperations
Cooperation with partners in associated companies and joint ventures is of key importance to Daimler. Along with ensuring better access to growth markets and new technologies, these shareholdings help to utilize synergies and improve cost structures in order to successfully respond to the competitive situation in the automotive industry. Through investments in start-ups, Daimler promotes innovative approaches in many areas of the Group.

The Daimler Group generally participates in the risks and opportunities of associated companies and joint ventures in line with its equity interest, and is also subject to share-price risks and opportunities if such companies are listed on a stock exchange.

The remeasurement of an associated company or joint venture in relation to its carrying value can lead to risks and opportunities for the segment to which it is allocated. Furthermore, the business activities of an associated company, joint venture or joint operation, or the disposal or acquisition of an interest in such an entity, can result in financial obligations or an additional financing requirement, but can also result in potential opportunities, in connection with mobility services for example. Such risks also exist with investments in startups and in the context of the restructuring of companies in which a minority interest is held. Risks from associated companies and joint ventures exist at Mercedes-Benz Cars & Vans, Daimler Trucks & Buses and Daimler Mobility, as well as at the associated companies and joint ventures directly allocated to the Group.

The associated companies and joint ventures are subject to a monitoring process so that, if required, decisions can be made on whether or not measures can be promptly taken to support or ensure their profitability. The recoverable value of investments is also regularly monitored.

The overall assessment of risks and opportunities related to equity investments and cooperations is unchanged compared with the previous year.

Financial risks and opportunities

The following section deals with the financial risks and opportunities of the Daimler Group. Risks and opportunities can have negative or positive effects 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.73**. The probability of occurrence and impact of the financial risks and opportunities are essentially unchanged from the previous year. Only the impact of country risks has increased from "Low" to "Medium" and the probability of occurrence of risks from changes in credit ratings has increased from "Low" to "Medium".

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 and commodity prices. Market price changes can have a negative or positive influence on the Group's profitability, cash flows and financial position. Daimler systematically 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-, country- and liquidity-related risks, risks of restricted access to capital markets, risks of early credit repayment requirements and risks from changes in credit ratings. 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 of the euro against 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 Mercedes-Benz Cars & Vans. A major portion of its revenue is generated in foreign currencies while most of its production costs are denominated in euros. Daimler Trucks & Buses 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 Mobility. Interest rate risks and opportunities arise when fixed-interest periods are not congruent between the asset and liability sides of the balance sheet. By means of refinancing coordinated with the terms of the financing agreements, the risk of maturity mismatch is minimized from both an interest-rate and a liquidity perspective. Remaining interest-rate risks are managed with the use of derivative financial instruments. The funding activities of the industrial business

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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	Medium	Country opportunities	–
Risks of restricted capital-market access	Low	High	Opportunities of restricted capital-market access	–
Risks of credit repayment requirements	Low	Low	Opportunities of credit repayment requirements	–
Risks from changes in credit ratings	Medium	Low	Opportunities from changes in credit ratings	Low
Risks related to pension plans	Low	High	Opportunities relating to pension plans	High

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).

Commodity price risks and opportunities
Daimler is exposed to risks arising from changes in prices of raw materials in connection with the purchase of production materials. A small proportion of the raw-material price risks, primarily from the planned purchase of certain metals, is reduced through the use of derivative financial instruments.

Credit risks
Credit risk describes the risk of financial loss resulting from a counterparty failing to meet its contractual payment obligations. Credit risk includes both the direct risk of default and the risk of a deterioration in creditworthiness, as well as concentration risks.

The Group is exposed to credit risks which result primarily from its financial services activities and from the operations of its vehicle business. The risks from leasing and sales financing are dealt with in the "General market risks and opportunities" section.

