DAIMLER

Annual Report 2018

Key Figures

Daimler Group

€ amounts in millions	2018	2017	18/17 % change
Revenue	167,362	164,154 [2]	+2 [1]
Investment in property, plant and equipment	7,534	6,744	+12
Research and development expenditure	9,107	8,711	+5
Free cash flow of the industrial business	2,898	2,005	+45
EBIT	11,132	14,348 [2]	-22
Net profit	7,582	10,617 [2]	-29
Earnings per share (in €)	6.78	9.61 [2]	-29
Dividend per share (in €)	3.25	3.65	-11
Employees (December 31)	298,683	289,321	+3

1 Adjusted for the effects of currency translation, revenue increased by 4%.
2 The amounts have been adjusted due to first-time adoption of IFRS 15 and IFRS 9. Further information is provided in Note 1 of the Notes to the Consolidated Financial Statements.

Cover photo
The EQC (combined electricity consumption: 22.2 kWh/100 km; combined CO_2 emissions: 0 g/km, preliminary figures)[1] will be the first Mercedes-Benz model of the EQ brand on the road. With its seamless, clear design and brand-typical color accents, it is the pioneer of avant-garde electro-aesthetics. In terms of quality, safety and comfort, the EQC is the Mercedes-Benz among electric vehicles. It convinces in the sum of its characteristics, in particular with its impressive driving dynamics and a range of up to 450 kilometers according to NEDC.[1]

[1] Figures on electricity consumption and CO_2 emissions are provisional and were determined by an external technical service and are non-binding. Figures for range are also provisional and non-binding. An EU type approval and certificate of conformity with official figures are not yet available. Deviations between the figures stated and the official figures are possible.

Daimler's Divisions >

The Divisions and Brands

€ amounts in millions	2018	2017	2016	18/17 % change
Mercedes-Benz Cars				
Revenue	**93,103**	94,351[1]	89,284	-1
EBIT	**7,216**	8,843[1]	8,112	-18
Return on sales (in %)	**7.8**	9.4[1]	9.1	.
Investment in property, plant and equipment	**5,684**	4,843	4,147	+17
Research and development expenditure	**6,962**	6,642	5,671	+5
thereof capitalized	**2,269**	2,388	2,008	-5
Unit sales	**2,382,791**	2,373,527	2,197,956	+0
Employees (December 31)	**145,436**	142,666	139,947	+2
Daimler Trucks				
Revenue	**38,273**	35,755[1]	33,187	+7
EBIT	**2,753**	2,383[1]	1,948	+16
Return on sales (in %)	**7.2**	6.7	5.9	.
Investment in property, plant and equipment	**1,105**	1,028	1,243	+7
Research and development expenditure	**1,295**	1,322	1,265	-2
thereof capitalized	**40**	45	57	-11
Unit sales	**517,335**	470,705	415,108	+10
Employees (December 31)	**82,953**	79,483	78,642	+4
Mercedes-Benz Vans				
Revenue	**13,626**	13,161[1]	12,835	+4
EBIT	**312**	1,147[1]	1,170	-73
Return on sales (in %)	**2.3**	8.7[1]	9.1	.
Investment in property, plant and equipment	**468**	710	373	-34
Research and development expenditure	**666**	565	442	+18
thereof capitalized	**176**	310	238	-43
Unit sales	**421,401**	401,025	359,096	+5
Employees (December 31)	**26,210**	25,255	24,029	+4
Daimler Buses				
Revenue	**4,529**	4,524[1]	4,176	+0
EBIT	**265**	281[1]	249	-6
Return on sales (in %)	**5.9**	6.2[1]	6.0	.
Investment in property, plant and equipment	**144**	94	97	+53
Research and development expenditure	**199**	194	202	+3
thereof capitalized	**41**	30	11	+37
Unit sales	**30,888**	28,676	26,226	+8
Employees (December 31)	**18,770**	18,292	17,899	+3
Daimler Financial Services				
Revenue	**26,269**	24,530[1,2]	20,660	+7
EBIT	**1,384**	1,970	1,739	-30
Return on equity (in %)	**11.1**	17.7	17.4	.
New business	**71,927**	70,721	61,810	+2
Contract volume	**154,072**	139,907	132,565	+10
Investment in property, plant and equipment	**64**	43	37	+49
Employees (December 31)	**14,070**	13,012	12,062	+8

1 The amounts have been adjusted due to first-time adoption of IFRS 15 and IFRS 9. Further information is provided in Note 1 of the Notes to the Consolidated Financial Statements.
2 At the Daimler Financial Services segment, the Group's internal revenue and cost of sales have been adjusted by the same amount. These adjustments have been fully eliminated in the reconciliation.

Daimler AG is one of the world's most successful automotive companies. With its divisions Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans, Daimler Buses and Daimler Financial Services, Daimler is one of the biggest suppliers of premium cars and the world's largest producer of trucks above 6 tons. Daimler Financial Services provides financing, leasing, fleet management, investment products, brokerage of insurance and credit cards, as well as innovative mobility services.
For more information: daimler.com

AMG MAYBACH

smart Mercedes me EQ

FREIGHTLINER FUSO

WESTERN STAR Thomas BUILT BUSES BHARATBENZ

FREIGHTLINER

SETRA BHARATBENZ

Mercedes-Benz Bank Mercedes-Benz Financial Services Daimler Truck Financial

moovel CAR 2GO mytaxi

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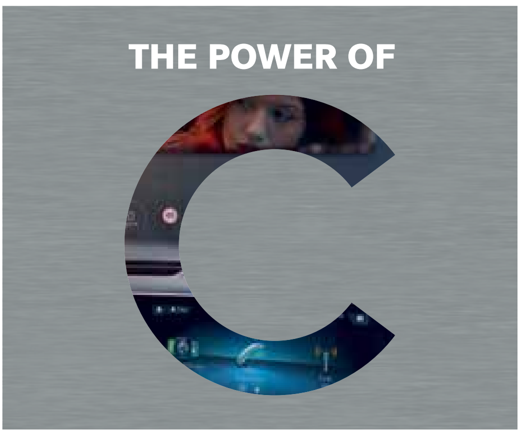
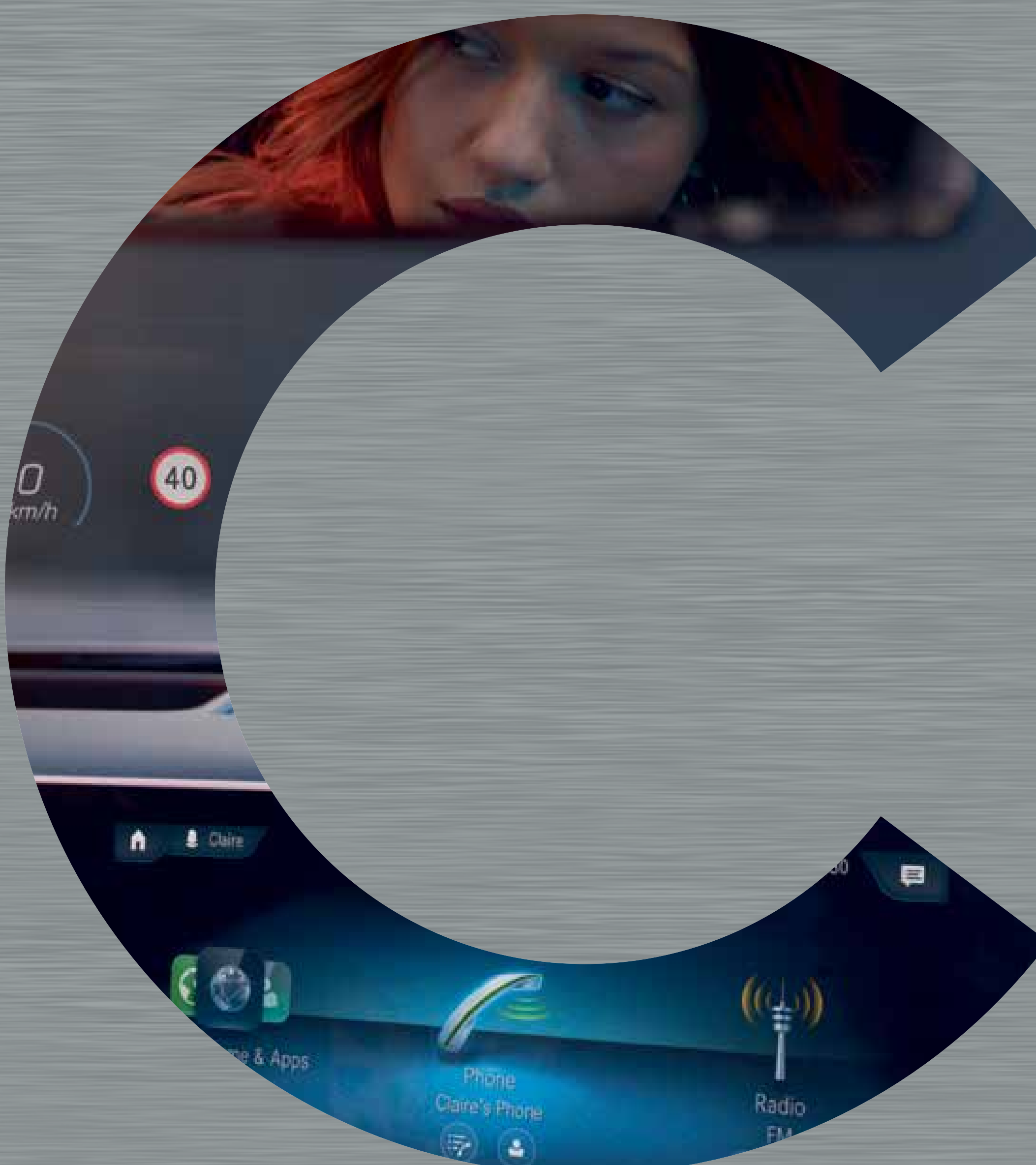


Information guidance system

- Refers to an illustration or a table in the Annual Report
- Refers to additional information on the Internet
- Cross-reference to additional information within the Annual Report

THE POWER OF




22.5°C
160.0


40
km/h
Claire
Search
20:30
Mercedes me & Apps
Phone
Claire's Phone
Radio
FM

CASE CORE

CULTURE

CUSTOMER

COMPANY

Daimler is committed to shaping a new era of mobility in which the focus is on the **CUSTOMER**. We aim to completely fulfill our customers' changing requirements.

We are laying the groundwork for that with four components of our strategy. They are our strong global **CORE** business, pioneering innovations in the future-oriented areas of **CASE** (Connected, Autonomous, Shared & Services, Electric), a flexible **CULTURE** of cooperation, and the effective restructuring of our **COMPANY**.

By means of this 5C strategy, we intend to offer the best customer experiences and to continue along our successful path – also to the benefit of our employees, partners and investors.


Intuitive.
Emotive.
MBUX.

A unique customer experience for drivers and passengers. The new A-Class from Mercedes-Benz is the first production model series to offer the MBUX multimedia system (Mercedes-Benz User Experience), which heralds a new era of Mercedes me connectivity. The system's special feature is its ability to learn by means of artificial intelligence. MBUX can be customized and adapts itself to its user. Thanks to its intuitive operating concept, it creates an emotional bond between the vehicle, the driver and the passengers. MBUX is standard equipment also in the A-Class L Sedan, the model variant with a long wheelbase that was developed exclusively for the Chinese market.

daimler.com/case/connectivity/en

Electric. Efficient. eActros.

An innovation fleet for pilot customers. Mercedes-Benz presented its first all-electric heavy-duty distribution truck back in 2016. Now it's taking the logical next step by putting the Mercedes-Benz eActros through a practical use test on the road. Ten near-series-production vehicles are being tested by a total of twenty customers under real-life conditions to check out their suitability for daily use and their economy. The initial focus is on intra-urban goods transport and delivery; the eActros can generally cover the necessary ranges with ease. The long-term goal is to make quiet and locally emission-free driving possible in cities with series-produced trucks.

daimler.com/products/trucks/mercedes-benz/eactros.html


ACTROS
ACTROS

eActros – fine tuning in fleet testing

In cooperation with pilot customers, the near-series-production Mercedes-Benz eActros is being developed further so that its technology and economics are optimally adapted to daily use in the logistics sector. These heavy-duty electric trucks are being tested in urban traffic by an innovation fleet consisting of vehicles ranging in weight from 18 to 25 tons that are used for the distribution of various categories of goods by companies in diverse sectors. The first ten pilot customers are testing the vehicles for one year each in real-life operation. After that, the eActros fleet will be handed over to ten other customers for further testing in daily use. With this project, Daimler Trucks is responding to its customers' tremendous interest and gaining comprehensive information. The goal is to bring cost-efficient electric trucks for heavy-duty inner-city distribution to series production and market maturity starting in 2021.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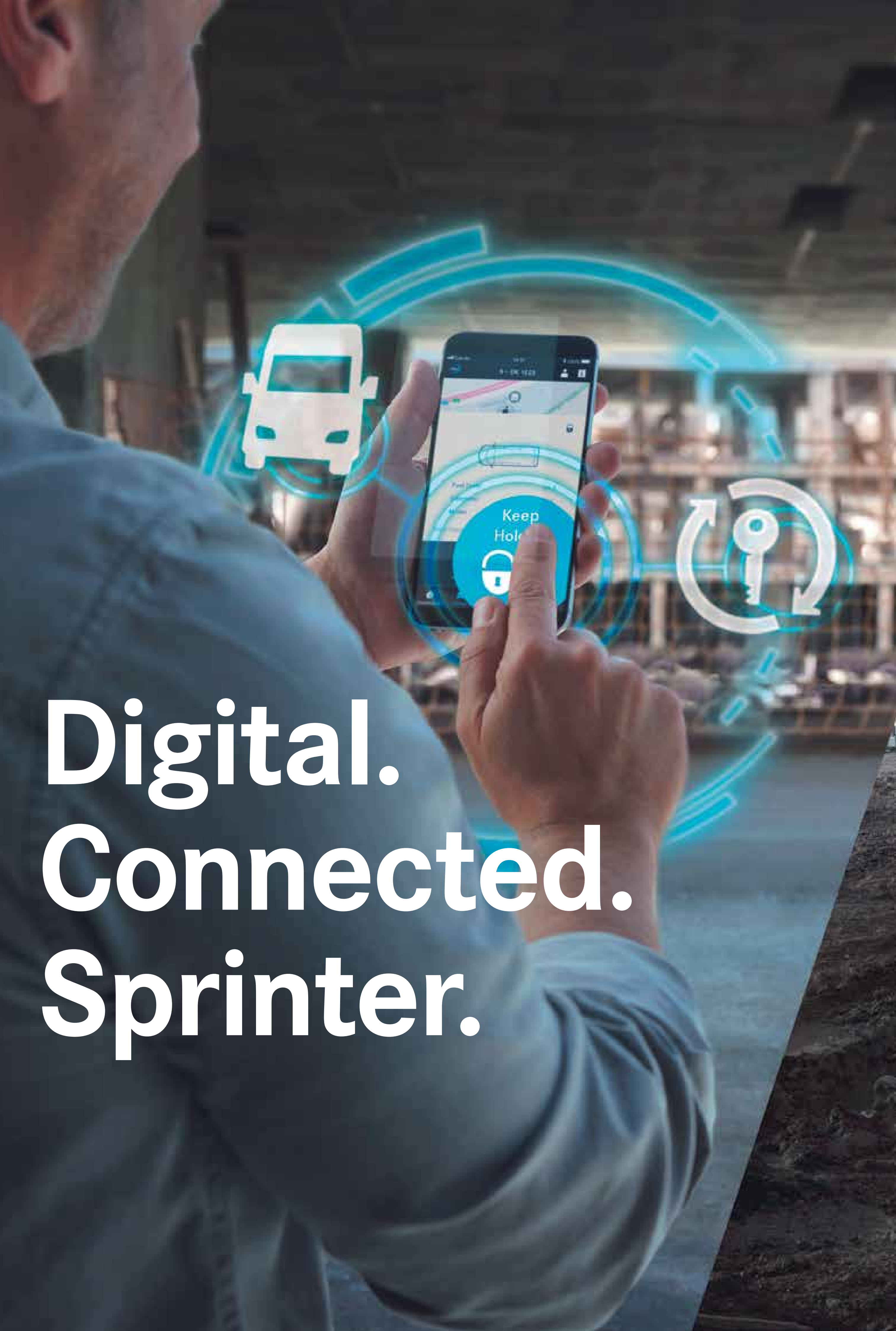
See
Hear
FutureLab
Feel
Touch
Talk



Digital. Connected. Sprinter.

Fit for many different customers and uses. The new Sprinter is the first customized complete system solution from Mercedes-Benz Vans to hit the road for a wide variety of sectors. This large van also rings in the digital age in its category and epitomizes Mercedes-Benz Vans’ evolution from a pure vehicle manufacturer to a provider of holistic transportation and mobility solutions. Thanks to its extensive connectivity, the Sprinter enables customers to take full advantage of the connectivity services of Mercedes PRO as a platform for present and future services, solutions, and digital services related to daily business. It also offers the all-new MBUX (Mercedes-Benz User Experience) multimedia system. Thanks to its more than 1,700 different variants, the third generation of this bestseller in the van portfolio is equal to just about every transportation task.

daimler.com/products/vans


Electric.
Intelligent.
EQ.
#switchtoEQ
GD CT 207

Flipping the switch to meet new customer wishes. Intelligent electric mobility combined with attractive design, outstanding driving pleasure, great suitability for daily use and exemplary safety – that's what the young product and technology brand EQ stands for. It represents the Mercedes-Benz brand's values – emotion and intelligence – and offers all the essential aspects of customer-oriented electric mobility. Above and beyond the electric vehicles themselves, EQ offers a comprehensive electric mobility ecosystem of products, services, technologies and innovations such as wallboxes and charging services. The EQ brand will start its electric product offensive in mid-2019. By the year 2022, the entire portfolio of Mercedes-Benz Cars will include more than 130 electric variants.

mercedes-benz.com/en/eq/about-eq

EQC – Starting the future of mobility

Its time has come: The all-electric EQC (electricity consumption combined: 22.2 kWh/100 km; CO_2 emissions combined: 0 g/km, preliminary figures)[1] will hit the road in mid-2019. The first series-produced EQ model is an all-round winner in terms of comfort, quality, and everyday utility – it's the Mercedes-Benz of electric vehicles. This progressive crossover SUV is considered the pioneer of an avant-garde electro-aesthetic, thanks to its unique combination of design, functionality, and service. That's in addition to its impressive driving dynamics and an electric operating range of up to 450 kilometers according to NEDC[1].

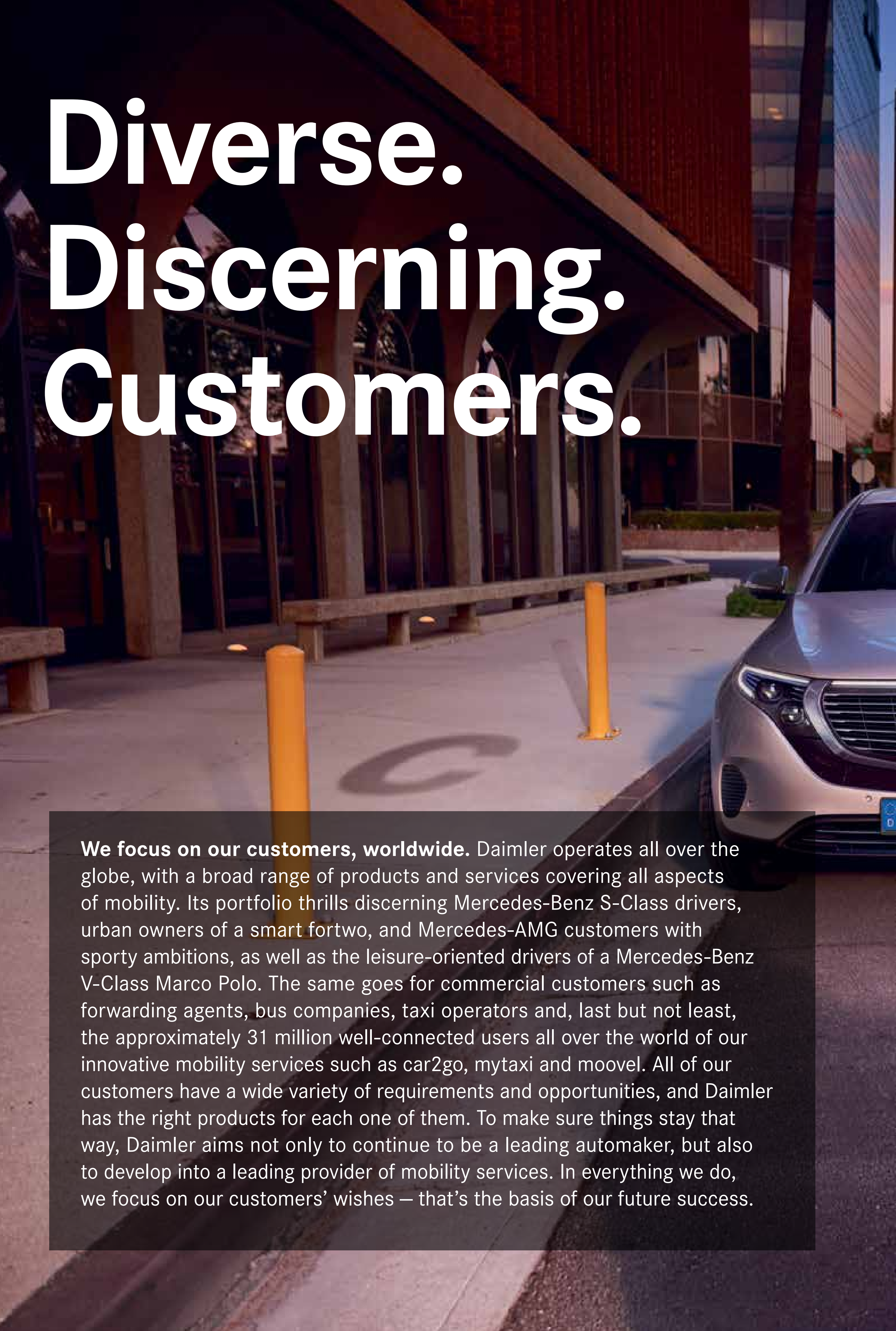
mercedes-benz.com/en

1 The figures for electricity consumption and CO_2 emissions, which were calculated by an external technical service, are provisional and non-binding. The figures for the vehicle's range are also provisional and non-binding. An EU type-approval certificate and a certificate of conformity with official figures are not yet available. The figures given above may deviate from the official figures.

Concept EQA – Electrifying the compact class

The electric offensive at Mercedes-Benz is accelerating. That's demonstrated by the Concept EQA, the first all-electric EQ concept car of the Mercedes-Benz brand in the compact segment. It combines state-of-the-art electro-aesthetics with strong dynamics and general long-distance capability in everyday use, based on an architecture that has been exclusively developed for battery-electric models. This electro-athlete has two electric motors with a system capacity of more than 200 kW. It can be charged by means of induction or a wall box and is also prepared for fast-charging systems.

mercedes-benz.com/en



Diverse. Discerning. Customers.

We focus on our customers, worldwide. Daimler operates all over the globe, with a broad range of products and services covering all aspects of mobility. Its portfolio thrills discerning Mercedes-Benz S-Class drivers, urban owners of a smart fortwo, and Mercedes-AMG customers with sporty ambitions, as well as the leisure-oriented drivers of a Mercedes-Benz V-Class Marco Polo. The same goes for commercial customers such as forwarding agents, bus companies, taxi operators and, last but not least, the approximately 31 million well-connected users all over the world of our innovative mobility services such as car2go, mytaxi and moovel. All of our customers have a wide variety of requirements and opportunities, and Daimler has the right products for each one of them. To make sure things stay that way, Daimler aims not only to continue to be a leading automaker, but also to develop into a leading provider of mobility services. In everything we do, we focus on our customers' wishes – that's the basis of our future success.


S N 2931E

Urban. Electric. eCitaro.

On course for the future — for our customers and society.
The all-electric Mercedes-Benz eCitaro is locally emission-free and almost silent. This electric bus combines the platform of the bestselling Mercedes-Benz city bus with innovative technologies. It is raising electric mobility in city buses to a whole new level and captivating customers with pioneering thermal management, energy efficiency, and very practice-oriented operating ranges. Mercedes-Benz delivered the first series-production models to customers in late 2018. Orders for 20 and 15 eCitaros came from Hamburg and Berlin respectively in 2018. Thanks to its outstanding performance, the eCitaro already complies with many requirements of transportation companies – and its complete eMobility system is launching an innovation offensive for electrifying local public transportation.

mercedes-benz.com/en/mercedes-benz/vehicles/buses


eCITARO
eCITARO
MA EV 1063

Inventive. Intermodal. moovel lab.

A trendsetter for people and urban mobility. The moovel lab promotes the innovation culture of the moovel Group. This Daimler Group company aims to partner with cities and transportation operators to simplify mobility and offer customers access to the right mobility options. The moovel lab is the professional creative space for this process. The lab's interdisciplinary team addresses future-oriented issues of mobility in urban environments. It generates new ideas, product prototypes, and approaches to dialogue among professionals and the public. What do urban traffic areas look like around the world? The moovel lab is working to answer this question in its project "The Mobility Space Report: What the Street!?". The project visualizes driving and parking areas in 23 major cities on an interactive online platform and shows how autonomous driving can redistribute these spaces.

lab.moovel.com   moovel-group.com/en   whatthestreet.moovellab.com

Automated. Trailblazing. Cascadia.

Pioneering work for the logistics sector. Daimler Trucks is taking truck automation to the next level with the new Freightliner Cascadia. It's a world premiere, because this is the first partially automated series-production truck on North American roads. It's also the next step toward highly automated trucks, which will allow even better safety and performance. In addition, they will offer huge advantages for transport companies and a sustainable future for the logistics sector. In the years ahead, Daimler Trucks will invest €500 million in the development of highly automated trucks in order to make them market-ready within a decade. The centerpieces of partial automation are Active Drive Assist (Mercedes-Benz Actros, FUSO Super Great) and Detroit Assurance 5.0 (Freightliner Cascadia). These systems already allow partially automated driving in all speed ranges.

freightliner.com/trucks/new-cascadia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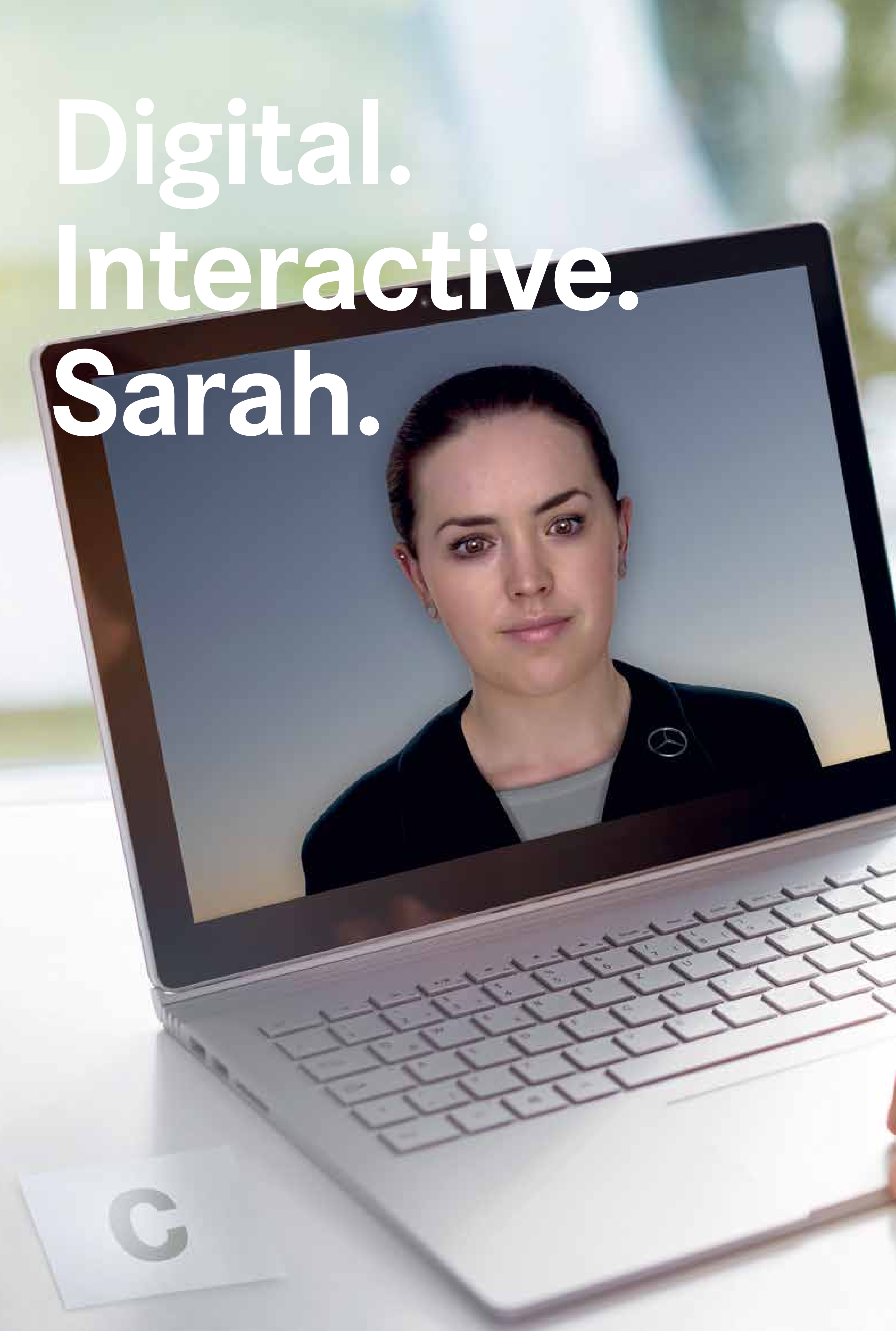
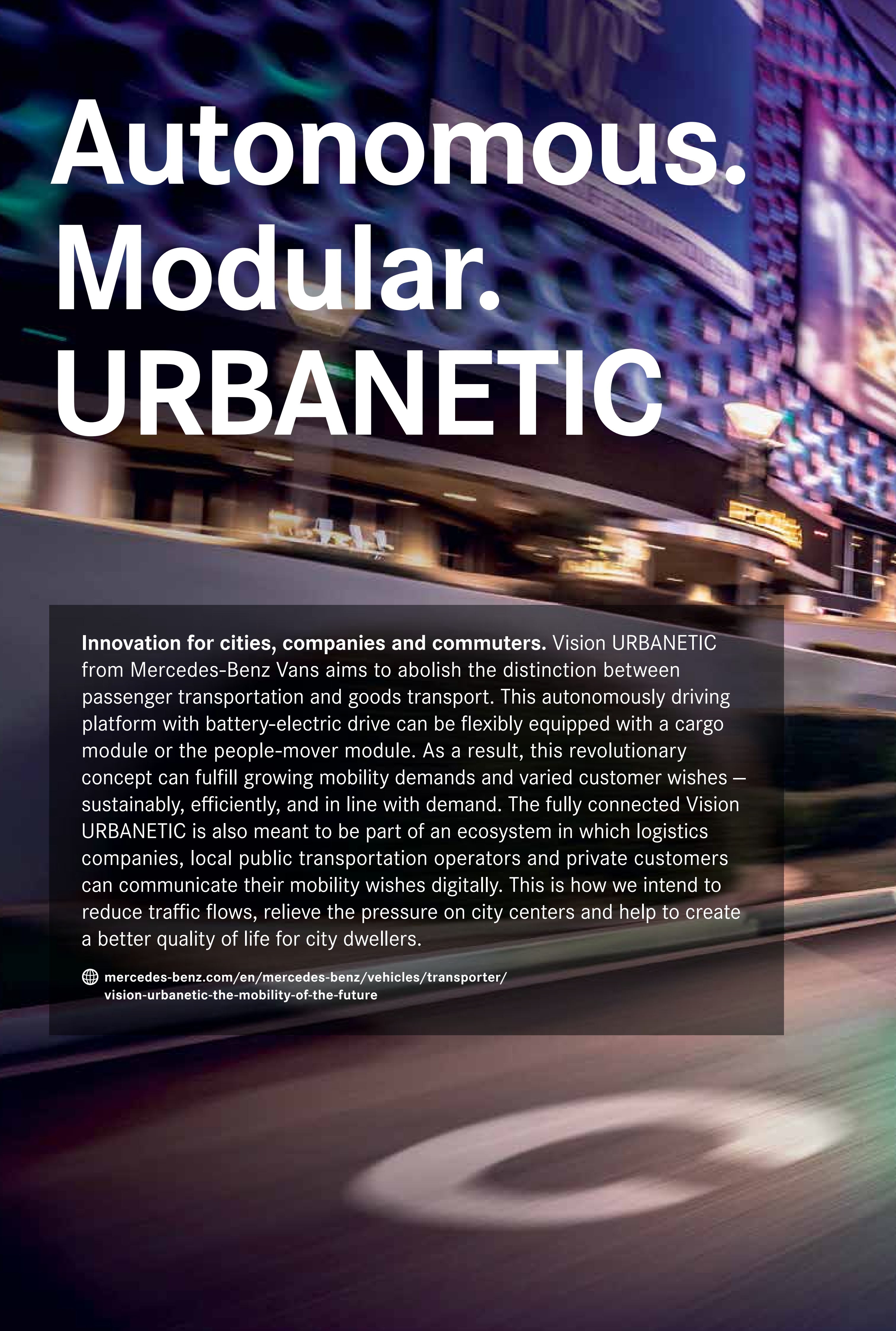
FREIGHTLINER
CASCADIA
YAIX757


Digital.
Interactive.
Sarah.

