

Speeches by

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and

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Finance & Controlling and Daimler Financial Services**

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Dr. Dieter Zetsche
Chairman of the Board of Management
of Daimler AG
and Head of Mercedes-Benz Cars

Welcoming remarks

Thank you, Jörg Howe. Good morning ladies and gentlemen.
Welcome to our Annual Press Conference.

We are here today to present to you our results for the year 2018. For Daimler, 2018 was a year of strong headwinds – with the ongoing diesel debate, the changeover to the new WLTP test method and the global trade dispute. All of this is reflected in our financial results and our share price. Nonetheless, we faced those headwinds and made substantial progress on key areas for the future. That was not least the result of our strong core business.

First of all, I would like to outline a few of last year's highlights.

Review

Mercedes-Benz set its eighth consecutive record year for unit sales, and we continue to be the leading premium brand in the industry. We sold 2.3 million Mercedes-Benz cars – that's 1 percent more than in the strong prior year. Our retail sales also increased by 1 percent. And with an increase of eleven percent, we were once again able to achieve strong growth in China – although the overall market contracted. Altogether, we sold 658,000 Mercedes-Benz vehicles there. The main drivers of our worldwide growth were the E-Class and der GLC. The S-Class and its Maybach versions also sold very well. We strengthened our entire portfolio last year: from the A- and the B-Class to the CLS and the C-Class, to the G-Class and the GLE. We had the premiere of the EQC – the first all-electric Mercedes. It will be in the dealerships in just a few months. As previously announced, we are completely changing the smart over to electric drive. We more than doubled the unit sales of our e-smart models in 2018. Sales of the smart brand worldwide totaled 130,000 units.

The general conditions for our business were anything but easy. The changeover to certification according to WLTP involved a lot of additional work and in some cases caused considerable delays with deliveries to the dealerships. For a while, we had significantly increased vehicle inventories. Meanwhile they are largely back to a normal level again. In addition, there were two topics that will continue to occupy us this year: In Germany in particular, there has been a lot of discussion about controlling air pollution. Daimler stands by its responsibility. We offer an attractive exchange incentive for older diesel engines. For the majority of the Euro 5 and Euro 6 fleet, we are using today's technical knowledge to provide software updates that significantly reduce nitrogen-oxide emissions. We are also participating in the German government's hardware retrofit program. Most importantly, 90 percent of the Mercedes portfolio is already available with Euro 6d or 6d TEMP. Emissions are correspondingly low.

The trade dispute has had a negative impact on the global economy and on the German automotive industry in particular – 2018 especially with regard to imports to China of our

vehicles produced in the United States. We are preparing for different scenarios, while firmly advocating free markets.

Mercedes-Benz Vans also set a new sales record, with a five-percent increase to 421,000 units. We launched the new generation of our bestseller, the Sprinter. In recent years, we have invested 2.5 billion euros in that model series, some of it at the new plant in South Carolina, which we opened in September. Major orders are good evidence of the very positive market response to the new Sprinter – from customers in various sectors. For example, we will deliver several thousand vehicles to Hymer each year. And Amazon has placed an order for 20,000 of our vans.

Daimler Trucks posted the highest unit sales in its history. We clearly passed the mark of 500,000 trucks sold worldwide – an increase of 10 percent. Unit sales decreased in Argentina, Turkey and the Middle East due to the difficult economic and political situation. But all the other markets were on an upswing – and we made good use of that. In Europe, we achieved a slight sales increase. We sold significantly more vehicles in North America and Latin America. We also had strong growth impetus in Asia, where we increased our unit sales by 11 percent. The main drivers in that region were the markets of Indonesia and India. The product highlight at Daimler Trucks was the world premiere of the new Actros. One of its innovations is that cameras replace the exterior mirrors. This has mainly technical advantages: It simplifies vehicle handling, reduces fuel consumption and improves all-round visibility. But the biggest changes are inside: The driver assistance systems set new standards in terms of safety for heavy-duty trucks. The new Actros is a pioneer also in terms of connectivity.

The sales curve at Daimler Buses showed a clear upward trend last year. Growth was particularly strong in Europa and India, and unit sales increased in Brazil as well. But our bus business was adversely affected by the situation in Turkey and Argentina. Following the world premiere of the eCitaro in summer, series production of that model is now starting. We are the only major German manufacturer with an electric bus in our product range. We are thus offering an effective solution for improving air quality in cities. Incoming orders have been very pleasing so far. The first vehicles have been in use with customers since last November.