Credit risks also arise from the Group's liquid assets. Should defaults occur, this would adversely affect the Group's financial position, cash flows and profitability. The limit methodology for liquid funds deposited with financial institutions has been continuously further developed in recent years. 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
Country risk describes the risk of financial loss resulting from changes in political, economic, legal or social conditions in the respective country, for example due to sovereign measures such as expropriation or a ban on currency transfers. Daimler is exposed to country risks that primarily result from cross-border financing or collateralization for Group companies or customers, from investments in subsidiaries and joint ventures, and from cross-border trade receivables. Country risks also arise from cross-border cash deposits with financial institutions. The Group addresses these risks by setting country limits (e.g. for hard-currency portfolios of Daimler Mobility 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. The possible impact of country risks has risen due to the increase in cross-border exposure and a changed risk situation in various countries.

Risks of restricted access to capital markets
Liquidity risks arise when a company is unable to fully meet its financial obligations. In the normal course of business, Daimler uses bonds, commercial paper and securitized transactions, as well as bank loans in various currencies, primarily with the aim of refinancing its leasing and sales-financing business. An increase in the cost of refinancing would have a negative impact on the competitiveness and profitability of our financial services business to the extent that the higher refinancing costs cannot be passed on to customers; a limitation of the financial services business would also have negative consequences for the vehicle business. 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 and developments 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.

Risks and opportunities from changes in credit ratings
Risks and opportunities exist in connection with potential downgrades or upgrades to credit ratings by the rating agencies, and thus to Daimler's creditworthiness. 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 discourage investors from investing in Daimler AG.

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 have a negative or positive effect on the funded status and Group equity in the current financial year, and 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, reduce or increase the carrying value of plan assets. A change in the composition of plan assets can also have a positive or negative impact on the fair value of plan assets. The broad diversification of investments, the selection of asset managers on the basis of quantitative and qualitative analyses, and the ongoing monitoring of returns and risks contribute to a reduction in the investment risk. 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.

Further information on the pension plans and their risks is provided in Note 22 of the Notes to the Consolidated Financial Statements.

Further information on financial risks, risk-limiting measures and the management of these risks is provided in Note 33 of the Notes to the Consolidated Financial Statements. Information on the Group's financial instruments is provided in Note 32 of the Notes to the Consolidated Financial Statements.

Legal and tax risks

The Group continues to be exposed to legal 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.

Legal risks

Regulatory Risks. The automotive industry is subject to extensive governmental regulations worldwide. Laws in various jurisdictions regulate occupant safety and the environmental impact of vehicles, including emissions levels, fuel economy and noise, as well as the emissions of the plants where vehicles or parts thereof are produced. In case regulations applicable in the different regions are not complied with, this could result in significant penalties and reputational harm or the inability to certify 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.

Risks from legal proceedings in general. Daimler AG and its subsidiaries are confronted with various legal proceedings, claims as well as government investigations and orders (legal proceedings) 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) as well as 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 proceedings may have an impact on the Group's reputation.

Risks from legal proceedings in connection with diesel exhaust gas emissions – governmental proceedings. Daimler is continuously subject to governmental information requests, inquiries, investigations, administrative orders and proceedings relating to environmental, criminal, antitrust and other laws and regulations in connection with diesel exhaust emissions.

Several federal and state authorities and other institutions worldwide have inquired about and/or are/have been conducting investigations and/or administrative proceedings, and/or have issued administrative orders or, in the case of the Stuttgart district attorney's office, a fine notice. These particularly relate to test results, the emission control systems used in Mercedes-Benz diesel vehicles and/or Daimler's interaction with the relevant federal and state authorities as well as related legal issues and implications, including, but not limited to, under applicable environmental, criminal and antitrust laws. These authorities and institutions 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 European Commission, the German Federal Cartel Office ("Bundeskartellamt") as well as national antitrust authorities and other authorities of various foreign states as well as the German Federal Ministry of Transport and Digital Infrastructure ("BMVI") and the German Federal Motor Transport Authority ("KBA"). In the course of its formal investigation into possible collusion on clean emission technology, the European Commission sent a statement of objections to Daimler and other automobile manufacturers in April 2019. In this context, Daimler filed an application for immunity from fines (leniency application) with the European Commission some time ago. The Stuttgart district attorney's office is conducting criminal investigation proceedings against Daimler employees on the suspicion of fraud and criminal advertising, and, in May 2017, searched the premises of Daimler at several locations in Germany. In February 2019, the Stuttgart district attorney's office also initiated a formal investigation proceeding against Daimler AG with respect to an administrative offense. In September 2019, the Stuttgart district attorney's office issued a fine notice against Daimler based on a negligent violation of supervisory duties in the amount of €870 million which has become legally binding, thereby concluding the administrative offense proceedings against Daimler. Daimler continues to fully cooperate with the authorities and institutions. Irrespective of such cooperation and in light of the recent developments, it is possible that further regulatory, criminal and administrative investigative and enforcement actions and measures relating to Daimler and/or its employees will be taken or administrative orders will be issued. Such actions, measures and orders may include subpoenas, that is, legal instructions issued under penalty of law in the process of taking evidence, or other requests for documentation, testimony or other information, or orders to recall vehicles, further search warrants, a notice of violation or an increased formalization of the governmental investigations, coordination or proceedings, including the resolution of proceedings by way of a settlement. Additionally, further delays in obtaining regulatory approvals necessary to introduce new or recertify existing vehicle models could occur.