Fulfilling and surpassing customers' wishes. In early 2018, Daimler Financial Services and its partner Soul Machines presented the digital avatar "Sarah". This machine will be able to support customers just like a personal concierge in many situations. Through a combination of artificial and emotional intelligence, Sarah will respond to a variety of customer wishes by providing the right information at the right time. This digital avatar is voice-controlled, multilingual, and available everywhere at any time. It thus provides an answer to the growing volume of online business, with more and more purchasing decisions being made on digital platforms. Sarah has already been used successfully in a pilot project to answer customers' frequently asked questions at a call center.

daimler-financialservices.com/en/future-mobility/innovations/artificial-intelligence

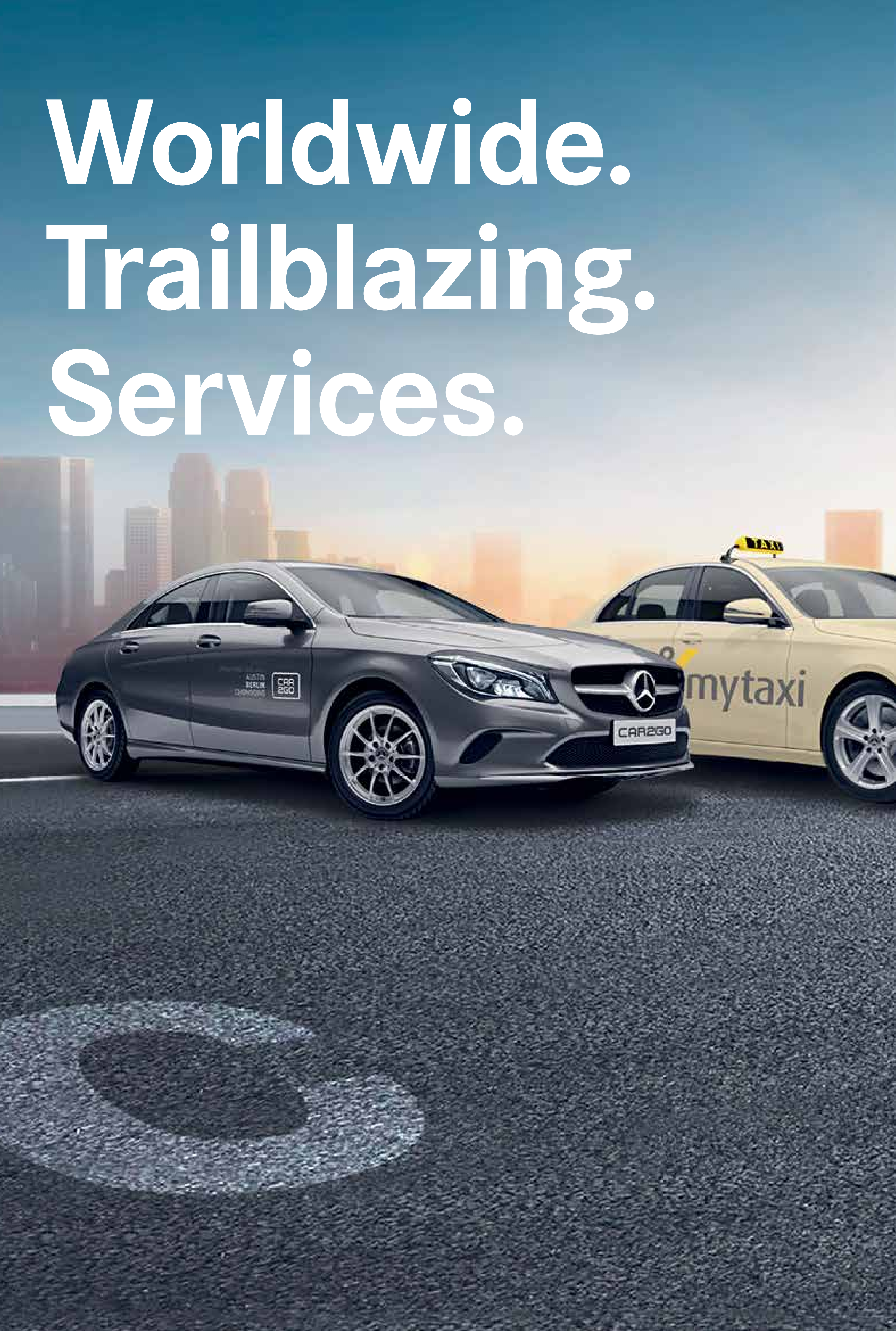


Autonomous. Modular. URBANETIC

Innovation for cities, companies and commuters. Vision URBANETIC from Mercedes-Benz Vans aims to abolish the distinction between passenger transportation and goods transport. This autonomously driving platform with battery-electric drive can be flexibly equipped with a cargo module or the people-mover module. As a result, this revolutionary concept can fulfill growing mobility demands and varied customer wishes – sustainably, efficiently, and in line with demand. The fully connected Vision URBANETIC is also meant to be part of an ecosystem in which logistics companies, local public transportation operators and private customers can communicate their mobility wishes digitally. This is how we intend to reduce traffic flows, relieve the pressure on city centers and help to create a better quality of life for city dwellers.

mercedes-benz.com/en/mercedes-benz/vehicles/transporter/vision-urbanetic-the-mobility-of-the-future


THEATER


Worldwide.
Trailblazing.
Services.
CAR2GO
TAXI
mytaxi

Thrilling more and more users in a future-oriented market. About 31 million customers are already using Daimler's mobility services, which include car2go, the pioneer of free-floating car sharing, as well as the multimodal app-based mobility platform moovel, the taxi-hailing app mytaxi, the on-demand ride-sharing service ViaVan, and numerous other services. The ability of these innovative mobility services to attract new customers all over the world is proven by the significant increase in user figures in 2018 compared with the prior year. In 2018, our mobility services were used by customers in more than 130 cities in Europe, China, and North and South America. Daimler has forged ahead with its transformation into a provider of integrated mobility services and will continue to systematically expand its portfolio to create the urban mobility of the future.

daimler.com/sustainability/mobility-services

car2go.com/DE/en

moovel.com/en

mytaxi.com/uk

Innovative. Creative. Lab1886.

Getting ideas quickly to customers and the market. Lab1886 is the global innovation machine from Daimler. Since 2007, this “company builder” has been successfully working like a startup to develop and commercialize new business models. For example, it has created the flexible car-sharing service car2go, the mobility app moovel, and Mercedes me, the digital entry into the world of Mercedes-Benz. And it has demonstrated what it’s like to leave familiar paths behind through its involvement with the unconventional idea of vertical mobility. With its strategic investment in the Volocopter startup, Lab1886 has joined its partner to open up the new market segment of the third mobility dimension. In the future, the innovative urban air taxis from Volocopter may help to relieve the pressure on inner-city traffic.

mercedes-benz.com/en/mercedes-benz/next/lab1886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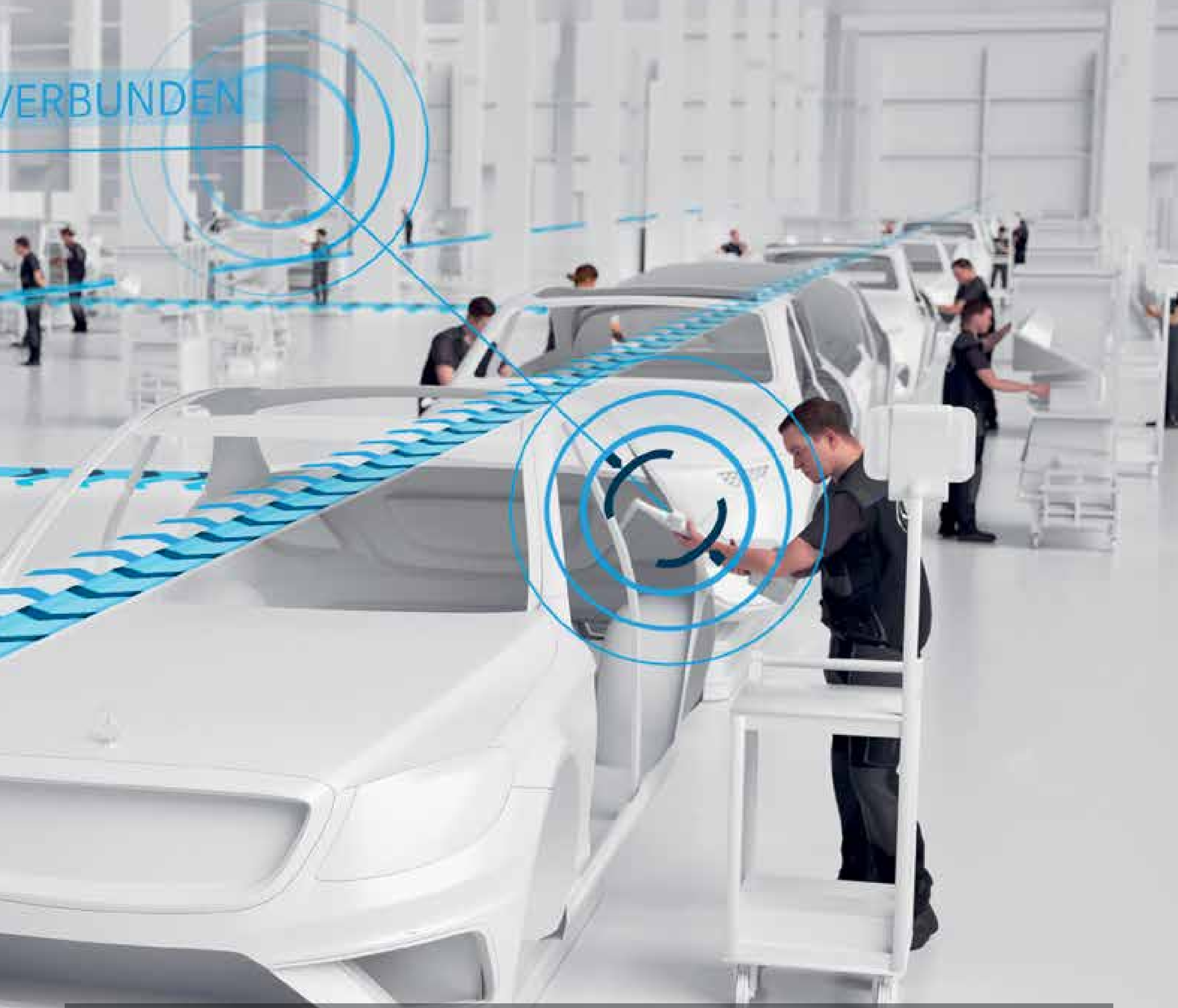
Connected.
Sustainable.
Factory 56.



Flexible vehicle production, a modern work environment, and Industry 4.0 under one roof. Mercedes-Benz Cars is building the automobile production line of the future at the Sindelfingen plant. A completely new infrastructure will be used in Factory 56. The hall will be fully provided with Wi-Fi, it will communicate with its surroundings, and it will use digital tools. The 360-degree connectivity will extend far beyond the production halls. It will include the suppliers, the teams for development, design, and production, and the customers, who can already use the Mercedes me app to gain insights into the production of their vehicles. A new type of work organization will take the employees' individual needs into account. Sustainability and energy efficiency will also play a huge role, for example through the use of renewable energy sources. At the beginning of the next decade, Factory 56 will launch its series production of upper-range and luxury-class cars and electric vehicles, as well as fully automated driverless vehicles.

youtu.be/mlqYAEnqptQ

Shaping. Future. Daimler.

Focused, flexible, and even closer to customers. The mobility sector is changing rapidly, and that's why Daimler is restructuring itself with Project Future, which is part of its 5C strategy. Three legally independent entities will be created under the roof of Daimler AG. Mercedes-Benz AG and Daimler Truck AG will take over the business operations of Mercedes-Benz Cars & Vans and of Daimler Trucks & Buses respectively. Daimler Financial Services AG, which is already a legally independent company, will be renamed Daimler Mobility AG. This structure will sharpen our focus for the business success of the future by strengthening our entrepreneurial operations and safeguarding synergies. At the center of all of these changes are our customers' needs. In its new structure, Daimler will be able to offer its customers individualized mobility solutions even more effectively all over the world.

daimler.com/company/project-future.html


CASE
CORE
CULTURE
CUSTOMER
COMPANY

“Daimler is shaping a new era of mobility that is all about the customers. We aim to fully meet their dynamic requirements.”

Mercedes-Benz EQC: electricity consumption combined: 22.2 kWh/100 km; CO_2 emissions combined: 0 g/km, provisional figures[1]

[1] Figures for electricity consumption and CO_2 emissions are provisional, non-binding figures calculated by an external technical service. Figures for vehicle range are also provisional and non-binding. An EU type-approval certificate and a certificate of conformity with official figures are not yet available. The figures given above may deviate from the official figures.

Stuttgart, February 2019

Dear Shareholders,

2018 was a year of strong headwinds for the entire automotive industry and thus also for Daimler. They included the discussion about diesel engines, 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.

But especially in difficult times, it can be seen how good a team is. And we have proven it: Daimler has a unique team. Together, we faced those headwinds, while making substantial progress in key areas for the future. On behalf of the entire Board of Management, I would like to thank each of our nearly 300,000 colleagues for their hard work and dedication last year.

Daimler sold more vehicles than ever before in 2018: a total of 3.4 million. Revenue reached €167.4 billion, which is two percent more than in the previous year. However, at 11.1 billion euros, EBIT was significantly lower than in 2017. Net profit amounted to 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.

How did the individual divisions contribute to these results?

Mercedes-Benz Cars sold 2.4 million cars, setting its eighth consecutive record for unit sales. Mercedes-Benz maintained its position as the leading premium brand. Business was particularly good in China: With an increase of eleven percent, we were able to achieve strong growth there once again, although the overall market contracted. We strengthened our entire portfolio – from the compact cars to the SUVs. Our EQC, the first all-electric Mercedes-Benz, also had its world premiere. smart will focus entirely on electric drive by 2020, following the changeover in the United States and Canada. Demand is there: Sales of our smart electric smart doubled last year.

Mercedes-Benz Vans also achieved record unit sales, delivering a total of 421,000 vehicles, which is five percent more than in the prior year. We expect the new Sprinter in particular to stimulate further growth. This is backed up by major orders: The response to the Sprinter is extremely good. In the future, we will deliver several thousand vehicles to Hymer each year. And Amazon has placed an order for 20,000 of our vans.

Most of the major commercial-vehicle markets were on the upturn in 2018 – **Daimler Trucks** made good use of that. We clearly passed the mark of 500,000 trucks sold and thus posted the best year in our history. Total unit sales rose by ten percent. In Europe, we recorded a slight increase, and we grew significantly in North America, Latin America and Asia. The highlight on the product side was the presentation of the new Mercedes-Benz Actros. Our flagship heavy-duty truck sets new standards for safety, efficiency and connectivity.

The eCitaro was the dominant topic at **Daimler Buses** last year. With this new model, we are offering an effective solution for improving air quality in cities. Series production started soon after its world premiere and the first of these buses are already in use with customers. Overall, our buses' sales curve showed a clear upward trend last year.

Daimler Financial Services finances or leases 50 percent of all the vehicles we sell. The division increased its new business slightly and its contract volume significantly. For the first time, it had more than five million vehicles on its books. Our mobility services also developed positively. They are already used by 31 million people worldwide – 13 million more than a year ago.

What we achieved in Daimler's core business last year – despite the difficult environment – also gives cause for optimism for this year. The business environment remains extremely challenging. That's why we are continuing to work hard 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 our next steps here?

In the area of **connectivity**, we are continuously developing our MBUX infotainment system for example. Most recently, we have optimized voice control and introduced gesture control. New features can be directly experienced by our customers via over-the-air updates. Connectivity offers enormous future potential. And with MBUX, we have an excellent basis to utilize it.

We can build on a strong technological base also with **autonomous driving**. We will launch a driverless shuttle service this year in San José, California. The technology will make urban mobility even more convenient and road traffic safer overall. Automated driving functions also offer enormous economic advantages for our commercial-vehicle customers. We plan to put highly automated trucks on the road within the next decade. With the new Actros, we are already the world's first manufacturer with a semi-automated truck in series production.

In the field of **sharing**, we will make further progress through the merger of our mobility services with those of BMW. The new Berlin-based company will start work this year. We are also expanding our portfolio at Daimler to include a premium ride-hailing service in China, which we are developing jointly with Geely.

At Daimler, we have gone all-out on the offensive with **electric mobility**. This year, the EQC will be in the dealerships. This car is the start of a new electric era at Mercedes-Benz. By 2022, we will electrify the entire product range: A total of 130 electrified passenger car variants are planned. Our goal is clear:

We want to offer our customers the best overall package also in an electric world. In the commercial-vehicle segment, our electric portfolio is already unique in its breadth. The first model series of our vans, trucks and buses with electric drive are already in production and in use with customers. We have set our roadmap to deliver electric mobility on a large scale. For example, we will purchase battery cells worth 20 billion euros in the coming years. We are also expanding our own global network for the production of batteries.

2019 is a year of change for Daimler: With your approval, we will restructure our company. We are accelerating into the era of electric mobility. At the same time, we are entering new dimensions in connectivity, autonomous driving and mobility services. Each of these fields offers enormous opportunities for Daimler in the future. Our team has the will and the skills to use them. We will be delighted if you, our shareholders, continue accompanying us along this path.

Sincerely yours

Dieter Zetsche

To Our Shareholders

The automotive industry is undergoing profound change. We are meeting this challenge – strategically and structurally. Our goal is clearly defined: We plan to continue to be a leading vehicle manufacturer while developing into a leading mobility provider. We are supporting this transformation with a cultural and organizational realignment. In everything we do, we focus on the wishes of our customers - this is the basis of our future success, and in this way, we also offer excellent prospects for our investors, partners and employees.

The Board of Management

Daimler is on the right track and we are rapidly progressing towards the future. As one of the leading vehicle manufacturers, we focus consistently on our customers. In order to completely fulfill their requirements all over the world, we are utilizing our four strategic components: CORE, CASE, CULTURE and COMPANY. In this way, we are shaping the mobility of tomorrow – to the benefit of our customers, employees, partners and investors.

Dieter Zetsche | 65
Chairman of the Board of Management,
Head of Mercedes-Benz Cars,
Appointed until December 2019

Ola Källenius | 49
Group Research & Mercedes-Benz Cars Development,
Appointed until December 2022

Martin Daum | 59
Daimler Trucks and Buses,
Appointed until February 2022

Renata Jungo Brüngger | 57
Integrity and Legal Affairs,
Appointed until December 2023

Wilfried Porth | 60
Human Resources and Director of Labor Relations,
Mercedes-Benz Vans,
Appointed until April 2022

Britta Seeger | 49
Mercedes-Benz Cars
Marketing & Sales,
Appointed until December 2024

Hubertus Troska | 58
Greater China,
Appointed until December 2020

Bodo Uebber | 59
Finance & Controlling,
Daimler Financial Services,
Appointed until December 2019

Report of the Supervisory Board

Dear Shareholders, Daimler's 2018 financial year reflects our customers' continuing interest in our vehicles, as well as the upheaval and global challenges of the automotive industry. Digitization, connectivity, electrification, automated and autonomous driving, changes in customer behavior, mobility services, but also new regulatory requirements, are all changing the industry fast. Furthermore, burdens from the past, emissions issues and the current global trade disputes adversely affected our earnings last year. Despite various challenges, Daimler's success is unbroken and it will pay out an adequate dividend to its shareholders. The technologies of the future and new mobility models require extremely high investment. Daimler invests, researches and develops a lot, and is therefore ideally prepared to play an important and leading role in the mobility of the future, and in shaping it successfully.

Supervisory and advisory activities of the Supervisory Board

The Supervisory Board of Daimler AG fully performed its tasks as defined by the law, the Company's Articles of Incorporation and its own rules of procedure once again in the year 2018. The Supervisory Board continually advised and supervised the Board of Management in the management of the Company and provided support with strategically important issues relating to the Group's further development.

The Supervisory Board examined whether the annual company and consolidated financial statements, the combined management report and other financial reporting, as well as the non-financial report for Daimler AG and the Daimler Group, which was prepared for the first time for financial year 2017, were in conformance with the applicable requirements.

In addition, it approved numerous business matters for which its consent was required following careful reviews and consultations. As well as approving the implementation of the divisional structure with the creation of legally independent entities in the context of "Project Future", this also included finance and investment planning, major equity measures at companies of the Group, associated companies and joint ventures, and the conclusion of contracts with particular importance for the Group. The Board of Management informed the Supervisory Board about a large number of further measures and business transactions, and discussed them with it intensively and in detail, including the measures in connection with the administrative order of the German Federal Motor Transport Authority to recall certain Mercedes-Benz diesel vehicles and the ongoing talks held with the Federal Ministry of Transport and Digital Infrastructure.

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

Daimler's success is based on a profound and integrative automotive expertise and strategic foresight. The 5C strategy consisting of CORE, CASE, CULTURE, COMPANY and CUSTOMER, which is explained on pages 67 ff of this Annual Report, is in the implementation phase. It sets the course for a locally emission-free and electric future and focuses on employees and customers. Daimler is making enormous investments in the transformation of the radically changing automotive industry. This, as well as global trade disputes, and emission and antitrust issues, are adversely affecting the Group's results of operations. The latter issues also affect the credibility of the entire industry. Daimler feels an obligation to its customers and shareholders to reshape future mobility with sustainable products and innovative services.

Dr. Manfred Bischoff, Chairman of the Supervisory Board

To achieve this, the Supervisory Board emphatically supports the reorganization of the Group, the so-called **Project Future**. Daimler is acting proactively with this reorganization for five main reasons: **A sharper focus**. The legally independent business entities that we aim to create with their own decision-making boards will have greater customer proximity and allow more precise work in the markets. **Strengthening entrepreneurial action**. The new business entities will have greater freedom and more scope to manoeuver. **Gaining innovation/ cooperation partners**. The legally separate business entities will be attractive cooperation partners. Furthermore, the new structure will offer greater scope to remain capable of action in a dynamic competitive environment. There are no plans for Daimler AG to divest individual business units. **Enhancing attractiveness in the capital market**. The realignment will enhance transparency of the individual parts of the Group and thus the attractiveness of Daimler AG in the capital market. **Securing synergies**. The realignment will preserve economies of scale in purchasing and financing, for example. The shared use of intellectual property rights, including the brands, will also continue to be secured under the new structure.

Working culture and areas of Supervisory Board activity
In the year 2018, the Supervisory Board convened for nine meetings. Participation in the meetings by the members of the Supervisory Board was at a high level once again. During the year under review, all members of the Supervisory Board participated in significantly more than half of the meetings of the Supervisory Board and of its committees of which they are members. The work of the Supervisory Board featured open and intensive exchanges of information and opinions. The members of the Supervisory Board regularly prepared for upcoming resolutions with the use of documentation provided in advance by the Board of Management. Furthermore, the members representing the employees and the members representing the shareholders regularly prepared the Supervisory Board meetings in separate discussions, which were also attended by members of the Board of Management. The Supervisory Board was intensively supported by its committees and the members of the Supervisory Board discussed the measures and business matters to be decided upon in detail with the Board of Management. For the meetings, executive sessions were regularly arranged so that topics could be discussed also in the absence of the Board of Management.

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

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

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

In the Supervisory Board meeting held on February 9, 2018, the Supervisory Board decided to reappoint Renata Jungo Brüngger as a member of the Board of Management of Daimler AG with responsibility for "Integrity and Legal Affairs" for further five years effective as of January 1, 2019. Subsequently, it dealt with the annual company financial statements, the annual consolidated financial statements and the combined management report for Daimler AG and the Daimler Group for the year 2017, each of which had been issued with an unqualified audit opinion by the external auditors, as well as with the reports of the Audit Committee and the Supervisory Board, the declaration on corporate governance combined with the corporate governance report, the remuneration report, the non-financial report, which was issued with the independent auditor's limited assurance in accordance with ISAE 3000, and the proposal on the appropriation of profit. In preparation, the members of the Supervisory Board were provided with comprehensive documentation.

The Audit Committee and the Supervisory Board dealt with those documents in detail and discussed them intensively in the presence of the independent auditors. The independent auditors reported on the results of their audit and on the key audit matters and the respective audit procedure including the conclusions drawn, as well as on the voluntary review of the non-financial report within the framework of a limited assurance engagement, and were available to answer questions and to provide further information. Following the final results of the review by the Audit Committee and its own review, the Supervisory Board declared its agreement with the results of the audit carried out by the external auditors. It determined that no objections were to be raised, approved the financial statements and the combined management report as presented by the Board of Management, and thus adopted the financial statements of Daimler AG for the year 2017. On this basis, the Supervisory Board consented to the proposal made by the Board of Management on the appropriation of distributable profit. In addition, the Supervisory Board approved the non-financial report, the report of the Supervisory Board, the corporate government statement combined with the corporate governance report, and the remuneration report, as well as its proposed decisions on the items of the agenda for the 2018 Annual Shareholders' Meeting.

In its meeting on February 9, 2018, the Supervisory Board approved a number of measures for which its consent was required, in particular for the expansion of capacities at Beijing Benz Automotive Co. Ltd for the further development of local production of Mercedes-Benz vehicles. Furthermore, the Supervisory Board dealt with matters pertaining to the remuneration of the members of the Board of Management and, in connection with the item of the agenda on corporate governance, approved the memberships in other boards and further external secondary employments of the members of the Board of Management that were presented in the meeting. Finally, the Supervisory Board addressed current legal issues, in particular including the question of whether, in connection with the antitrust investigations of truck manufacturers by the European Commission, claims for compensation were to be made against former or current members of the Board of Management. On the basis of the reviews carried out so far and repeatedly updated by an independent law firm, a further review by an independent legal academic, as well as detailed discussions in the Supervisory Board taking into account the welfare of the Company, the Supervisory Board maintained its previous resolution, based on the information available, that no such claims were to be made at the present time. The Supervisory Board arranged for further clarification of the facts of the case in order to secure the current state of knowledge and obtained the expertise of an independent legal academic, who came to the conclusion that the Supervisory Board was fully complying with its obligations under stock corporation law in this respect. At the end of July 2018, it also discussed in this context the question of setting up an independent special committee (page 49). At the meeting in December 2018, the Supervisory Board dealt once again with the matter on the basis of new knowledge gained from further clarification of the facts of the case (page 50).

In the meeting in late March 2018, the Supervisory Board dealt with the merger of the mobility services of Daimler with those of BMW into a joint venture with equal shareholdings in the areas of carsharing, ride hailing, parking, charging and multimodality, and approved the plan.

In the Annual Shareholders' Meeting on April 5, 2018, the candidates nominated by the Supervisory Board, Sari Baldauf and Dr. Jürgen Hambrecht once again and Marie Wieck for the first time, were elected to the Supervisory Board as representatives of the shareholders. In the subsequent meeting of the Supervisory Board, the representatives of the shareholders elected Sari Baldauf once again as a member of the Nomination Committee and Dr. Jürgen Hambrecht once again as a member of the Mediation Committee. Furthermore, the Supervisory Board elected Dr. Jürgen Hambrecht once again as a member of the Presidential Committee. Also in this meeting, the Supervisory Board passed resolutions with regard to the employee representatives elected with effect as of April 5, 2018: Michael Brecht was elected Deputy Chairman of the Supervisory Board, Michael Brecht and Ergun Lümali were elected as members of the Audit Committee and Roman Zitzelsberger was elected as a member of the Presidential Committee. In addition, the employee representatives elected Roman Zitzelsberger as a member of the Mediation Committee and the members of the Audit Committee elected Michael Brecht as the Deputy Chairman of this Committee.

Supervisory Board meeting held abroad

In late April 2018, the Supervisory Board convened for a two-day meeting abroad in Hungary. In addition to discussing current political conditions in Eastern Europe, the main focus was on visiting the plant in Kecskemét. A regular meeting of the Supervisory Board was also held as part of the meeting abroad. Among other things, the Supervisory Board decided on the future production of electric Mercedes-Benz vehicles at the French plant in Hambach. Furthermore, the Supervisory Board approved the transfer of pension obligations to pensioners of Daimler AG to Daimler Pensionsfonds AG. On the recommendation of the Audit Committee, the Supervisory Board also resolved to make adjustments to the rules of procedure of the Audit Committee with regard to the regular report to the Audit Committee, which were prompted by the changed responsibilities of the BPO (Business Practices Office) whistleblower system. In addition, the Supervisory Board was informed about the status of the review and the initiation of the first preparatory measures to strengthen the divisional structure within the framework of Project Future. Finally, the Supervisory Board received detailed reports on current legal issues, also with regard to inquiries, investigations, proceedings and administrative orders in connection with diesel exhaust emissions.

In a further meeting in early July 2018, the Supervisory Board discussed in detail the settlement of the Toll Collect arbitration proceedings and approved the conclusion of a settlement agreement between the Federal Republic of Germany, Daimler Financial Services AG, the other consortium partners (Deutsche Telekom AG and Cofiroute S. A.), Toll Collect GbR and Toll Collect GmbH to settle those arbitration proceedings.

In its meeting in late July 2018, following detailed prior discussion, including preliminary discussions with shareholders and employees, the Supervisory Board approved the implementation of Project Future and thus a new divisional structure for the Group with legally independent entities. In this meeting, the Supervisory Board also discussed the course of business and the results of the first half of the year in detail with the Board of Management and obtained information on current legal issues. In addition, the Supervisory Board also dealt with the question of whether an independent special committee of the Supervisory Board of Daimler AG should be set up to clarify any Board of Management responsibility in connection with the European Commission's antitrust proceedings against truck manufacturers. As the facts of the matter were to be assessed and decisions were to be made by the Supervisory Board in its entirety, and in view of the fact that all independent members of the Supervisory Board had a special role in these discussions and that advice on this matter was provided by an independent law firm and another independent legal academic, it saw no reason to form a special committee. Furthermore, in the opinion of the Supervisory Board, no member of the Supervisory Board has concrete indications of relevant circumstances or relationships that could give rise to a material and not merely temporary conflict of interest and that would therefore speak against independence.

Strategy meeting of the Supervisory Board

At the beginning of the two-day strategy workshop in Böblingen and Filderstadt in late September, the Supervisory Board dealt with succession planning and decided on personnel changes. Since the term of office of the Chairman of the Supervisory Board is due to expire at the end of the Annual Shareholders' Meeting in 2021, the Supervisory Board wanted to set the course for a suitable succession at an early stage, in view of the challenges of the transformation in the automotive industry, and therefore passed a resolution announcing its intention to propose the election of Dr. Dieter Zetsche to the Supervisory Board at the Annual Shareholders' Meeting in 2021. In the event of Dr. Dieter Zetsche's election by the 2021 Annual Shareholders' Meeting, the Chairman of the Supervisory Board, Dr. Manfred Bischoff, intends to recommend Dr. Dieter Zetsche as his successor as Chairman of the Supervisory Board. In order to comply with the two-year cooling-off period, Dr. Dieter Zetsche will therefore resign from his position on the Board of Management of Daimler AG and as Head of Mercedes-Benz Cars at the end of the Annual Shareholders' Meeting in 2019. As a result, the Supervisory Board decided to appoint Ola Källenius as Chairman of the Board of Management of Daimler AG for a new period of office of five years and as Head of Mercedes-Benz Cars effective at the end of the Annual Shareholders' Meeting in 2019. Starting at the same time, as successor to Ola Källenius, Markus Schäfer will assume responsibility for "Group Research and Mercedes-Benz Cars Development" on the Board of Management of Daimler AG.

In this meeting, the Supervisory Board also approved the participation in the package of measures to improve air quality in Germany. The Supervisory Board also discussed, among other things, the current status of considerations regarding a new remuneration model for the Board of Management to take effect on January 1, 2019 (page 125 ff).

In addition to introductory discussions on the Daimler 5C strategy and the Mercedes-Benz Cars strategy, the focus of the strategy workshop was on three of the four areas of CASE: “Autonomous”, “Shared & Services” and “Electric.” The Supervisory Board dealt with the electrification of the vehicle fleets and, among other things, with battery and cell technology. Furthermore, it was informed about the portfolio of mobility services, particularly in view of growing mobility requirements in urban areas. In addition, the Supervisory Board was shown current developments and solutions relating to the automated and autonomous transportation of people and goods. Various vehicle exhibits were also presented. In a constructive and open dialogue, the members of the Supervisory Board and the Board of Management discussed with the executives responsible for the topics presented how Daimler will prepare for new challenges and what further developments are imminent. The changing competitive environment was also discussed. In addition, the Supervisory Board discussed the key financial indicators and the targets for the Group and the divisions. At the same meeting, the Supervisory Board was informed in detail about current legal issues, such as the initiation by the European Commission of a formal investigation into possible collusion on emission reduction systems. In this respect, the Supervisory Board dealt with Daimler’s internal processing of the matters and, in consultation with an independent law firm, also with the consequences for the further clarification and examination of any Board of Management responsibilities that are closely related to the progress of the proceedings.

Meeting on operational planning 2019/2020

On the day before the meeting in December 2018, the members of the Supervisory Board had the opportunity to participate in a product presentation. In the context of the actual meeting on December 12, 2018, the Supervisory Board dealt with the proposals to be made at the Annual Shareholders’ Meeting in 2019 for the election to the Supervisory Board of two members representing the shareholders described on page 52. In addition, the Supervisory Board discussed key individual topics of Project Future. During the further course of the meeting, on the basis of comprehensive documentation, the Supervisory Board discussed in detail and approved the operational planning for the years 2019 and 2020, and, in this context, discussed existing opportunities and risks as well as the Group’s risk management.

The meeting also focused on information on current legal issues, including inquiries, investigations, proceedings and administrative orders in connection with diesel exhaust emissions. The question of possible claims for damages against former or current members of the Board of Management in connection with the European Commission’s antitrust proceedings against truck manufacturers was also dealt with once again. The Supervisory Board decided, after careful discussion of new knowledge gained from the further clarification of the facts of the case and after renewed consideration of the reasons for and against the assertion of a claim and taking into account the welfare of the Company, to maintain its current position that no claims for compensation are to be made at the present time.

In addition, the Supervisory Board dealt with software documentation, the technical compliance organization and the approval process in vehicle development, and was provided with information on the topic of sales of the future. The Supervisory Board was also informed about the topic of personnel development and the implementation of Leadership 2020. Other subjects discussed at the meeting were matters of corporate governance, in particular the declaration of compliance with the German Corporate Governance Code, and the review of the overall requirement profiles for the Board of Management and the Supervisory Board, including their fulfilment. Furthermore, the Supervisory Board looked ahead to the main topics for the 2019 financial year. Finally in this meeting, it dealt with the further development of the remuneration system, on the basis of preparations by the Presidential Committee, and, against the background of fundamental technological changes in the automotive industry, decided on changes to the annual bonus effective as of January 1, 2019. Details of the system of Board of Management remuneration and changes to the annual bonus are presented in the Remuneration Report.
pages 120 ff

Corporate governance and declaration of compliance
During the year 2018, the Supervisory Board was continually occupied with standards of good corporate governance.

In its meeting in December 2018, the Supervisory Board approved the 2018 declaration of compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG). With the exception explained there, all the recommendations of the Code have been complied with and continue to be complied with.

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

There were no indications of any actual conflicts of interest in the year 2018. In order to avoid individual potential conflicts of interest, some members of the Supervisory Board did not participate in discussions of certain items of the agendas in the year 2018: Dr. Jürgen Hambrecht and Dr. Bernd Pischetsrieder left the room during the Supervisory Board meetings for the legal status reports in particular, when legal proceedings in connection with diesel exhaust emissions were discussed. As a result, in compliance with the goals of the Supervisory Board, there were no potential conflicts of interest during the year under review for at least half of the members representing the shareholders and for at least 15 members of the entire Supervisory Board.

In financial year 2018, as scheduled, the Supervisory Board once again had an externally moderated efficiency review conducted, thus complying with the requirements of its rules of procedure and the German Corporate Governance Code for the regular execution of an efficiency review. The results of the efficiency review, which the Supervisory Board dealt with intensively at its meeting on February 13, 2019, confirm the professional, very good and very trusting cooperation within the Supervisory Board and with the Board of Management. There was no fundamental need for change, but individual suggestions were made and are implemented.

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

As of December 31, 2018, the shareholders' side of the Supervisory Board of Daimler AG is composed of 30% women (the members Sari Baldauf, Petraea Heynike and Marie Wieck) and 70% men. On the employees' side, the proportions as of that date are 30% women (the members Elke Tönjes-Werner, Sibylle Wankel and Dr. Sabine Zimmer) and 70% men. The Supervisory Board as a whole therefore also fulfills the statutory quota.

In its meeting on December 12, 2018, the Supervisory Board discussed the specific proposals for candidates to be elected at the 2019 Annual Shareholders' Meeting and decided, upon the recommendation of the Nomination Committee, to propose at the 2019 Annual Shareholders' Meeting that Joe Kaeser and Dr. Bernd Pischetsrieder be once again elected to the Supervisory Board. If the proposed candidates are elected, the statutory quota for women will remain fulfilled both on the shareholder side and for the Supervisory Board as a whole, provided there are no other changes.

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

Corporate governance at Daimler is described in detail in the declaration on corporate governance combined with the corporate governance report on pages 191 ff and in the remuneration report on pages 120 ff of this Annual Report.

The work of the committees

The **Presidential Committee** convened five times last year. It dealt primarily with personnel matters of the Board of Management, remuneration questions and corporate governance issues. As in previous years, compliance targets constituted part of the individual target agreements of the members of the Board of Management. Once again, additional non-financial targets were also included as criteria in the target agreements. For the past financial year, they were the further development and permanent establishment and consideration of the corporate values integrity and diversity with regard to increasing the proportion of women in management positions, the maintenance and enhancement of a high level of employee satisfaction and of high product quality. Details of the changes to the remuneration system for the Board of Management, which apply as of January 1, 2019, are presented on pages 125 ff.

The **Audit Committee** met six times in 2018. Details of those meetings are provided in a separate report of that committee on pages 188 ff.

The **Nomination Committee** convened for two meetings in 2018. In particular, the Committee prepared recommendations for the Supervisory Board's proposals to be made at the Annual Shareholders' Meeting in 2019 on the candidates for election to the Supervisory Board. Among other things, and taking into consideration all circumstances of each individual case, the proposals are oriented towards the Daimler Group's interests and aim to fulfill the overall qualifications profile, including expertise profile and diversity concept, for the entire Supervisory Board.

There was no occasion to convene the **Mediation Committee** during the reporting period.

