

**Change as a Constant:
The Transformation of Daimler**

Address by the Chairman of the Board of Management,
Dr. Dieter Zetsche,
at the Annual Shareholders' Meeting of Daimler AG
in Berlin, on May 22, 2019

EMBARGO TIME: May 22, 2019, Beginning of the Speech of Dr. Dieter Zetsche

The spoken word applies!

Intro

Dear shareholders,
esteemed shareholder representatives,
ladies and gentlemen,

In my first speech before the Annual Meeting in 2006 I said: "Our aim is to put the company back at the top". Are we living up to this claim today? In many areas, yes. In some others not yet – or at least not sustainably. For example, we are not satisfied with the latest quarterly results and our share price. Overall, however, Daimler has made significant progress in recent years.

In this process, we have gone through different phases together: For a time, we were active troubleshooters. We refocused the company to what we do best: vehicles that convince rationally and inspire emotionally. And then we went on the offensive. With Mercedes-Benz we wanted to lead the premium segment by 2020. We have been Number One since 2016. In the commercial vehicles segment we were able to further build on our leading position. This offensive was not an end in itself. With it, we have built up the strength we need in order to take on the leading role for the much greater task: The Transformation of the Automotive Industry. To do so we have initiated the greatest change in our history. This transformation is in full swing and it encompasses our products and technologies as well as our business model and corporate culture.

1. Technological Transformation

The change of our company will be most visible in our product offerings. For example, our passenger car portfolio now includes more than 40 very attractive models. This year alone we will launch more than a dozen new ones. Our position has never before been as broad or as strong at Vans, Trucks and Buses as well – in all regions of the world. And then, there also is an entire range of new mobility services. Of course, it isn't about doing everything possible. Responsible business also means changing things, or ending them when they are no longer meaningful. For example, we will be reducing the complexity of our engine variants for passenger cars. We will thus free up additional funding for new technologies - without losing customers.

When it comes to drive systems our strategic focus is on the electrification of our products. For our cars alone, we are putting 10-billion euros into the expansion of our electric fleet. Next month our first customers will be getting their first EQCs. This is the first Mercedes model from our EQ electric brand. It is spearheading a new electric era at Mercedes. By 2022 we will charge up the entire Mercedes portfolio with more than 130 electrified variants. To continuously increase the number of electric vehicles in our unit sales we must inspire more customers with those vehicles. And I am convinced that we will set new standards with our electric cars. They will offer our customers all of the things they love about Mercedes – along with a unique design, even more driving enjoyment and even more emotion.

We are also moving on with electromobility for our commercial vehicles: We are electrifying all commercial model series of our vans. After the Vito it's now eSprinter's turn at the starting gate. With the FUSO eCanter Daimler Trucks was the first manufacturer to bring a fully electric truck into series production. Today, we are testing electrically driven trucks of all classes in daily transport operations. Our goal is clear: As global market leader, we also want to be at the top with our electric trucks. In addition, our eCitaro has been in series production since the end of 2018. That's our electric city bus. Amidst the ongoing discussion about air pollution control in the cities, it came along at just the right time.

All of this proves that we are anchoring sustainability even more firmly in our strategy. Our goal is to act sustainably in all areas of our business – from conserving resources and complying with environmental regulations to data protection and respect for human rights. At present, however, the main focus of our attention is on the low-emission car. This is because the number of vehicles on the roads will continue to rise as a result of global demand. Emissions must therefore be reduced all the more urgently. The Paris Climate Agreement is more than just a commitment for us – it is a conviction. We have chosen a clear course of action in order to contribute our part to climate protection: As early as 2022 we will have CO₂-neutral production in Europe and our entire new vehicle fleet will be CO₂-neutral by 2040. We will drive our supply chain to follow our ambition. We are developing similar transformation plans for our commercial vehicles. Against this background we are continuously reexamining our policy positions and those of the associations in which we are a member. The transformation to the sustainable mobility of the future can only be successful if industry and government work hand in hand.

On the way there we should make use of all available means for rapid reduction of CO₂ emissions – including highly efficient combustion engines and, in particular, diesel. The modern diesel engine hasn't been a significant source of particulate matter for years. Today, the NO_x challenge is technically resolved. At the same time, diesel vehicles still have a clear CO₂ advantage over comparable gasoline-driven vehicles. The diesel engine is part of the solution. That is why we assume it will continue to play an important role in Europe for at least another decade – maybe even longer in the commercial vehicles area.