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

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

In light of these matters and in light of the ongoing governmental information requests, inquiries, investigations, administrative orders and proceedings, as well as our own internal investigations, it is possible that, besides KBA, one or more regulatory and/or investigative authorities worldwide will reach the conclusion that other passenger cars and/or commercial vehicles with the brand name Mercedes-Benz or other brand names of the group are equipped with impermissible defeat devices and/or that certain functionalities and/or calibrations were not properly disclosed. Furthermore, the authorities have increased scrutiny of Daimler's processes regarding running-change, field-fix and defect reporting as well as other compliance issues. Except for, in particular, the Stuttgart district attorney's office's administrative offense proceedings, the other inquiries, investigations, legal actions and proceedings as well as the replies to the governmental information requests, the objection proceedings against KBA's administrative orders and our internal investigations are still ongoing and open; hence, Daimler cannot predict the outcome at this time. Due to the outcome of the administrative offense proceedings by the Stuttgart district attorney's office against Daimler and the above as well as any potential other information requests, inquiries, investigations, administrative orders and proceedings, it is possible that Daimler will become subject to significant additional monetary penalties, fines, disgorgements of profits, remediation requirements, further vehicle recalls, further registration and delivery stops, process and compliance improvements, mitigation measures and the early termination of promotional loans, and/or other sanctions, measures and actions (such as the exclusion from public tenders), including further investigations and/or administrative orders by these or other authorities and additional proceedings. The occurrence of the aforementioned events in whole or in part could cause significant collateral damage including reputational harm. Further, due to negative determinations or findings with respect to technical or legal issues by one of the various governmental agencies, other agencies – or also plaintiffs – could also adopt such determinations or findings, even if such determinations or findings are not within the scope of such authority's responsibility or jurisdiction. Thus, a negative determination or finding in one proceeding, such as the fine notice issued by the Stuttgart district attorney's office, carries the risk of being able to have an adverse effect on other proceedings, also potentially leading to new or expanded investigations or proceedings, including lawsuits.

In addition, Daimler's ability to defend itself in proceedings could be impaired by the fine notice issued by the Stuttgart district attorney's office as well as other unfavorable findings, results or developments in any of the information requests, inquiries, investigations, administrative orders, legal actions and/or proceedings discussed above.

Risks from legal proceedings in connection with diesel exhaust gas emissions – court proceedings. A consumer class-action lawsuit is pending in the United States in which it is alleged that Daimler AG and MBUSA conspired with Robert Bosch LLC and Robert Bosch GmbH (collectively, "Bosch") to deceive US regulators and consumers. A separate lawsuit was filed in January 2019 by the State of Arizona alleging that Daimler AG and MBUSA deliberately deceived consumers in connection with the advertising of Mercedes-Benz diesel vehicles. Consumer class-action lawsuits containing similar allegations were filed against Daimler AG and other companies of the Group in Canada in April 2016, and against Daimler AG in Israel in February 2019. A similar class action was filed in the United States in July 2017, but in December 2017, the parties stipulated to dismiss that lawsuit without prejudice. It may be filed again under specific conditions.