Personnel changes in the Supervisory Board and the Board of Management

Following the proposal of the Supervisory Board, the Annual Shareholders' Meeting on April 5, 2018 elected Sari Baldauf and Dr. Jürgen Hambrecht once again and Marie Wieck for the first time as members of the Supervisory Board representing the shareholders, for the period until the end of the Annual Shareholders' Meeting that decides on ratification of board members' actions for financial year 2022. Effective at the end of the Annual Shareholders' Meeting on April 5, 2018, Andrea Jung on the shareholders' side and Valter Sanches and Jörg Spies on the employees' side stepped down from the Supervisory Board. In the elections of the employee representatives held before the Annual Shareholders' Meeting, Raymond Curry and Dr. Sabine Zimmer were elected as members of the Supervisory Board for the first time in addition to the reelected employee representatives. At the end of 2018, Wolfgang Nieke stepped down from the Supervisory Board on the employees' side and was replaced by Michael Häberle, a replacement member elected for him.

In the Supervisory Board meeting on February 9, 2018, Renata Jungo Brüngger was reappointed as a member of the Board of Management Member with responsibility for "Integrity and Legal Affairs," effective as of January 1, 2019 for a period of further five years.

In the Supervisory Board meeting in September 2018, the Supervisory Board approved the resignation of Dr. Dieter Zetsche, in consultation with the Supervisory Board, as a member of the Board of Management of Daimler AG and as Head of Mercedes-Benz Cars effective at the end of the Annual Shareholders' Meeting in 2019, as well as the appointment of Ola Källenius as Chairman of the Board of Management of Daimler AG and as Head of Mercedes-Benz Cars for a new term of office of five years starting at the end of the Annual Shareholders' Meeting in 2019. It was also decided that Markus Schäfer would succeed Ola Källenius as Head of Group Research and Mercedes-Benz Cars Development on the Board of Management of Daimler AG with effect from that date.

In October 2018, Bodo Uebber, responsible for "Finance & Controlling/Daimler Financial Services", stated that he did not wish to extend his current appointment, which expires in December 2019.

In its meeting in December 2018, the members of the Supervisory Board representing the shareholders decided, on the basis of a recommendation by the Nomination Committee, to propose the reelection to the Supervisory Board of Joe Kaeser and Dr. Bernd Pischetsrieder at the Annual Shareholders' Meeting in 2019.

In the Supervisory Board meeting on February 13, 2019, Harald Wilhelm was appointed to the Board of Management of Daimler AG for a period of 3 years with effect as of April 1, 2019. Bodo Uebber will resign from the Board of Management of Daimler AG with effect as of the end of the Annual Meeting 2019 and with effect as of the same time, Harald Wilhelm will take over the responsibility for "Finance & Controlling/Daimler Financial Services".

Furthermore, Britta Seeger was reappointed to the Board of Management of Daimler AG as the member responsible for "Mercedes-Benz Cars Marketing and Sales" for a further five years effective as of January 1, 2020.

Audit of the company and consolidated financial statements

The financial statements of Daimler AG and the combined management report for the Company and the Group for 2018 were duly audited by KPMG AG, Wirtschaftsprüfungsgesellschaft, Berlin, and were given an unqualified audit opinion. The same applies to the consolidated financial statements for 2018 prepared according to IFRS. On the basis of a voluntary review of the contents of the non-financial report decided upon by the Supervisory Board, the non-financial report for financial year 2018 was reviewed by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, within the framework of a limited assurance engagement and was issued with a limited assurance in accordance with ISAE 3000.

In a meeting held on February 5, 2019 attended by the external auditors, the Supervisory Board discussed, took note of and approved the preliminary key figures of the annual company and consolidated financial statements for 2018 and the proposal on the appropriation of profit to be made at the 2019 Annual Shareholders' Meeting. The Supervisory Board determined that no objections were to be made to their publication. The preliminary key figures for the year 2018 as well as the proposal on the appropriation of profit were announced at the Annual Press Conference on February 6, 2019.

In the meeting held on February 13, 2019, the Supervisory Board dealt with the annual company financial statements, the annual consolidated financial statements and the combined management report for Daimler AG and the Daimler Group, each of which had been issued with an unqualified audit opinion by the independent auditors, as well as with the reports of the Audit Committee and the Supervisory Board, the corporate government statement combined with the corporate governance report, the remuneration report, the non-financial report issued with a limited assurance in accordance with ISAE 3000, and the proposal on the appropriation of profit. In preparation, the members of the Supervisory Board had been provided with comprehensive documentation including the Annual Report with the consolidated financial statements according to IFRS, the combined management report for Daimler AG and the Daimler Group, the declaration on corporate governance combined with the corporate governance report, the remuneration report, the non-financial report, the annual company financial statements of Daimler AG, the proposal of the Board of Management on the appropriation of profit, the audit reports of KPMG AG Wirtschaftsprüfungsgesellschaft on the annual company financial statements of Daimler AG and the consolidated financial statements, each including the combined management report, and the Internal Control System (ICS), as well as drafts of the reports of the Supervisory Board and of the Audit Committee. The Audit Committee and the Supervisory Board dealt with those documents in detail and discussed them intensively in the presence of the independent auditors, who reported on the results of their audit and in particular on the key audit matters and the respective audit procedure including the conclusions drawn and the voluntary review of the non-financial statement within the framework of a limited assurance engagement, and who were available to answer supplementary questions and to provide additional information. Following the final results of the review by the Audit Committee and its own review, the Supervisory Board declared its agreement with the results of the audit by the external auditors. It determined that no objections were to be raised and approved the financial statements and the combined management report as presented by the Board of Management. The company financial statements of Daimler AG for the year 2018 were thereby adopted. On this basis, the Supervisory Board consented to the proposal made by the Board of Management on the appropriation of distributable profit. Furthermore, the Supervisory Board approved the non-financial report and the report of the Supervisory Board, the declaration on corporate governance combined with the corporate governance report, and the remuneration report. Due to the postponement of the Annual Shareholders' Meeting until May 22, 2019 in connection with Project Future, no proposed decisions were approved for the items of the agenda of the 2019 Annual Shareholders' Meeting, apart from the proposal on the appropriation of profit.

Appreciation

The Supervisory Board thanks all the employees and the management of the Daimler Group for their committed contributions in the challenging environment of the year 2018.

The Supervisory Board also thanks Andrea Jung, Valter Sanches, Jörg Spies and Wolfgang Nieke, who closely supported the Daimler Group through their committed work in the Supervisory Board and who last year stepped down from the Supervisory Board.

Stuttgart, February 2019

The Supervisory Board

Dr. Manfred Bischoff
Chairman

The Supervisory Board

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

Michael Brecht*
Gaggenau
elected until 2023
Deputy Chairman of the Supervisory Board of Daimler AG;
Chairman of the General Works Council Daimler Group;
Chairman of the General Works Council Daimler AG;
Chairman of the Works Council, Gaggenau Plant, Daimler AG

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

Bader M. Al Saad
Kuwait
elected until 2022
Former Chairman and Managing Director of the Executive Committee of the Board of Directors of Kuwait Investment Authority
Other supervisory board memberships/directorships:
Kuwait Investment Authority
Kuwait Fund for Economic Development (since March 5, 2018)

Sari Baldauf
Helsinki
elected until 2023
Former Executive Vice President and General Manager of the Networks Business Group of Nokia Corporation
Other supervisory board memberships/directorships:
Vexve Holding Oy – Chairwoman
Nokia Oyj (since May 30, 2018)
Fortum Oyj – Chairwoman (until March 28, 2018)
Deutsche Telekom AG (until May 17, 2018)

Michael Bettag*
Nuremberg
elected until 2023
Chairman of the Works Council of the Nuremberg Dealership, Daimler AG

Dr. Clemens Börsig
Frankfurt am Main
elected until 2022
Former Chairman of the Supervisory Board of Deutsche Bank AG
Other supervisory board memberships/directorships:
Linde AG
Linde Intermediate Holding AG (since September 25, 2018)
Linde plc (since October 22, 2018)
Emerson Electric Co.

Raymond Curry*
Detroit
(since April 5, 2018)
elected until 2023
Secretary-Treasurer United Auto Workers (UAW)

Dr. Jürgen Hambrecht
Ludwigshafen
elected until 2023
Chairman of the Supervisory Board of BASF SE
Other supervisory board memberships/directorships:
BASF SE – Chairman
Fuchs Petrolub SE – Chairman
Trumpf GmbH + Co. KG – Chairman

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

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

Ergun Lümali*
Sindelfingen
elected until 2023
Chairman of the Works Council at the Sindelfingen Plant;
Deputy Chairman of the General Works Council of Daimler AG

Wolfgang Nieke*
Stuttgart
until December 31, 2018
Chairman of the Works Council, Untertürkheim Plant, Daimler AG (until December 31, 2018)

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

Elke Tönjes-Werner*
Bremen
elected until 2023
Deputy Chairwoman of the Works Council, Bremen Plant, Daimler AG

Sibylle Wankel*
Frankfurt am Main
elected until 2023
General Counsel of the German Metalworkers' Union (IG Metall)
Other supervisory board memberships/directorships:
Siemens AG (until January 31, 2018)

Dr. Frank Weber*
Sindelfingen
elected until 2023
Director of the Press Shop, Sindelfingen Plant, Daimler AG; Chairman of the Management Representatives Committee, Daimler Group

Marie Wieck
Cold Spring/New York
(since April 5, 2018)
elected until 2023
General Manager IBM Blockchain

Dr. Sabine Zimmer*
Stuttgart
(since April 5, 2018)
elected until 2023
Manager Vocational Training Policies, Germany, Daimler AG

Roman Zitzelsberger*
Stuttgart
elected until 2023
German Metalworkers' Union (IG Metall), District Manager Baden-Württemberg
Other supervisory board memberships/directorships:
Heidelberger Druckmaschinen AG (until July 25, 2018)
MTU Friedrichshafen GmbH (since March 23, 2018)
Rolls-Royce Power Systems AG (since March 23, 2018)

Elected as substitute member for Wolfgang Nieke, moved up on January 1, 2019:

Michael Häberle*
Stuttgart
elected until 2023
Chairman of the Works Council, Untertürkheim Plant, Daimler AG (since January 1, 2019)

Retired from the Supervisory Board:

Andrea Jung
New York
retired on April 5, 2018
President and Chief Executive Officer of Grameen America, Inc.

Wolfgang Nieke*
Stuttgart
retired on December 31, 2018
Chairman of the Works Council, Untertürkheim Plant, Daimler AG (until December 31, 2018)

Valter Sanches*
Geneva
retired on April 5, 2018
General Secretary IndustriALL Global Union

Jörg Spies*
Stuttgart
retired on April 5, 2018
Chairman of the Works Council, Headquarters, Daimler AG

Committees of the Supervisory Board:

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

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

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

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

* Representative of the employees

Highlights of 2018

At the IAA Commercial Vehicles Show in Hanover in September 2018, Daimler Trucks celebrates the launch of its new Mercedes-Benz Actros flagship, with the special model “Edition 1” limited to 400 units, whose numerous extras provide the driver with a very high level of comfort and safety. Furthermore, selected design elements give the vehicle high recognition value. The new Actros brings groundbreaking innovations that pay off immediately. Operators and drivers alike benefit from extremely levels of efficiency and comfort.


EDITION 1
S MB 1863

Q1

World premiere of the new Sprinter
Mercedes-Benz Vans announces the digital age for our large vans with the new edition of the bestseller. The third generation of the Sprinter represents the division's development from a pure vehicle manufacturer into a provider of integrated transport and mobility solutions. With new connectivity services, electric drive and individual hardware solutions for the load compartment, the large van will make customers' business much more efficient in the future.

World premiere of the new A-Class in Amsterdam
The A-Class is more mature and comfortable than ever before. Technologically, it sets itself apart from the competition, and not only with the new MBUX infotainment system. At the same time, it offers a range of safety and driver-assistance systems that were previously reserved for the luxury class. This applies also to its appearance: the purist design with clear surfaces is the next step in the design philosophy of sensual clarity.

Factory 56 – laying the foundation stone for one of the world's most advanced car production facilities
Mercedes-Benz Cars is building the car production of the future at its Sindelfingen plant – digital, flexible and green: A completely new infrastructure is to be used in Factory 56. The hall is equipped with Wi-Fi throughout, communicates with its surroundings and uses digital tools. A new form of work organization takes employees' individual needs into account. Factory 56 also features sustainability and energy efficiency, for example through the use of energy from renewable sources. Series production in Factory 56 is to start at the beginning of the next decade with cars and electric vehicles in the upper and luxury classes, as well as self-driving cars.

New Daimler trainee program secures tomorrow's executives
Mobility is changing. In order to actively shape this change, outstanding talent is needed. "INspire – the Leaders' Lab" is Daimler's new trainee program for university graduates and young professionals with their first practical experience. In 24 months, the participants go through at least four – mainly international – project assignments and numerous training units, optimally preparing them for later management tasks.

Daimler has a new major shareholder
The Chinese entrepreneur Li Shufu acquires a 9.7% equity interest in Daimler AG. Daimler is pleased to have gained Li Shufu as another long-term investor who is convinced of Daimler's innovative strength, strategy and future potential.

Daimler Trucks revolutionizes truck production in Brazil
A type of truck assembly line that is completely new for the Brazilian market is put into operation at the São Bernardo do Campo plant. Hyper connectivity (real-time networking of individuals, things and devices) and digital technologies for systems and tools ensure a future-oriented production system. Mercedes-Benz do Brasil has brought together the assembly of light to heavy trucks and the associated parts logistics in a completely new building.

Daimler and BMW Group agree to combine their mobility services
Daimler AG and BMW Group plan to merge their existing offerings for on-demand mobility in the areas of car sharing, ride hailing, parking, charging and multimodality, and to strategically expand them with the aim of becoming one of the leading providers of mobility services. Each of the two companies will hold 50% of the shares in the joint venture for their combined mobility services. After all the involved anti-trust authorities approve the transaction by December 2018, it will be completed in January 2019.

Q2

Annual Shareholders' Meeting approves dividend increase to €3.65 per share (previous year: €3.25)
Approximately 6,000 shareholders attend the meeting at the CityCube in Berlin on April 5, 2018. The resolutions proposed by the management are all adopted by large majorities. The total dividend payout reaches a new high of €3.9 billion and is the highest dividend ever paid by a DAX 30 company.

Daimler strengthens its activities for the respect of human rights
Daimler has developed a systematic approach to respecting human rights, the Human Rights Respect System. With its risk-oriented and systematic approach, it increases the effectiveness of previous measures also along complex supply chains. The company is thus taking another important step towards making mobility sustainable, which also includes the responsible procurement of raw materials.

Settlement on Toll Collect
Daimler Financial Services AG reaches an agreement with Deutsche Telekom AG (consortium partner) and the German Government on terminating the arbitration proceedings regarding Toll Collect. This will allow a dispute lasting more than 14 years to be settled. At the same time, Toll Collect can make a new start without any burdens.

Foundation stone for first "full-flex plant"
Mercedes-Benz Cars starts the construction of its first fully flexible plant in Kecskemét, Hungary. The company is investing a total of €1 billion in the new car plant and creating more than 2,500 jobs. In this full-flex plant, widely differing vehicle architectures can be produced flexibly on one assembly line, from compact models to rear-wheel-drive sedans and with differing drive systems including electric drive. The plant in Kecskemét comprises press shop, body shop, surface processing and assembly. It is highly efficient and has CO_2-neutral energy supply.

One million world engines for Daimler Trucks
The Mercedes-Benz plant in Mannheim and Detroit Diesel Corporation, a subsidiary of Daimler Trucks North America (DTNA), together reach a special milestone in the international powertrain network: Together, the two plants have produced a total of 1,000,000 heavy-duty engines, underscoring the success of the common platform strategy for the drivetrains of Daimler Trucks.

Daimler adjusts its earnings guidance
Daimler AG reassesses its earnings potential for the year 2018. At Mercedes-Benz Cars, lower SUV sales and higher costs are to be expected due to higher tariffs on vehicles imported into the Chinese market from the United States. In addition, the certification process according to the new WLTP (Worldwide Harmonized Light Vehicles Test Procedure) standard will lead to expenses in the second half of the year.

Q3

World premiere of the all-electric eCitaro
It operates free of local emissions and almost noiselessly. It combines the tried-and-tested platform of the bestselling Mercedes-Benz city bus of all time with new technological solutions and an independent design. The all-electric Mercedes-Benz eCitaro raises electric mobility with city buses to a new level and impresses with its innovative thermal management with outstanding energy efficiency and range security.

Milestone for new corporate structure
The Board of Management and the Supervisory Board approve the structural further development of the company. Daimler thus reaches an important milestone along the way to a new Group structure. Three independent entities under the umbrella of Daimler AG are to meet future challenges and systematically utilize the opportunities offered by the mobility of the future. The shareholders will decide on the new structure at the Annual Shareholders' Meeting on May 22, 2019. The separation can then take place in the fall of 2019.

Mercedes-Benz starts in the era of electric mobility
Mercedes-Benz celebrates the world premiere of the new all-electric EQC in Stockholm (combined power consumption: 22.2 kWh/100 km; combined CO_2 emissions: 0 g/km, preliminary figures*). As a purely battery-powered vehicle, the EQC stands for a convincing combination of comfort, quality and suitability for everyday use. Visually, the crossover SUV is a pioneer of avant-garde electric aesthetics.

* Figures for electricity consumption and CO_2 emissions are provisional and non-binding and have been determined by an external technical institution. The range figures are also provisional and non-binding. EC type approval and a certificate of conformity with official figures are not yet available. Deviations are possible between the stated figures and the official figures.

World premiere of the new Actros in Berlin
Shortly before the 2018 IAA Commercial Vehicles trade fair, Daimler Trucks presents the new flagship of the Mercedes-Benz brand in Berlin. The new Actros raises safety for all road users, efficiency for the operator and comfort for the driver to very high levels. The most important and spectacular innovation is Active Drive Assist. With Active Drive Assist, Daimler Trucks is putting partially automated driving into series production.

Vision URBANETIC: needs-oriented, efficient and sustainable
With its Vision URBANETIC, Mercedes-Benz Vans presents a revolutionary mobility concept that goes far beyond previous ideas of automated and autonomous vehicles. It removes the distinction between passenger and goods transport and is intended to facilitate the sustainable and efficient transport of persons and goods in line with differing requirements.

Daimler Supervisory Board sets the course for the future
Manfred Bischoff's appointment as Chairman of the Supervisory Board will terminate at the end of the 2021 Annual Shareholders' Meeting. The Supervisory Board intends to propose to the Annual Shareholders' Meeting that Dieter Zetsche be elected to the Supervisory Board at that time. Manfred Bischoff will recommend the election of Dieter Zetsche as his successor as Chairman of the Supervisory Board. In order to comply with the two-year cooling off period, Dieter Zetsche will resign from the Board of Management at the end of the 2019 Annual Shareholders' Meeting. As a result, the Supervisory Board decides to appoint Ola Källenius as Chairman of the Board of Management and Head of the Mercedes-Benz Cars division following the 2019 Annual Shareholders Meeting.

Q4

Daimler DigitalLife Day @IL for lawyers, data-protection specialists and integrity and compliance managers
How do lawyers, data-protection specialists and integrity and compliance managers approach digitization? More than 400 participants deal with this question at the Daimler DigitalLife Day @IL (Integrity and Legal) in Ludwigsburg near Stuttgart. Experts discuss with the audience issues such as big data, new working methods, current developments in legal tech, artificial intelligence and block chains. On three stages, under the motto "#empower – #shape – #protect," Integrity and Legal Affairs continues its dialogue on the subject of digitization.

Daimler adjusts its earnings guidance
As a result of current developments, Daimler AG reassesses its earnings potential for the year 2018. This is mainly due to an increase in expected expenses in connection with ongoing governmental proceedings and measures in various regions relating to Mercedes-Benz diesel vehicles. In addition, Mercedes-Benz Vans has posted lower unit sales due to delivery delays. Furthermore, a recent ruling by the European Court of Justice has led to provisions for risks being recognized for the possible need to retrofit certain vehicles that are still equipped with the previously used refrigerant R134a.

Daimler und Bosch: San José is to be a pilot city for automated ride sharing
Daimler and Bosch announce an app-based, fully automated and driverless (SAE level 4/5) ride-hailing service. In order to test this service, it is planned that the metropolis of San José, California, will become a pilot city during the second half of 2019. Daimler and Bosch plan to make the service available to selected customers with automated Mercedes-Benz S-Class vehicles. The pilot project will provide valuable insights for optimally connecting fully automated vehicles with the users of future mobility services.

#HiFive: Mercedes-AMG Petronas Motorsport wins the Constructors' Championship in Formula 1
For the fifth time in succession, Mercedes-AMG Petronas Motorsport secures the Constructors' World Championship in FIA Formula 1 racing. In addition, they are delighted about a fifth consecutive title double, as Lewis Hamilton wins the Drivers' Championship. The team has once again proven its competitiveness and technical expertise, culminating in the hybrid drive engine used in the Mercedes F1 W09 EQ Power.

Mercedes-Benz delivers the first all-electric eCitaro city bus to Hamburg
Mercedes-Benz delivers the first series-produced model of the all-electric eCitaro city bus to Hamburg. It is the first bus of a major order for 20 vehicles from a German transportation company. The Mercedes-Benz eCitaro is the first fully electric city bus developed and manufactured in Germany. With its quiet and locally emission-free operation, it is an important factor for reducing emissions, especially in urban areas.

Daimler buys battery cells in a total volume of €20 billion
With extensive contracts for battery cells until the year 2030, Daimler sets another important milestone for the electrification of the future electric cars of the EQ product and technology brand, as well as for electric vans, buses and trucks. Together with the supply partners, this aims to ensure that the global battery production network is supplied with the latest technologies today and in the future.

Daimler establishes Germany's biggest corporate pension fund
Daimler AG establishes a pension fund for its retirees. As of January 2019, approximately 80,000 pensioners will receive their benefits out of the company pension scheme directly from Daimler Pensionsfonds AG. For this purpose, Daimler AG has allocated assets of approximately €8.2 billion to the pension fund. The pension fund is subject to the German Insurance Supervision Act (Versicherungsaufsichtsgesetz) and is regulated by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht).

Daimler and the Capital Market

Global stock markets displayed considerably weaker performance in many regions in 2018. The Daimler share price also decreased throughout 2018 and closed the year significantly lower than at the end of 2017. In 2018, we continued to inform institutional investors, analysts, rating agencies and private investors with a wide range of investor relations activities and comprehensive reporting on the Group's business development and prospects. Our refinancing benefited from a high level of capital market liquidity and good ratings. The Board of Management and the Supervisory Board will propose to the Annual Shareholders' Meeting that a dividend of €3.25 (2017: €3.65) per share be paid for the year 2018.

A.01

Development of Daimler's share price and of major indices

	End of 2018	End of 2017	18/17
			% change
Daimler share price (in euros)	45.91	70.80	-35
DAX 30	10,559	12,918	-18
Euro STOXX 50	3,001	3,504	-14
Dow Jones Industrial Average	23,327	24,719	-6
Nikkei	20,015	22,765	-12
STOXX Europe Auto Index	439	615	-29

A.02

Key figures per share

	2018	2017	18/17
Amounts in euros			% change
Net profit	6.78	9.61	-29
Dividend	3.25	3.65	-11
Equity (December 31)	60.45	59.70	+1
Xetra price at year end[1]	45.91	70.80	-35
Highest[1]	75.69	73.25	+3
Lowest[1]	45.27	59.29	-24

1 Closing prices

Most global stock markets significantly weaker

The positive sentiment on global stock markets at the beginning of the year, which was largely a result of the tax reform in the United States, led to all-time highs being recorded on several important share indices in January 2018. As the year progressed, however, stock-market sentiment deteriorated noticeably. In particular, the US government's announcement of possible increases in import tariffs led to a great deal of uncertainty on global markets. Most stock markets did make gains once again between the end of March and mid-May, as the expectation of good results for the first quarter of 2018 caused investors to regain confidence. After that, however, sentiment was once again affected by unrest. In particular, the worsening trade conflict and the possibility of punitive tariffs led investors to adopt a more reserved position and to sell off stocks. Investors also continued to monitor the political situation in Italy. Additional strain was put on the markets by an interest-rate increase implemented in the United States by the Federal Reserve in June. Market volatility increased from the beginning of July until the end of August, in part due to tension between the United States and Turkey. Financial markets also suffered further as a result of ongoing discussions on the possible introduction of punitive tariffs, the high level of structural government debt in Italy, and the faltering Brexit negotiations. Concern about the global economy grew again at the beginning of the fourth quarter, after which global stock markets came under increasing pressure once again and share prices decreased substantially across many sectors. Cyclical stocks and not least shares in the automotive and supplier industries were especially impacted by these developments.

The index of the most important equities in the euro zone, the Euro STOXX 50, fell by 14% in 2018. The development of the leading German share index, the DAX, was even weaker, with a decrease of 18%. In Japan, the Nikkei index closed the year at 20,015, which is 12% lower than a year earlier. In the United States, the Dow Jones reached an all-time high of 26,774 in October, but was 6% below the prior-year level at the end of 2018.

Daimler share price falls by 35%

On January 23, 2018, the Daimler share price reached €75.69, which was its highest level for the year. Automotive stocks were able to carry over their momentum from the previous year at the beginning of 2018, but this changed in early February in the wake of price corrections on the German stock market. The Daimler share was significantly impacted by this development. Investors were made to feel even more uneasy by the ongoing discussions concerning a ban on diesel vehicles in several German cities, the growing trade conflict and the possibility of punitive tariffs and retaliatory measures. One major concern here was the tariffs placed on automobile imports into the United States and China, which obviously have a negative impact on earnings in the automotive industry, particularly in view of the global supplier and production networks operated by automotive companies. Not even the sustained positive development of new orders for trucks in the US could help Daimler shares to gain lasting momentum in this environment. The temporary decrease in unit sales at Mercedes-Benz Cars in connection with the certification process for the new WLTP standard and higher tariffs imposed by the Chinese government on automobile imports from the US also had a negative effect on Daimler's shares as the year proceeded. The downward adjustment of anticipated earnings for 2018 put further pressure on the Daimler share price during the year under review. In a very weak stock-market environment, our shares reached their lowest point of the year 2018 at €45.27 on December 27, and closed the year 2018 at €45.91. Although investors recognize the long-term opportunities offered by the industry's high levels of investment in forward-looking technologies, automotive stocks still remain low compared with share prices in other sectors.

At the end of the year, Daimler had a market capitalization of €49.1 billion (2017: €75.7 billion). With a fall of 35% during the year 2018, the development of Daimler's share price was thus significantly weaker than that of the DAX (-18%) and the STOXX Europe Auto Index (-29%). In the first few weeks of 2019, increases in share prices were again to be observed on the world's stock exchanges. Daimler's shares were listed at €51.66 at the end of January, which is 13% above the closing price at the end of 2018.

Dividend of €3.25

The Board of Management and the Supervisory Board will recommend the payment of a dividend of €3.25 per share for financial year 2018 (2017: €3.65) at the Annual Shareholders' Meeting on May 22, 2019. The total dividend will thus amount to €3,477 million (2017: €3,905 million), which in relation to the current share price, represents a very attractive dividend yield.

A broad shareholder structure and a new major shareholder

Daimler continues to have a broad shareholder base of approximately 1.0 million shareholders (2017: 0.9 million). Shareholder numbers increased slightly during the reporting year, particularly as a larger number of private investors purchased our shares. Tenaciou3 Prospect Investment Limited, a company controlled by the Chinese entrepreneur Li Shufu, who is also the founder and CEO of Geely, became Daimler AG's largest individual shareholder in February 2018. Tenaciou3 Prospect Investment Limited currently owns 9.7% of the company's shares. The Kuwait Investment Authority (KIA) currently owns 6.8% of the company's stock, making it Daimler AG's second-largest single shareholder. The Renault-Nissan Alliance continues to hold 3.1% of Daimler's shares. BlackRock Inc., Wilmington, continues to holds a stake above the 5% reporting limit pursuant to Germany's Securities Trading Act (WpHG). In December 2018, BlackRock notified us that its proportion of the voting rights was 5.12% at December 17, 2018. In October 2018, Harris Associates L. P., Wilmington, notified us that its proportion of the voting rights was 4.93% on October 16, 2018. In May 2018, Bank of America Corporation notified us that its proportion of the voting rights of Daimler shares rose above the 3.0% reporting limit to 3.30% on May 9, 2018.

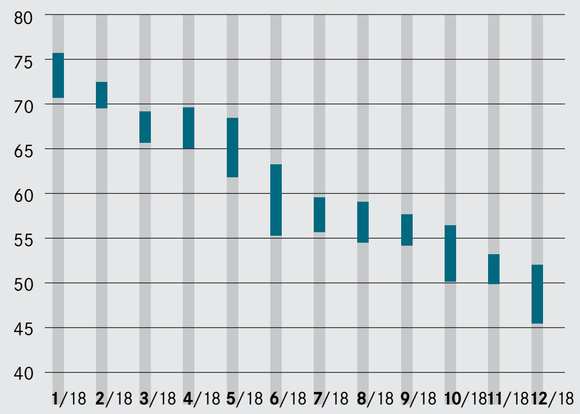
The aforementioned and all other voting-rights notifications are published on the Internet at daimler.com/investors/share/voting-rights.

Institutional investors hold a total of 60% of our equity capital while private investors own 21%. Approximately 62% of our capital is in the hands of European investors and around 16% is held by US investors.

A.03

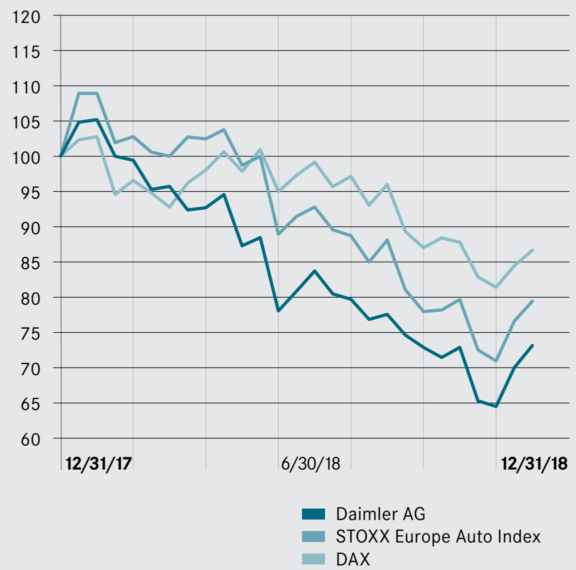
Daimler share price (high/low), 2018

In euros



A.04

Share price index



A.05
Key figures for Daimler shares

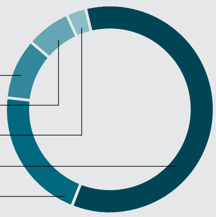
	End of 2018	End of 2017	18/17 % change
Share capital (in millions of euros)	**3,070**	3,070	0
Number of shares (in millions)	**1,069.8**	1,069.8	0
Market capitalization (in billions of euros)	**49.1**	75.7	-35
Number of shareholders (in millions)	**1.0**	0.9	+11
Weighting in share indices			
DAX 30	**4.67%**	6.79%	
Euro STOXX 50	**1.93%**	2.92%	
Long-term credit ratings			
S&P	**A**	A	
Moody's	**A2**	A2	
Fitch	**A-**	A-	
Scope	**A**	A	
DBRS	**A**	A	

A.06
Stock-exchange data for Daimler shares

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

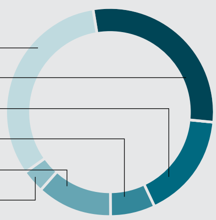
A.07
Shareholder structure as of December 31, 2018
By type of shareholder

Tenaciou3 Prospect Investment Limited	9.7%
Kuwait Investment Authority	6.8%
Renault-Nissan	3.1%
Institutional investors	59.7%
Retail investors	20.7%



A.08
Shareholder structure as of December 31, 2018
By region

Germany	32.4 %
Europe, excluding Germany	29.2 %
USA	16.4 %
Kuwait	6.8 %
Asia	11.8 %
Rest of the world	3.4 %



With a weighting of 4.67% (2017: 6.79%), Daimler was ranked eighth in the German share index DAX 30 at the end of 2018. In the Euro STOXX 50 index, our shares had a weighting of 1.93% (2017: 2.92%), which put Daimler in 19th place. Daimler shares are listed on the stock exchanges in Frankfurt and Stuttgart. A total volume of 1,093 million shares were traded in Germany in 2018 (2017: 942 million). A substantial number of Daimler shares are also traded on multilateral trading platforms and in the over-the-counter market.

Employee stock purchase plan implemented once again
Staff members entitled to purchase employee stock were able to do so once again in March 2018. As was the case in the previous year, price-reduced shares as well as bonus shares were offered. At 23.5%, the participation rate in the year under review was once again significantly higher than in the previous years (2017: 19.8%). A total of 41,900 employees took part in the program (2017: 36,200), which is the highest number since 2008. The total number of shares purchased by employees also increased substantially once again, from 604,000 in 2017 to approximately 717,000 (of which just under 64,700 were bonus shares) in the year under review. In connection with the attendance bonus program, approximately 15,000 shares were additionally issued.

Annual Shareholders' Meeting in the CityCube in Berlin
Our Annual Shareholders' Meeting was held on April 5, 2018, in the CityCube in Berlin. Some 6,000 shareholders (2018: 6,200) attended the meeting. A total of 55.71% (2017: 49.18%) of equity capital was represented at the meeting (actual attendees and shareholders who voted by absentee ballot). A large majority of the shareholders approved each of the items of the agenda proposed by the company's management. For example, the Annual Shareholders' Meeting approved the highest dividend payout to date, €3.65 per share (2018: €3.25), which means the total dividend amounted to €3.9 billion. This was the highest total dividend payout of any DAX 30 company in 2018.

The Annual Shareholders' Meeting also reelected Sari Baldauf, the former Chairwoman of the Board of Directors of Fortum Oyj, Finland, as a shareholder representative in the Supervisory Board of Daimler AG. Dr. Jürgen Hambrecht, Chairman of the Supervisory Board of BASF SE, was also reelected as a member of the Supervisory Board of Daimler AG representing the shareholders. Sari Baldauf and Jürgen Hambrecht were first elected to the Supervisory Board of Daimler AG as representatives of the shareholders in 2008. Marie Wieck, General Manager of IBM Blockchain, was elected by a large majority to the Daimler AG Supervisory Board as a shareholder representative. The terms for the three elected Supervisory Board members began after the conclusion of the Annual Shareholders' Meeting in 2018 and will expire at the end of the Annual Shareholders' Meeting held in 2023. Important documents and information related to the Annual Shareholders' Meeting can be found on the Internet at daimler.com/investors/events/annual-meetings/2018.

In the exhibition areas of the CityCube, Daimler presented its technological expertise and a broad range of products and services under the motto "CORE, CASE, CULTURE, COMPANY." The exhibition highlights showcased future mobility. Along with the two-seat super sports show car Mercedes-AMG Project ONE Vision and the elegant Vision Mercedes-Maybach 6 Cabriolet show car, the presentation also featured electric commercial vehicles such as the MB New Electric Truck, the MB Citaro Hybrid city bus, the FUSO eCanter van, and the Vision Van. Also on display were several car models featuring alternative drive system concepts. A 1:2-scale model of the Volocopter attracted a great deal of attention as well. The Volocopter is an all-electric air taxi that is locally emission-free and very quiet. It is equipped with 18 rotors, and plans also call for automated operation in the medium term. The Volocopter can be used to transport passengers as required through air space in cities as an attractive supplement to public transport services and has already been tested successfully in Dubai.

Daimler Financial Services presented its mobility services at the Annual Shareholders' Meeting. The presentation of our program for the further development of our corporate culture, Leadership 2020, showed how Daimler is responding to the changes occurring with regard to products, customer expectations and the working world. Some of our trainees were also once again at the meeting to provide an insight into their work.

Continuation of comprehensive investor relations activities

In 2018, we once again provided institutional investors, analysts, rating agencies and private investors with timely information regarding the company's business development. We organized road shows for institutional investors and analysts in the finance capitals of Europe, North America, Asia and Australia. We also held many one-on-one meetings at investor conferences. This was especially the case at the international motor shows in Geneva and Paris. We reported on our quarterly results in conference calls and webcasts. The presentations are available on our website at daimler.com/investors/events/presentations. The talks with analysts and investors focused on the latest earnings expectations for 2018, business developments and profitability in individual divisions and regions, and our "Project Future." Investors are also now focusing more strongly on the transformation of the automotive industry and the development of the technologies which Daimler embraces in its CASE approach. In June, the top management team at Daimler Trucks held a capital market event at the headquarters of Daimler Trucks North America in Portland, Oregon. During this event, the executives discussed the strategies and objectives of global truck operations and also presented two electric trucks for the US market – the Freightliner eCascadia and the eM2 – at Portland International Raceway. The audio/video recordings and charts and illustrations from the event are available at daimler.com/investors/events/capital-market-days.