The mobility of the future is not a monoculture. This is also because the technological transformation in our industry goes way beyond new drive systems. Connectivity, for example, is an important purchase consideration for a growing number of customers. With MBUX we elevate connectivity at Mercedes to a completely new level. We have developed the system continuously from the start and have introduced such things as gesture control. People used to say that cars would never be able to keep up with smartphones because of the long development cycles. Today, we can say: With MBUX, we have transformed the vehicle into the oft-quoted "smartphone on wheels". New functions get their updates "over the air" without customers having to drive to their service workshop. Regardless of the year in which the vehicle was purchased the software is thus always up-to-date. And customers are willing to pay for this capability: Two-thirds of all A-Class customers order the high-end version of MBUX.

Autonomous driving will change our mobility even more powerfully than connectivity. In this regard our central concern is to further improve road safety, as most accidents are attributable to human error. The technology has the potential of preventing or mitigating many of these accidents. Experts speak of five levels of automated driving. We have already had "Level 2", or semi-automated driving, in series production for some time. With the upcoming S-Class in 2020 we will take the next step. At "Level 3," the car will be able to drive completely independently on longer stretches of highway. At the same time, we are also developing the technology for Level 4 and 5, which is designed from the start for use in autonomous shuttle services. We will launch such a pilot project in California later this year.

We initiated the transformation from automotive manufacturer to mobility services provider about ten years ago. Now, we want to advance into new spheres with new partners.

2. Economic Transformation

All innovation processes are associated with opportunities and risks. The invention of the light bulb was to the detriment of the candle. And, since Google, most lexicons are now collecting dust. But, in retrospect it is undisputable that both innovations have created significantly more jobs than they have cost. This will also happen with the future of mobility. Yes, some jobs will no longer exist in the future. But they will be replaced by new tasks. That's why we are investing in the continuing education and training of our employees. And we are bringing additional expertise on board – in the last year and a half we have hired around 1,000 new people in the IT area alone. Overall, thanks to our successful growth, today we employ nearly 300,000 people at Daimler. This number represents 300,000 individual men and women who get work and a good income from your Company. I think that we can all be proud of that.

We are guaranteeing our workers in Germany employment until 2030, provided that you agree to the new corporate structure today and the employees do not object to the operational transfers. The confidence in our ability to keep such promises is also one result of the successes and decisions of previous years. Ten years ago Daimler sold 1.6 million vehicles. We now exceed this number in the first half of the year. The most important driver of our growth is China. The market was our Achilles heel for a long time. Today, China is our dynamo, accounting for almost 30 percent of Mercedes sales. Our biggest plant is there. And our biggest development location outside of Germany is also there. Overall, we have strongly expanded our presence around the world: Today we have an efficient global network of development and production sites, logistics centers and service operations.

You, dear shareholders, have also profited from these successes. The dividend we are proposing today is the second highest in our company's history. With it we are offering one of the most attractive dividends in the DAX. If you approve the dividend proposal, we will have paid out a total of 17-billion euros over the past five fiscal years. However, 2018 was a year characterized by strong headwinds for Daimler – from the ongoing diesel discussion, to the WLTP test procedure and global trade disputes. In this environment we were still able to slightly increase unit sales and revenues, but EBIT was significantly below the previous year's level. The difficult framework conditions were also reflected in our stock price. Since the beginning of the year Daimler's share price has stabilized again. With a gain of 14 percent, it has developed better than the automotive industry as a whole. Yet it is also clear that we can do better.

Looking at our quarterly numbers, our start to the year 2019 has been moderate. This was expected, but it doesn't make it any better. In particular, we cannot and will not be satisfied with the current level of profitability. I can assure you: The Daimler team is drawing even more motivation to work with full energy toward our annual targets. We want to slightly increase unit sales and earnings. Still, it is also true that the framework conditions will not become any less complex. Along with external factors, we are now also feeling the financial effects of the company's transformation. Over the past five years our annual investments have risen by more than 50 percent. At Mercedes-Benz Cars, we have nearly doubled the research and development expenditures. The new additional technologies in the vehicle have their price. This also means that mobility will be more costly in the future. Our job as a company is to limit the increase for our customers.