Furthermore, class actions have been filed in the United States and Canada alleging anticompetitive behavior relating to vehicle technology, costs, suppliers, markets, and other competitive attributes, including diesel emissions control technology. A securities class action lawsuit is pending in the United States on behalf of investors in Daimler AG American Depositary Receipts which alleges that the defendants made materially false and misleading statements about diesel emissions in Mercedes-Benz vehicles. Daimler AG and the respective other affected companies of the Group regard these lawsuits as being without merit and will defend against the claims.

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

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

Furthermore, Daimler's ability to defend itself in the court proceedings could be impaired by unfavorable findings, results or developments in any of the governmental or other court proceedings discussed above, in particular the fine notice issued by the Stuttgart district attorney's office.

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

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

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

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

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

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.

In addition, if future taxable income is not earned or is too low, there is a risk that the tax benefit from loss carryforwards and tax-deductible temporary differences may not be recognized or may no longer be recognized in full, which could have a negative impact on net profit.

Non-financial risks

As a company with worldwide activities, the Daimler Group is at the focus of public interest. The relevant stakeholders' perception is therefore of crucial importance and can affect the reputation of the entire Daimler Group page 196 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, and may lead to non-financial risks.

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 the light of today's knowledge, this makes 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 NO_x levels exceeding the limits at some measuring stations in cities. The current public focus on vehicle emissions as well as possible certifications stops and recalls jeopardize 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 and their systematic market launch, Daimler aims to achieve a reduction in NO_x emissions in real driving conditions (RDE). In general, legal risks – for example in connection with antitrust investigations – as well as possible legal and social violations by partners and suppliers can have a negative impact on the reputation of the entire Daimler Group. As one of the fundamental principles of business activity, Daimler places particular priority – also in the selection of partners and suppliers – on adherence to applicable laws and ethical standards.

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.

In addition to the risk categories described above, unforeseeable events can have a negative impact on the business operations and thus on the Daimler Group's profitability, cash flows, financial position and its reputation. 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 continuously monitored and further developed.

The overall risk and opportunity situation of the Daimler Group 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.

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. 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 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 2020.

Our assessments for the year 2020 are based on the assumption of generally stable economic conditions and the expectation that the upward development of the global economy will continue at a moderate pace. We also assume that worldwide demand for automobiles will be approximately of the magnitude of the previous year. The development we have outlined is subject to various opportunities and risks, which are explained in detail in the Risk and Opportunity Report. pages 135 ff.

The world economy

We assume that the moderate rate of growth of the global economy will continue in 2020 and that there will be no significant acceleration in the course of the year. The growth prospects for the industrialized countries are rather weaker than in the previous year, while the economies of the emerging markets should grow at a similar or slightly higher rate overall.

The persistent weakness of leading indicators points to continued weak growth for the economy of the European Monetary Union. In particular, we expect a perceptible slowdown of investment activity due to the significantly less favorable business climate and the weak development of incoming orders. However, as long as the recessionary trend in the industry sector does not have a significantly stronger impact on the labor market than it has done so far, private consumption should continue to be a solid driver of growth this year. In addition, although a further easing of monetary policy by the European Central Bank seems unlikely from today's perspective, it cannot be ruled out in the event of a further economic slowdown. Overall, these developments should lead to a growth rate in the European Monetary Union of only about 1.0%. The outlook for the German economy is also subdued. Here too, we expect the continuation of a weak growth rate of between 0.5 and 1.0%. Because the concrete economic effects of the UK's withdrawal from the EU, which has now taken place, cannot yet be foreseen in detail, the British economy must also be expected to develop rather moderately in 2020. Nonetheless, most analysts do not anticipate an economic slump.

Growth of the US economy is likely to fall below the 2% mark for the first time since 2016. A combination of weaker global economic growth and continued uncertainty regarding the various trade disputes is adversely affecting companies and is likely to lead to a further slowdown in investment activity; growth in private consumption is also expected to slow down somewhat, but should remain solid thanks to moderate inflation and low unemployment. In view of these developments, the US Federal Reserve (Fed) is likely to adopt a wait-and-see approach for the time being, but will take appropriate countermeasures in the event of an economic slump or negative employment effects.