Awards once again for the Daimler Annual Report

Our 2017 Annual Report and its online version with numerous additional features won prestigious international awards once again in 2018 annualreport2017.daimler.com.

The Annual Report received a Platinum Vision Award from the League of American Communications Professionals LLC (LACP). In addition, we were given a Silver Stevie Award for the online version of the 2017 Annual Report, which also captured Silver at the 2017 LACP Professionals Vision Awards.

Website: easier to navigate, now with more service modules

We continued to develop our Investor Relations site at daimler.com/investors in 2018. Navigation pages for the various site sections, information charts and download modules all ensure more intuitive operation or get users to their destination page more quickly. Visitors to the site also no longer need to download several documents in order to compare figures from different years, as interactive diagrams now offer an overview directly at the website. We have also optimized our content for search engines in order to make it easier to find in web searches. In addition, brief summaries in the search results make it easier for users to decide which site they need or want to visit next.

Number of online shareholders reaches 100,000

Our shareholders continue to make good use of our range of personalized electronic information and communication. The increase in online shareholders was particularly high in 2018, as a total of 100,000 (2017: 95,000) shareholders received the invitation to and agenda for the Daimler Annual Shareholders' Meeting by e-mail rather than by post. We would like to thank those shareholders for helping to protect the environment and cut costs. As was the case in the past, those shareholders once again had the opportunity to win attractive prizes in a lottery. Access to the e-service for shareholders and additional information can be found at https://register.daimler.com.

Refinancing benefits from a high level of capital-market liquidity and good ratings

The central banks' monetary policy had a major effect on bond markets in 2018. As a result of the high level of liquidity, companies with investment-grade ratings saw their risk premiums remain at a moderate level for the most part.

In 2018, the Daimler Group primarily covered its refinancing needs by issuing bonds. A large proportion of those bonds were sold as benchmark bond issuances (bonds with high nominal volumes) in euro and US-dollar markets. In the US capital market, for example, Daimler Finance North America LLC issued bonds worth a total of $8.75 billion. In addition, Daimler International Finance B.V. issued euro bonds in benchmark format with a total volume of €6.50 billion. In 2018, Daimler AG also issued bonds in China (so-called Panda bonds) worth a total of CNY 16.0 billion. Furthermore, many smaller bonds were issued by the Daimler Group in a variety of currencies and markets.

At the end of 2018, Daimler Group companies had issued bonds that were still outstanding in a volume of €76.5 billion (2017: €67.1 billion). Besides raising funds through the issuance of bonds, Daimler also issued a small volume of commercial paper in 2018.

During the year under review, Daimler issued asset-backed securities (ABS) in the United States, Canada, China, Germany and the United Kingdom. In the United States, the company generated a refinancing volume of $7.6 billion through six transactions in 2018; in Canada, a volume of CAD 1.0 billion was generated in two transactions. In addition, Mercedes-Benz Bank used the Silver Arrow Platform to sell ABS bonds to European investors in an amount of €0.75 billion. In the United Kingdom, a volume of GBP 0.4 billion was successfully placed with investors, while in China, two ABS transactions were conducted successfully with a total volume of CNY 16 billion.

Objectives and Strategy

The automotive industry is undergoing far-reaching changes at a highly dynamic pace. Four future-oriented fields are set to radically change the nature of mobility: greater vehicle connectivity, advances in automated and autonomous driving, the development of digital mobility and transport services, and electric mobility. We are addressing this challenge - both strategically and structurally. Our objective is clear: We intend to continue to be a leading vehicle manufacturer while developing into a leading provider of mobility services. We are supporting this transformation by implementing a cultural and organizational realignment. The measure of our success is always the satisfaction of our customers, as we seek to inspire them with our products and services and to ensure that we remain a partner they can trust.

Our objectives

Sustainable profitable growth
The foundation for profitable growth is formed by a forward-looking product portfolio, strong brands and a global presence. We want all of our businesses to be the leaders in their respective segments. Our goal at Mercedes-Benz Cars is to ensure that we play the leading role in the worldwide premium segment over the long term. We also aim to enhance the smart brand's role in urban and electric mobility. Daimler Trucks seeks to further strengthen its leading position in the global truck business. Mercedes-Benz Vans is striving to be the number one brand in the premium van segment. Daimler Buses plans to further strengthen its leading position in the segment for buses above eight metric tons gross vehicle weight. Daimler Financial Services seeks to maintain its position as one of the leading captive providers of financial and mobility services; it will continue to expand its mobility services and continue growing, in part by means of cooperative ventures. The success of our business operations today creates the financial foundation for investments in the future of our company. We intend to achieve a 8 to 9% return on sales (EBIT in relation to revenue) for the automotive business on a sustained basis. This overall figure is based on the long-term return targets for the individual divisions: 8 to 10% for Mercedes-Benz Cars, 8% for Daimler Trucks, 9% for Mercedes-Benz Vans and 6% for Daimler Buses. For Daimler Financial Services, we have set a target of 17% for return on equity. We also want to be a leader in sustainability, and we will accomplish this by incorporating the environmental and social effects of our operations into our business strategy. For us, sustainability means combining business success with social responsibility, environmentally compatible products and environmentally compatible production.

A leader in innovation
We are setting the standards for the future-oriented fields of Connected, Autonomous, Shared & Services and Electric (CASE). We want to expand **vehicle connectivity** even further and thus create added value for our customers. We also seek to be a leader in the use of digital technologies, both in our products and services and along the entire value chain. The digitization of our core processes and the utilization of forward-looking technologies are creating new business opportunities that revolve around the mobility requirements of our customers. We seek to play a leading role in automated and **autonomous driving** at all our divisions. This will result in the creation of new and attractive business models for private car customers, fleet customers, and the public transport and commercial goods transport sectors.

We are further expanding our strong portfolio in the field of **mobility services**. With our broad customer base and presence in all of the relevant mobility segments, we have already established a strong foundation for future success. We remain on course for growth through innovative mobility services and strong cooperation partners. We want to offer our customers the best drive system for their needs – everything from high-tech combustion engines to hybrid and electric drive systems. In the field of **electric mobility**, we are establishing an ecosystem of products and services in order to make electric vehicles at least as convenient and pleasant to use as those with combustion engines. We also plan to become a leader in the area of electric commercial vehicles. In addition, we continue to expand our strong position in relation to vehicle safety, the security of our services and our use of customer data.

Inspiring our customers
We gain and maintain our customers' trust with outstanding products and services that inspire them. We create added value with our strong brands, unique range of products and customized services. Our innovative services and new service-based business models set us apart from our competitors. We handle customer data responsibly and we use this data to anticipate new customer expectations.

The best team
Our goal is to further develop the Group and make it even more successful. We seek to recruit the most talented individuals by further promoting a passion for innovation and encouraging our employees to take on additional responsibility. We have adopted an employee-focused culture in order to ensure we remain an attractive employer that can rely on the best team in the automotive industry. We improve our employees' skills and qualifications and offer them opportunities for lifelong learning. We promote and support diversity and inclusion. Integrity is extremely important for our company, especially as we are undergoing a phase of fundamental transformation. Integrity guides our dealings with respect to the Group, its employees, business partners and customers, and society as a whole. We are convinced that conducting business responsibly provides us with orientation, especially in times of major transformation; it makes us more successful over the long term, and it also benefits our society. pages 116 ff

Five strategic components

We are utilizing five closely linked strategic components to shape the biggest transformation in our company's history. Our 5C strategy focuses on

– Strengthening our global core business (**CORE**)
– Leading in new future fields (**CASE**)
– Adapting our corporate culture (**CULTURE**)
– Strengthening our customer- and market-focused structure (**COMPANY**).

At the center of all our activities is our fifth and most important C: the customer (**CUSTOMER**). Our processes and organization focus on our customers – we work with and for our customers to ensure we provide them with the best products for their needs and the best solutions for their mobility requirements.

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

Mercedes-Benz Cars will continue to implement its growth strategy with the goal of further safeguarding its leading position in the global premium segment. We seek to build trust with our high quality and safety standards, and our innovative and outstanding products and services are designed to inspire our customers. We are pursuing three different technological approaches as we move ahead on the road to emission-free driving: the further improvement of ultra-modern combustion engines, expanded hybridization, and locally emission-free vehicles with batteries and fuel cells. The most important lever for improving combustion engines is the full electrification of the drivetrain with the belt-driven starter-generator or the integrated starter-generator (ISG) combined with a 48-volt electrical system. Systematic hybridization is an important interim solution on the road to emission-free mobility. Our global development network, technology centers and digital hubs keep us close to our customers, our markets and new technologies. Within the framework of our growth strategy, we have expanded our production network in all regions and improved our global competitiveness. With our lead plants, which assume global manufacturing responsibility for specific product groups, we ensure that we implement uniform standards and consistently deliver the high quality of "Made by Mercedes" worldwide. Our goal is to make our production operations modular, flexible and digital, and greener. These efforts focus on Factory 56, which is an ultramodern, flexible, fully digitized and CO_2-neutral assembly plant in Sindelfingen. Plans call for the plant to go into operation early in the next decade. With regard to sales, we focus on the utilization of direct interfaces to our customers, as well as offering them the best possible experience over our entire relationship. Depending on our customers' needs, we make use of physical and digital channels for customer contact and communication, and also combine these channels wherever appropriate. Our market position in China plays a key role in safeguarding our market leadership. We have already transformed China into the biggest market for Mercedes-Benz cars, thanks to products that are aligned with Chinese customers' requirements and our further expansion of local development and manufacturing activities. Safeguarding the earnings performance of Mercedes-Benz Cars is an ongoing task. That is why we have refined our "Fit for Leadership" efficiency program and integrated it into our organizational structure."Fit for Leadership" is expected to result in an additional €4 billion in earnings by 2025.

Daimler Trucks continues to pursue its proven strategy, which focuses on leadership in innovation, a global market presence and global platforms. Here, everything always revolves around the customer. In the important North American market, we plan to further safeguard our market leadership in the segment for heavy-duty Class 6 to 8 trucks, whereby the Freightliner Cascadia has played a major role in the success we have achieved so far. With its new Actros, Daimler Trucks is also underscoring its strong position in the areas of safety, digital cockpits, connectivity and efficiency, particularly in Europe. Fuel efficiency is a key selling argument, and we work continuously to improve it. With the new Mercedes-Benz Actros for example, we have been able to reduce fuel consumption once again compared with the predecessor model. Since 2017, Daimler Trucks has been investing in its product program in Brazil, as well as in vehicle connectivity and the modernization of the two plants in São Bernardo do Campo and Juiz de Fora. We are now well established in India with BharatBenz, and we continue to expand our presence with products that feature cutting-edge technologies, as well as with the production of vehicles that are exported from India to more than 60 markets. Investment in our development and manufacturing operations in Turkey is geared toward the long term and is proceeding as planned. Daimler Trucks has succeeded in standardizing major assemblies and modules in many applications and regions. The continuous renewal of the product portfolio across all regions makes it all the more important for us to constantly refine our platform strategy.

The full effect of the cost optimizations at Daimler Trucks with the target of permanent savings of €1.4 billion is to be achieved as of the year 2019. The continuous improvement of efficiency will, however, remain an important lever for ensuring that Daimler Trucks continues to be financially successful.

Mercedes-Benz Vans plans to keep growing in the future and to develop from a vehicle manufacturer into a provider of holistic transport and mobility services. Mercedes-Benz Vans is utilizing three strategic components here: market strategies for global growth, product strategies for the further expansion of its product portfolio, and the adVANce future initiative focusing on the development and commercialization of customer-oriented, holistic transport and mobility solutions. Our new Sprinter plant in North Charleston, South Carolina, now allows us to serve the local market even faster and more flexibly. Market potential in China and the increase in online retail sales of goods are enabling further growth. Our product pipeline is in outstanding shape with the new Mercedes-Benz X-Class – the first premium pickup from Mercedes-Benz Vans – and the new Sprinter. In order to make production even more efficient and flexible, Mercedes-Benz Vans plans to completely digitize its global manufacturing operations by 2025. With its adVANce initiative, Mercedes-Benz Vans is looking far beyond vehicles themselves and developing from a vehicle manufacturer into a provider of holistic transport and mobility solutions for passenger and goods transport applications. adVANce consists of six components which in combination with the right van offer a tailored solution for every sector. Here, Mercedes-Benz Vans works closely with customers as early as the development stage, analyses sector-specific requirements, and delivers holistic solutions that increase the efficiency of customers' value chains.

Daimler Buses plans to continue its global growth with the help of its regional strategies and state-of-the-art products in the city-bus and touring-coach segments. The new Citaro hybrid city bus makes a convincing impression with an economical and practical concept for operation in cities. Our new driver assistance systems underscore our strength in the area of active safety. Daimler Buses' European production network, which has manufacturing locations in Germany, France, Spain and the Czech Republic, is being reorganized to make it more efficient and more competitive. The Mannheim plant is being transformed into the center of competence for city buses and electric mobility, while the facility in Neu-Ulm will become the center of competence for touring coaches and autonomous driving. Innovations in the coming years will be shaped more by additional technologies than by the launch of new model series. For this reason, we are strengthening our development expertise in the fields of electric mobility, connectivity and autonomous driving. Through our own regional centers, the production of school buses and touring coaches in India, and the use of the Brazilian production facility as a hub for exports to other countries in South America, Africa and Asia, Daimler Buses continues to expand its international business operations, particularly in emerging markets.

Occupying an outstanding position in the area of safety technology and with highly efficient products, Daimler Buses aims to offer a convincing holistic package of new and used vehicles, service and maintenance contracts, financing plans and new mobility services.

Daimler Financial Services plans to use its balancedSTRATEGY to strengthen the foundation of its current success – the financing of mobility – while also continuing to expand its operations as a provider of mobility services. The future importance of mobility services will also be underscored when Daimler Financial Services AG is renamed as Daimler Mobility AG in July 2019. Daimler Financial Services will continue to grow around the world in its core business areas of financing, leasing and insurance by offering customized services and by utilizing the developments associated with increased vehicle connectivity. About half of all the vehicles delivered by Daimler around the globe today are either financed or leased by Daimler Financial Services. At the end of 2018, the division was financing or leasing more than 5.2 million cars and commercial vehicles worldwide, and it plans to increase this figure in the future. Daimler Financial Services supports the sales of Daimler vehicles in approximately 40 countries. The division also aims to achieve the highest possible degree of customer satisfaction and to enhance customer loyalty in line with the motto "Engaging customers for life." To this end, we have created a new divisional board of management position for customer experience. Daimler Financial Services also plans to completely digitize its business processes in order to become an even faster and more efficient organization.

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

As a pioneer of automotive engineering, we seek to be the leader in all CASE fields (**C**onnected, **A**utonomous, **S**hared & Services, **E**lectric) and to generate additional potential by linking these four fields. The individual divisions benefit here from developments throughout the Group in the areas of electric mobility, driving and safety systems for automated and autonomous driving, and digitization and connectivity. More detailed information on CASE can be found in the "Innovation, Safety and Environmental Protection" section in the Management Report. pages 107 ff

Connected

Mercedes-Benz Cars is forging ahead with the intelligent connectivity of products, services and customers. Our cars are part of the Internet of things and therefore offer customers a broad range of services that simplify life and make vehicle operation more intuitive and convenient. Our outstanding and intuitive Mercedes-Benz User Experience (MBUX) control system concept points the way forward in this respect. With "smart ready to ..." the **smart** brand is being expanded in order to offer a range of digital services for urban mobility.

Connectivity will also be a crucial factor for success in the logistics sector in the future. At **Daimler Trucks** as well, connectivity is creating substantial added value and leading to efficiency gains in the transport chain. Our goal is to create a seamless transport logistics system with connected trucks and technologies that ensure that all vehicles are ideally always fully loaded, with no downtimes or waiting periods. With the digital cockpit in the new Actros, we are combining our extensive range of digital services with a convenient and intuitive operating concept.

Connectivity is an important component of the adVANce strategic initiative at **Mercedes-Benz Vans**. The digital@Vans program brings together new digital solutions, thus underscoring the transformation of Mercedes-Benz Vans into a provider of holistic customer-focused transport and mobility services.

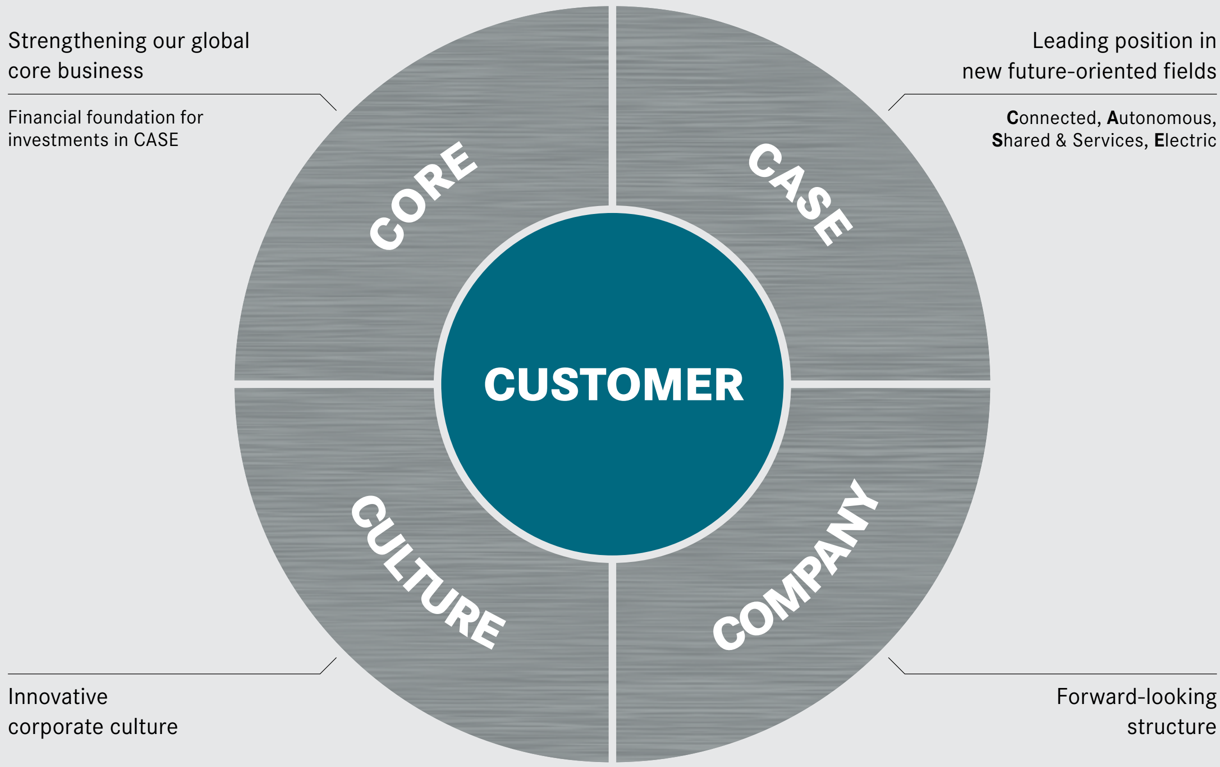
Connectivity at **Daimler Buses** also offers benefits for everyone involved – for example, bus operators in terms of fleet management and maintenance costs, bus drivers on their routes, and passengers using the e-ticketing service. Daimler Buses now brings together all of its current and future digital services for buses on its OMNIplus ON digital portal.

Daimler Financial Services also aims to expand digital business models in the area of financing and mobility services in the context of its balancedSTRATEGY, and is using connectivity to further develop its digital services. The financing business is becoming more flexible with regard to how vehicles are used, the application of use-based billing and the utilization of flat rates for leasing (including insurance and maintenance).

Autonomous

Our approach to autonomous driving is based on the use of comprehensive driving and safety systems, vehicle connectivity and real-time digital maps. As we continue to develop automated and autonomous driving, we are relying on the one hand on technical assistance systems and on the other on automated systems for transporting customers from A to B without a driver. With the S-Class, we have underscored the excellent position **Mercedes-Benz Cars** occupies in the area of technical assistance systems. On the other hand, we are developing automated systems to be used without a driver exclusively or to be shared with others. Fully automated and driverless systems give back to people the time they now need to spend steering and operating the vehicle. In addition, autonomous driving technology offers people without a driver's license new opportunities to enjoy mobility. In order to accelerate the

A.09
The five components of the strategy



development of autonomous driving, we have launched a number of partnerships, for example with HERE for high-resolution digital maps and with Bosch for the joint development of technology for fully automated driving and driverless vehicles.

Daimler Trucks is underscoring its leading position in the area of safety through the further development of tried-and-tested safety technologies such as the fifth-generation Active Brake Assist system and Sideguard Assist, which Mercedes-Benz offers as a fully integrated system. With the new Actros and the new Freightliner Cascadia, Daimler Trucks is the first manufacturer to offer partially automated driving in series-produced trucks.

Mercedes-Benz Vans is also actively positioning itself in the area of automated and autonomous driving. With Vision URBANETIC, Mercedes-Benz Vans has presented a mobility concept that goes far beyond previous ideas regarding automated and autonomous vehicles. Vision URBANETIC eliminates the separation between passenger and goods transport by offering an autonomous driving platform that enables flexible use for cargo or passenger transport as needed.

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

Daimler Financial Services plans to use the experience it has gained as a vehicle fleet operator and a global provider of mobility services as it moves ahead with the establishment of automated and autonomous systems. The division will also continue to play an important role in the design of the customer interface and business model.

Shared & Services
Daimler Financial Services finances and develops shared mobility. Customers should be able to enjoy mobility instantly and at all times with mobility services tailored to their needs. At the same time, mobility systems need to be sustainable in order to ensure a good quality of life in cities. We continuously invest in the expansion of a comprehensive mobility ecosystem and the further development of our mobility services car sharing, ride hailing and mobility-as-a-service. At the same time, we are working both independently and with partners to develop the core expertise for the business with fleets of automated and autonomous vehicles. car2go is a leading company for flexible car-sharing services. With regard to ride hailing, the Daimler subsidiary mytaxi is one of the leading providers in the app-based taxi service market in Europe, while moovel offers our customers a platform that enables them to optimally compare, combine, book and pay for various mobility services. In order to enable the rapid scaling of on-demand mobility, all car-sharing, ride-hailing, parking, charging and multimodal services currently offered by Daimler Mobility Services and the BMW Group will be merged and strategically further expanded. Within the framework of a joint venture known as ViaVan, Mercedes-Benz Vans and its strategic partner

Via are now offering flexible shuttle services and pooling concepts in several European cities to complement local public-transport systems. The ViaVan service, which was initially launched in Amsterdam and then in London and Berlin as well, generates real-time matches of passengers headed in the same direction and then offers them transport in a single van. This sustainably reduces traffic volumes in cities while increasing mobility capacities.

We plan to continue growing in the business customer segment as well. Our Mercedes-Benz Vans Mobility GmbH subsidiary is expanding and fully digitizing its van rental services in Germany and around the world. With CharterWay, Daimler Trucks has been offering customized mobility and services for more than two decades now. And the Mercedes me app allows Mercedes-Benz Cars customers to share their A-Class with a predefined group of users.

Electric
Mercedes-Benz Cars plans to significantly expand its range of electric vehicles over the coming years. Daimler assumes that by the year 2025, electric models will account for between 15 and 25% of Mercedes-Benz Cars' unit sales. To that end, we plan to launch more than 10 all-electric cars in all segments, from the smart to the large SUV. We are investing approximately €10 billion in the expansion of our electric fleet and more than €1 billion in the development of battery production. We are developing an independent modular and scalable electric-vehicle platform that will enable us to offer a high degree of flexibility in terms of variants and models. All of the electric vehicles and electric mobility services offered to Mercedes-Benz Cars customers have been consolidated under our new EQ brand, which stands for "Electric Intelligence." Together with partners, we are investing in the establishment of a charging infrastructure, especially on major highways in Europe. We have designed our production network in a manner that allows us to manufacture our electric vehicles alongside the corresponding vehicles equipped with combustion engines on the same production lines at all of our key plants worldwide. This ensures that we can react with sufficient flexibility to any changes in demand for electric vehicles. In line with producing electric vehicles, we are also expanding the production of batteries.

Daimler Trucks is also focusing more strongly on vehicle electrification. Increasing restrictions on vehicles with combustion engines in cities, as well as more stringent emission limits, are promoting the development of alternative drive systems for commercial vehicles as well. We are a leading truck manufacturer and we also want to be a leader in truck electrification. With the eCanter from FUSO, the FUSO Vision One, two electric trucks from Freightliner, the Mercedes-Benz eActros and the Saf-T Liner C2 school bus from Thomas Built Buses, Daimler Trucks already has a very extensive portfolio of electric commercial vehicles. The establishment of the E-Mobility Group maximizes the effectiveness of our investments in this strategically important technology. We plan to introduce a globally standardized electric architecture and develop the best solutions for truck batteries and charging and energy management systems.

Mercedes-Benz Vans plans to electrify its commercial model series over the coming years. The eVito has been available to customers since November 2018 and the eSprinter is to expand the electric product range starting in 2019. The use of a standardized "off the rack" electric model for the tradesmen, parcel delivery companies or passenger transport operators will not work out over the long term. That is why Mercedes-Benz Vans is setting its sights on customized holistic system solutions created on the basis of expert consultations. In a dialogue between the customer and experts from Mercedes-Benz Vans, the operating concepts are individually adapted to the customer's sector-related needs, vehicle fleet sizes and driving profiles – or to the architectural requirements for creating the customer's own charging infrastructure on company premises.

Daimler Buses is also focusing on the development of electric drive systems. Its buses CO_2 balance can be further improved with battery operation and the use of other alternative drive systems. The Citaro hybrid was followed in 2018 by the eCitaro electric city bus. Plans now call for the production facility in Mannheim to be expanded into the Daimler Buses center for electric mobility. In addition, Daimler Buses operates an eConsulting program that offers customers holistic advice on converting public transport bus fleets to electric vehicles, and also provides follow-up services for bus operating companies.

With car2go, **Daimler Financial Services** has been operating a system for flexible car sharing with electric vehicles for about seven years now. With 2,100 vehicles distributed across four all-electric fleets in Stuttgart, Amsterdam, Madrid and Paris, we are a leading provider of flexible car-sharing services with electric vehicles. In this way, car2go offers millions of urban residents a simple way to become acquainted with electrically operated vehicles. Daimler Financial Services also supports easy access to electric mobility through leasing plans and overall packages for electric vehicles and accessories.

Adapting our corporate culture (**CULTURE**)

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

Strengthening our divisional structure (**COMPANY**)

In order to continue keeping pace with the highly dynamic development of our business environment, we want to create an organization and structure that will strengthen our focus on markets and customers, boost our entrepreneurial activities, and generate and safeguard synergies (COMPANY). With Project Future, the Mercedes-Benz Cars and Mercedes-Benz Vans divisions will be placed into Mercedes-Benz AG, and the Daimler Trucks and Daimler Buses divisions will be placed into Daimler Truck AG, making them more independent. Daimler Financial Services AG, which is already a legally independent company, is to be renamed as Daimler Mobility AG, probably in July 2019. The division is already well known as the Group's provider of mobility services. Daimler AG will remain the parent company and retain responsibility for governance, strategy and control functions, as well as offering Group-wide services. Responsibility for Group-wide financing will be retained by Daimler AG as the Group's management holding company, which will be the only publicly listed company in the Group. The next step is to obtain approval to implement the new structure at the Annual Shareholders' Meeting on May 22, 2019.

With legally independent business entities resulting from Project Future, we are creating greater proximity to the customers and facilitating more targeted work in the markets. This will enable the individual divisions to react faster and more precisely to new trends, technological leaps and unforeseen market developments. By assigning greater responsibility to the management in the new legal entities below Daimler AG, we are also increasing the scope for entrepreneurial action and our pace of innovation. At the same time, we want to ease cooperation in specific areas in order to take account of ever faster technological change. In addition, the new structure will enhance transparency on the individual parts of the Group and thus the attractiveness of Daimler AG in the capital market. Within the Daimler Group, synergies will continue to be systematically maintained and utilized.

With our strategic focus areas of CORE, CASE, CULTURE and COMPANY, we have established the conditions needed to ensure we can focus more consistently on the requirements of the CUSTOMER. The goal of Daimler's 5C strategy is to prepare the company for the challenges and opportunities associated with the new age of mobility, and to continue to be a leading vehicle manufacturer while becoming a leading provider of mobility services.

A.10

Investment in property, plant and equipment

Amounts in billions of euros	2017	2018	2019 – 2020
Daimler Group	6.7	7.5	14.5
Mercedes-Benz Cars	4.8	5.7	11.3
Daimler Trucks	1.0	1.1	2.2
Mercedes-Benz Vans	0.7	0.5	0.4
Daimler Buses	0.1	0.1	0.2
Daimler Financial Services	0.04	0.06	0.1
Corporate	0.0	0.1	0.3

A.11

Research and development expenditure

Amounts in billions of euros	2017	2018	2019 – 2020
Daimler Group	8.7	9.1	18.3
Mercedes-Benz Cars	6.6	7.0	14.0
Daimler Trucks	1.3	1.3	2.9
Mercedes-Benz Vans	0.6	0.7	0.9
Daimler Buses	0.2	0.2	0.4

Extensive investment in the Group's future

In the coming years, we will continue to forge ahead with our innovation offensive in order to implement our growth strategy through the introduction of new products, innovative technologies and modern manufacturing capacities. The future-oriented CASE fields (Connected, Autonomous, Shared & Services and Electric) will play a key role here. We will invest almost €15 billion in property, plant and equipment in 2019 and 2020, as well as more than €18 billion in research and development projects. With this plan, we continue to maintain a high level of investment in order to safeguard the future of the Daimler Group. ↗ A.10 and A.11

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

Most of our expenses for research and development flow into new products. Key projects include the successor generations of the C-Class and the S-Class and new models in the compact segment. Other focus areas at all of our automotive divisions include innovative drive-system and safety technologies, vehicle connectivity systems and the further development of automated and autonomous driving technologies. Our plans also call for substantial funds to be invested in our comprehensive electric mobility offensive at all of our automotive divisions.

Management Report

Daimler once again achieved record unit sales and revenue in 2018, and the Group's EBIT also reached a high level of €11.1 billion despite difficult economic conditions. On the basis of sound finances and a strong core business, we are positioning our businesses for the future: with outstanding vehicles and services, with forward-looking technologies and business models, with an innovative and flexible corporate culture, and with an organization appropriate to the markets' growing dynamics.

B | Combined Management Report

Corporate Profile

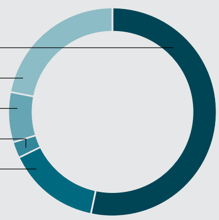
Business model

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

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

B.01
Consolidated revenue by division

Mercedes-Benz Cars	53.5%
Daimler Trucks	21.8%
Mercedes-Benz Vans	7.7%
Daimler Buses	2.6%
Daimler Financial Services	14.4%



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

In 2018, Daimler increased its revenue by 2% to €167.4 billion. The Group's five divisions contributed to this total as follows: Mercedes-Benz Cars 53%, Daimler Trucks 22%, Mercedes-Benz Vans 8%, Daimler Buses 3% and Daimler Financial Services 14%. At the end of 2018, 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 introduced the new brand EQ ("Electric Intelligence"), which consolidates all of our activities related to electric mobility. The most important markets for Mercedes-Benz Cars in 2018 were China with 28% of unit sales, the United States (14%), Germany (14%), the other European markets (28%), Japan (3%) and South Korea (3%). The Mercedes-Benz Cars division is continuously refining its flexible production network consisting of more than 30 locations on four continents. In particular, we are preparing our worldwide production network to meet the requirements of electric mobility. We will manufacture our electric vehicles of the EQ product and technology brand within the framework of normal series production operations, on the same lines used to produce vehicles with conventional or hybrid drive systems. In the future, our sites for the production of electric vehicles will be our plants in Bremen, Sindelfingen and Rastatt, Germany; Hambach, France; Tuscaloosa, Alabama, United States and Beijing, China. In parallel, we will expand our global battery network to nine plants at seven sites on three continents.

As the world's largest manufacturer of trucks above 6 metric tons gross vehicle weight, **Daimler Trucks** develops and produces vehicles in a global network under the brands Mercedes-Benz, Freightliner, Western Star, FUSO and BharatBenz. The division's 26 production facilities are located in the NAFTA region (14), Europe (7), Asia (3) and South America (2). In China, Beijing Foton Daimler Automotive Co., Ltd. (BFDA), a joint venture with our Chinese partner Beiqi Foton Motor Co., Ltd., has been producing trucks under the Auman brand name since 2012. Daimler Trucks' product range includes light, medium and heavy-duty trucks for long-distance, distribution and construction-site haulage, as well as special vehicles that are used mainly in municipal applications. Due to close links in terms of production technology, the division's product range also includes buses of the Thomas Built Buses and FUSO brands. Daimler Trucks sells and is testing locally emission-free electric drive systems across the entire product portfolio. Daimler Trucks' most important sales markets in 2018 were the NAFTA region with 37% of unit sales, Asia with 32% and the EU 30 region (European Union, Switzerland and Norway) with 17%.

Mercedes-Benz Vans is a global supplier of a complete range 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 metric tons. The portfolio of Mercedes-Benz vans 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 full-size MPV and the Marco Polo travel vans and recreational vehicles. With the launch of the Mercedes-Benz X-Class in 2017, we now also have a model series in the segment for mid-size pickups. The eVito, eSprinter and Concept Sprinter F-CELL demonstrate how systematically we are progressing with the development of alternative drive systems. 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 Fujian Benz Automotive Ltd. joint venture. The production of the Citan and the Mercedes-Benz X-Class is part of the strategic alliance with Renault-Nissan. The most important markets for vans at present are in the EU 30 region, which accounts for 66% of unit sales, the NAFTA region (12% of unit sales in the year under review) 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 EU 30 region, Brazil, Argentina and Mexico. The division's product range comprises city and inter-city buses, touring coaches and bus chassis. The largest of the division's 14 production plants are located in Germany, France, Spain, Turkey, Argentina, Brazil, Mexico and, since 2015, in India as well. In 2018, Daimler Buses generated 70% of its revenue in the EU 30 region and 14% in Latin America (excluding Mexico). Whereas we mainly sell fully equipped buses in Europe, our business in Latin America, Mexico, Africa and Asia focuses on the production and distribution of bus chassis.

B.02
Daimler Group structure 2018

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services
Revenue	€93.1 billion	€38.3 billion	€13.6 billion	€4.5 billion	€26.3 billion
Employees	145,436	82,953	26,210	18,770	14,070
Brands	AMG MAYBACH smart Mercedes me EQ	FREIGHTLINER FUSO WESTERN STAR Thomas BUILT BUSES BHARATBENZ	FREIGHTLINER	SETRA BHARATBENZ	Mercedes-Benz Bank Mercedes-Benz Financial Services Daimler Truck Financial moovel CAR2GO mytaxi

The **Daimler Financial Services** division supports the sales of the Daimler Group's automotive brands in approximately 40 countries. Its product portfolio primarily consists of tailored financing and leasing packages for customers and dealers. It also includes the brokering of insurance and credit cards, the provision of fleet management services and investment products, as well as various mobility services such as car2go – a leading provider of flexible car-sharing services, the moovel mobility platform and the ride-hailing group with the mytaxi, Beat, Clever Taxi and Chauffeur Privé brands. The total number of users of our mobility services increased to 31.0 million in 2018. During the year under review, Daimler Financial Services financed or leased approximately 50% of the vehicles sold by Daimler. The division's contract volume of €154.1 billion covers more than 5.2 million vehicles.

Daimler is also active in the global automotive industry and related sectors through a broad network of subsidiaries, holdings 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 40 of the Notes to the Consolidated Financial Statements.