Every second vehicle that we sell is financed or leased by Daimler Financial Services. Worldwide, we concluded 2 million new financing and leasing contracts – an increase of 2 percent. For the first time, contract volume covered more than five million vehicles. The value of all vehicles financed or leased worldwide rose to 154 billion euros – growth of 10 percent. This year, Daimler Financial Services is to be renamed as Daimler Mobility AG. That name also reflect a development that has been under way for more than ten years: We are transforming ourselves into a provider of mobility services. 31 million people already use car2go, mytaxi and so on. That's over 13 million more than a year ago. In the future, we will bundle important services with BMW's offerings in that area. We'll tell you more about that later.

This brings us to our financial results. Group revenue increased by 2 percent to 167.4 billion euros. Group EBIT amounted to 11.1 billion euros – and was therefore 22 percent lower than in the previous year. Our net profit was 7.6 billion euros. At the Annual Shareholders' Meeting, the Board of Management and the Supervisory Board will propose the distribution of a dividend of 3 euros and 25 cents per share. That's the second-highest dividend in our company's history. As every year, our employees will also participate in our success: The eligible employees of Daimler AG will receive a profit participation in April of 4,965 euros.

Let me now hand over to Bodo.

Bodo Uebber

**Member of the Board of Management
of Daimler AG for
Finance & Controlling and Daimler Financial Services**

Thank you, Dieter!

Mercedes-Benz Cars

Ladies and gentlemen, let me go into our numbers for the year 2018 in a little more detail. As usual at this stage, they are preliminary and unaudited. First of all: the development of our individual divisions.

Our car division set a new record for unit sales despite generally difficult conditions. Like in 2016 and 2017, Mercedes-Benz was once again the strongest-selling premium brand in 2018. Demand was particularly strong for the E-Class models, with an increase of 9 percent. Our range of SUVs convinced nearly 830,000 customers. The S-Class also performed very well and continues to be the world's bestselling luxury sedan. Sales of the C-Class models and the compact cars were affected by the model changes. The new A-Class provided growth stimulus after its market launch. In regional terms, we were particularly successful in China. Mercedes-Benz Cars' unit sales there grew by 10 percent to 678,000 vehicles – more than 70 percent of which were produced locally. The revenue generated in our car division reached the level of 2017. At 7.2 billion euros, EBIT was significantly below the prior-year level. The division's return on sales was 7.8 percent.

There were several reasons for this development: Among other things, earnings were impacted by weaker pricing, the unfavorable development of some currencies, upfront expenditure for new products and technologies, and higher raw-material expenses. In addition, expenses connected with the ongoing regulatory proceedings and measures for diesel vehicles had negative effects on earnings. The remeasurement of our shares in Aston Martin had a positive effect. In the previous year, earnings were adversely impacted by expenses in connection with voluntary service measures and a vehicle recall. On the other hand, income from the participation of a new investor in the HERE map service had a positive impact on earnings in 2017.

Mercedes-Benz Vans

With sales of 421,000 vehicles, Mercedes-Benz Vans surpassed its record of the previous year by 5 percent. In Europe, our core region, unit sales were slightly above the prior-year level. Sales in the NAFTA region increased significantly. Business in Latin America also developed positively, with a 14 percent sales increase. We set a new record also in China, with an increase of 22 percent. That was primarily due to the success of our midsize vans. Worldwide sales of the Vito were slightly lower than in the previous year. The V-Class surpassed its prior-year unit sales by 8 percent and sales of the Sprinter increased slightly in the year of the model change. We systematically continued our worldwide growth offensive with the X-Class. In its first full year, we delivered 16,700 pickups. And we sold 26,300 of the Citan van. Mercedes-Benz Vans achieved slight revenue growth. However, its EBIT of 312 million euros was significantly lower than in the prior year. Its return on sales decreased to 2.3 percent.

What was the cause of this development? The increase in unit sales, especially in the NAFTA region, China and Western Europe, had a positive impact on earnings. On the other hand, EBIT was reduced by advance expenditure for new technologies and products, as well as by expenses related to the model change of the Sprinter. In addition, expenses for ongoing government proceedings and measures for diesel vehicles and delivery delays had a negative impact. Furthermore, impairment losses were recognized on some assets related to production capacities.