Growth of the Japanese economy is expected to slow down noticeably this year and to be only slightly above 0% due to the effects of increased sales tax and the ongoing weakness of exports.

We expect economic growth in China to continue to slow down, as the effects of the trade conflict and the ongoing fight against structural problems such as industrial overcapacity and the very high levels of debt of state-owned enterprises will have a dampening effect. Since the government's stimulus measures are likely to remain moderate in order to avoid excessive debt and bubble effects, Chinese growth will probably be below the 6% mark this year.

While the development of the Central and Eastern European economies is expected to be similar to that of the previous year, slight acceleration of growth is anticipated for the South American economic area, mainly driven Brazil, the region's largest market. However, with growth in gross domestic product expected to be lower than 2%, South America still remains below its potential. Despite the still comparatively low level of commodity prices, especially of oil, the countries of the Middle East are expected to experience somewhat stronger growth of about 2%, although with risks of a weaker development. Overall, the emerging markets should achieve economic growth in the magnitude of 4% in 2020, thus developing along their long-term trend.

Overall, the world economy should grow in 2020 by approximately 2.5%, similar to the moderate rate of expansion in the previous year.

Automotive markets

In 2020, worldwide **demand for cars** should stabilize and remain close to the level of the previous year.

The European market is likely to be of the magnitude of 2019. We expect demand to remain fairly stable also in Western Europe. Demand in Germany, the region's largest single market, is likely to decrease slightly. Slight growth of the car market is expected in Eastern Europe, following the relatively weak development in the previous year.

Slight contraction is expected in the US market for cars and light trucks. The anticipated market level remains solid, however. The Chinese car market should stabilize after the significant decline in 2019 and roughly maintain the previous year's level.

In the EU30 region (European Union, United Kingdom, Switzerland and Norway) in 2020, we anticipate a market volume at the prior-year level in the combined segment of mid-size and large **vans**, as well as in the market for small vans. In the United States, demand for large vans should be slightly stronger than in the previous year. We expect the market for large vans in Latin America to grow significantly in 2020, driven by demand in Brazil. In China, we anticipate slight growth in the market for mid-size vans.

For major **truck sales markets**, we expect generally rather unfavorable conditions in 2020.

In the NAFTA region, we assume that the market for heavy-duty trucks (class 8) will contract significantly compared with the very high level of demand in 2019.

In a still weak overall economic environment in the EU30 region, we expect demand for heavy-duty trucks to decrease significantly compared with the robust prior-year level. In Brazil, sales of heavy trucks are only likely to remain close to the level of 2019 after the lively recovery of recent years.

In Japan, we anticipate a significant decrease in demand for heavy-duty trucks.

We expect the market volume for **buses** in both the EU30 region and Brazil to be slightly below the level of 2019.

Unit sales

Unit sales at **Mercedes-Benz Cars** in 2020 are anticipated to be slightly below the prior-year level. This reflects the complete change in the business model at smart to focus on electric models only and a preliminary estimate of possible effects from the coronavirus outbreak both on the supply chain and the automotive markets.

While we continue to renew our attractive and innovative model portfolio at Mercedes-Benz, we plan to launch more than half a dozen new and upgraded cars in 2020. Above all, the new GLA should continue to have a positive impact on sales. We are well positioned also in the strong upper mid-range segment in 2020, due in particular to the new GLE Coupe and the model update of the E-Class family. Mercedes-AMG should be a guarantee for our success in the high-performance segment once again in 2020. More and more customers are enthusiastic about the attractive and broad range of vehicles offered by our sportscar and high-performance brand, which we are continually developing.

We are systematically expanding our global production network for electric mobility. The product and technology brand EQ, which stands for electric intelligence, offers vehicles with all-electric drive. We intend to electrify the entire portfolio of Mercedes-Benz Cars by 2022. By 2025, we assume that up to 25% will be purely electric cars. By 2030, plug-in hybrids and all-electric models should account for more than 50%.