Portfolio changes and strategic partnerships

By means of targeted investments and future-oriented partnerships, we strengthened our core business and made use of additional growth potential in 2018. We also focused on continuously developing our business portfolio and improving our competitiveness in our core business areas. Our activities revolve around the strategic dimensions of Connected, Autonomous, Shared & Services and Electric (CASE), all of which will play a major role in shaping the future of mobility. In order to strengthen our position in these areas, we forged ahead with our partnerships and made various investments during the year under review. The most important projects are briefly described below.

Daimler AG and the BMW Group combine their mobility services

The BMW Group and Daimler AG intend to offer their customers a single source for sustainable urban mobility services in the future. To this end, the two companies signed an agreement in March 2018 to merge their mobility services business units. The companies plan to combine and strategically expand their existing on-demand mobility services in the areas of ca sharing, ride hailing, parking, charging and multimodality. Daimler AG and the BMW Group will each hold a 50% stake in a joint venture comprising both companies' mobility services. The headquarters of the new, joint mobility services company will be in Berlin. After the complex transaction has been completed on January 31, 2019, the new mobility services company together with Daimler AG and the BMW Group will make a joint announcement in the first quarter of 2019 regarding the next steps to be taken. The partners plan to grow the new business model sustainably and to enable the rapid scaling of services. At the same time, the two companies will remain competitors in their respective core businesses.

Electric mobility in China

Daimler and its long-standing partner BAIC Group expanded their strategic cooperation in the new energy vehicle (NEV) sector in March 2018. Through its acquisition of a 3.93% stake, Daimler has become a shareholder in Beijing Electric Vehicle Co., Ltd., (BJEV), which is a subsidiary of BAIC Group. The closer cooperation with both BAIC and BJEV will enable Daimler to gain an even better understanding of the needs of Chinese customers in the NEV sector. The investment in BJEV marks a further milestone in the close cooperation between Daimler and BAIC in China and underscores Daimler's commitment to the further development of electric mobility in the country.

Settlement reached with the German federal government to end Toll Collect arbitration proceedings

In 2002, Daimler Financial Services acquired a 45% interest in the Toll Collect consortium, which operates an electronic truck-toll system on highways in Germany. Daimler's partners in the consortium were Deutsche Telekom AG (45%) and Cofiroute (10%). From the launch of the system to the end of 2017, Toll Collect generated more than €53 billion in revenue for the German federal government, which used the money to improve and expand Germany's road infrastructure. A long-standing arbitration proceeding between the Federal Republic of Germany, Daimler Financial Services AG and Deutsche Telekom AG in connection with delays to the system's launch was concluded through the conclusion of a settlement agreement in July 2018. This settlement will now enable Toll Collect to make a fresh start. Daimler has announced that it will not participate in the new bidding process for truck-toll collection in Germany. The current operating agreement ended on August 31, 2018 and the Federal Republic of Germany acquired the shares in Toll Collect GmbH as planned on September 1, 2018.

Acquisition of a stake in electric bus manufacturer Proterra

Daimler Trucks is investing in the US company Proterra Inc. The companies agreed to form a strategic partnership in September 2018. Proterra is a leader in the segment for electric local-transport buses in the United States. Initial joint projects will focus on the electrification of commercial vehicles in general and the exploitation of synergies in the electrification of school buses manufactured by Thomas Built Buses. The cooperation gives both companies the opportunity to offer reliable and economical new transport options with locally emission-free electric drive technology in this growing segment. School buses are also an ideal application for electric drive technology, since, like public-transit vehicles, most school buses travel the same route or a similar route every day.

Important events

Board of Management and Supervisory Board of Daimler AG approve further development of the divisional structure of the Group
On July 26, 2018, the Board of Management and the Supervisory Board granted their approval for the implementation of the new corporate structure for Daimler AG. The related worldwide audits of the organizational and tax implications have been successfully completed. With the new structure, Daimler aims to give its divisions greater entrepreneurial freedom, to become even more market and customer-focused, and to make it possible to enter into partnerships more easily and quickly. Now that approval has been granted by the Board of Management and the Supervisory Board, "Project Future" can now be implemented. As the next step, the measures decided upon require the approval of the shareholders. A draft proposal for approval is to be presented to the Annual Shareholders' Meeting of Daimler AG on May 22, 2019.

Daimler sets the course for the future
The regular term of office for the Chairman of the Supervisory Board, Dr. Manfred Bischoff, is scheduled to end after the conclusion of the Annual Shareholders' Meeting in 2021. In view of the challenges presented by the transformation of the automotive industry, the Supervisory Board aims to prepare a suitable process of succession at an early stage. The Supervisory Board has therefore announced its intention to propose to the shareholders at the Annual Shareholders' Meeting in 2021 that Dieter Zetsche be elected as a member of the Supervisory Board. Manfred Bischoff intends to recommend the election of Dieter Zetsche as his successor as Chairman of the Supervisory Board at the end of the Annual Shareholders' Meeting in 2021. In order to ensure compliance with the two-year cooling-off period, Dieter Zetsche will step down from his position on the Board of Management of Daimler AG and as Head of Mercedes-Benz Cars at the conclusion of the Annual Shareholders' Meeting in 2019. In view of this development, the Supervisory Board of Daimler AG decided in its meeting on September 26, 2018, to appoint Ola Källenius as Chairman of the Board of Management of Daimler AG, effective at the conclusion of the 2019 Annual Shareholders' Meeting, and also to appoint Ola Källenius as the Head of the Mercedes-Benz Cars division for a new term of five years.

Bodo Uebber, the member of the Board of Management of Daimler AG with responsibility for Finance & Controlling and Daimler Financial Services, informed the Chairman of the Supervisory Board, Manfred Bischoff, on October 7 that he will not seek an extension to his current term of office, which expires in December 2019.

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 operating profit and the cost of capital of the average net assets. Alternatively, the value added of the industrial divisions can be determined using the main value drivers of return on sales (quotient of EBIT and revenue) and net assets' productivity (quotient of revenue and net assets). ↗ B.03

The combination of return on sales and net assets' productivity results in the return on net assets (RONA). If RONA exceeds the cost of capital, value is created for our shareholders. In the case of Daimler Financial Services, return on equity rather than return on sales is used to evaluate profitability. Using a combination of return on sales and net assets' productivity within the context of a strategy of profitable revenue growth provides a basis for the positive development of value added.

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

The quantitative development of value added and the associated financial performance measures is explained in the "Profitability" chapter. pages 89 f

B.03
Calculation of value added

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

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

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. The measure of operating profit that is used at Group level is net operating profit. It comprises EBIT as well as profit and loss effects for which the divisions are not held responsible. The latter include income taxes and other reconciliation items. ↗ B.19 page 89

Return on sales
As one of the main factors influencing value added, return on sales is of particular importance for assessing the industrial divisions' profitability. Return on sales is the quotient of EBIT and revenue, whereby unit sales are the primary source of revenue. The measure of profitability for Daimler Financial Services is not return on sales but return on equity (quotient of EBIT and equity).

Net assets
All assets, liabilities and provisions for which the industrial divisions are responsible in day-to-day operations are allocated to those divisions. Performance measurement at Daimler Financial Services is implemented on an equity basis. Net assets at Group level include the net operating assets of the industrial divisions and the equity of Daimler Financial Services, as well as assets and liabilities from income taxes and other reconciliation items which cannot be allocated to the divisions. Average annual net assets are calculated on the basis of average quarterly net assets. page 90

A change to net assets – for example as a result of investments – generally leads to the commitment or release of liquid funds. Along with earnings, net assets thus also have a direct effect on cash flows and therefore on the Group's financial strength as well. Of particular 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 taxes and other reconciliation items that cannot be allocated to the divisions.

B.04
Cost of capital

	2018	2017
In percent		
Group, after taxes	**8**	8
Industrial business, before taxes	**12**	12
Daimler Financial Services, before taxes	**13**	13

Key performance indicators
The most important 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.

The most important performance indicator for the profitability of the automotive divisions is return on sales; the most important profitability performance indicator for Daimler Financial Services is return on equity. The other most important performance indicators for the divisions are revenue, investment and expenditure for research and development.

With the 2018 Annual Report, we began using return on sales rather than EBIT to forecast the profitability of the automotive divisions, and return on equity rather than EBIT to forecast the profitability of Daimler Financial Services. In this way, we have established a connection between expectations for the current financial year and the strategic return targets.

Along with the indicators of financial performance, we also use various non-financial indicators to help us manage the Group. Of particular importance in this respect are the unit sales of our automotive divisions, which we use as the basis for our capacity and human resources planning and workforce numbers.

Performance indicators that evaluate the implementation status of future-oriented measures associated with the sustainable and technological realignment of the Group, as well as other non-financial performance indicators, are also used to determine the remuneration of our Board of Management members. Important criteria for non-financial performance indicators in the annual target achievement include integrity and compliance, employee satisfaction and the high quality of our products.

Details of the development of non-financial performance indicators can be found in the chapters "Economic Conditions and Business Development" and "Non-Financial Report."
pages 79 ff and 202 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 191 ff and can also be viewed on the Internet at daimler.com/corpgov/de. Pursuant to Section 317 Subsection 2 Sentence 6 of the German Commercial Code (HGB), the purpose of the audit of the statements pursuant to Section 289f Subsections 2 and 5 and Section 315d of the HGB is limited to determining whether such statements have actually been provided.

Economic Conditions and Business Development

The world economy

With real growth of more than 3% in the year under review, the world economy displayed growth performance similar to 2017. ↗ B.05 However, regional economic developments were more heterogeneous compared to the synchronous upturn in 2017. In addition, growth in global trade slowed noticeably at the beginning of the year, a development that particularly impacted export-dependent economies.

The industrialized countries as a whole were able to maintain their dynamic rate of growth. The US economy played a major role, as fiscal policies helped generate growth of nearly 3%, which was once again higher than in the previous year. Significantly increased investment by companies served as a key driver of growth, while private consumption remained stable. The economy of the European Monetary Union, in contrast, was unable to continue the dynamic development of the previous year, and grew by just under 2%. This slowdown in growth was mainly due to decreased foreign trade. Domestic demand, on the other hand, was robust and continued to be supported by the expansionary monetary policy of the European Central Bank. According to preliminary estimates the German economy recorded growth of only 1.5%. Here as well, a slowdown in exports and a weak period in the manufacturing sector prevented stronger expansion of the economy. Against the background of the Brexit negotiations, the economy of the United Kingdom grew only moderately by about 1.4%. Slower export growth led to significantly lower growth rates than in the previous year also in Japan.

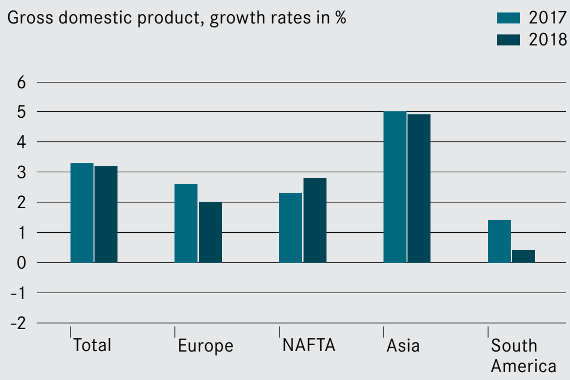
Economic growth in China slowed somewhat due to lower credit growth, a sluggish real estate market and the negative effects of the trade dispute with the United States. Nevertheless, the Chinese economy achieved the government's growth target with a rate of 6.6%. Taken together, the economies of all emerging markets in Asia grew at a rate similar to that of the previous year. Growth was particularly strong in India. Hopes for accelerated growth in South America were not fulfilled. Although the economies of South America began to recover in 2017, the crisis in Argentina and disappointing developments in Brazil have since slowed down the region's economic growth. Growth in Central and Eastern Europe was also weaker than in the prior year, although this was primarily due to a cooling down of the Turkish economy in the wake of the crisis in that country. In aggregate, the large economies of Central Europe lost only a little of their momentum, and growth of the Russian economy actually accelerated a little. Oilprices were significantly higher for several periodes during the year, which led to slightly higher rates of economic growth in the Middle East. Despite all the regional differences, the emerging markets as a whole recorded real economic growth of just under 4.5%, thereby almost keeping pace with the growth recorded in the prior year.

Currency exchange rates remained volatile in this heterogeneous growth environment. Against the US dollar, the euro moved between $1.25 and $1.12 during the year. At the end of the year, the euro was approximately 5% weaker than at the end of 2017. The range of fluctuation of the Japanese yen against the euro was 137 to 125. By the end of the year, the euro had depreciated against the yen by about 7%. The value of the British pound against the euro was almost unchanged compared with a year earlier. The euro appreciated against other key currencies such as the Russian ruble, the Brazilian real and the Turkish lira with double-digit increases compared with the end of 2017.

B.05

Economic growth

Gross domestic product, growth rates in %



Source: IHS Global Insight, own calculations

Automotive markets

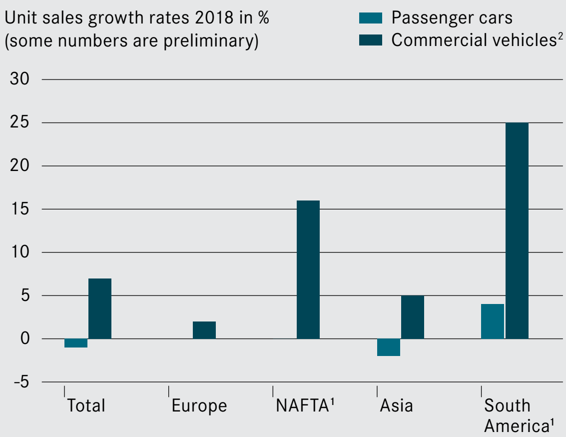
Global demand for cars remained at a very high level in the year under review, but actually decreased slightly by about 1% compared with the previous year. The traditional sales markets in Western Europe and the United States have now fully recovered from the considerable volume losses suffered as a result of the financial crisis and have recently been moving only sideways. The Chinese car market weakened noticeably as the year progressed, with full-year demand declining slightly. The markets of the other emerging economies as a whole were close to their prior-year level. ↗ B.06

Passenger car sales in the whole of Europe were at about the prior-year level. Demand in Western Europe also remained at the level of 2017. This easing up can be attributed in part to the fact that the market volume had meanwhile regained a high level. In addition, supply bottlenecks caused by the conversion to the new test procedure for vehicle certification (Worldwide Harmonized Light Vehicles Test Procedure – WLTP) had a negative impact on passenger car sales during the last four months of the year. Demand in the German car market was no higher than in the previous year, while demand in France increased by approximately 3%. The UK car market, however, contracted at a rate of about 7%. Total car sales in Eastern Europe remained at about the prior-year level, thanks to a significant increase in demand in the EU countries of Central and Eastern Europe, as well as in Russia. Sales in Turkey were down sharply, however, by more than 30%.

Thanks to a favorable overall economic environment, the market volume for cars and light trucks in the United States remained more or less unchanged at a very high level, with unit sales totaling more than 17 million vehicles. The SUV trend continued unabated, with sales of such vehicles rising significantly in the year under review. Sales of traditional sedans, on the other hand, once again decreased significantly.

B.06

Global automotive markets



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

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

Car sales in China fell slightly for the first time in decades. This was due on the one hand to the discontinuation of the government tax incentives that had supported car sales in previous years. On the other hand, the growing trade dispute with the United States led to uncertainty among consumers, causing them to postpone vehicle purchases in some cases. The second half of the year was particularly weak, and full-year sales ended up decreasing by approximately 4%.

Demand for cars in Japan remained more or less at the same solid level as in the prior year. Sales in India increased slightly, as the Indian car market continued its expansion of recent years. The Brazilian car market continued to recover in the year under review. The initial market volume was low in Brazil, but the country recorded a double-digit increase in unit sales.

Demand for medium-duty and heavy-duty trucks developed positively overall in markets relevant to our operations. The North American market benefited from the strong growth of the US economy and the vibrant development of corporate investment. Sales of Class 6 to 8 trucks increased by just over 20%.

Despite the somewhat less dynamic overall economic development in the EU30 region (European Union, Switzerland and Norway), the truck market there remained robust, with sales increasing moderately. Developments varied among the individual markets. Demand for trucks rose slightly in Germany and substantially in France, for example. However, sales in the United Kingdom decreased relative to the previous year, as had been expected. Total truck sales in the EU countries of Central and Eastern Europe increased significantly. Despite disappointingly weak economic growth in Brazil, truck sales in that country increased by nearly 50% from the low level of the previous year. The Turkish truck market recorded a significant double-digit decrease in sales, primarily due to the country's economic difficulties. The Russian truck market lost most of its momentum as the year progressed; the latest estimates indicate that sales were only slightly above the prior-year level.

Developments in Daimler's most important Asian markets were varied. The Japanese market for light-, medium- and heavy-duty trucks remained solid, with sales only slightly below the previous year's level. Demand for trucks in India recovered from the negative effects of regulatory measures introduced in the prior year, and the Indian market for medium-duty and heavy-duty trucks recorded a significant double-digit increase in sales as a result. The truck market in China developed better than expected and roughly maintained the extraordinarily high sales volume of 2017.

Demand for vans continued to develop positively in the EU30 region in 2018. The market volume for mid-size and large vans increased by 5% and demand for mid-size pickups rose by 7%. The market for small vans was at the prior-year level. Also in Germany, sales in the combined segment for mid-size and large vans increased by 6%. The market for large vans in the United States expanded slightly in the year under review. Demand in the mid-size segment of the van market that we serve in China increased slightly. Market volume for large vans in Latin America rose significantly from the low level of the prior year.

Market volume for **buses** in the EU30 region was slightly above the high level of the previous year. The situation in Latin America (excluding Mexico) improved due to the 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, the market volume for buses there once again decreased significantly compared with the previous year.

Business development

Unit sales

Daimler increased its total unit sales in the year 2018 by 2% to 3.4 million vehicles, thus achieving its growth target. The Daimler Trucks (+10%), Mercedes-Benz Vans (+5%) and Daimler Buses (+8%) divisions confirmed the forecasts made at the beginning of the year. With an increase of 0.4%, unit sales at Mercedes-Benz Cars were slightly higher than in the previous year. The division therefore did not fully achieve the target it had set at the beginning of the year.

The **Mercedes-Benz Cars** division sold a total of 2,382,800 vehicles in 2018 despite difficult overall conditions, thus setting a new record (2017: 2,373,500). With unit sales of 2,252,800 (2017: 2,238,000) vehicles, the Mercedes-Benz brand was the strongest-selling premium brand in the automobile industry for the third year in succession. We are number one in the premium segment in Germany and several other key European markets, as well as in the United States, South Korea, Canada and Japan. In addition, we once again significantly improved our position in China with a new sales record.

Our E-Class models were particularly successful. At 433,600 units (+9%), E-Class sales once again reached a new record level. Our attractive range of sport-utility vehicles also performed well on the market once again, with sales increasing by 1% to 829,200 units. Due to the model change, sales of C-Class vehicles decreased by 3% to 477,700. Sales of A- and B-Class models were also affected by a model change in the year under review, although the success of the new A-Class led to total deliveries of 409,300 units (-3%). The S-Class was very successful on the market in 2018. Our total sales in this segment increased by 6% to 83,800 units. With sales of 77,700 units (+7%), the S-Class Sedan remains the best-selling luxury sedan in the world. ↗ B.07

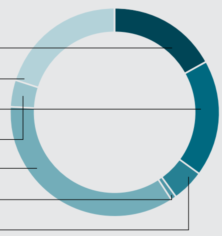
Mercedes-Benz Cars sold a total of 982,700 vehicles in Europe in 2018 (2017: 1,013,800). Unit sales increased in the volume markets of Germany (+1%) and Spain (+3%), remained constant in France, but decreased in the United Kingdom (-7%) and Italy (-5%). The Mercedes-Benz Cars division continued its success in China during the year under review. The division's unit sales in the country rose by 10% to 677,700 vehicles. We set new records for unit sales also in other Asian markets – for example in India (+1%), South Korea (+1%) and Thailand (+5%). At 392,600 units, total sales in the NAFTA region were lower than the high level of the prior year. Sales decreased in the United States (-3%) and Canada (-2%), while sales in Mexico increased by 7%.

The smart brand sold a total of 130,000 vehicles in 40 markets worldwide in 2018 (2017: 135,500). pages 166 ff

B.07

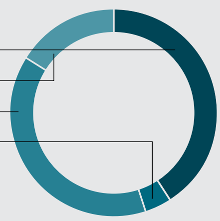
Unit sales structure of Mercedes-Benz Cars

A-/B-Class	17%
C-Class	20%
E-Class	18%
S-Class	4%
SUVs*	35%
Sports Cars	1%
smart	5%



* including GLA

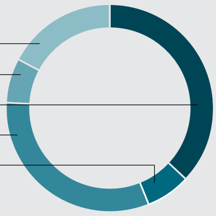
Europe	41%
NAFTA	16%
Asia	39%
Other markets	4%



B.08

Unit sales structure of Daimler Trucks

EU30	17%
Latin America	7%
NAFTA	37%
Asia	32%
Other markets	7%



B.09

Market share[1]

	2018	2017	18/17
in %			Change in % points
Mercedes-Benz Cars			
European Union	**6.2**	6.3	-0.1
thereof Germany	**10.5**	10.5	0.0
United States	**1.8**	2.0	-0.2
China	**2.9**	2.6	+0.3
Japan	**1.6**	1.7	-0.1
Daimler Trucks			
Medium- and heavy-duty trucks EU30	**20.6**	21.0	-0.4
thereof Germany	**36.5**	36.4	+0.1
Heavy-duty trucks NAFTA region (Class 8)	**38.8**	40.0	-1.2
Medium-duty trucks NAFTA region (Classes 6 and 7)	**37.8**	39.3	-1.5
Medium- and heavy-duty trucks Brazil	**27.9**	27.6	+0.3
Trucks Japan	**19.3**	19.6	-0.3
Medium- and heavy-duty trucks India	**7.0**	9.1	-2.1
Mercedes-Benz Vans			
Mid-size and large vans EU30	**15.3**	16.7	-1.4
thereof Germany	**25.2**	27.3	-2.1
Small vans EU30	**3.1**	3.1	0.0
Large vans United States	**8.3**	7.5	+0.8
Daimler Buses			
Buses over 8 tons EU30	**29.0**	28.4	+0.6
thereof Germany	**49.3**	51.6	-2.3
Buses over 8 tons Brazil	**51.6**	52.5	-0.9

1 Based on estimates in certain markets.

Unit sales by **Daimler Trucks** in 2018 were significantly higher than in the previous year. In total, we delivered 517,300 heavy-, medium- and light-duty trucks as well as buses of the Thomas Built Buses and FUSO brands in the year under review (2017: 470,700). Daimler Trucks continues to be the world's biggest manufacturer of trucks above 6 tons. ↗ **B.08** At 85,400 units, our sales in the EU30 region increased slightly. Our Mercedes-Benz brand remained the market leader in the medium-duty and heavy-duty segments, with a share of 20.6% (2017: 21.0%). Our sales in Turkey were very adversely affected by the considerable economic uncertainty in the country. Unit sales in Turkey totaled 5,000 trucks, a decrease of 57 % from the prior year. ↗ **B.09**

In Latin America, however, we were able to significantly increase our sales once again, to 38,200 units in the year under review (2017: 30,500). The increase in sales in our main Latin American market, Brazil, made a major contribution to our improved performance in the region. Truck sales in Brazil totaled 21,400 units, an increase of 60% from the low level of the prior year. We were able to expand our market share to 27.9% (2017: 27.6%) and achieved market leadership in the medium- and heavy-duty segments with our Mercedes-Benz trucks. Sales in Argentina decreased to 3,500 units in the year under review (2017: 5,600).

The ongoing positive development of sales in the NAFTA region played a major role in our overall sales growth in 2018. We once again recorded a significant increase in sales in the NAFTA region, to 189,700 units (2017: 165,000). We also remained the market leader in Classes 6–8 with a market share of 38.4% (2017: 39.8%).

We increased our sales in Asia by 11% to 164,700 trucks. Sales in Japan totaled 44,000 units (2017: 44,800). Our FUSO brand achieved a market share of 19.3% in Japan (2017: 19.6%). Unit sales in Indonesia increased by 50% compared with the previous year to 64,200 trucks (2017: 42,700). At 9,700 units, our sales in the Middle East were substantially lower than the high figure recorded in the previous year (2017: 23,600). In India, a significant increase in demand for medium- and heavy-duty trucks had a positive impact on our sales and we sold 22,500 trucks in that market in the year under review, an increase of 35% from the previous year. Our market share with the BharatBenz brand amounted to 7.0% (2017: 9.1%).

In China, the world's biggest truck market, Daimler AG holds a 50% interest in Beijing Foton Daimler Automotive Co. Ltd. (BFDA), a joint venture with Beiqi Foton Motor Co. Ltd. Medium- and heavy-duty trucks of the Auman brand have been produced there since 2012. At 103,400 units, sales of Auman trucks were lower than the high figure recorded in the prior year (2017: 112,400), which had been influenced by the favorable economic development and in particular the implementation of regulatory measures relating to truck fleet renewal. 596,700 Auman trucks have been sold since the joint venture was launched. pages 172 ff

Mercedes-Benz Vans achieved record sales once again in 2018. Unit sales of 421,400 vehicles surpassed the prior-year figure by 5%. Whereas we mainly focus on commercial customers with the Sprinter, Vito and Citan models, the V-Class is primarily designed for private use. With the X-Class, our new mid-size pickup, we are addressing diverse customers for both private and commercial applications. In the EU30 countries, which comprise our core region, our unit sales of 278,300 vehicles were slightly above the prior-year level (2017: 273,300), while our market share in the region in the combined segment for mid-size and large vans amounted to 15.3% (2017: 16.7%). We set a new record in Germany with sales of 107,300 units (2017: 105,800). Sales in the NAFTA region increased substantially, leading to a new sales record of 38,700 units in the United States (2017: 34,200), where our market share for large vans also increased to 8.3% (2017: 7.5%). Business development was very favorable also in Latin America, where sales rose by 14% to 18,700 units despite the difficult situation in Argentina. Unit sales in China also increased significantly, by 22% to the new record of 29,100 vans. This development was largely due to the success of the Vito and the V-Class. At 206,300 units, global sales of Sprinter models were slightly higher than in the prior year (2017: 200,500). Vito sales were slightly down from the previous year at 108,300 units (2017: 111,800). The V-Class full-size MPV performed successfully on the market; its total sales of 63,900 units exceeded the previous year's figure by 8%. Sales of the Mercedes-Benz Citan reached 26,300 units (2017: 26,100), while X-Class sales totaled 16,700 units in the year under review (2017: 3,300). pages 177 ff

Daimler Buses sold 30,900 buses and bus chassis worldwide in financial year 2018 (2017: 28,700). The significant increase was due in particular to the gradual recovery of the economy in Brazil, high demand in our important EU30 market, and growth in India. At the same time, the market-related decrease in demand in the normally profitable markets of Argentina and Turkey had a negative impact on our overall sales. The division maintained its market leadership in its most important traditional markets (EU30, Brazil, Argentina and Mexico). Due to continued high demand for our fully equipped buses, sales in the EU30 region amounted to 9,300 units, which was significantly above the high figure recorded in the previous year (8,700). Daimler Buses expanded its leading position in the EU30 region with a market share of 29.0% (2017: 28.4%). At 2,900 units, sales in Germany were 5% lower than in the prior year. At 300 units, sales in Turkey decreased significantly (2017: 400) due to the ongoing difficult situation in the country. The situation in Latin America (excluding Mexico) improved due to the gradual market recovery in Brazil, although growth in the region was negatively affected by the sharp market contraction in Argentina. Sales of Mercedes-Benz chassis in Brazil rose by 22% to 8,800 units. We were able to maintain our leading market position in Brazil with a market share of 51.6% (2017: 52.5%). In India, we continued along our growth path and increased our sales volume to 1,600 units (2017: 900). In Mexico, sales of 3,200 units (2017: 3,400) were significantly lower than in the previous year. pages 180 ff

Business at **Daimler Financial Services** continued to develop positively in the year under review. As we had forecast in Annual Report 2017, worldwide contract volume continued to grow, reaching the new record level of €154.1 billion in 2018 (+10%). At €71.9 billion, new business remained slightly above the level of the previous year, which is what we had anticipated at the beginning of 2018. Moderate growth was achieved in Europe (+2%) and in the Americas region (+3%). However, new business in the Africa and Asia-Pacific region (excluding China) decreased by 3%, while a slight increase of 2% was achieved in China. In the insurance business, we brokered approximately 2.3 million policies in the year under review, which corresponds to an increase of 8% compared with the previous year. The total number of registered users of our mobility services rose to approximately 31.0 million in the year under review. car2go increased its number of registered users to around 3.6 million and thus strengthened its position as a leading company for flexible car sharing. The ride-hailing group, which manages mytaxi, further expanded its position as one of Europe's leading provider of taxi apps in 2018, among other things, by acquiring a majority stake in Chauffeur Privé. The number of registered users of the ride-hailing group's services rose to 21.3 million, an increase of 92% from 2017. We have also further developed the moovel app, with which customers can find the best way of traveling using various modes of transport, and can also directly book and pay for their journeys. The number of registered moovel users in Germany and the United States had risen to 6.2 million by the end of 2018 (2017: 3.7 million). At the end of 2018, Daimler Financial Services had 395,000 contracts on the books with its Athlon and Daimler Fleet Management brands (+3%). Total contract volume amounted to €6.5 billion in 2018. pages 183 ff

Order situation

The Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans and Daimler Buses divisions produce vehicles predominantly to order, in accordance with customers' specifications. While doing so, we flexibly adjust the production capacities for the individual models to changing levels of demand. Due in particular to continued strong demand in China and the European markets, the number of orders placed with Mercedes-Benz Cars during the year under review was once again at the high level of orders received in the previous year. This was driven on the product side primarily by the new E-Class, as well as the continued strong success of our SUVs. Production volume in 2018 and our order backlog at the end of the year were of the prior-year magnitude. At Daimler Trucks, both orders received and the order backlog at year-end were significantly higher than a year earlier. This was primarily due to strong demand in North America, growth in demand in the EU30 region, and the market revival in Latin America. We increased production volumes in response to the higher demand.

Revenue

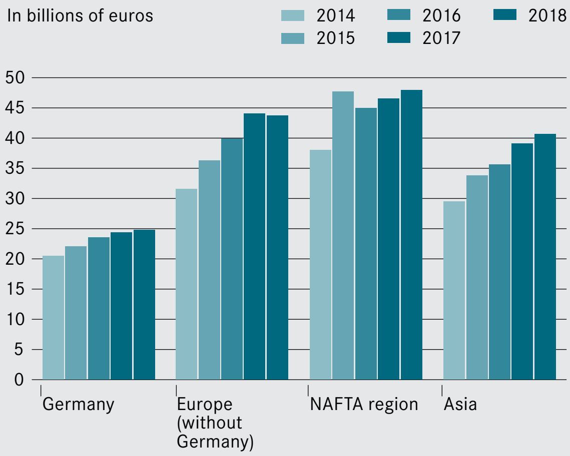
In the year 2018, Daimler increased its total revenue by 2% to €167.4 billion; adjusted for currency-translation effects, revenue grew by 4%. Our expectations from the beginning of the year were thus fulfilled. The divisions Daimler Trucks (+7%) and Daimler Financial Services (+7%) increased their business volumes by significant margins. In the case of Daimler Trucks, we had only expected a slight increase in business volume. The Mercedes-Benz Vans division recorded a slight increase of 4%, whereas we had originally anticipated a significant increase for this division. Revenue at Mercedes-Benz Cars almost reached the expected magnitude of the prior year (-1%). Revenue at Daimler Buses was at the level of the previous year, despite higher unit sales and our expectation of significant growth. This was partially due to the European touring coach segment.

In regional terms, Daimler achieved revenue growth as follows: Europe (+0% to €68.5 billion), NAFTA region (+3% to €48.0 billion) and Asia (+4% to €40.6 billion).

B.10

Consolidated revenue by region

In billions of euros



B.11

Revenue by division and region

In millions of euros	2018	2017[1]	18/17 % change
Daimler Group	167,362	164,154	+2
Divisions			
Mercedes-Benz Cars	93,103	94,351	-1
Daimler Trucks	38,273	35,755	+7
Mercedes-Benz Vans	13,626	13,161	+4
Daimler Buses	4,529	4,524	+0
Daimler Financial Services	26,269	24,530[2]	+7
Regions			
Europe	68,496	68,309	+0
thereof Germany	24,802	24,311	+2
NAFTA	47,952	46,528	+3
thereof United States	41,152	40,076	+3
Asia	40,627	39,090	+4
thereof China	19,790	18,774	+5
Other markets	10,287	10,227	+1

1 The amounts have been adjusted due to first-time adoption of IFRS 15 and IFRS 9.

2 The Group's internal revenue and cost of sales have been adjusted by the same amount at the Daimler Financial Services segment. These adjustments have been fully eliminated in the reconciliation.

Profitability

EBIT

The **Daimler Group** achieved EBIT of €11.1 billion in 2018 (2017: €14.3 billion) despite difficult general conditions. However, this did not meet the forecast made in the Management Report for 2017 of EBIT at the prior-year level. ↗ B.12 ↗ B.13

The significant increase in EBIT at the Daimler Trucks division was not able to offset the decreases in earnings at the other divisions. In particular, the Mercedes-Benz Cars division posted earnings significantly below its prior-year figure. The main reasons were expenses in connection with ongoing governmental proceedings and measures relating to diesel vehicles and advance expenditure for new technologies and vehicles. At Daimler Trucks, increased unit sales in the NAFTA region had a positive effect on earnings. Due in particular to the negative impact on earnings of the agreement to conclude the Toll Collect arbitration proceedings, EBIT at Daimler Financial Services was also significantly below the prior-year level. Exchange-rate effects had an overall negative impact on operating profit.

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

In the Management Report for 2017, EBIT at the Mercedes-Benz Cars division was forecasted to be at the prior-year level. As the year 2018 progressed, in the context of our capital market reporting, we adjusted that assessment gradually downwards to a forecast of EBIT significantly below the prior-year. That was mainly caused by expenses in connection with ongoing governmental proceedings and measures taken in various regions with regard to Mercedes-Benz diesel vehicles. The Daimler Trucks division met the forecast made in the Management Report for 2017 of EBIT significantly above the prior-year figure. At the beginning of the year 2018, we anticipated a slight decrease in earnings for Mercedes-Benz Vans compared with the previous year. As the year 2018 progressed, we adjusted that assessment to significantly below the prior-year level in the context of our capital market reporting. That was mainly caused by higher expenses in connection with ongoing governmental proceedings and measures taken with regard to diesel vehicles and delivery delays. Daimler Buses posted EBIT slightly below the prior-year level. It therefore did not meet the forecast made in the Management Report for 2017 of EBIT significantly above the prior-year level, due in particular to decreasing demand in several markets. Daimler Financial

B.12

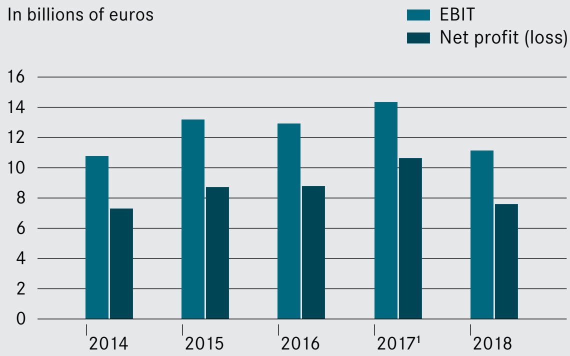
EBIT by segment

In millions of euros	**2018**	2017[1]	18/17 % change
Mercedes-Benz Cars	**7,216**	8,843	-18
Daimler Trucks	**2,753**	2,383	+16
Mercedes-Benz Vans	**312**	1,147	-73
Daimler Buses	**265**	281	-6
Daimler Financial Services	**1,384**	1,970	-30
Reconciliation	**-798**	-276	-189
Daimler Group[2]	**11,132**	14,348	-22

1 The prior-year figures have been adjusted due to the effects of the first-time adoption of IFRS 15 and IFRS 9. Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes of the Consolidated Fi-nancial Statements.
2 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

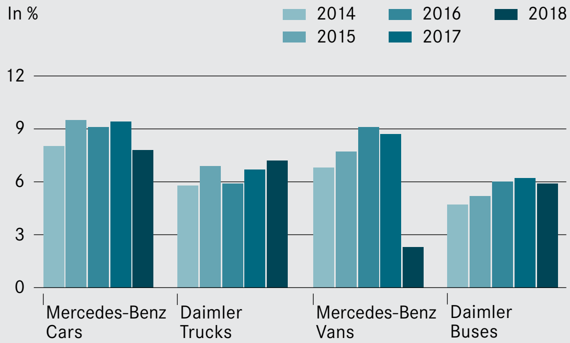


1 The prior-year figures have been adjusted due to the effects of the first-time adoption of IFRS 15 and IFRS 9. Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Consolidated Fi-nancial Statements.