Daimler Trucks

Daimler Trucks delivered a total of 517,000 vehicles in 2018, which is 10 percent more than in 2017. We continue to be the world's largest manufacturer of trucks over 6 tons. Our unit sales increased slightly in Europe and by 11 percent in Asia. Particularly noteworthy were Indonesia with 50 percent and India with 35 percent sales growth. We were especially successful in North America: We again significantly increased our sales in the NAFTA region to 189,700 units. With a market share of 38.4 percent, we are the market leader in classes 6 to 8. We achieved significant sales growth also in Latin America, with a significant contribution to from the development in our main market there, Brazil. Daimler Trucks' revenue grew by 7 percent compared with 2017. EBIT grew even more strongly – by 16 percent to 2.75 billion euros. The division's return on sales was 7.2 percent in 2018.

The positive development of Daimler Trucks' earnings is mainly attributable to higher unit sales in the NAFTA region and efficiency improvements. Negative effects resulted from currency exchange rates and higher raw-material costs. Additional costs resulting from bottlenecks in the supply chain also had an impact. Furthermore, EBIT in 2017 included a gain on the sale of real estate by FUSO in Japan. On the other hand, expenses relating to the optimization of fixed costs were also included in the previous year.

Daimler Buses

Daimler Buses sold 30,900 buses and bus chassis in 2018, an increase of 8 percent. This enabled us to maintain the market leadership in our traditional core markets. Sales of complete buses in Europe were particularly encouraging. At 9,300 units, unit sales in the region were significantly above the already high level of the previous year. We also remained our growth path in India, where we increased our sales to 1,600 units. In Brazil, the country's economy is gradually recovering. As a result, we sold 22 percent more bus chassis there than in 2017. In contrast, the market in Argentina contracted sharply, which we were not immune to. Sales volumes in Mexico were also clearly below the previous year's level. The same applies to Turkey, where the economic situation remained difficult. Daimler Buses' sales there were at the prior-year level. The division's EBIT of 265 million euros was 6 percent lower than in 2017. Its return on sales was 5.9 percent. The decrease in EBIT was due to the product mix and the inflation-related rise in costs. This was partially offset by higher unit sales.

Daimler Financial Services

Daimler Financial Services' business developed well once again last year: Contract volume increased by 10 percent to the new record of 154.1 billion euros. New business was slightly higher than in the previous year, as expected. In the fleet business, we concluded 3 percent more contracts than in the previous year with our Athlon and Daimler Fleet Management brands. In addition, we brokered 2.3 million insurance policies, surpassing the number in the prior year by 8 percent. Daimler Financial Services' earnings in 2018 of 1.38 billion euros were significantly lower than in 2017. Its return on equity was 11.1 percent.

Mobility Services

I'll talk about the reasons for that in a few minutes, but first, let's have a look at the development of our mobility services. In this field we have again grown dynamically in 2018. The total number of registered users of our mobility services rose to approximately 31 million in 2018. With about 3.6 million users, car2go has consolidated its position as one of the leading companies for flexible car sharing. The ride-hailing group behind mytaxi increased its customer base by 92 percent to 21.3 million. We further developed the moovel app, with which one can flexibly find and book the best transport connection. The number of moovel users in Germany and the United States rose to 6.2 million. On that basis we generate Gross Merchandise Value run-rate with our mobility services that amount to 2 billion euros in the full year. We now want to place our power and expertise into a partnership with BMW. We are convinced that together, we can offer our customers even better mobility solutions, because our services complement each other perfectly.

Now to the development of earnings: At Daimler Financial Services, earnings at were primarily impacted by the settlement reached in the Toll Collect arbitration proceedings. This reduced the division's earnings by 418 million euros. Another factor was the increased level of interest rates. We were also faced with rising credit-risk costs in some markets, but overall, the risk situation remained fairly stable. Positive effects on earnings resulted from the growth in contract volume.

Group financials

So much for the key figures of the divisions. Let's now turn to the Daimler Group. We sold a total of 3.4 million vehicles last year, 2 percent more than in 2017. Revenue also increased by 2 percent. Despite difficult conditions, Daimler achieved EBIT of 11.1 billion euros. Net profit amounted to 7.6 billion euros. The free cash flow of the industrial business amounted to 2.9 billion euros in 2018, significantly higher than the prior-year figure of 2 billion euros. However, the figure for the previous year was reduced by the extraordinary contribution of 3 billion euros to German pension fund assets. The free cash flow in 2018 was affected by the increase in working capital, which was partially the result of higher inventories. In addition, the high sales volume in the last weeks of the year was not fully reflected in liquidity.

Investment in the future

The dividend payment to our shareholders led to a decrease in the net liquidity of the industrial business, which was largely offset by the free cash flow and exchange-rate effects. At the end of 2018, net liquidity amounted to 16.3 billion euros and thus remained at a very good level. At the Annual Shareholders' Meeting on May 22, the Board of Management and the Supervisory Board will propose that the dividend per share be set at 3.25 euros. This corresponds to a dividend distribution of 3.5 billion euros. Over the past five years, we then have paid out a total of 17 billion euros to our shareholders.