The smart brand will change over fully to electric drive in the year 2020. The battery-electric smart models make entry into electric mobility more attractive than ever before. They combine the agility of the smart with locally emission-free driving – an ideal combination for urban mobility. The focus on electric models only will lead to lower unit sales of the smart brand.

Unit sales at **Mercedes-Benz Vans** in 2020 are anticipated to be slightly below the prior-year level.

Following the strong demand of recent years, the normalization of major truck markets will affect sales at **Daimler Trucks** in 2020. The division expects a slight decrease in unit sales in 2020. This development will be primarily influenced by expectations for the North American and European markets.

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. We anticipate slight growth in total unit sales in 2020.

Daimler Mobility expects a slight decrease in new business and a contract volume at the prior-year level in 2020. We aim to utilize new market potential through more flexible leasing and rental products with the option of switching to new vehicles at shorter intervals. And we intend to make use of additional market opportunities by expanding our online sales channels and with telematics-based products for insurance and fleet management. We continue to see good growth opportunities also in the mobility segment.

On the basis of our assumptions concerning the development of automotive markets and the divisions' planning, we expect the **Daimler Group** to achieve unit sales in 2020 slightly below the level of the previous year.

Revenue and earnings

We assume that the Daimler Group will generate revenue in 2020 at the level of the previous year. Also Mercedes-Benz Cars & Vans as well as Daimler Mobililty expect revenue at the previous year level, while Daimler Trucks & Buses anticipates a significant revenue decrease.

Despite the expectation of unit sales slightly below and revenue at the prior-year level, we anticipate significant earnings growth for the Daimler Group in 2020, after EBIT in 2019 was adversely affected by a number of material adjustments. This includes the Daimler Trucks & Buses and Daimler Mobility divisions with decreases in EBIT. The first positive effects on earnings should already occur in 2020 from the significant efficiency measures that have already been taken at all divisions, such as savings in personnel and material costs, portfolio and model adjustments, the ongoing implementation of platform strategies and the stricter allocation of capital. However, these measures will only take full effect in subsequent years. On the other hand, restructuring measures and the job cuts that have been initiated will have a negative impact on earnings in 2020.

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 high expenditure: 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 our worldwide production capacities.

On the basis of the market developments we anticipate, the aforementioned factors and the planning of our divisions, we assume that Group EBIT in 2020 will be significantly above the level of 2019, which was affected by numerous material adjustments.

For the transparent presentation of the ongoing business, as of the year 2020, we will calculate and forecast adjusted return on sales for Mercedes-Benz Cars & Vans and Daimler Trucks & Buses and adjusted return on equity for Daimler Mobility. For the two automotive divisions, we will also forecast an adjusted cash conversion rate, which is derived from the adjusted cash flow before interest and taxes (CFBIT) and adjusted EBIT. The adjustments include individual items if they lead to material effects in a reporting period. These individual items relate in particular to legal proceedings and related measures, restructuring measures and M&A transactions. Further information on the management system is provided on pages 63 f.

The individual divisions have the following expectations for adjusted returns in 2020:
Mercedes-Benz Cars & Vans: adjusted return on sales of 4 to 5%
Daimler Trucks & Buses: adjusted return on sales of 5%
Daimler Mobility: adjusted return on equity of 12%

At Mercedes-Benz Cars, positive effects will result from a more favorable sales structure for our cars. There should be supporting effects for both cars and vans from measures for efficiency improvements, especially significant material-cost savings and improved personnel costs. There will be negative effects, however, from the continuation of very high expenditure for new technologies and vehicles, especially the expenses incurred to meet the CO_2 targets.

Daimler Trucks & Buses should also benefit from efficiency-improving measures, in particular reduced variable costs and lower personnel costs. Opposing effects will result, however, from the expected market contractions in the NAFTA and EU30 regions, as well as from the continuation of high expenditure for new technologies and vehicles.

With regard to the adjusted return on equity expected for Daimler Mobility, there will be positive effects from the fleet-management business and the focus of our mobility services, as well as negative effects from the normalization of credit-risk costs and slightly lower interest income. In addition, a higher equity ratio due to stricter regulatory requirements will have a negative impact on the adjusted return on equity.