B.14

Return on Sales

In %

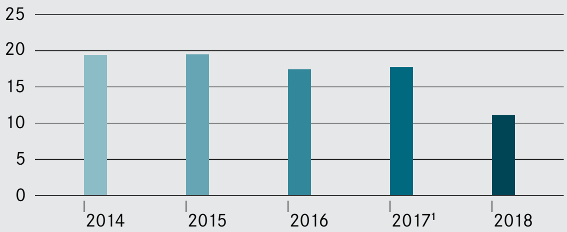


B.15

Return on Equity

Daimler Financial Services

In %



1 The prior-year figures have been adjusted due to the effects of the first-time adoption of IFRS 15 and IFRS 9. Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Consolidated Financial Statements.

B.16

Reconciliation of Group EBIT to profit before income taxes

	2018	2017[1]
In millions of euros		
Group EBIT	11,132	14,348
Amortization of capitalized borrowing costs[2]	-15	-13
Interest income	271	214
Interest expense	-793	-582
Profit before income taxes	**10,595**	13,967

1 The prior-year figures have been adjusted due to the effects of the first-time adoption of IFRS 15 and IFRS 9. Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Consolidated Financial Statements.
2 Amortization of capitalized borrowing costs is not included in the internal performance measure EBIT, but is a component of cost of sales.

Services was also unable to meet the forecast made in Annual Report 2017 of earnings at the prior-year level, due to the agreement reached to conclude the Toll Collect arbitration proceedings.

The **Mercedes-Benz Cars** division posted EBIT of €7,216 million in 2018, which is significantly below its prior-year earnings of €8,843 million. The division's return on sales was 7.8% (2017: 9.4%). ↗ B.14

The negative earnings development reflects expenses in connection with ongoing governmental proceedings and measures relating to diesel vehicles. In addition, EBIT was also reduced by advance expenditure for new technologies and vehicles, as well as by weaker pricing. Unfavorable exchange-rate effects and higher expenses for raw materials also affected earnings adversely. On the other hand, a positive effect resulted from the remeasurement at fair value (€111 million) of the investment in Aston Martin Lagonda Global Holdings plc (Aston Martin).

In the prior year, EBIT was reduced by expenses for voluntary service activities and expenses for a specific vehicle recall (€425 million). On the other hand, EBIT was boosted in the prior year by income of €183 million in connection with a new investor in HERE.

The **Daimler Trucks** division achieved EBIT in the year 2018 of €2,753 million, which is significantly above the prior-year figure of €2,383 million. The division's return on sales was 7.2% (2017: 6.7%). ↗ B.14

The positive development of earnings was primarily the result of increased unit sales in the NAFTA region as well as further efficiency enhancements. Higher expenses for exchange-rate effects and expenses for raw materials affected EBIT negatively. Additional costs, mainly resulting from supply-chain constraints, also had a negative impact on earnings. In the previous year, EBIT was boosted by €267 million due to income from the sale of real estate by Mitsubishi Fuso Truck and Bus Corporation in Japan. In addition, expenses of €172 million related to fixed-cost optimization were included in the prior year.

Mercedes-Benz Vans achieved EBIT in 2018 of €312 million, significantly below the prior-year level (2017: €1,147 million). The division's return on sales was 2.3% (2017: 8.7%). ↗ B.14

The positive development of unit sales, especially in the NAFTA region, China and Western Europe, had a positive impact on EBIT. However, earnings were reduced by advance expenditure for new technologies and future products and by expenses for the Sprinter model change. Furthermore, EBIT was reduced by expenses in connection with ongoing governmental proceedings and measures relating to diesel vehicles, by delivery delays and by the remeasurement of assets in connection with production capacities.

The **Daimler Buses** division's EBIT of €265 million in 2018 was slightly below the prior-year level (2017: €281 million). Its return on sales decreased slightly to 5.9% (2017: 6.2%). ↗ **B.14**

Higher unit sales only partially offset the product-mix and inflation-related cost increase.

Daimler Financial Services posted EBIT of €1,384 million in 2018, significantly lower than in the previous year (2017: €1,970 million). The division's return on equity was 11.1% (2017: 17.7%). ↗ **B.15**

Due to the agreement reached to conclude the Toll Collect arbitration proceedings, earnings were reduced by €418 million. The increasing level of interest rates had a negative impact on earnings. Rising cost of credit risks in individual markets impacted earnings negatively in the still relatively stable risk environment. Increased contract volume had a positive impact on EBIT.

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 €757 million (2017: €232 million). In both years, expenses connected with legal proceedings are included. The increase was caused by, among other things, higher expenses in connection with the development of the divisional structure ("Project Future"). In addition, the impairment of Daimler's equity investment in BAIC Motor Corporation Ltd. (BAIC Motor) by €150 million impacted earnings negatively. On the other hand, the reversal of the impairment of Daimler's equity investment in BAIC Motor of €240 million had a positive effect on earnings in the year 2017.

The elimination of intra-group transactions resulted in expenses of €41 million in 2018 (2017: €44 million).

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

Statement of income

The Group's **total revenue** increased by 2.0% to €167.4 billion in 2018; adjusted for exchange rate effects, it increased by 4.3%. The revenue growth primarily reflects an increase in sales for our products at Daimler Trucks, as well as increased contract volume at Daimler Financial Services. Further information on the development of revenue is provided in the Business Development section of this Combined Management Report. ↗ **B.17**

Cost of sales amounted to €134.3 billion in 2018, increasing by 3.6% compared with the previous year. The rise in cost of sales was caused by higher business volumes and consequentially higher material expenses. The higher material expenses also reflect increased prices of raw materials. At Daimler Financial Services, the higher interest-rate level led to higher refinancing costs. In the prior year, cost of sales included expenses for voluntary service activities and expenses for a specific vehicle recall of €0.4 billion. Further information on cost of sales is provided in Note 5 of the Notes to the Consolidated Financial Statements. ↗ **B.17**

Overall, **gross profit in relation to revenue** decreased from 21.0% to 19.8%.

Due to the growth in unit sales, **selling expenses** increased by €0.1 billion to €13.1 billion. As a percentage of revenue, selling expenses decreased slightly from 7.9% to 7.8%. ↗ **B.17**

General administrative expenses of €4.0 billion were above the level of the previous year (2017: €3.8 billion). The increase was mainly due to higher expenses for consulting services and personnel. As a percentage of revenue, general administrative expenses increased slightly to 2.4% (2017: 2.3%). ↗ **B.17**

Research and non-capitalized development costs increased by €0.6 billion to €6.6 billion in 2018. 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 increased from 3.6% to 3.9%. Further information on the Group's research and development costs is provided in the Research and Development section of the Sustainability chapter of this Combined Management Report. ↗ **B.17**

Other operating income of €2.3 billion is at the same level as in previous year. In 2018, insurance compensation of €0.2 billion is included. Income of €0.4 billion from the sale of property, plant and equipment was included in 2017. **Other operating expense** increased to €1.5 billion (2017: €1.0 billion), mainly due to additions to other provisions. Further information on the composition of other operating income and expense is provided in Note 6 of the Notes to the Consolidated Financial Statements. ↗ **B.17**

In 2018, our **share of profit from equity-method investments** of €0.7 billion was significantly lower than the prior-year level (2017: €1.5 billion). The decrease was on the one hand due to the agreement reached with the German Federal Government to conclude the Toll Collect arbitration proceedings. This agreement had a negative impact on earnings of €0.4 billion in the year 2018. Furthermore, in the year 2018, a negative impact resulted from the impairment of €0.2 billion of the investment in BAIC Motor (2017: positive impact from the reversal of the impairment of €0.2 billion of the investment in BAIC Motor). ↗ B.17

Other financial expense/income increased from an expense of €0.2 billion to income of €0.2 billion. This improvement is partly the result of the gain of €0.1 billion included in the year 2018 due to the measurement at fair value of the interest in Aston Martin. Furthermore, income in connection with derivative financial transactions also improved. ↗ B.17

Net interest expense amounted to €0.5 billion (2017: €0.4 billion). Net expenses related to defined-benefit pension plans improved primarily due to higher interest income resulting from the extraordinary contribution of €3.0 billion to the pension plan assets in 2017. Other interest expense increased mainly because of higher refinancing costs. ↗ B.17

The tax expense of €3.0 billion (2017: €3.3 billion) stated under **income tax** expense decreased only insignificantly despite the reduction in profit before income taxes. The effective tax rate for 2018 was 28.4% (2017: 24.0%). The prior year included high income tax benefits resulting from the comprehensive tax reform in the United States. Due to the reduction in the nationwide federal corporate income tax rate for US companies, the future net tax liabilities of the US-subsidiaries of Daimler had to be remeasured with the new tax rate, resulting in an income tax benefit of €1.6 billion. Opposing the positive impact from the US tax reform, tax expenses were recognized in 2017 in connection with the interpretation of tax laws. ↗ B.17

Net profit for the year 2018 of €7.6 billion (2017: €10.6 billion) was significantly below the prior-year figure. Net profit of €0.3 billion is attributable to **non-controlling interests** (2017: €0.3 billion). Net profit **attributable to the shareholders of Daimler AG** amounts to €7.2 billion (2017: €10.3 billion), representing a decrease in **earnings per share** to €6.78 (2017: €9.61). ↗ B.17

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

B.17

Statement of income[1]	Consolidated		Industrial Business[2]		Daimler Financial Services	
	2018	2017[3]	2018	2017[3]	2018	2017[3]
In millions of euros						
Revenue[4]	167,362	164,154	141,093	139,624	26,269	24,530
Cost of sales[4]	-134,295	-129,626	-111,589	-108,640	-22,706	-20,986
Gross profit	33,067	34,528	29,504	30,984	3,563	3,544
Selling expenses	-13,067	-12,951	-12,174	-12,210	-893	-741
General administrative expenses	-4,036	-3,808	-3,075	-2,815	-961	-993
Research and non-capitalized development costs	-6,581	-5,938	-6,581	-5,938	-	-
Other operating income	2,330	2,259	2,137	2,056	193	203
Other operating expense	-1,462	-1,043	-1,404	-1,000	-58	-43
Profit/loss on equity-method investments, net	656	1,498	1,108	1,497	-452	1
Other financial income/expense, net	210	-210	218	-209	-8	-1
Interest income	271	214	270	214	1	0
Interest expense	-793	-582	-788	-577	-5	-5
Profit before income taxes	10,595	13,967	9,215	12,002	1,380	1,965
Income taxes	-3,013	-3,350	-2,615	-4,064	-398	714
Net profit	7,582	10,617	6,600	7,938	982	2,679
thereof attributable to non-controlling interests	333	339				
thereof attributable to shareholders of Daimler AG	7,249	10,278				

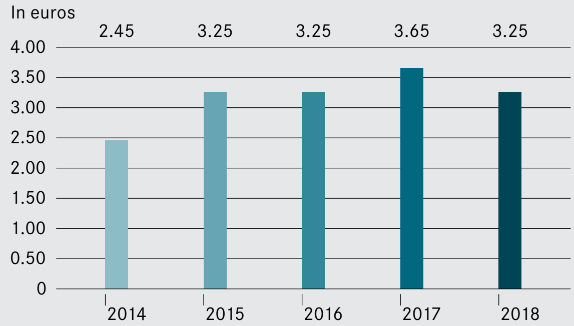
1 The columns “Industrial business” and “Daimler Financial Services” represent a business point of view.
2 The industrial business comprises the vehicle segments Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans and Daimler Buses. Intra-group eliminations between the industrial business and Daimler Financial Services are generally allocated to the industrial business.
3 The prior-year figures have been adjusted due to the effects of first-time adoption of IFRS 15 and IFRS 9. Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Consolidated Financial Statements.
4 In 2017 at the Daimler Financial Services segment, in addition to the adjustment of prior-year figures due to IFRS 15, the Group’s internal revenue and cost of sales have been adjusted by the same amount. These adjustments have been fully eliminated in the reconciliation.

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. In the light of the business development in 2018, the Board of Management and the Supervisory Board will propose to the Annual Shareholders' Meeting to be held on May 22, 2019, that a dividend per share of €3.25 (2017: €3.65) be distributed for financial year 2018. This corresponds to a total dividend distribution of €3.5 billion to our shareholders (2017: €3.9 billion). ↗ **B.18**

B.18

Dividend per share



Net operating profit

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

B.19

Reconciliation to net operating profit

	2018	2017	18/17
In millions of euros			% change
Mercedes-Benz Cars	7,216	8,843	-18
Daimler Trucks	2,753	2,383	+16
Mercedes-Benz Vans	312	1,147	-73
Daimler Buses	265	281	-6
Daimler Financial Services	1,384	1,970	-30
EBIT of the divisions	11,930	14,624	-18
Income taxes[1]	-3,169	-3,468	+9
Other reconciliation	-798	-276	-189
Net operating profit	7,963	10,880	-27

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 result of net assets and cost of capital expressed as a percentage, which is subtracted from earnings in order to calculate value added. Tables ↗ **B.20** and ↗ **B.21** show value added and net assets for the Group and for the individual divisions. Table ↗ **B.22** shows how net assets are derived from the consolidated statement of financial position.

The **Group's value added** decreased by €3.3 billion to €3.7 billion in 2018, representing a return on net assets of 14.8% (2017: 22.5%). This was once again higher than the minimum required rate of return of 8%. The significant decrease in value added was mainly due to the development of the divisions' EBIT. In addition, further negative effects resulted from the increase in average net assets, mainly attributable to higher investment in fixed assets and an increase in inventories.

Value added at **Mercedes-Benz Cars** of €4.1 billion was significantly below the prior-year amount of €6.0 billion. This was primarily due to the negative earnings development mainly resulting from expenses in connection with ongoing governmental proceedings and measures relating to diesel vehicles. In addition, EBIT was also reduced by advance expenditure for new technologies and vehicles, weaker pricing, unfavorable exchange-rate effects and higher expenses for raw materials. A positive effect resulted from the remeasurement at fair value of the investment in Aston Martin Lagonda Global Holdings plc. In the prior year, EBIT was reduced by expenses for voluntary service activities and expenses for a specific vehicle recall. On the other hand, income in connection with a new investor in HERE affected EBIT positively in the prior year. An additional negative impact on value added resulted from the increase in average net assets to €26.3 billion primarily caused by higher investments in fixed assets.

B.20

Value Added

	2018	2017	18/17
In millions of euros			% change
Daimler Group	3,658	7,004	-48
Mercedes-Benz Cars	4,062	5,998	-32
Daimler Trucks	1,765	1,373	+29
Mercedes-Benz Vans	-91	864	–
Daimler Buses	117	149	-21
Daimler Financial Services	-236	519	–

B.21
Net assets (average)

In millions of euros	2018	2017	18/17 % change
Mercedes-Benz Cars	26,289	23,705	+11
Daimler Trucks	8,240	8,417	-2
Mercedes-Benz Vans	3,355	2,358	+42
Daimler Buses	1,233	1,105	+12
Daimler Financial Services[1]	12,466	11,165	+12
Net assets of the divisions	51,583	46,750	+10
Equity method investments[2]	1,066	941	+13
Assets and liabilities from income taxes[3]	1,707	2,190	-22
Other reconciliation[3]	-547	-1,435	+62
Daimler Group	53,809	48,446	+11

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

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

In millions of euros	2018	2017	18/17 % change
Net assets[1]			
Intangible assets	13,872	12,742	+9
Property, plant and equipment	30,859	27,914	+11
Leased assets	18,509	18,071	+2
Inventories	28,096	24,492	+15
Trade receivables	10,545	9,742	+8
Less provisions for other risks	-14,604	-14,031	-4
Less trade payables	-13,395	-11,632	-15
Less other assets and liabilities	-31,832	-29,861	-7
Assets and liabilities from income taxes[1]	1,671	1,766	-5
Total equity of Daimler Financial Services	12,810	12,379	+3
Daimler Group	56,531	51,582	+10

1 To the extent not allocated to Daimler Financial Services.

Daimler Trucks' value added was significantly higher than in the previous year at €1.8 billion (2017: €1.4 billion). This increase was primarily the result of the positive development of earnings due to higher unit sales in the NAFTA region as well as further efficiency enhancements. Higher expenses for exchange-rate effects, higher expenses for raw materials as well as additional costs, mainly resulting from supply-chain constraints affected EBIT negatively. In the previous year, EBIT included income from the sale of real estate at Mitsubishi Fuso Truck and Bus Corporation in Japan as well as expenses related to fixed cost optimization. Average net assets level remains nearly unchanged.

At **Mercedes-Benz Vans**, value added significantly decreased by €1.0 billion to negative €0.1 billion. Despite a growth in unit sales, especially in the NAFTA region, in China and in Western Europe, EBIT was negatively impacted by advance expenditure for new technologies and future products, expenses for the Sprinter model change, costs in connection with ongoing governmental proceedings and measures taken for diesel vehicles, expenses due to delivery delays and for the remeasurement of assets in connection with production capacities. The increase in average net assets due to higher investments in fixed assets and higher inventories led to a further deterioration of value added.

The value added of the **Daimler Buses** division was lower than in the previous year at €117 million (2017: €149 million). This primarily reflects the development of earnings. The decrease in earnings due to the product mix and the inflation-related cost increase was partially offset by higher unit sales. The reduction in value added was also caused by the increase in average net assets.

Daimler Financial Services' value added of minus €0.2 billion was significantly under the prior-year level of plus €0.5 billion. The division's return on equity amounted to 11.1% (2017: 17.7%). The development of value added primarily reflects the decrease in earnings of €0.6 billion. Earnings were significantly reduced by the agreement reached to conclude the Toll Collect arbitration proceedings. The higher interest-rate level impacted EBIT negatively. Rising cost of credit risks in individual markets negatively impacted earnings in the still relatively stable risk environment. On the other hand, increasing contract volume had a positive impact on EBIT. The rise in average equity also led to a further negative effect on value added.

Liquidity and Capital Resources

Principles and objectives of financial management

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

Capital structure management designs the capital structure for the Group and its subsidiaries. Decisions regarding the capitalization of financial services companies – as well as production, sales and financing companies – are based on the principles of cost-optimized and risk-optimized liquidity and capital resources. We also take care that restrictions on capital transactions and on the transfer of capital and currencies are complied with.

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. The goal is to ensure the level of liquidity regarded as necessary at optimal costs. Besides operational liquidity, Daimler maintains additional liquidity reserves, which are available in the short term. Those additional financial resources include a pool of receivables from the financial services business which are available for securitization in the capital market, as well as a contractually confirmed syndicated credit facility.

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

Management of market price risks aims to minimize the impact of fluctuations in foreign exchange rates, interest rates and commodity prices on the 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. Starting in 2019, exposure to currency risks will be determined for each segment. 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 committees.

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

B.23

Condensed statement of cash flows[1]	Consolidated		Industrial Business[2]		Daimler Financial Services	
	2018	2017[3]	2018	2017[3]	2018	2017[3]
In millions of euros						
Cash and cash equivalents at beginning of period	12,072	10,981	9,515	8,751	2,557	2,230
Profit before income taxes	10,595	13,967	9,215	12,002	1,380	1,965
Depreciation and amortization/impairments	6,305	5,676	6,177	5,521	128	155
Other non-cash expense and income and gains/losses on disposals of assets	-1,050	-1,960	-1,557	-2,028	507	68
Change in operating assets and liabilities						
Inventories	-3,850	-1,455	-3,738	-1,264	-112	-191
Trade receivables	-884	-1,597	-779	-1,087	-105	-510
Trade payables	1,694	1,259	1,723	1,130	-29	129
Receivables from financial services	-10,257	-11,412	-7	-67	-10,250	-11,345
Vehicles on operating leases	-1,609	-3,304	1,208	1,019	-2,817	-4,323
Other operating assets and liabilities	877	210	1,067	-386	-190	596
Dividends received from equity-method investments	1,380	843	1,304	842	76	1
Income taxes paid	-2,858	-3,879	-1,698	-3,715	-1,160	-164
Cash used for/provided by operating activities	343	-1,652	12,915	11,967	-12,572	-13,619
Additions to property, plant and equipment and intangible assets	-10,701	-10,158	-10,534	-10,025	-167	-133
Investments in and disposals of shareholdings	-417	-687	14	-626	-431	-61
Acquisitions and sales of marketable debt securities and similar investments	471	537	505	435	-34	102
Other	726	790	708	791	18	-1
Cash used for investing activities	-9,921	-9,518	-9,307	-9,425	-614	-93
Change in financing liabilities	17,456	16,794	8,889	8,976	8,567	7,818
Dividends paid	-4,220	-3,727	-4,215	-3,723	-5	-4
Other transactions with shareholders	-10	62	-20	-20	10	82
Internal equity and financing transactions	–	–	-5,127	-6,233	5,127	6,233
Cash used for/provided by financing activities	13,226	13,129	-473	-1,000	13,699	14,129
Effect of foreign exchange rate changes on cash and cash equivalents	133	-868	149	-778	-16	-90
Cash and cash equivalents at end of period	15,853	12,072	12,799	9,515	3,054	2,557

1 The columns “Industrial business” and “Daimler Financial Services” represent a business point of view.
2 The industrial business comprises the vehicle segments Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans and Daimler Buses. Intra-group eliminations between the industrial business and Daimler Financial Services are generally allocated to the industrial business.
3 The prior-year figures have been adjusted due to the effects of first-time adoption of IFRS 15 and IFRS 9. Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Consolidated Financial Statements.

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

Financial country risk management includes various aspects: the risk from investments in subsidiaries and joint ventures, the risk from the cross-border financing of Group companies in risk countries, and the risk from direct sales to customers in those countries. Daimler has an internal rating system that divides all countries in which it operates into risk categories. With equity capital transactions of considerable size 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, a committee sets and restricts the level of hard-currency credits granted to financial services companies in risk countries.

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

Cash flows

Cash used for/provided by operating activities ↗ B.23 resulted in a cash inflow of €0.3 billion in 2018 (2017: cash outflow of €1.7 billion). The positive development was primarily due to the prior-year cash outflow of €3.0 billion resulting from the extraordinary contribution to the German pension plan assets. This was supplemented by positive effects from the leasing and sales-financing business. In addition, cash used for/provided by operating activities reflects lower income taxes paid, as well as a higher cash inflow due to dividends distributed by Beijing Benz Automotive Co., Ltd. Opposing effects were due to the general business performance and the development of working capital, reflecting in particular the stronger increase in inventories. At Mercedes-Benz Cars and Mercedes-Benz Vans, this resulted from the launch of new models and capacity expansions in the NAFTA region, among other things. Furthermore, the temporary increase in inventories, due to delivery delays was not fully reduced. The higher increase in inventories at Daimler Trucks was partially due to higher sales expectations in the NAFTA region and in Europe.

Cash used for investing activities ↗ B.23 amounted to €9.9 billion (2017: €9.5 billion). The change compared with the prior year primarily resulted from increased investments in property, plant and equipment. Opposing effects resulted from lower cash outflows for the investments in shareholdings, due to a prior year acquisition of an interest in LSH Auto International Limited (LSHAI).

B.24
Free cash flow of the industrial business

In millions of euros	Dec. 31, 2018	Dec. 31, 2017	18/17 Change
Cash provided by operating activities	12,915	11,967	+948
Cash used for investing activities	-9,307	-9,425	+118
Change in marketable debt securities and similar investments	-505	-435	-70
Other adjustments	-205	-102	-103
Free cash flow of the industrial business	2,898	2,005	+893

Cash provided by financing activities ↗ B.23 amounted to €13.2 billion (2017: €13.1 billion). The slight increase was primarily caused by higher net cash inflows from financing liabilities in the context of refinancing the leasing and sales-financing business, as well as by making use of good conditions in the international money and capital markets. Opposing effects resulted from the increased dividend payment to shareholders of Daimler AG.

Cash and cash equivalents increased by €3.8 billion compared with December 31, 2017, after taking currency-translation effects into account. Total liquidity, which also includes marketable debt securities and similar investments, increased by €3.3 billion to €25.4 billion.

The parameter used by Daimler to measure the financial capability of the Group's industrial business is the **free cash flow of the industrial business ↗ B.24**, which is derived from the reported cash flows from operating and investing activities. The cash flows from the acquisition and sale of marketable debt securities 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.

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

B.25

Net liquidity of the industrial business

In millions of euros	Dec. 31, 2018	Dec. 31, 2017	18/17 Change
Cash and cash equivalents	12,799	9,515	+3,284
Marketable debt securities and similar investments	8,364	8,894	-530
Liquidity	21,163	18,409	+2,754
Financing liabilities	-4,771	-1,600	-3,171
Market valuation and currency hedges for financing liabilities	-104	-212	+108
Financing liabilities (nominal)	-4,875	-1,812	-3,063
Net liquidity	16,288	16,597	-309

B.26

Net debt of the Daimler Group

In millions of euros	Dec. 31, 2018	Dec. 31, 2017	18/17 Change
Cash and cash equivalents	15,853	12,072	+3,781
Marketable debt securities and similar investments	9,577	10,063	-486
Liquidity	25,430	22,135	+3,295
Financing liabilities	-144,902	-127,124	-17,778
Market valuation and currency hedges for financing liabilities	-97	-229	+132
Financing liabilities (nominal)	-144,999	-127,353	-17,646
Net debt	-119,569	-105,218	-14,351

The **free cash flow of the industrial business** amounted to €2.9 billion in 2018 and was significantly higher than the prior-year figure of €2.0 billion; however, it did not exceed the dividend payment for 2018 of €3.9 billion. The free cash flow of the industrial business thus did not fully achieve all our expected targets as stated in the Outlook section of Annual Report 2017.

The €0.9 billion increase in the free cash flow to €2.9 billion resulted primarily from the prior-year cash outflow for the extraordinary contribution to the pension plan assets and the lower income taxes paid in the current year. The increased cash inflow also resulted from the dividends distributed by Beijing Benz Automotive Co., Ltd. Furthermore, there were lower cash outflows for the investments in shareholdings, due to a prior year acquisition of an interest in LSHAI.

Opposing effects were due to the general business performance and the development of working capital, reflecting in particular the stronger increase in inventories. At Mercedes-Benz Cars and Mercedes-Benz Vans, this resulted from the launch of new models and capacity expansions in the NAFTA region, among other things. Furthermore, the temporary increase in inventories, due to delivery delays was not fully reduced. The higher increase in inventories at Daimler Trucks was partially due to higher sales expectations in the NAFTA region and in Europe. In addition, higher investments in property, plant and equipment affected the free cash flow of the industrial business.

In 2018, the **free cash flow of the Daimler Group** led to a cash outflow of €10.2 billion (2017: €11.9 billion). Besides the effects of the free cash flow of the industrial business, the free cash flow of the Daimler Group is mainly affected by the leasing and sales-financing business of Daimler Financial Services.

The **net liquidity of the industrial business** ↗ B.25 is calculated as the total amount as shown in the statement of financial position of cash, cash equivalents and the marketable debt securities 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.

Compared with December 31, 2017, the net liquidity of the industrial business remained almost unchanged at €16.3 billion. The dividend payment to the shareholders of Daimler AG led to a decrease in net liquidity, which was offset by the positive free cash flow and positive exchange-rate effects.

Net debt at Group level, which primarily results from refinancing the leasing and sales-financing business, increased compared with December 31, 2017 by €14.4 billion to €119.6 billion. ↗ B.26.

Contingent liabilities and other financial obligations

At December 31, 2018, the best estimate for potential obligations from contingent liabilities is €0.8 billion (2017: €0.6 billion).

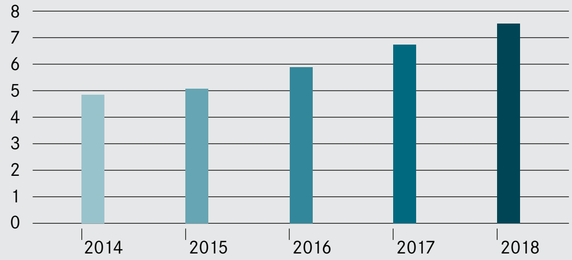
In the context of its ordinary business operations, the Group has also entered into **other financial obligations** in addition to the liabilities shown in the consolidated balance sheet at December 31, 2018. These financial obligations result from non-cancelable long-term rental agreements and operating leases, contractual commitments to acquire intangible assets, property, plant and equipment and lease property, and irrevocable loan commitments.

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

B.27

Investment in property, plant and equipment

In billions of euros



B.28

Investment in property, plant and equipment by division

In millions of euros	2018	2017	18/17 % change
Daimler Group	7,534	6,744	+12
in % of revenue	4.5	4.1	
Mercedes-Benz Cars	5,684	4,843	+17
in % of revenue	6.1	5.1	
Daimler Trucks	1,105	1,028	+7
in % of revenue	2.9	2.9	
Mercedes-Benz Vans	468	710	-34
in % of revenue	3.4	5.4	
Daimler Buses	144	94	+53
in % of revenue	3.2	2.1	
Daimler Financial Services	64	43	+49
in % of revenue	0.2	0.2	

Investment

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 intend to play a major role in shaping the fundamental technological change taking place in the automotive industry, and to assume a leading role with the development of the future areas of CASE (Connected, Autonomous, Shared & Services and Electric). This requires substantial investment in innovative products and new technologies, as well as in the expansion of our worldwide production network. In 2018, we therefore once again significantly increased our investment in property, plant and equipment – as already announced in Annual Report 2017 – from an already high level to €7.5 billion (2017: €6.7 billion).

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

At Mercedes-Benz Cars, investment in property, plant and equipment of €5.7 billion in 2018 was significantly above the prior-year level (2017: €4.8 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 2018 were successor generations for existing products, new products, global component projects and the optimization of the worldwide production network. Total investment in property, plant and equipment at Daimler Trucks amounted to €1.1 billion (2017: €1.0 billion). At the Mercedes-Benz Vans division, the focus of investment was on production of the next-generation Sprinter in Germany and the United States. The main investments at Daimler Buses last year were in alternative drive systems, new products and the modernization of the production network.

In addition to property, plant and equipment, we also invested in associated companies and joint ventures in the reporting period. Through targeted investments, we strengthened our position especially in the area of mobility services and in the development of a charging infrastructure for electric mobility.

Furthermore, we capitalized development costs of €2.5 billion in 2018 (2017: €2.8 billion); this is presented under intangible assets. page 262

Refinancing

The funds raised by Daimler in the year 2018 primarily served to refinance the leasing and sales-financing business. For that purpose, Daimler made use of a broad spectrum of various financing instruments in various currencies and markets. They include bank loans, commercial paper in the money market, bonds with medium and long maturities, customer deposits at Mercedes-Benz Bank, and the securitization of receivables from customers in the financial services business (asset backed securities).

Various issuance programs are available for raising longer-term funds in the capital market. They include the Euro Medium Term Note program (EMTN) with a total volume of €60 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 emissions (bonds with high nominal volumes) in the US dollar and euro markets. ↗ B.30

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

Daimler also issued small volumes of **commercial paper** in 2018.

In 2018, **asset-backed securities (ABS)** were issued in the United States, Canada, Germany, the United Kingdom and China. In the United States, a total refinancing volume of USD 7.6 billion was generated in six transactions, and in Canada, a volume of CAD 1.0 billion in two transactions. In addition, Mercedes-Benz Bank sold an ABS bond worth €0.75 billion to European investors via the Silver Arrow platform. In the United Kingdom, GBP 0.4 billion was successfully placed with investors. In China, two ABS transactions with a volume of CNY 16.0 billion were successfully placed.

Bank credit was another important source of refinancing in 2018. 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.

In July 2018, Daimler successfully concluded negotiations with a consortium of international banks for a new syndicated credit facility with a volume raised from €9 billion to €11 billion. With a term of five years, it grants Daimler additional financial flexibility until 2023. The term can be extended to 2025. Daimler does not intend to utilize the credit line.

At the end of 2018, Daimler had unutilized short- and long-term credit lines totaling €26.8 billion (2017: €21.0 billion). They include the credit facility arranged in July 2018 with a volume of €11 billion.

The carrying values of the main refinancing instruments and the weighted average interest rates are shown in table ↗ **B.29**. At December 31, 2018, they are mainly denominated in the following currencies: 42% in euros, 25% in US dollars, 9% in Chinese renminbi, 4% in British pounds, 3% in Canadian dollars and 3% in Japanese yen.

At December 31, 2018, the total of financial liabilities shown in the consolidated statement of financial position amounted to €144.9 billion (2017: €127.1 billion).

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

B.29

Refinancing instruments

	Average interest rates		Carrying values	
	Dec. 31, 2018	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017
		in %		In millions of euros
Notes/bonds and liabilities from ABS transactions	**2.24**	1.88	**88,942**	78,110
Commercial paper	**1.13**	2.64	**2,835**	1,045
Liabilities to financial institutions	**3.73**	3.09	**39,400**	34,555
Deposits in the direct banking business	**0.58**	0.42	**11,774**	11,460

B.30

Benchmark issuances

Issuer	Volume	Month of emission	Maturity
Daimler International Finance B.V.	€750 million	Jan/2018	Jan/2023
Daimler Finance North America LLC	US$1,700 million	Feb/2018	Feb/2021
Daimler Finance North America LLC	US$675 million	Feb/2018	Feb/2023
Daimler Finance North America LLC	US$625 million	Feb/2018	Feb/2028
Daimler International Finance B.V.	€500 million	Apr/2018	Apr/2020
Daimler Finance North America LLC	€1,000 million	May 2018	May 2020
Daimler Finance North America LLC	US$1,700 million	May 2018	May 2021
Daimler Finance North America LLC	US$1,000 million	May 2018	May 2023
Daimler Finance North America LLC	US$300 million	May 2018	Feb/2028
Daimler International Finance B.V.	€1,000 million	May 2018	May 2022
Daimler International Finance B.V.	€1,250 million	May 2018	Nov/2025
Daimler International Finance B.V.	€1,500 million	Aug/2018	Aug/2021
Daimler International Finance B.V.	€1,000 million	Aug/2018	Apr/2024
Daimler International Finance B.V.	US$500 million	Aug/2018	Feb/2027
Daimler Finance North America LLC	US$1,750 million	Nov/2018	Nov/2021

Credit ratings

In financial year 2018, the credit ratings of Daimler AG remained unchanged with all the agencies we have engaged to provide ratings. At the end of 2018, therefore, the outlook for Daimler AG was assessed as “stable” by the five agencies listed below. ↗ B.31

Moody’s Investors Service (Moody’s) affirmed its A2 long-term rating for Daimler AG and its rated subsidiaries on February 9, 2018. Moody’s pointed out that Daimler’s credit metrics place the Group solidly in the A2 rating category. The stable outlook reflects Moody’s expectation that Daimler’s business setup has the capacity to successfully meet the upcoming challenges in the automobile markets.

On June 14, 2018, the European agency **Scope Ratings** (Scope) affirmed its issuer rating of A on Daimler AG and its financing subsidiaries. Scope emphasized our company’s track record in recent years and expects that Daimler will continue to maintain the strong market positions held by Mercedes-Benz Cars and Daimler Trucks. Furthermore, Scope assesses Daimler’s financial risk profile as very strong.

On May 23, 2018, **Fitch Ratings** (Fitch) once again affirmed its long-term issuer default rating for Daimler AG of A- with a stable outlook. Fitch stated that the rating reflects Daimler’s strong business profile and robust credit metrics. In addition, Fitch pointed out the wide geographical and product diversification of Daimler.

On December 19, 2018, **S&P Global Ratings** (S&P) also affirmed its long-term corporate rating of A for Daimler AG and underscored its leading position among the premium automobile and truck manufacturers. S&P assumes that Daimler will be able to maintain its competitive position. In addition, S&P anticipates the continuation of very good financial metrics. The business risk of Daimler AG is assessed as “satisfactory” and the financial risk as “minimal”.