We increased our research and development expenditure once again in 2018, to 9.1 billion euros. Our investment in property, plant and equipment also rose to 7.5 billion euros. In addition, we also made targeted financial investments last year. We strengthened our position through investments especially in the area of mobility services. Looking ahead, we will maintain our capital expenditure in 2019 at the previous year's high level. Extensive funds will be invested in new vehicle models, environmentally friendly drive systems, safety technologies, automated and autonomous driving, and the digital connectivity of our products. We will continue to invest heavily to lead the way in shaping the technological transformation of our industry and to lay the foundation for further growth.

Project Future

At the same time, we will further intensify our efforts in the area of efficiency and – also against the background of the numerous challenges facing the global economy – will continue to work on making our company as flexible as possible. Our new Group structure will help us with that. In the summer, the Board of Management and the Supervisory Board decided on the further divisional development of the Group. The new structure will give our divisions more entrepreneurial freedom, enable them to become even more market and customer oriented, and allow them to cooperate with other entities more easily and quickly. Preparations for the new Group structure are making good progress and are proceeding according to plan. However, Project Future now requires the approval of the shareholders. The decision on that will be made at the Annual Shareholders' Meeting on May 22. The new Daimler structure will then be implemented.

I will now hand you back over to Dieter. Thank you.

Dr. Dieter Zetsche

**Chairman of the Board of Management
of Daimler AG
and Head of Mercedes-Benz Cars**

Outlook

Thank you, Bodo. How good a team is can be seen especially in difficult times. Last year was difficult and we proved: Daimler has a damned good team. On behalf of the entire Board of Management, I would therefore like to take this opportunity to thank all of our nearly 300,000 colleagues: their dedication and hard work were tremendous. That also gives us confidence for this year. The environment remains extremely challenging. That's why we must continue working intensively on our efficiency. At the same time, we will continue to drive forward the four key future fields of our industry: connectivity, autonomous driving, sharing and electric mobility. What are the next steps here?

Just over a year ago, we lifted connectivity to a new level at Mercedes-Benz with MBUX. Since then, we have developed the system further and we presented the next stage at the beginning of the year in the new CLA. New features can be directly experienced by our customers through updates over-the-air. The advantage is clear: No matter when the car was bought, the infotainment software is always up to date. MBUX can now solve increasingly complex problems. If you are looking for a child-friendly pizzeria in L.A. with at least a three-star rating, Wi-Fi and free parking, MBUX will find something suitable. In addition, we have recently optimized voice control and introduced gesture control. In a test, MBUX prevailed against the systems of our core competitors, as well as Siri and Alexa. But the most important assessment comes from our customers, and is clear: Two thirds of all A-Class customers choose MBUX. The future potential in the field of connectivity is enormous. With MBUX, we have an excellent basis to fully utilize it.

We have also established a good basis for autonomous driving. We were the first international manufacturer to receive approval to test fully automated vehicles in Beijing. This will enable us to tailor the technology even better to the special needs of local traffic there. In San José, California, we will launch the first fully automated shuttle service this year. To that end we are further developing the technology of autonomous driving at Levels 4 and 5 together with Bosch. We are convinced that autonomous driving will make traffic safer and mobility in cities even more convenient. The technology will also revolutionize delivery transport. Autonomous commercial vehicles will be on the road around the clock. This will have great economic advantages for our customers. We plan to put highly automated trucks on the road within the next decade. We will invest 500 million euros in that in the coming years. With the new Actros, we are already the world's first manufacturer with a partially automated truck in series production. We are also putting these systems into our Freightliner Cascadias. This means that if necessary, they can brake and accelerate independently, and stay in their lane at the right distance from the vehicle ahead. And we are planning an automated model series at Mercedes-Benz Vans. We are currently setting up a new organizational unit for this purpose.

We are also picking up speed with sharing. Since the closing last week, the mobility services of Daimler and BMW have been merged. The new company will be based in Berlin. We are also expanding our portfolio at Daimler to include a premium ride-hailing service in China. We are developing that together with Geely. The service is to start this year in several cities in China and will initially consist of Mercedes models. Looking ahead, Geely's premium electric cars could also be added to the fleet.