Free cash flow and liquidity

The free cash flow of the industrial business will continue to be adversely affected by high advance expenditure for new products and technologies, although this should have reached its highest level in 2019. Nonetheless, we expect the free cash flow of the industrial business to be significantly higher than in the previous year. This does not take into account possible expenses relating to legal and governmental proceedings.

We expect the adjusted cash conversion rate for the Mercedes-Benz Cars & Vans division to be within a corridor of 0.7 to 0.9 in 2020. The adjusted cash conversion rate for Daimler Trucks & Buses is likely to be between 0.8 and 1.0 in 2020.

For the year 2020, 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 2020. 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 our ongoing strong creditworthiness and in a continuing environment of high liquidity in the international capital markets, we anticipate stable refinancing conditions. Furthermore, our goal is to continue to ensure a high degree of financial flexibility.

Dividend

At the Annual Shareholders' Meeting on April 1, 2020, the Board of Management and the Supervisory Board will propose the payment of a dividend of €0.90 per share for the year 2019 (prior year: €3.25). This represents a total distribution of €1.0 billion (prior year: €3.5 billion).

In line with a sustainable dividend policy, Daimler sets the dividend based on a distribution ratio of 40% of the net profit attributable to Daimler shareholders. We also take into consideration the free cash flow from the industrial business when setting the dividend.

Investment

In order to achieve our ambitious growth targets, we will make our product range even more attractive in the coming years and focus it even more on our customers' requirements. 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. Against this backdrop, investment in property, plant and equipment is mainly directed at preparations for the production of our new models. Other main areas are the realignment of our production facilities in Germany, local production in growth markets and the establishment of a global production network for electric vehicles and batteries. Against the background of an even more targeted allocation of capital and prioritization of projects, we plan to invest in property, plant and equipment in 2020 at a level similar to that of 2019.

At Mercedes-Benz Cars & Vans, we will invest in 2020, among other things, in preparations to ramp up production of the vehicles in our EQ family with electric drive and in the new generation of the C-Class and S-Class. In addition, we will continue to invest in our production plants and for new engines and transmissions. As a result, investment in property, plant, and equipment at Mercedes-Benz Cars & Vans is also expected to be at the prior-year level.

Against the backdrop of the technological changes taking place in the transport industry, a large part of the investment by Daimler Trucks & Buses in 2020 will be for automated driving and electric mobility. In addition, the division will invest primarily in new products for specific areas of application, such as vocational trucks in the North American market, global component projects and the optimization of the worldwide production and sales network. Overall, we expect a slight increase in investment in property, plant and equipment at Daimler Trucks & Buses compared with 2019.

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. With new and attractive products, we want to inspire our customers and utilize the growth opportunities offered by worldwide automotive markets. We are focusing on the strategic areas for the future of connectivity, automated and autonomous driving, and in particular the development of electric drive systems. After the continuous increase in recent years, the volume of research and development expenditure should have reached a plateau in 2019. Against the background of a focused and efficient application of funds, research and development expenditure in 2020 should therefore be in the magnitude of the previous year.

At Mercedes-Benz Cars & Vans, a large proportion of the research and development expenditure in 2020 will be for developing the model range of the EQ product and technology brand, especially in the related development of a new platform for vehicles with all-electric drive and in the areas of digitization and automated and autonomous driving, which, along with electric mobility, are increasingly gaining importance. For cars, expenditure will decrease compared with the previous year for the successor model to the current S-Class and for the new compact cars. The Mercedes-Benz Cars & Vans division therefore anticipates a slight decrease in research and development expenditure compared with the prior-year volume.

The Daimler Trucks & Buses division plans on research and development expenditure at the prior-year level. The focus will be on the development of new technologies, among other things, for the automation and connectivity of trucks and buses and for a fleet that is CO_2-neutral in driving operation (tank-to-wheel) by means of electric drive (battery power and fuel cells). In the long term, we anticipate considerable business potential with highly automated trucks (SAE Level 4) in "Hub-2Hub" applications on US highways between logistics centers. Another important area is the development of successor generations for existing products, with a focus on the segment of heavy-duty trucks, as well as on tailored products and technologies for major growth markets.