B.31
Credit ratings

	End of 2018	End of 2017
Long-term credit rating		
S&P	A	A
Moody’s	A2	A2
Fitch	A–	A–
Scope	A	A
DBRS	A	A
Short-term credit rating		
S&P	A-1	A-1
Moody’s	P-1	P-1
Fitch	F2	F2
Scope	S-1	S-1
DBRS	R-1 (low)	R-1 (low)

The Canadian agency **DBRS** confirmed its issuer rating and senior debt rating of Daimler AG at A with stable trends in a press release on November 29, 2018. The confirmation of the ratings from the previous year was based on a solid business risk assessment with commensurate financial risk.

The short-term ratings of Daimler AG and its financing companies were unchanged with all five rating agencies in 2018.

Financial Position

The **balance sheet total** increased compared with December 31, 2017 from €255.3 billion to €281.6 billion; adjusted for the effects of currency translation, the increase amounts to €25.4 billion. Daimler Financial Services accounts for €165.3 billion of the balance sheet total (2017: €150.0 billion), equivalent to 59% of the Daimler Group's total assets (2017: 59%).

The increase in total assets is primarily due to the increased volume of the financial services business, higher inventories, and cash and cash equivalents. In addition, the higher volume of capital expenditure led to an increase in intangible assets and property, plant and equipment. On the liabilities side, the increased refinancing requirement resulting from the portfolio growth led to increased financing liabilities. Furthermore, there was an increase in provisions and in trade liabilities. Current assets accounted for 43% of the balance sheet total, which was above the prior-year level (2017: 42%). Current liabilities amounted to 35% of total equity and liabilities, which was slightly above the prior-year level (2017: 34%).

Intangible assets of €14.8 billion (2017: €13.7 billion) include €11.3 billion of capitalized development costs (2017: €10.3 billion), €2.0 billion of franchises, industrial property and similar rights (2017: €2.0 billion) and €1.1 billion of goodwill (2017: €1.1 billion). The Mercedes-Benz Car division accounts for 81% (2017: 79%) and Daimler Trucks accounts for 8% (2017: 10%) of development costs. Capitalized development costs amount to €2.5 billion in 2018 (2017: €2.8 billion) and account for 28% of the Group's total research and development expenditure (2017: 32%). page 262

Property, plant and equipment page 263 increased to €30.9 billion (2017: €28.0 billion). In 2018, €7.5 billion was invested worldwide (2017: €6.7 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 (2017: €4.0 billion).

Equipment on operating leases and receivables from financial services rose to a total of €146.2 billion (2017: €133.1 billion). The increase adjusted for exchange-rate effects of €12.3 billion was primarily caused by the higher level of new business at Daimler Financial Services. The growth in business operations with customers reflects the successful course of business, especially in the NAFTA region, Asia and Western Europe. The leasing and sales-financing business as a proportion of total assets was at the prior-year level of 52%.

Equity-method investments of €4.9 billion (2017: €4.8 billion) mainly comprise the carrying amounts of our equity interests in Beijing Benz Automotive Co., Ltd., BAIC Motor Corporation Ltd. and There Holding B.V.

See Note 13 of the Notes to the Consolidated Financial Statements for further information.

Inventories increased from €25.7 billion to €29.5 billion, equivalent to 10% of total assets, and were thus at the prior-year level. The increase applies to all automotive divisions and relates primarily to finished goods and work in process. At Mercedes-Benz Cars and Mercedes-Benz Vans, higher inventories were in particular due to the launch of new models and increased production capacity in the NAFTA region. The increase during the year caused by delivery delays was not fully reduced in the last quarter. In addition, inventories increased at Daimler Trucks due among other things to the expected positive sales development in the NAFTA region and in Europe.

Trade receivables of €12.6 billion are above the prior-year level of €12.0 billion. The Mercedes-Benz Cars division accounts for 45% of these receivables (2017: 43%) and the Daimler Trucks division accounts for 25% (2017: 24%).

Cash and cash equivalents increased compared with the end of 2017 by €3.8 billion to €15.9 billion.

Marketable debt securities and similar investments decreased compared with December 31, 2017 from €10.1 billion to €9.6 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 decreased by €1.1 billion to €5.7 billion. They primarily consist of derivative financial instruments, equity and debt instruments, investments in non-consolidated subsidiaries, and loans and other receivables due from third parties. The decrease is primarily attributable to lower positive fair values of currency derivatives.

Other assets of €11.0 billion (2017: €9.1 billion) primarily comprise deferred tax assets and tax refund claims. The increase in deferred tax assets is due among other things to effects from the remeasurement of derivative financial instruments not recognized in profit or loss.

Assets held for sale of €0.5 billion and **liabilities held for sale** of €0.2 billion result from an agreement signed between the Daimler Group and the BMW Group in March 2018 to merge their business units for mobility services.

See Note 3 of the Notes to the Consolidated Financial Statements for further information.

B.32

Condensed statement of financial position[1]	Consolidated		Industrial Business[2]		Daimler Financial Services	
		At December 31,		At December 31,		At December 31,
	2018	2017[3]	**2018**	2017[3]	**2018**	2017[3]
In millions of euros						
Assets						
Intangible assets	**14,801**	13,735	**13,913**	12,789	**888**	946
Property, plant and equipment	**30,948**	27,981	**30,859**	27,914	**89**	67
Equipment on operating leases	**49,476**	47,074	**18,509**	18,071	**30,967**	29,003
Receivables from financial services	**96,740**	86,054	**-90**	-109	**96,830**	86,163
Equity-method investments	**4,860**	4,818	**4,651**	4,670	**209**	148
Inventories	**29,489**	25,686	**28,096**	24,492	**1,393**	1,194
Trade receivables	**12,586**	11,995	**10,545**	9,742	**2,041**	2,253
Cash and cash equivalents	**15,853**	12,072	**12,799**	9,515	**3,054**	2,557
Marketable debt securities and similar investments	**9,577**	10,063	**8,364**	8,894	**1,213**	1,169
thereof current	**8,855**	9,073	**8,362**	8,893	**493**	180
thereof non-current	**722**	990	**2**	1	**720**	989
Other financial assets	**5,733**	6,806	**-12,719**	-10,661	**18,452**	17,467
Other assets	**11,025**	9,061	**1,376**	39	**9,649**	9,022
Assets held for sale	**531**	–	**–**	–	**531**	–
Total assets	**281,619**	255,345	**116,303**	105,356	**165,316**	149,989
Equity and liabilities						
Equity	**66,053**	65,159	**53,243**	52,780	**12,810**	12,379
Provisions	**24,406**	22,136	**23,269**	21,110	**1,137**	1,026
Financing liabilities	**144,902**	127,124	**4,771**	1,600	**140,131**	125,524
thereof current	**56,240**	48,746	**-20,993**	-19,435	**77,233**	68,181
thereof non-current	**88,662**	78,378	**25,764**	21,035	**62,898**	57,343
Trade payables	**14,185**	12,451	**13,395**	11,632	**790**	819
Other financial liabilities	**10,032**	9,275	**5,888**	5,375	**4,144**	3,900
Contract and refund liabilities	**12,519**	11,208	**12,146**	10,862	**373**	346
Other liabilities	**9,310**	7,992	**3,591**	1,997	**5,719**	5,995
Liabilities held for sale	**212**	–	**–**	–	**212**	–
Total equity and liabilities	**281,619**	255,345	**116,303**	105,356	**165,316**	149,989

1 The columns “Industrial Business” and “Daimler Financial Services” represent a business point of view.
2 The industrial business comprises the vehicle segments Mercedes-Benz Cars, Mercedes-Benz Trucks, Mercedes-Benz Vans and Daimler Buses. Intra-group eliminations between the industrial business and Daimler Financial Services are generally allocated to the industrial business.
3 The prior-year figures have been adjusted due to the effects of first-time adoption of IFRS 15 and IFRS 9. Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Consolidated Financial Statements.

The **Group's equity** increased compared with December 31, 2017 from €65.2 billion to €66.1 billion; adjusted for the effects of currency translation, the increase amounts to €0.7 billion. The increase in equity was mainly due to net profit of €7.6 billion page 88 and the effects of currency translation of €0.2 billion. The increase was partially offset by the dividend of €3.9 billion paid out to Daimler's shareholders, the effect of remeasurement of derivative financial instruments not recognized in profit or loss of €1.3 billion, and actuarial losses from defined benefit pension plans recognized in retained earnings of €1.5 billion. Equity attributable to the shareholders of Daimler AG increased to €64.7 billion (2017: €63.9 billion).

Equity increased by 1% and thus by a significantly lower proportion than the increase in the balance sheet total of 10%. Due to the effects described above, the Group's **equity ratio** of 22.2% was below the level at the end of 2017 (24.0%); the equity ratio for the industrial business was 42.8% (2017: 46.4%). It is necessary to consider the fact that the equity ratios at the end of 2017 and 2018 are adjusted for the paid and proposed dividend payments.

Provisions increased from €22.1 billion to €24.4 billion; as a proportion of the balance sheet total, they were at the prior-year level at 9%. They primarily comprise provisions for pensions and similar obligations of €7.4 billion (2017: €5.8 billion), which mainly consists of the difference between the present value of defined benefit pension obligations of €31.7 billion (2017: €31.7 billion) and the fair value of the pension-plan assets applied to finance those obligations of €25.5 billion (2017: €27.2 billion). Provisions also relate to liabilities from income taxes of €1.5 billion (2017: €1.6 billion), from product warranties of €7.0 billion (2017: €6.7 billion) and for personnel and social costs of €4.3 billion (2017: €4.4 billion), as well as other provisions of €4.3 billion (2017: €3.6 billion).

Financing liabilities of €144.9 billion were significantly above the prior-year level (2017: €127.1 billion). The increase of €17.5 billion adjusted for exchange-rate effects was primarily due to the refinancing of the growing leasing and sales-financing business and the utilization of favorable interest terms for refinancing. 53% of the financing liabilities were accounted for by bonds, 27% by liabilities to financial institutions, 8% by deposits in the direct banking business and 9% by liabilities from ABS transactions.

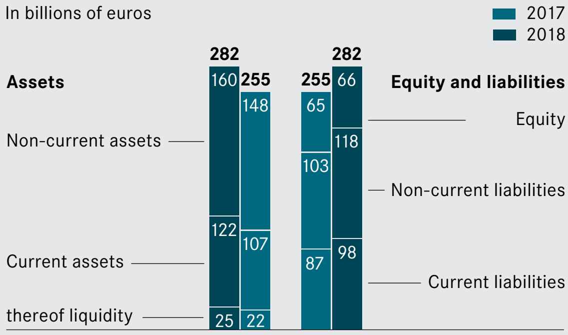
Trade payables increased to €14.2 billion due to the higher volume of business (2017: €12.5 billion). The Mercedes-Benz Cars division accounts for 60% (2017: 63%) of those payables and the Daimler Trucks division accounts for 24% (2017: 20%).

Other **financial liabilities** of €10.0 billion (2017: €9.3 billion) mainly consist of liabilities from residual-value guarantees, liabilities from wages and salaries, deposits received and accrued interest on financing liabilities. The increase was primarily caused by higher negative fair values of derivative financial instruments and by the liability caused by the Toll Collect settlement.

B.33

Balance sheet structure Daimler Group

In billions of euros



Contract and refund liabilities of €12.5 billion are higher than a year earlier (2017: €11.2 billion). They mainly comprise deferred revenue from service and maintenance contracts and extended warranties as well as obligations from sales transactions 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 €9.3 billion (2017: €8.0 billion) primarily comprise deferred income, tax liabilities and deferred taxes. The increase was primarily the result of higher deferred taxes.

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 page 230, the Consolidated Statement of Changes in Equity page 232 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. Its principal business activities comprise the development, production and distribution of cars, vans and trucks in Germany and the management of the activities of the Daimler Group.

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

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

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

Profitability

The development of **profitability** was affected in financial year 2018 by the increase in financial income of €1.4 billion to €7.3 billion, as well as by the decrease in operating profit of €2.3 billion to €-1.2 billion. ↗ B.34

Unit sales by Daimler AG in 2018 were slightly lower than in the prior year and thus lower than our expectation as stated in the Outlook section of last year's Annual Report. Sales of cars decreased by 4% to 1,791,000 units[1]. Due to starts of production, sales decreased of the GLE-Class by 18% to 137,000 units[1] and of the B-Class by 21% to 62,000 units[1]. Sales of 303,000 units[1] of the C-Class were lower than in the previous year, partially for lifecycle reasons (2017: 336,000 units[1]). The GLC-Class was extremely successful in 2018, with a sales increase of 18% to 293,000 units[1]. Truck sales increased by 6% to 112,000 units[1] and van sales rose by 8% to 386,000 units[1].

At €112.5 billion, **revenue** remained at the prior-year level and in line with our expectations as stated in the Outlook section of last year's Annual Report. Revenue in the car business decreased by 4% to €83.8 billion due to lower vehicle sales. Along with higher unit sales, revenue in the commercial-vehicle business increased again by 12% to €28.7 billion.

Cost of sales rose by 1% to €103.2 billion. The increase results primarily from higher expenses for production materials and purchased services. This was mainly due to higher expenses for new products and technologies, expenses related to certification according to the new WLTP (Worldwide Harmonized Light Vehicles Test Procedure) standard and expenses for service measures. Research and development expenses, which are reported under cost of sales, were higher than in the previous year at €8.1 billion (2017: €7.6 billion); as a proportion of revenue, they amounted to 7.2% (2017: 6.8%). Research and development expenses primarily related to the renewal and expansion of the product portfolio, in particular electric vehicles and the S-Class, C-Class, SUVs and the new Sprinter. In addition, work is continuously being carried out on new engine generations, alternative drive systems and the intensification of the module strategy. At the end of the year, approximately 20,500 people were employed in the area of research and development.

Selling expenses increased by €0.6 billion to €7.9 billion. This was primarily due to higher expenses for freight, marketing and sales systems. As a proportion of revenue, selling expenses increased from 6.5% to 7.0%.

General administrative expenses of €2.3 billion were higher than in the previous year (2017: €2.0 billion). They include costs in connection with Project Future amounting to €0.2 billion. As a proportion of revenue, general administrative expenses amounted to 2.0% (2017: 1.8%).

The aforementioned functional costs include expenses in the amount of €0.6 billion in connection with the transfer of pension obligations and special-purpose assets to Daimler Pensionsfonds AG.

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

Other operating expense, net amounted to €0.3 billion (2017: €0.4 billion). Income from other periods increased, on the other hand, expenses for legal proceedings had an impact. ↗ B.34

Financial income increased by €1.4 billion to €7.3 billion. The increase is primarily due to an increase of €4.6 billion in income from investments in subsidiaries. On the other hand, financial income was adversely affected by an increase of €3.2 billion in interest expenses, primarily in connection with company pensions. This was mainly due to significant higher interest expenses as a result of the return on the special-purpose assets, which was negative, unlike in the previous year, and to expenses resulting from the proportionate transfer of pension obligations and special-purpose assets to Daimler Pensionsfonds AG. In addition, the measurement of pension obligations also contributed to higher interest expenses.

The **income tax expense** amounts to €1.1 billion (2017: €2.0 billion). The lower operating profit led to a lower income tax expense. Furthermore, the prior-year figure included high tax expenses from other periods.

Net profit amounts to €5.0 billion (2017: €5.0 billion), and was thus in line with the expectations stated in the Outlook section of last year's Annual Report.

The **economic situation** of Daimler AG is primarily determined by its business operations and those of its subsidiaries. Daimler AG participates in the operating results of its subsidiaries through profit distributions. The economic situation of Daimler AG is therefore fundamentally the same as that of the Daimler Group, which is described in the chapter Overall Assessment of the Economic Situation. page 118

Financial position, liquidity and capital resources

The **balance sheet total** of €117.2 billion is €9.9 billion higher than at the end of 2017. ↗ B.35

Non-current assets increased during the year by €12.4 billion to €55.1 billion, reflecting the €11.9 billion increase in financial assets, which resulted primarily from internal restructuring within the Group as part of Project Future. Furthermore, property, plant and equipment increased by €0.4 billion to €9.5 billion. Investments in property, plant and equipment (excluding leased assets, approximately €3.0 billion) mainly relate to investments in the production of the new S-, A- and B-Class models and the new Sprinter, as well as investments in engine and transmission projects.

Inventories increased compared with December 31, 2017 by €1.0 billion to €10.5 billion. The increase is mainly related to unfinished and finished products.

Receivables, securities and other assets decreased compared with December 31, 2017 by €4.7 billion to €44.8 billion. The main reason for this development was the lower level of €5.4 billion in receivables due from subsidiaries, primarily resulting from sales of receivables in foreign currencies in the amount of €4.2 billion to a Group company during the year, and the decrease of €0.4 billion in securities. However, other assets increased by €1.0 billion. **Cash and cash equivalents** rose by €4.6 billion to €6.4 billion.

Gross liquidity – defined as cash and cash equivalents and other marketable securities as well as fixed-term deposits presented under other assets – increased by €4.7 billion to €14.3 billion on the balance sheet date. The main reason for the increase in gross liquidity was the €4.6 billion increase in cash and cash equivalents.

Cash provided by operating activities amounted to €13.8 billion in the 2018 financial year (2017: €7.2 billion). The increase resulted in particular from higher dividends from subsidiaries and lower receivables from the supply of goods and services to Group companies. In addition, higher cash-effective contributions were made to pension plan assets in the previous year.

Cash flows from investing activities resulted in a net cash outflow of €14.7 billion in 2018 (2017: €6.5 billion). The increase is primarily a reflection of restructuring within the Group in the area of financial assets in connection with Project Future. Positive effects resulted from acquisitions and sales of securities within the framework of liquidity management. Investments in intangible assets and in property, plant and equipment were at the prior-year level.

Cash flows from financing activities resulted in a net cash inflow of €5.5 billion (2017: outflow of €0.6 billion). The inflow is explained by higher liabilities from the Group's internal transactions in connection with central financial and liquidity management. On the other hand, the decrease in external financing liabilities resulted in higher cash outflows than in the previous year. Cash flows from financing activities include the payment of the dividend for the year 2017 in an amount of €3.9 billion.

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Condensed income statement of Daimler AG

	2018	2017
In millions of euros		
Revenue	112,491	112,685
Cost of sales (including R&D expenditure)	-103,232	-101,874
Selling expenses	-7,904	-7,312
General administrative expenses	-2,304	-2,010
Other operating expense, net	-292	-355
Operating profit	-1,241	1,134
Financial income	7,318	5,866
Income taxes	-1,055	-2,018
Net profit	5,022	4,982
Transfer to retained earnings	-1,545	-1,077
Distributable profit	3,477	3,905

Equity increased in 2018 by €1.1 billion to €43.2 billion. This change primarily resulted from the net profit for 2018, of which, in accordance with Section 58 Subsection 2 of the German Stock Corporation Act (AktG), €1.5 billion was transferred to retained earnings. The equity ratio at December 31, 2018 was 36.9% (December 31, 2017: 39.2%). As stated in the notes to the annual financial statements according to the German Commercial Code (HGB), Daimler AG holds no treasury shares at December 31, 2018.

Provisions increased compared with December 31, 2017 by €2.4 billion to €16.4 billion. This resulted mainly from increased provisions for pensions and similar obligations, increased obligations in connection with sales transactions and warranties, legal proceedings and higher personnel and social provisions.

B.35
Balance sheet structure of Daimler AG

	Dec. 31, 2018	Dec. 31, 2017
In millions of euros		
Assets		
Non-current assets	55,092	42,700
Inventories	10,524	9,466
Receivables, securities and other assets	44,784	49,516
Cash and cash equivalents	6,354	1,782
Current assets	61,662	60,764
Prepaid expenses	406	384
Net defined-benefit plan asset	–	3,462
	117,160	107,310
Equity and liabilities		
Share capital	3,070	3,070
(Conditional capital €500 million)		
Capital reserve	11,480	11,480
Retained earnings	25,182	23,637
Distributable profit	3,477	3,905
Equity	43,209	42,092
Provisions for pensions and similar obligations	838	–
Other provisions	15,595	13,981
Provisions	16,433	13,981
Trade payables	7,210	6,499
Other liabilities	49,232	43,838
Liabilities	56,442	50,337
Deferred income	1,076	900
	117,160	107,310

Provisions for pensions and similar obligations amounted to €0.8 billion at December 31, 2018 (2017: net defined-benefit plan asset of €3.5 billion). The change is primarily attributable to the transfer of pension obligations of €6.9 billion for retired employees and their surviving dependents to Daimler Pensionsfonds AG. To cover these pension obligations, special-purpose assets of €8.2 billion were transferred to Daimler Pensionsfonds AG. Additionally, the measurement of the pension obligations and the negative return on the special-purpose assets led to an increase in the provision.

Liabilities increased by €6.1 billion to €56.4 billion. This primarily reflects higher liabilities to subsidiaries and results in particular from purchase-price obligations from the Group's internal restructuring in connection with Project Future. On the other hand, there were decreases in bonds and notes and liabilities to banks.

Risks and opportunities

The business development of Daimler AG is fundamentally subject to the same risks and opportunities as that of the Daimler Group. Daimler AG generally participates in the risks of its subsidiaries and associated companies in line with the percentage of each holding. Risks and opportunities are described in the Risk and Opportunity Report. pages 143 ff Risks may additionally arise from relations with subsidiaries and associated companies in connection with statutory or contractual obligations (in particular with regard to financing), as well as from the impairment of investments in subsidiaries and associated companies.

Outlook

Due to the interrelations between Daimler AG and its subsidiaries and the relative size of Daimler AG within the Group, we refer to the statements in the Outlook chapter, which largely reflect our expectations also for the parent company. We also have adjusted the sensitivities for forecasting the unit sales, revenue and net profit in accordance with the Group for Daimler AG, effective with financial year 2019. pages 158 ff Excluding the effect of the planned separation as part of Project Future, we expect Daimler AG to achieve net profit in 2019 at the level of financial year 2018. We anticipate a higher operating profit and lower financial income. In 2019, we expect Daimler AG to achieve unit sales and revenue slightly above the prior-year levels.

Following the approval of Project Future at the 2019 Annual Shareholders' Meeting of Daimler AG, the car and van business as well as the truck and bus business will be separated into the legally independent entities Mercedes-Benz AG and Daimler Truck AG. As a result, Daimler AG will not sell any vehicles in the future. The remaining, significantly lower revenue will relate to intra-Group charging for services. Mercedes-Benz AG and Daimler Truck AG will each have a profit-and-loss-transfer agreement with Daimler AG. We therefore expect net profit for financial year 2019 to remain at the previous year's level.

Sustainability and Integrity

Sustainability at Daimler

Sustainability is one of the basic principles of our corporate activities as well as a benchmark for our success as a company. This approach means that we take advantage of the opportunities offered by sustainability for our business success while including ecological and social impacts in these considerations.

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 2018 will be available on the Group’s website in late March 2019. daimler.com/sustainability

Research & development

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

The expertise, creativity and drive of our employees in research and development are key factors behind our vehicles’ market success. At the end of 2018, Daimler employed 25,600 men and women at its research and development units around the world (2017: 24,600). A total of 17,700 of those employees (2017: 16,800) worked at Group Research & Mercedes-Benz Cars Development, 5,300 (2017: 5,300) at Daimler Trucks, 1,300 (2017: 1,300) at Mercedes-Benz Vans and 1,300 (2017: 1,200) at Daimler Buses. Around 5,800 researchers and development engineers (2017: 5,400) worked outside Germany.

Our international 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 locations in North America are the US R&D headquarters in Sunnyvale, California (main facility); 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. 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 digitization, simulations and data science. In November 2018, we announced plans to build a Research and Development Tech Center 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 2014. The new R&D Tech Center is scheduled to begin operating in 2020.

In September, we opened our new Test and Technology Center in Immendingen. We have invested more than €200 million in this new Daimler research location, which is located at a former military site and covers a total area of 520 hectares. The center brings together our global vehicle testing activities. Among other things, we will use the facility to develop alternative drive systems such as hybrid and electric vehicles of the EQ product and technology brand, and to test future assistance systems and automated driving functions.

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, or, 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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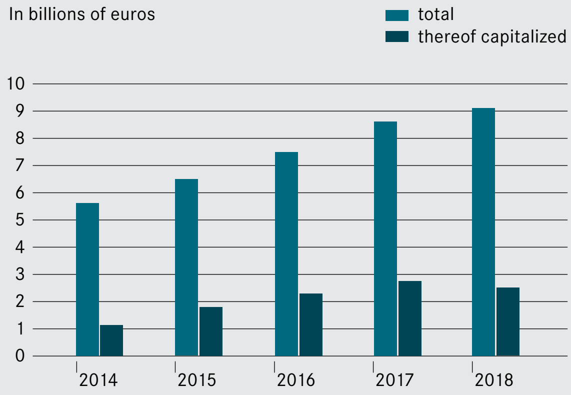
Research and development expenditure



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Research and development expenditure by division

	2018	2017	18/17
In millions of euros			% change
Daimler Group	**9,107**	8,711	+5
thereof capitalized	**2,526**	2,773	-9
Mercedes-Benz Cars	**6,962**	6,642	+5
thereof capitalized	**2,269**	2,388	-5
Daimler Trucks	**1,295**	1,322	-2
thereof capitalized	**40**	45	-11
Mercedes-Benz Vans	**666**	565	+18
thereof capitalized	**176**	310	-43
Daimler Buses	**199**	194	+3
thereof capitalized	**41**	30	+37

Targeted involvement of the supplier industry

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

New strategy for brands and patents: everything under one roof

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 2018 by registering almost 1,900 new ideas for patents, with an increasing focus on the CASE technologies. In addition to industrial property rights, which are intended to safeguard our innovations for future mobility over the long term, the unique visual aspects of our products are protected with over 7,500 designs registered in 2018 (2017: 7,800). Our portfolio of nearly 36,300 trademark rights worldwide (2017: 35,800) also serves to protect the Mercedes-Benz brand, our new EQ brand for electric mobility, and all our other brands in each relevant market.

In today's fast-paced digital world, it is no longer enough simply to develop good ideas. For this reason, within the framework of our "Project Future," we have taken the opportunity to consolidate under one roof all topics and tasks relating to our patents, our strong brands, our copyrights and the licenses we issue to contract manufacturers. The result is the establishment of the Daimler Brand & IP Management GmbH & Co. KG subsidiary. This organizational unit will focus exclusively in the future on the management, utilization, protection and assertion of all intellectual and other property rights at the Daimler Group.

€9.1 billion for research and development

We want to continue helping shape mobility through our pioneering innovations in the coming years while moving ahead with digitization throughout the entire Group. As announced in our Annual Report 2017, we therefore slightly increased our very high level of investment in research and development to €9.1 billion in 2018 (2017: €8.7 billion). Of that amount, €2.5 billion (2017: €2.8 billion) was capitalized as development costs, which represents a capitalization rate of 28% (2017: 32%). The amortization of capitalized research and development expenditure totaled €1.5 billion during the year under review (2017: €1.3 billion). With a rate of 5.4% (2017: 5.3%), research and development expenditure also remained at a high level in comparison with revenue. Research in the year under review focused on new vehicle models, extremely fuel-efficient and environmentally friendly drive systems, new safety technologies, automated and autonomous driving and the digital connectivity of our products.

The most important development projects at Mercedes-Benz Cars focused on the successor models of the current S-Class and C-Class, as well as on the EQ electric brand. We are also investing in low-emission combustion engines, vehicle connectivity, automated and autonomous driving, and the development of new innovative safety technologies. Mercedes-Benz Cars spent a total of €7.0 billion on research and development in the year under review (2017: €6.6 billion). Daimler Trucks invested €1.3 billion in research and development projects, as in the previous year. The division's most important projects were in the areas of emission standards and fuel efficiency, as well as customized products and technologies for important growth markets. Forward-looking technologies for electric mobility, connectivity, and automated and autonomous driving are also becoming more important. R&D expenditure at Mercedes-Benz Vans focused mainly on the new Sprinter generation and the further development of the Vito and the V-Class. In addition, Mercedes-Benz Vans continued to forge ahead with the electrification of its commercial model series. Daimler Buses primarily focused its development activities on new products, the fulfillment of future emissions standards and measures to further reduce fuel consumption. Alternative drive systems, in particular electrification technology and other forward-looking projects related to automation functions and autonomous driving also played a key role during the year under review.
↗ B.36 ↗ B.37

Innovation, safety and environmental protection

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 and the broad range of Mercedes-Benz cars to vans, buses and trucks, we seek to shape and lead this far-reaching transformation. Our CASE corporate strategy focuses on the key fields decisive for the future of mobility – connectivity (Connected), automated and autonomous driving (Autonomous), flexible use and services (Shared & Services) and electric drive systems (Electric). The combination of these four fields offers possibilities for developing entirely new products and services for customers and making mobility as intuitive as possible. An autonomously driving taxi that can be ordered using a smartphone offers a good example of what we can expect to see here in the future. In the meantime, our electric mobility offensive in the field of cars is being consolidated under our new 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 – Mercedes-Benz User Experience sets standards
With regard to the key field of Connected, MBUX – Mercedes-Benz User Experience – has been available for our customers since the launch of the new A-Class. Thanks to artificial intelligence, the all-new infotainment system has the ability to learn; it can also be personalized and adjusts itself to users' habits and preferences. It thus creates an emotive and intuitive link between the vehicle and its driver. Its voice control system with natural speech recognition can now be operated in a more intuitive manner. The GLE will be the first model to feature the Interior Assistant, which can recognize individual hand and arm movements of the driver and the front passenger and support their personal operating intentions and preferences.

The digital services from Mercedes me have long since begun evolving into intelligent, personal and mobile assistants of Mercedes-Benz drivers, and this fact is confirmed by the very high customer activation rates for Mercedes me services.

Autonomous: From Stop-and-Go Assist to driverless cars
Connectivity also plays a key role in the development of automated driving functions. Today's driving assistance systems already use live traffic information and data obtained from car2x communication systems. Our goals here extend far beyond such applications, however. The 2017/2018 Mercedes-Benz Intelligent World Drive demonstrated that learning-enabled systems play a key role in the development of autonomous driving applications for real road traffic, in line with the given conditions in a country. In the Mercedes-Benz Intelligent World Drive, a test vehicle based on the current S-Class completed a demanding study trip on five continents in order to "learn" from automated test drives in real traffic conditions. Whether it was crosswalks on Chinese highways, making right turns from the left-hand lane in Melbourne, Australia, or pedestrian traffic on different types of roads in South Africa – on every continent the S-Class faced challenges that will have an influence on the way future automated and autonomous vehicles operate.

The next phase will take place in the city of San Jose, California, where Bosch and Daimler are creating a system for fully automated autonomous driving (SAE Levels 4/5) and setting the stage for other important developments. In the second half of 2019, Bosch and Daimler plan to begin offering customers a ride-hailing service with fully automated Mercedes-Benz S-Class vehicles on selected routes. Daimler Financial Services AG will operate and manage the test fleet and the app-based mobility service.

Shared & Services: ideas for new mobility
The pilot project for fully automated driving in San Jose will also demonstrate how mobility services from Daimler that are already established, such as car sharing (car2go), ride hailing (mytaxi) and multimodal platforms (moovel), can be intelligently linked and used to shape the future of mobility.

Those who wish to share their private vehicle with friends or colleagues can use the ready-to-share app function for smart cars and the Mercedes me car-sharing app for Mercedes-Benz cars. Both apps offer holistic solutions that make it possible for customers to allow access to the vehicle for a predefined group of users. Friends, family members or colleagues can then easily book and borrow the vehicle for a specific period.

In mid-July 2018, an attractive subscription model started under the Mercedes me brand at first as a pilot project in various German cities. We offer interested customers the possibility to flexibly select and drive up to 12 different vehicles within a one-year period. So instead of owning just one car, those who use the service can switch cars in line with their changing situations or activities; for example, they can drive a convertible in the summer or use an E-Class wagon for family trips.

Services related to electric mobility are starting to play a special role. With Mercedes me, EQ offers extensive services for electric mobility today and in the future. Auxiliary climate control is one of the most important new services and features available in the EQ models from Mercedes-Benz. It ensures that the vehicle interior is already at the desired temperature upon departure. The system can be programmed directly via MBUX or via the Mercedes me app.

The EQ-specific content in MBUX includes the display of range, charge level and energy flow. Drive programs, charging current and departure time can also be controlled and set via MBUX. The MBUX display also has a special EQ tile via which numerous EQ features can be accessed.

EQ-optimized navigation always bases its calculation on the fastest route while also taking into account the shortest charging time. The route planning system also responds dynamically to changes, while EQ-optimized navigation ensures that Mercedes-Benz customers can easily find charging stations. In addition, Mercedes me Charge gives customers convenient access to the charging stations of numerous providers, including those outside the country the vehicle is registered in. In this context, customers also benefit from an integrated payment function with simple billing features.

Drivers of all vehicles with electric drive systems benefit from an intelligent and networked variant of the Mercedes-Benz wallbox, which makes charging easier and also offers a range of additional functions that can be accessed via a new app.

Electric: Mercedes-Benz and smart focus on EQ
Mercedes-Benz is forging ahead with the electrification of its vehicles. Plans call for electrification of the entire Mercedes-Benz portfolio by 2022, which means that various electric alternatives are to be offered in every segment – from compact cars to large SUVs. Well over 130 electric vehicle variants are currently planned. Depending on customer preferences and the expansion of the public infrastructure, all-electric vehicles should account for 15 to 25% of our total car sales by 2025. To that end, we plan to launch more than ten all-electric cars.

Mercedes-Benz Cars is also a pioneer when it comes to the introduction of the 48-volt electrical system. Integration of the starter motor and generator and the electrification of auxiliary assemblies are to gradually and systematically make their way into the market to do more than just make cars more efficient, as temporarily available torque (EQ boost) will also provide additional thrust and enable “coasting” without CO_2 emissions.

As the second pillar of its electrification strategy, Daimler is currently launching new plug-in hybrid models from the C-Class to the S-Class model series. Such hybrid variants are to be made available also in the compact segment over the medium term. Plug-in hybrids, which are marketed under the EQ Power brand at Mercedes-Benz, represent a key technology on the road to a locally emission-free future for the automobile. Such vehicles offer customers the best of both worlds: They can be driven in the all-electric mode in cities, while on long journeys, customers benefit from the combustion engine’s range. We are also now combining highly efficient diesel engines with plug-in hybrid technology for the first time.

We have refined our intelligent drive management system in order to further improve efficiency. The route-based operating-mode strategy for hybrid and electric vehicles anticipates the course of the road and the traffic situation. This also includes radar-based recuperation, anticipatory route-based gear shifting and operation strategy, and ECO Assist.

The third and fast-growing pillar on the road to emission-free mobility is the all-electric drive system.

The GLC F-CELL is another fully electric vehicle (hydrogen consumption combined: 0.34 kg/100 km, CO_2 emissions combined: 0 g/km, power consumption combined: 13.7 kWh/100 km)[1]. This SUV, which has been delivered to the first selected customers since late 2018, can run on electricity as well as hydrogen because it is equipped with a lithium-ion battery in addition to its fuel cell. Intelligent interplay between the battery and the fuel cell, as well as short refueling times, make the GLC F-CELL a dynamic and practical vehicle for long-distance travel. Two tanks with a carbon-fiber outer layer in the vehicle floor hold 4.4 kg of hydrogen. Thanks to 700-bar tank technology, the hydrogen tank can be refilled within just three minutes – as quickly as one is used to filling the tank of a conventional car. With hydrogen consumption of approximately 1 kg/100 km, the GLC F-CELL achieves about 430 hydrogen-powered kilometers[1] in the NEDC; in hybrid mode, up to 51 km[1] are added when the battery is fully charged. And driving dynamics are ensured by an output of 155 kW.

The EQC (power consumption combined: 22.2 kWh/100 km; CO_2 emissions combined: 0 g/km, preliminary figures)[2], which is the first all-electric SUV from Mercedes-Benz, had its world premiere in Stockholm in early September. The model will go into series production in 2019, after which, additional EQ models will be launched in quick succession.

smart is well on its way to becoming an all-electric brand by 2020. The battery-electric smart models combine the agility of the smart with locally emission-free driving – the ideal combination for urban mobility.