To do so we have to cut costs and increase the efficiency throughout the company. Everything is under scrutiny: fixed and variable costs, material and personnel costs, investment projects, vertical integration and the product range. The first measures are already being implemented. The goal is to return Mercedes-Benz Cars and Vans into the profitability corridor of 8 to 10% by 2021. At Daimler Trucks and Daimler Buses, the goal is to achieve a sustainable return of 8 percent and to unlock further potential.

Cooperation is also an important key for higher efficiency. We don't have to do everything alone. Through partnerships we increase our strength - and share costs. We have already taken important steps in that direction. We have joined forces with BMW in mobility services. Together we will also develop the next generation of the technology needed for automated driving. With Geely we are putting a new ridehailing service on the road in China. And, we are writing the next chapter of the smart brand together - by entering new segments and embarking on a new course of growth.

3. Cultural Transformation

Whether such cooperation will be successful is not just a question of technology. It is also a question of attitude: How do we succeed in combining our claim to perfection with the required speed and a high propensity for risk? Are we as managers ready not only to promote the start-up spirit but also to exemplify it as role models? Do we promote change even when it isn't dictated from above but arises from below?

In order to find the right answers to such questions we created Leadership 2020 three years ago. Cultural transformation is difficult to measure. But I am convinced of this: What we have achieved thus far is already unique in the long history of our company: Today, we are faster and more flexible. We have more courage to take risks. We promote even greater creativity, pioneering spirit and individual freedom of action. And we are far from finished. We want to continue empowering the desire for change and openness for new things in the entire company.

And, we also need this attitude beyond the boundaries of our company. In many parts of society there is a different tendency: toward withdrawal rather than openness, and fear rather than optimism. The European elections begin tomorrow. The expected outcome has rarely been so open. However, what Europe needs now is reliable policy from the center of society. All major issues can only be resolved at a European level - from climate protection to migration and trade issues. National egoism won't get us anywhere. Not in Europe and not anywhere else. This also applies to trade policies. Because protectionism is bad for sales as well as for integrated value chains. Today, there is virtually no complex product that is made in isolation in only one country. That's why it is not possible to seal off an economy without shutting it down. Those who promise something else to the voters are wrong or lying. Both are bad prerequisites for good politics.

Conclusion

Dear shareholders,

If Daimler is further ahead today than ever before in so many respects, it is thanks to the tremendous achievements of generations of dedicated employees. They have built and developed the business over 130 years – in good times and times that weren't so great. I had the privilege of contributing to and helping to direct this course for more than four decades. I would like to thank everyone in the company for their passion and their untiring efforts.

With the invention of the automobile, the founding fathers of your Company have moved much more than people and goods. If we want to change the world once again – and for the better – then Daimler must also continue to change. Today, we are a different company than 10 years ago. We will be a different company again in 10 years. And there many good reasons why I am quite confident about this transformation. One reason is the fact that in the last few months we successfully completed one of the most difficult and simultaneously more important tasks: The orderly transition at the top of the company with an excellent new

management team. That is why at this point I would only like to do two things: First, I would also like to thank the Supervisory Board and you, our shareholders, for your trust and your support in the past years. Second, I would like to ask you to give Ola Källenius and his management team the same constructive and trusted support for their course. I am firmly convinced Ola is the right man for the job, who will successfully lead our company into the future. And I am looking forward to watching this with a bit more distance. Thank you very much.

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Forward looking statements

This document contains forward-looking statements that reflect our current views about future events. The words "anticipate," "assume," "believe," "estimate," "expect," "intend," "may," "can," "could," "plan," "project," "should" and similar expressions are used to identify forward-looking statements. These statements are subject to many risks and uncertainties, including an adverse development of global economic conditions, in particular a decline of demand in our most important markets; a deterioration of our refinancing possibilities on the credit and financial markets; events of force majeure including natural disasters, acts of terrorism, political unrest, armed conflicts, industrial accidents and their effects on our sales, purchasing, production or financial services activities; changes in currency exchange rates 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 the current 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.