Overall statement on future development

The conditions for our business at the beginning of 2020 are less favorable than in the previous year. Financial challenges are greater than ever due to the necessary transformation for a CO_2-neutral future. This requires high levels of investment in electric mobility and wide-ranging structural adjustments. We are therefore systematically implementing our "Ambition 2039" for CO_2-neutral mobility. In this context, we will utilize the potential offered by automated driving and digital services. The achievement of an appropriate return and a solid cash flow have absolute priority. This is the only way for us to play a leading role in the transformation for a CO_2-neutral future. Comprehensive efficiency measures have therefore been defined at all divisions and at Daimler AG. The allocation of financial resources is managed transparently and stringently at the level of the parent company. Together with partners, we plan to

develop new technologies and share development costs. In this way, we intend to continue our profitable growth in the medium term and to strengthen our leading position worldwide in all divisions.

As the inventor of the automobile, it is in our nature to constantly reinvent mobility. We aim to offer sustainable solutions for the mobility and goods transport of the future. We want to inspire emotionally and convince rationally. With our Mercedes-Benz automobiles, we are following this path with the goal of combining sustainability and modern luxury. And in the transportation and haulage business, we want to make our customers successful with innovative and highly efficient commercial vehicles.

The customer is at the center of our considerations, whereby the further development of our brand plays a decisive role. In Interbrand's current Best Global Brands 2019 ranking, the Mercedes-Benz brand is the world's most successful and valuable premium automotive brand. We want to make our brand even more unique in the future and position it in an even more customer-oriented manner. Especially in times of transformation, the emotional bond with our customers is more important than ever. Also with our commercial vehicles, our efforts focus on the customers and their benefits. We are developing technologies to further improve the total cost of transport and to develop safe and efficient solutions for the transportation and haulage tasks of the future.

The transformation is a long-term process of adjustment in which we want to implement our structures and processes together with our employees. With a workforce that is agile and willing to learn, we will develop the necessary skills for the new requirements. Our corporate culture creates the basis for the outstanding innovative strength of our employees. We live diversity. Integrity is our inner compass. It guides our actions and the relationships with our business partners.

In view of the challenging environment and the expected changes in mobility, we are consistently implementing our sustainable business strategy and thus shaping the transformation of the automotive industry from a leading position. Accordingly, our goal is to continue to be a leading vehicle manufacturer and at the same time to develop into one of the leading providers of connected mobility. In this way, we again achieved a number of pioneering milestones in 2019. And against this backdrop, we look forward with confidence to a challenging year 2020. While we expect the Group's unit sales to slightly decrease and Group revenue to be in the magnitude of the previous year, we anticipate a significant increase in Group EBIT compared with the figure for 2019, which was impacted by numerous material adjustments.

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, pandemics, acts of terrorism, political unrest, armed conflicts, industrial accidents and their effects on our sales, purchasing, production or financial services activities; changes in currency exchange rates and tariff regulations; a shift in consumer preferences towards smaller, lower-margin vehicles; a possible lack of acceptance of our products or services which limits our ability to achieve prices and adequately utilize our production capacities; price increases for fuel or raw materials; disruption of production due to shortages of materials, labor strikes or supplier insolvencies; a decline in resale prices of used vehicles; the effective implementation of cost-reduction and efficiency-optimization measures; the business outlook for companies in which we hold a significant equity interest; the successful implementation of strategic cooperations and joint ventures; changes in laws, regulations and government policies, particularly those relating to vehicle emissions, fuel economy and safety; the resolution of pending government investigations or of investigations requested by governments and the conclusion of pending or threatened future legal proceedings; and other risks and uncertainties, some of which we describe under the heading "Risk and Opportunity Report" in 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.

References made in this management report

Insofar as the references made in this Management Report relate to parts of the Annual Report that were not included in the external audit (components outside the company and consolidated financial statements and the combined Management Report), or to the Daimler website or other reports or documents, these were not part of the external audit.

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