Daimler has gone fully on the offensive in the field of electric mobility. In a few weeks, the EQC will drive off the assembly line in Bremen. Series production will start also in Beijing later this year. In the future, we will build conventional and electric cars flexibly on a single line. The EQC heralds a new electric era at Mercedes-Benz. We will electrify the entire product range by 2022. A total of more than 130 electrified car variants are planned. Each of these products will embody our brand values. After all, our customers will gladly do without emissions – but not without what they value about Mercedes-Benz – for example, comfort, design, quality and safety. We are working on the most convincing overall package. That is what we will offer our customers also in an electric world.

The breadth of our electric portfolio of commercial vehicles is already unique in the industry. We are electrifying all of our model series of commercial vans. Following the eVito, the second model, the eSprinter now is about to be launched. With our trucks, the eCanter made us the first manufacturer with an all-electric truck in series production. Customers are currently testing the Mercedes-Benz eActros and the first electric vehicles from the Freightliner brand in everyday use; we plan to put those trucks into series production in two years. And with our buses, the eCitaro is already in series production. In the future, we will supply the bus with combined battery and fuel-cell power. With a range of 400 kilometers, that version could replace almost all city buses. The basis of the electric ramp-up at all divisions is having access to the most modern battery cells in large quantities. We have secured that until 2030: We are buying battery cells in a total volume of more than 20 billion euros. Meanwhile, we are continuing to expand our battery production: In the future, we will produce batteries in nine factories on three continents.

Our ambition in all of this is clear: We want to shape the technological transformation from the top. In this context, we have been working intensively on our culture for several years. We have achieved an enormous amount with the Leadership 2020 initiative. We are now meshing that program with another initiative we launched just under a year ago: on the question of our purpose. In other words: What do we want to achieve with our work? What common motivation drives us? We started the process where our company started: at Mercedes-Benz. The result is our guiding principle: "First move the world." It describes who we were, who we are and who we want to be. In the other divisions, we are also in the process of developing our self-image.

What do we expect for 2019? There are a number of geopolitical risks this year. Overall, the global economy is expected to grow noticeably more slowly but solidly in 2019, at a rate of just under 3 percent. We assume that global demand for cars this year will remain at the previous year's level.

Demand for medium- and heavy-duty trucks is likely to vary from region to region. On the whole, however, we continue to expect favorable market conditions. What are our sales expectations for 2019? At the car division, the launch of the GLE and the ramp-up of our plant in Mexico will lead to a difficult first quarter. For the year as a whole, however, we intend to increase our unit sales slightly. We also anticipate a slight increase in truck sales. We expect significantly higher sales of vans and buses in 2019. Financial Services also aims to achieve further growth.

In our earnings guidance for the Daimler Group, we state our expectation for EBIT once again for 2019. We assume that Group EBIT in 2019 will be slightly above the prior-year level. For our divisions, starting with the guidance for 2019, we will set profitability targets instead of earnings targets for the year. We indicate the expected return on sales and return on equity in ranges. In this way, we establish a link between the forecasts for the current financial year and our strategic return targets.

We have the following expectations for our divisions in 2019:

- At Cars, we aim to achieve a return on sales in the range of 6 to 8 percent.
- For Trucks, we expect a return on sales in the range of 7 to 9 percent.
- For Vans and Buses, we plan to achieve a return on sales in the range of 5 to 7 percent.
- Financial Services anticipates a return on equity in the range of 17 to 19 percent.

With our guidance for Mercedes-Benz Cars and Mercedes-Benz Vans, we are below our long-term return targets. We cannot and will not be satisfied with this. That's why we've started to develop comprehensive countermeasures. Our goal is to return to our return target corridor of 8 to 10 percent by 2021. At Trucks and Buses, we will systematically continue and combine the measures we have already initiated. That will enable us to achieve our return target of 8 percent in the long term and to utilize further return potential.

Conclusion

For all the divisions, it applies that profitable business is a prerequisite for continuing to invest in new technologies and products in the future.

An example of this: Together with the start-up Volocopter, we are developing mobility in the third dimension. This year, our air taxis will start operations in Singapore. Also this year, we at Daimler will put a fully automated shuttle service on the road. It's true that both are tests, and it will be some time before such services are widely available. But the conditions for a successful future are created in the present. And we are currently setting the course for the next decade. 2019 will be a year of great change for Daimler. We are restructuring our company. We are accelerating along the path into the era of electric mobility. We are entering new dimensions in the fields of connectivity, autonomous driving and mobility services. Each of these topics opens up enormous opportunities for Daimler in the future. Our team has the will and the skills to use them. Thank you!

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The figures in this document are preliminary and have neither been approved yet by the Supervisory Board nor audited by the external auditor.

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.