We take a holistic view of electric mobility. In an effort to implement the recycling process chain and to safeguard future raw-material supplies for electric mobility, Daimler AG is actively involved in the research and development of new recycling technologies. With the establishment of a wholly owned subsidiary Mercedes-Benz Energy GmbH, we are now focusing, for example, on reusing batteries. After all, the lifecycle of a battery does not have to end after it has done its job in a vehicle, as the battery can be reused for stationary energy storage devices. Battery systems that have yet to be installed in electric vehicles and remain in stock as spare parts can also be used as energy storage units. A large storage device consisting of battery modules for electric vehicle applications went into operation in Elverlingsen in the southern Westphalia region of Germany at the end of June 2018. A total of 1,920 battery modules are stored there as a “living spare parts depot” for third-generation electric smart models.

Modern combustion engines remain indispensable
Combustion engines will 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 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.

1 Information on fuel consumption, electricity consumption and CO_2 emissions is provisional and has been determined by an external technical service for the certification procedure in accordance with the provisions of the WLTP test procedure; the figures are non-binding and have been correlated with NEDC values. EU type approval and a certificate of conformity with official figures are not yet available. The figures given above may deviate from the official figures.

2 Information on electricity consumption and CO_2 emissions is provisional and has been determined by an external technical service and is non-binding. Range figures are also provisional and non-binding. EU type approval and a certificate of conformity with official figures are not yet available. The figures given above may deviate from the official figures.

Our “vision of accident-free driving”
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.

Starting with the new A-Class, which was launched in May 2018, our compact-class cars can be equipped with assistance systems that provide cooperative support to the driver. Such systems, which were previously only available in S-Class vehicles, also include features that enable partially automated driving. The high level of active safety achieved by our engineers, which prevents accidents while simultaneously enhancing comfort for drivers, is also demonstrated in the new GLE – several Intelligent Drive functions in its Driving Assistance Package are also leading the way beyond the SUV segment. For example, the Stop-and-Go Assist system in the new GLE can detect traffic jams early on, actively support the driver in stop-and-go traffic up to a speed of approximately 60 km/h, and also help create an emergency lane for rescue crews in the event of an accident.

Good visibility means greater safety. MULTIBEAM LED headlights with Adaptive Highbeam Assist Plus are now available throughout our entire product range. This assistance system can control the LEDs in the headlamps individually and thus continuously adapt the range and shape of the light cone to the given traffic situation. We are also currently testing the next technological lighting leap in a small batch of Mercedes-Maybach models being driven by customers: DIGITAL LIGHT. This software-controlled light has high precision thanks to its resolution of more than two million pixels, and is leading the way in driver assistance, performance and communication.

Trucks and buses of the future
Our customers move the world: goods, people, ideas. Our shared task at Daimler Trucks & Buses is to provide them with the best possible support. We develop the vehicles and services with which they can advance our society today and tomorrow: efficiently, safely and reliably. To this end, we are putting important new technologies into series production such as electric drive systems and partially automated driving – across brands, divisions and regions. In this way, we make goods and passenger transportation even safer and more sustainable worldwide, and our customers even more successful. We first listen to our customers on the spot and then we develop the right solutions.

Daimler Trucks: efficient and electric
The new Mercedes-Benz Actros had its world premiere in September 2018. The Mercedes-Benz brand’s flagship truck for long-distance haulage applications takes efficiency for business owners, comfort for drivers and safety for all road users and pedestrians to new levels. Fuel consumption has been further reduced compared to the predecessor model. For better aerodynamics, the truck features new, aerodynamically improved wind deflectors and, above all, the world’s first mirror camera in a series-production truck, which will replace large exterior mirrors in the future. Thanks to its expanded map material, the Predictive Powertrain Control (PPC) system for cruise control and gear shifting can now also be used for long-distance haulage on both secondary roads and major highways.

The new Actros will also be offered with natural-gas drive in the future. Significantly lower CO_2 emissions when operating on natural gas and a further significant improvement in the CO_2 balance when using biomethane, in addition to low noise emissions and zero emissions of particulate matter from the drive engine – with the new Actros NGT, Mercedes-Benz Trucks offers the benefits of this alternative drive system.

Along with its efforts to increase the efficiency of conventional drive systems, Daimler Trucks is also working on the development of sustainable, all-electric, quiet and locally emission-free commercial vehicles that offer outstanding benefits for both customers and the environment. The company conducts analyses to identify applications for which electric mobility makes the most economic sense, in the interest of both the company’s shareholders and its customers. The year 2018 marked the first time that Daimler Trucks unveiled all-electric trucks across all its vehicle segments, ranging from the FUSO eCanter in the light-duty segment to the Freightliner eM2 in the medium-duty segment and the Mercedes-Benz eActros, Freightliner eCascadia and FUSO Vision One in the heavy-duty segment. The FUSO eCanter and the Mercedes-Benz eActros are currently being tested under real conditions by customers in the United States, Europe and Japan. In December 2018, Freightliner delivered its first Freightliner eM2 to a customer in the United States. The Freightliner eCascadia and eM2 are especially geared toward the requirements of customers who use electric commercial vehicles on predefined local distribution haulage routes that generally do not change.

In June 2018, we consolidated all electrification activities for trucks and buses in the E-Mobility Group. The E-Mobility Group defines the strategy for all electric components and for complete electric vehicles across all brands and divisions. It is also developing a globally standardized electric architecture similar to the successful global platform strategy used for conventional drive systems and major components. The employees work at many locations throughout the company’s worldwide network – for example in Portland, Oregon, in the United States; in Stuttgart, Germany; and in Kawasaki, Japan.

Daimler Trucks: safe and automated
The new Mercedes-Benz Actros also sets new standards in terms of safety and partially automated driving. Just four years after the presentation of the automated Mercedes-Benz Future Truck 2025, the company is now putting a partially automated (Level 2) driver assistance system into a series-production truck for the first time ever. This new system, which is known as Active Drive Assist, enables partially automated driving in all speed ranges for the driver in a series-produced truck. The new features here are active lateral guidance and the combination of longitudinal and lateral guidance, which is made possible by the fusion of radar and camera information. Active Drive Assist enables interplay between the Proximity Control Assist system with its stop-and-go function and Active Lane Keeping Assist. Although the driver is still responsible for monitoring the traffic situation, the system provides significant relief to him or her and makes an important contribution to increasing road safety. Starting in 2019, Daimler Trucks offers partially automated driving (Level 2) to its Freightliner customers in North America under the product name Detroit Assurance 5.0. Level 2 functions are also to be available for customers in Asia in the FUSO Super Great in 2019.

The Mercedes-Benz Actros also features the latest generation of the Active Brake Assist emergency braking system. Active Brake Assist 5 supports the driver when there is a danger of a rear-end collision or a collision with a person crossing the road, approaching the truck or walking in the truck's lane – with automatic maximum braking if necessary. Active Brake Assist 5 also works with a combination of radar and a camera, which allows it to monitor the space ahead of the vehicle and react to persons on the road in an even more effective manner. Sideguard Assist helps protect the most vulnerable road users – cyclists and pedestrians. This system has been available since the spring of 2018 in Mercedes-Benz Actros, Antos and Arocs heavy-duty trucks, as well as in the Econic. It is also now offered in Asia in the FUSO Super Great.

Daimler Trucks: reliable and connected
Commercial vehicles from Daimler Trucks & Buses need to be reliable. Unnecessary downtime prevents customers from conducting their business successfully, so vehicle reliability is always the top priority. Before vehicles go into series production, the company has already tested them over millions of kilometers under the most difficult conditions around the globe. Daimler also works continuously to increase the availability of its trucks and buses. Digitization and connectivity play a decisive role here. Meanwhile, several hundred thousand connected vehicles from Daimler are on the roads.

The Truck Data Center is the centerpiece of all the connectivity solutions offered by Daimler Trucks. The Truck Data Center receives data from the sensors and cameras in the truck and analyzes this information for various applications. It also serves as the interface for all connectivity services and is thus responsible for the truck's external communications as well. This connectivity module forms the technological foundation for the Fleetboard and Mercedes-Benz Uptime connectivity services and the telematics solutions offered by Detroit Connect for the Freightliner brand and by Truckonnect for FUSO. Like a modern smartphone, the Truck Data Center uses Bluetooth, the mobile-telephony network or GPS to communicate with the traffic infrastructure, with other vehicles and with further systems involved in the logistics process. The Truck Data Center creates a permanent connection between vehicles from Daimler Trucks and the cloud, and makes the division's trucks part of the Internet of things.

At the IAA Commercial Vehicles trade fair in September 2018, Fleetboard unveiled the new customer interface that we plan to offer to Fleetboard customers in the spring of 2019. The improvement to the Fleetboard Cockpit involves the introduction of a new, intuitive and web-based interface that clearly combines all data from booked Fleetboard services. The refined and free Fleetboard Driver app has been available for downloading in the Apple App Store and the Google Play Store since July 2018.

With Mercedes-Benz Uptime, we are pursuing the clear goal of permanently minimizing vehicle downtime and ensuring that necessary downtime can be planned, to further increase vehicle availability for customers. Constant communication by all onboard connected systems generates several gigabytes of data per truck every day, and this data can be used for various vehicle diagnostics procedures. After collecting all of the truck data, Mercedes-Benz Uptime can issue recommendations for service and repair center action to dealers within 240 seconds. This feature has, for example, substantially reduced vehicle diagnostics times during initial service center tests at the more than 1,500 Mercedes-Benz retail outlets in Europe that have been certified to use Mercedes-Benz Uptime.

Similar connectivity solutions in the form of services from Detroit Connect and Detroit Assurance are available for Daimler Trucks customers in North America from Freightliner. FUSO now offers customers in Asia the Truckonnect connectivity solution in its new Super Great truck.

Mercedes-Benz Vans: electric drive
Mercedes-Benz Vans plans to offer all its commercial van model series with electric drive systems. The initial step was taken with the launch of the mid-size eVito in November 2018. The eVito is the second all-electric production model from Mercedes-Benz Vans; the first was the Vito E-Cell in 2010. With a range of 149-189[1,2] kilometers, the mid-size van is thus perfect for inner-city deliveries and other commercial operations. The battery can be fully charged in about six hours. In addition, customers can choose between two options with regard to top speed: a maximum of 80 km/h for city traffic and urban areas, while also conserving energy and increasing the vehicle's range, or a maximum of 100 km/h or 120 km/h if required for driving on highways. The electric Vito for goods transport will be followed by the eVito Tourer for passenger transport and the eSprinter in 2019.

1 Range depends on vehicle configuration, specially on the selection of maximum speed limitation. Electricity consumption and range have been calculated on the basis of Commission Regulation (EC) No 692/2008.

2 Actual range also depends on individual driving style, road and traffic conditions, ambient temperature, use of air-conditioning/heating etc., and may deviate from the stated figures.

Mercedes-Benz Vans: innovative solutions
More than ever before, Mercedes-Benz Vans is making the choice of a drivetrain dependent on customer utility. In addition to vehicle technology, system weight, charging/refueling time, range and profitability are also taken into consideration. Mercedes-Benz Vans is expanding its eDrive@VANs strategy with the fuel cell. Based on the example of a semi-integrated travel van, the Concept Sprinter F-CELL showcases the full spectrum of the typical advantages of a fuel cell, from a long range to locally emission-free mobility. These attributes are also extremely well suited for other applications, such as long courier trips or small intercity buses.

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. In addition, the integration of an intelligent charging infrastructure concept lays the foundation for conserving resources with a commercial fleet while remaining economically competitive.

With Vision URBANETIC, Mercedes-Benz Vans is presenting under autonomous@Vans a supplement to its electrification solutions with a revolutionary 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 improve the quality of life in cities. pages 28 f

digital@Vans bundles innovative solutions in the field of digitization. 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 vehicles and the retrieval of vehicle information such as location, fuel level or maintenance intervals almost in real time.

Efficient and clean drive technology for buses
Daimler has already made tremendous advances in terms of exhaust treatment technology for the bus sector. For example, all Mercedes-Benz and Setra model series were made available with Euro VI technology at a very early stage. Despite the application of this significantly more sophisticated exhaust treatment technology, use of the new Mercedes-Benz engines has enabled us to achieve a further reduction in fuel consumption for our already economical vehicles, with a simultaneous increase in engine output.

The new Mercedes-Benz Tourismo touring coach reduces fuel consumption primarily through optimized aerodynamics and the all-new and lighter body. Lower fuel consumption and emissions are achieved also as a result of optional equipment such as Predictive Powertrain Control (PPC) and Eco Driver Feedback (EDF).

The Mercedes-Benz Citaro NGT with the all-new M 936 natural-gas engine also helps to make public transportation in cities more environmentally friendly. The Citaro NGT is also even more efficient than its predecessor model – and the CO_2 balance is even better when biomethane is used.

Depending on the vehicle's use profile and specifications, the new electrohydraulic steering system in the Mercedes-Benz Citaro hybrid further improves on the fuel consumption of the conventional Citaro, which is already highly efficient. Hybrid drive is available for many model variants of the best-selling Citaro city bus, including the natural gas-powered Citaro NGT. The reductions in fuel consumption quickly pay off for transport companies, and the environment and society benefit from the decrease in emissions.

With the new all-electric Mercedes-Benz eCitaro, which had its world premiere at the 2018 IAA Commercial Vehicles trade fair, we now have in our portfolio a key component of environmentally friendly local public transport with low-emission and locally emission-free buses. pages 20 f

Innovative safety and assistance systems for buses
With new safety and assistance systems, we are showing that safety has top priority also for our buses. Beginning in 2019, the Active Brake Assist 4 emergency braking system will become standard equipment in all Mercedes-Benz and Setra touring coaches. The system warns drivers 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 assist system for city buses – will be available as an option for the entire Mercedes-Benz Citaro model family and the Mercedes-Benz Conecto starting in 2019. Sideguard Assist, 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 and Tourismo and all Setra ComfortClass 500 and TopClass 500 Setra touring coaches.

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

A vehicle's environmental impact is largely determined during the first stages 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 minimize the impact on the environment.
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Car CO_2 emissions
In the year under review, the average CO_2 emissions of the total fleet of Mercedes-Benz Cars in Europe (EU28 + Iceland) increased to 132 g/km (NEDC) (2017: 125 g/km).

The transition for the individual vehicles from NEDC to WLTP as the legally stipulated CO_2 emission measurement cycle has led to a significant increase in our fleet emission figures. At the same time, the shift in sales from diesel to gasoline engines and a further increase in sales of larger SUVs and all-wheel-drive vehicles have contributed to a higher CO_2 figure for our fleet.

Because all vehicle models will be certified in accordance with the WLTP by September 2019, we expect only a slightly lower CO_2 figure for our fleet in 2019 despite further progress with reducing our vehicles fuel consumption. In 2020, vehicle electrification measures should contribute to a substantial decrease in fleet CO_2 emissions.

More detailed information can be found in the “Non-Financial Report” section of this Annual Report. pages 206 ff

Plan for the future of diesel vehicles
Our plan for the future of diesel vehicles includes the development of software updates for a total of well over three million customer-owned vehicles in Europe, of which well over one million are located in Germany. With the software updates, we will reduce NOx emissions by 25 to 30% on average for these vehicles. This will be verified with the measurement cycle agreed upon with the authorities (WLTC 1, 2, 3).

After talks with the German Federal Ministry of Transport and Digital Infrastructure (BMVI) in June 2018, and by order of the German Federal Motor Transport Authority (KBA), Daimler is carrying out a mandatory recall of approximately 690,000 vehicles in Europe (including approximately 280,000 in Germany). The great majority of these vehicles were already covered by the voluntary service measures announced in July 2017. The measures are being taken in close cooperation with the German certification authorities.

Daimler supports the German government’s concept for clean air and safeguarding individual mobility. With an attractive incentive program in the defined core regions, we are accelerating the renewal of the country’s stock of vehicles. Daimler is thus making a significant contribution to the federal government’s concept of preventing any disadvantages for diesel drivers.

Following the coalition decision in early October 2018, Daimler announced that it would also participate in a hardware retrofit program for diesel vehicles in the defined key regions as part of the concept of the German federal government for clean air and securing individual mobility. Against this background, Daimler is prepared to cover the costs of hardware retrofitting up to a maximum amount of €3,000 for Mercedes-Benz customers with Euro 5 diesel vehicles in the core regions. The retrofit hardware must be developed and offered by a third-party supplier and approved by the German Federal Motor Transport Authority. It must specifically entitle customers also to drive on roads on which there are driving bans in certain cities. Daimler’s goal is to attain clarity in the interests of the customers about which third-party hardware solutions can be offered and when.

Further information can be found in the “Non-Financial Report” section of this Annual Report. pages 206 ff

Resource conservation: consistently high recyclability
Evaluating the environmental compatibility of a vehicle requires an analysis of the emissions and use of resources throughout the entire lifecycle. During vehicle development, we also prepare a recycling concept for every vehicle model. 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
Daimler follows an integrated approach for its corporate environmental protection measures. This approach begins with the potential causes of environmental effects.

For this reason, we have established environmental management systems at our manufacturing locations with the goal of ensuring that we can produce our vehicles safely, efficiently and at a high level of quality in an environmentally friendly manner that complies with all legal stipulations. We also carry out environmental risk assessments at all production facilities in which the Group has a majority interest. We are striving for a high level of air quality, climate protection and resource conservation (in terms of water consumption, waste management and soil conservation), and we support this high level with the help of Daimler Group’s standards.

Another important aspect is climate protection at our production plants. Mercedes-Benz Cars is setting the course for green production in Germany and Europe. Plans call for all manufacturing facilities in Germany to be supplied with CO_2-neutral energy by 2022. The preparations for the exclusive use of green electricity for a climate friendly production in Europe are already well advanced. Our vehicle and powertrain factories in Bremen, Rastatt, Sindelfingen, Berlin, Hamburg, Kamenz, Kölleda and Stuttgart-Untertürkheim buy electricity or operate their own power plants. In the future, 100% of purchased electricity is to come from verified renewable sources such as wind and water power. This corresponds to about three quarters of the total electricity requirements of our German plants. The remainder is generated in our own highly efficient gas-fired combined heat and power plants. We intend to offset the resulting CO_2 emissions through qualified compensation projects. This also applies to all other energy purchases by the plants, such as natural gas for heating buildings or fuel for transport within the plant grounds.

More detailed information can be found in the Non-Financial Report section of this Annual Report. pages 206 ff

The workforce

Slight increase in the number of employees

At December 31, 2018, the Daimler Group employed a total of 298,683 men and women (2017: 289,321). As was forecast in Annual Report 2017, the number of employees increased slightly (+3%). This increase was primarily a result of the positive overall business situation. Workforce numbers increased at all divisions in 2018. ↗ B.39

The number of employees in Germany increased from 172,089 in 2017 to 174,663 in the year under review. Whereas employee numbers rose in the United States to 26,310 (2017: 23,513) and in Brazil to 10,307 (2017: 9,800), the number of employees in Japan remained close to the prior-year level at 9,918 (2017: 10,016). ↗ B.38 Our consolidated subsidiaries in China had a total of 4,424 employees at the end of the year (2017: 4,099). At the end of the year under review, Daimler AG employed a total of 149,797 men and women (2017: 148,953).

Around the world, we have combined in-house services, such as those for financial processes, human resources (HR), IT and development tasks, sales functions and certain location-specific services, into shared service centers. Some of the shared service centers are not consolidated because they do not affect our financial position, cash flow or profitability; those companies employed approximately 11,900 men and women at the end of 2018.

The Group's total workforce also does not include the employees of companies that we manage together with Chinese partners; at December 31, 2018, they numbered approximately 19,900 people (2017: 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 the competitiveness of our workforce. Because our executives should motivate their employees to achieve top performance, it is crucial that we further develop our management culture and establish outstanding leadership capabilities in our management. In addition, we want to take on social responsibility and let diversity flourish in our global company.

High attractiveness as an employer

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

Diversity management

The statement "Diversity shapes our future" underscores the importance of diversity management 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.

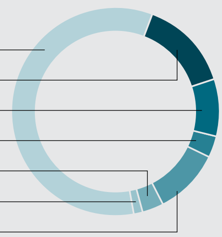
Daimler's nearly 300,000 employees from over 160 countries provide the Group with a vibrant mixture of cultures and ways of life. We have committed ourselves to raising the proportion of women in senior management at the Group to at least 20% by the year 2020. The proportion of women in such positions has continually risen in recent years to reach 18.8% at the end of 2018 (2017: 17.6%). Our instruments for supporting the targeted promotion of women include mentoring, special events and training courses, and employee networks.

B.38

Employees at 12/31/2018

By region

Germany	58.5%
Europe, excluding Germany	14.3%
USA	8.8%
Brazil	3.5%
Japan	3.3%
China*	1.5%
Other	10.1%



* excluding non-consolidated associated companies and joint ventures

B.39

Employees by division

	2018	2017	18/17
Employees (December 31)			% change
Daimler Group	**298,683**	289,321	+3
Mercedes-Benz Cars	**145,436**	142,666	+2
Daimler Trucks	**82,953**	79,483	+4
Mercedes-Benz Vans	**26,210**	25,255	+4
Daimler Buses	**18,770**	18,292	+3
Daimler Financial Services	**14,070**	13,012	+8
Group functions and services	**11,244**	10,613	+6

In order to fulfill the requirements of legislation 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 191 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 and interact 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. Our range of qualification measures 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.

Health management and occupational safety
Healthy and motivated employees are important for our competitiveness. We therefore promote the health and safety of our employees through numerous programs that focus on adequate protection measures, ergonomics, the provision of medical care, nutritional advice, individual exercise courses and much more. Our Health & Safety unit defines, coordinates and monitors measures that promote and ensure occupational health and safety at the company.

Further information on employee matters can be found in the Non-Financial Report on pages 210 ff of this Annual Report.

Social responsibility

The goals associated with our social commitment
Daimler operates all over the world. Achieving business success while simultaneously shaping progress and contributing to the improvement of the way we live together in society – for us these goals go hand in hand and are of fundamental importance. With this in mind, the activities related to our social commitment are designed to achieve a sustained and visible positive effect that promotes the common good.

In 2018, we spent approximately €66 million on donations to non-profit institutions and the sponsorship of socially beneficial projects. This does not include our foundations or self-initiated projects.

DaimlerWeCare
“With our employees,” “For our locations,” “Worldwide” – these three pillars form the foundation of our social commitment. We encourage our employees to get involved in socially beneficial projects and help improve the social environment in the communities where we operate. We also aim to strengthen communities, promote education, science, the arts and culture, and nature conservation, and to support initiatives such as Mobile Kids that improve road safety. ↗ B.40

With our employees
ProCent is a good example of how our employees take the initiative when it comes to social commitment. In this program, 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. In 2018, approximately 230 projects were approved in a volume of more than €2 million. Within the framework of this initiative, sanitary facilities were renovated and the construction of a new biogas plant was financed at the Shangri-La International School near Kathmandu, Nepal, for example.

“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, almost 1,300 employees in 43 different projects participated in the “Social Days.” Employees from our IT department participated in a socially beneficial project at an organic farm in the German state of Rhineland-Palatinate in September 2018. Together with the “Lebenshilfe Bad Dürkheim e.V.” charitable organization, these staff members helped refurbish the farm’s facilities in order to safeguard the jobs the farm offers to people with disabilities. All of these activities are for a good cause, and they also strengthen the motivation of our employees as well as social cohesion within the company.

For our locations
We conduct a wide variety of projects that not only support social development at our locations but also specifically improve the quality of life there. Among those that benefited from our activities in 2018 were the various charitable organizations in Stuttgart to which we donated 45 smart EQ vehicles within the framework of the project “Im E-insatz für meine Stadt” (“E-mobility for my city”) that we launched together with the Stuttgart Civic Foundation. The vehicle donation was intended to support civic engagement and locally emission-free mobility for volunteer workers.

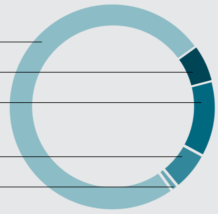
Worldwide
We initiate aid projects worldwide to help people determine the course of their lives independently, on their own responsibility and without material deprivation, and in this manner create a better future for the generations to come. The “Water for Life” cooperation project with Caritas International is an example of an international charitable undertaking that extends across three continents. The project is being carried out in semi-desert regions in India, Brazil and Mozambique and supports the sustainable utilization of existing water resources in order to improve the living conditions of local populations. During 2018, we focused in particular on analyzing the results of the project in Brazil and assessing the effectiveness of our funding activities there. Our project in Brazil helped families and cooperatives adapt to difficult climatic conditions, test new farming approaches and develop new marketing channels. On the basis of our analyses, it is clear that the project is beginning to bear fruit.

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 over 150 Laureus projects under way in more than 40 countries. These projects have helped more than two million children worldwide. One example is the Boxgirls Kenya project, in which young socially disadvantaged girls from poor Nairobi neighborhoods are taught martial arts in order to help them overcome trauma and strengthen their self-confidence.

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 humans, 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.

B.40
Donations and sponsoring in 2018

Charity & Community	75%
Arts & Culture	6%
Education	12%
Science & Technology & Environment	6%
Political dialogue	1%



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 215 ff

Integrity, compliance and legal affairs

For Daimler, integrity, compliance and legal responsibility are inseparable from our daily business activities. We are convinced that only those who act responsibly can achieve sustained success over the long term. For us, this involves more than just obeying laws, as we also seek to align our activities with shared principles and values.

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

A culture of integrity
Integrity is one of the four corporate values that form the foundation of our business activities. For us, integrity means acting in accordance with ethical principles. We therefore aim not only to comply with all applicable laws, internal regulations and voluntary commitments, but also to live in accordance with our corporate values and not to shy away from making difficult decisions or addressing critical issues. We expect all of our employees and business partners to adhere to the principles of our culture of integrity out of a sense of conviction.

During the year under review, we focused in particular on the strategic further development of our culture of integrity, taking recent developments in society into account as well. Implementation of the measures we derived as a result will begin in 2019. In 2018, we also designed and conducted a pilot survey to assess the effectiveness of our integrity-related measures and develop them further on this basis. Another survey to be conducted in 2019 will build on our progress here and allow us to target our activities toward specific groups and continuously improve the programs we offer.

Integrity management organization
The task of Integrity Management is to support all departments with the promotion and further development of the culture of integrity at the Daimler Group. The unit's experts for change management, corporate responsibility management, training, consulting and communication develop innovative and employee-focused approaches and formats that are designed to strengthen the culture of integrity. These experts also support disseminators throughout the Group with their integrity-related activities. 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. The Head of Integrity Management reports directly to the member of the Board of Management responsible for Integrity and Legal Affairs.

Integrity Code
Our Integrity Code forms the foundation of our business conduct. It is based on a shared understanding of values, which we developed with our workforce in employee dialogs. It lays out the principles governing our everyday business conduct. These central principles include compliance with laws, as well as fairness, responsibility, mutual respect, transparency and openness. The Code is binding on all companies and employees of the Daimler Group and is available in 23 languages. A guide is available on the Group's intranet to support the employees in their application of the Code in everyday situations, providing answers to frequently asked questions. daimler.com/documents/sustainability/integrity/daimler-integritycode.pdf

Requirements for executives
Our Integrity Code also defines requirements for executives and managers, who are expected to serve as role models in terms of ethical behavior and to provide employees with orientation. For optimal support with the fulfillment of their responsibilities, they participate in a web-based Integrity@Work training program that includes a management module compulsory for all management staff. It explains in detail the role of executives and managers at Daimler with regard to integrity, compliance and applicable law. Furthermore, selected seminars designed to enhance the qualifications and skills of our management staff also include modules that focus on integrity.

Integrity and compliance requirements are important criteria for the target achievement of our executives. They are also part of the agreed objectives for the remuneration of the Board of Management. pages 120 ff

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

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

We use various event formats to get employees to think about integrity by approaching the issue from different perspectives. At these events, we also increase the participants' awareness of the importance of making ethical decisions. For example, we present case studies that enable employees to experience and discuss the relevance of integrity to daily business operations from various viewpoints. We also have a network of integrity contact persons who help the business units address specific issues in a targeted manner. One of the things we focused on in 2018 was dialog sessions that addressed the topic of technical integrity in the development departments of our various divisions. We are also providing more support to our business units with regard to ethical questions related to the responsible use and management of data and the challenges associated with data-based business models.

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, voluntary commitments and our values, as set out in binding form in our Integrity Code. Our compliance activities focus on complying with all applicable anti-corruption regulations, the maintenance and promotion of fair competition, adherence to legal and regulatory stipulations regarding product development (technical compliance), 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) is designed to prevent inappropriate or illegal behavior by Daimler and its employees, and our culture of integrity serves as the foundation for this approach. The measures needed for this are defined by our compliance and legal affairs organizations in a process that also takes business requirements into account. Our CMS consists of basic principles and measures for the promotion of compliant behavior throughout the Group. It is based on national and international standards and is applied on a global scale at all units and majority holdings of Daimler AG. The systematic minimization of compliance risks is extremely important here, and for this reason we analyze and assess the compliance risks of all our business units every year. These analyses are based on centrally compiled information on all business units; specific additional details are taken into account 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.
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In order to ensure an independent external assessment of our Antitrust Compliance Program, KPMG AG Wirtschaftsprüfungsgesellschaft audited the Compliance Management System for antitrust law in accordance with 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.

Overall Assessment of the Economic Situation

In the opinion of the Board of Management, the Daimler Group's economic situation continues to be generally satisfactory at the time of publication of this Annual Report, although overall conditions for our business are significantly less favorable. This development was not without an influence on our financial success. Nonetheless, we continued to pursue our strategy with great determination and also with the corresponding allocation of funds. We will continue to follow the course we have set in a disciplined manner in order to remain competitive in the long term and to grow profitably. Our goal is clear: We aim to continue to be a leading vehicle manufacturer while evolving into a leading provider of sustainable mobility.

In order to achieve that goal, we have prioritized five components, which are closely interlinked. Within the framework of our 5C strategy, we want to

- strengthen the global core business (**CORE**),
- lead in new fields of the future (**CASE**),
- adapt the corporate culture (**CULTURE**) and
- strengthen the divisional structure (**COMPANY**).

The focus of our activities is on our fifth and most important C: our customers (**CUSTOMER**). We are aligning our processes and our organization with a strong customer focus and aim to develop the best product and mobility solutions for and with the customers.

We succeeded in strengthening our core business also in the year 2018: Daimler again set records for unit sales and revenue, and the Group's EBIT was at a high level despite difficult conditions and special challenges in our business operations.

In the year under review, Daimler sold a total of 3.4 million cars and commercial vehicles (2017: 3.3 million), Contributions to this growth came primarily from the divisions Daimler Trucks (+10%), Mercedes-Benz Vans (+5%) and Daimler Buses (+8%). The Mercedes-Benz Cars division also achieved record unit sales with growth of 0.4% despite difficult conditions. Demand for passenger cars of the Mercedes-Benz brand remained high; however, the sales development was largely influenced by lifecycle effects of various model series. Some additional factors were increased tariffs in China on vehicles imported from the United States, bottlenecks in the supply chain and the suspension of deliveries of individual diesel models. Delays with vehicle certification in some international markets also had an impact on availability.

Daimler Financial Services' business developed positively once again in 2018. Worldwide contract volume continued to grow and reached a new high of €154.1 billion (+10%).

On this basis, the Group's revenue also increased, by 2% to the record level of €167.4 billion. Adjusted for exchange-rate effects, revenue grew by 4%.

The Daimler Group's operating profit (EBIT) of €11.1 billion was significantly lower than in the previous year (€14.3 billion). The Daimler Trucks division increased its EBIT significantly, while the other divisions posted partially significant decreases. In the overall vehicle business, our EBIT of 6.9% did not reach the target corridor of 8-9%. Also at Daimler Financial Services, our return on equity of 11.1% was significantly below the target of 17%. This was partially due to expenses from the settlement reached in the Toll Collect arbitration proceedings.

We regard it as an ongoing task to strengthen the Group's earning power and secure it in view of future challenges. At Mercedes-Benz Cars, we further developed Fit for Leadership as an efficiency program and firmly established it in the organization. With Fit for Leadership, we aim to achieve further improvements in earnings of €4 billion by 2025. Comparable programs are running also in the other divisions.

As a result of the positive development of earnings, we again achieved a very good return on net assets of 14.8% (2017: 22.5%). We therefore once again substantially surpassed our target of 8% for the minimum return on capital employed. Despite the decrease compared with the previous year, value added of €3.7 billion shows that we created significant value also in the year under review (2017: €7.0 billion).

The fact that our key financial metrics remain very solid was also confirmed by the rating agencies: Daimler AG's credit ratings remained unchanged with the five rating agencies we commissioned in the 2018 financial year. At the end of 2018, Daimler's ratings were thus at a consistently high level with a "stable" outlook.

The Group's overall equity ratio and the equity ratio of the industrial business reached 22.2% and 42.8% respectively in the year under review (2017: 24.0% and 46.4%), and thus continued to be at very solid levels. This also applies to the net liquidity of the industrial business of €16.3 billion at the end of 2018, which was almost unchanged from a year earlier. The free cash flow of the industrial business – the parameter we use to measure financial strength – was €2.9 billion in 2018, which is significantly higher than the prior-year figure of €2.0 billion. However, it must be taken into consideration that the prior-year figure was reduced by an extraordinary contribution of €3 billion into the German pension plan assets of Daimler AG.

To be able to implement our growth strategy with new products, innovative technologies and modern production capacities, we once again increased the advance expenditure to secure our successful future, from an already very high level by a total of €1.2 billion to €16.6 billion in the year under review: €9,1 billion for research and development (2017: €8.7 billion) and €7.5 billion for property, plant and equipment (2017: €6.7 billion). In the application of these funds, we are increasingly concentrating on the CASE future fields of connectivity (Connected), automated and autonomous driving (Autonomous), flexible use and services (Shared & Services) and electric drive systems (Electric). We intend to be leaders in each of these areas and to utilize additional potential by linking up the four areas. To that end, we plan to launch more than ten all-electric cars.

We see great growth opportunities in the area of electric mobility in particular. By the year 2022, the entire Mercedes-Benz portfolio is to be electrified. This means that at least one electrified alternative will be offered in each segment – from compact cars to large SUVs. Significantly more than 130 electrified vehicle variants are planned. As well as all-electric models, this will include plug-in hybrid versions and models with 48-volt technology. By 2025, depending on the development of the public infrastructure and customer preferences, 15 to 25% of the cars we sell are to be all-electric. To that end, we plan to launch more than ten all-electric vehicles on the market.

We are progressing with electrification also with our commercial vehicles. The Group is focusing on areas of application in which e-mobility is also economical. In 2018, Daimler Trucks for the first time presented all-electric trucks to the public across all segments: from the FUSO eCanter in the light-duty segment to the Freightliner eM2 in the medium-heavy segment and the Mercedes-Benz eActros, Freightliner eCascadia and FUSO Vision One in the heavy-duty segment. Mercedes-Benz Vans plans to offer all its commercial model series with electric drive. The first was the mid-size eVito, which has been available since November 2018. With the new, all-electric Mercedes-Benz eCitaro, which had its world premiere at the IAA Commercial Vehicles trade fair in 2018, we have added an important component to our portfolio for environmentally friendly local public transport with low-emission and locally emission-free buses.

With the further development of autonomous driving, we rely on the one hand on technical assistants and on the other hand on automated systems that take customers from A to B without a driver. Mercedes-Benz Cars has demonstrated its strong position in the field of technical assistants with the S-Class. On the other hand, we are developing automated systems that can be used without a driver or can be shared with others.

Daimler Financial Services is continuously investing in the development of a comprehensive mobility ecosystem. car2go is a leading company for flexible car sharing. In the ride-hailing segment, the Daimler subsidiary mytaxi is one of the leading providers of app-based taxi services in Europe, and with moovel, we offer our customers a platform with which they can optimally compare, combine, book and pay for various mobility services. In order to upscale rapidly for on-demand mobility, the mobility services car sharing, ride hailing, parking, charging and multimodality of today's Daimler Mobility Services and the BMW Group are to be merged and strategically expanded. To successfully transition from vehicle producer to full-range supplier of innovative mobility solutions, we must adapt our company to face new challenges. In doing so, we aim to combine the flexibility and risk culture of the digital industry with the perfection and innovativeness of our company's strong traditions. Together with our workforce, we are therefore developing a new and flexible corporate culture under the roof of "Leadership 2020". In addition, we are working in "Project Future" on further focusing and strengthening the divisional structure of the Daimler Group.

With the components CORE, CASE, CULTURE and COMPANY, we are aligning the Group towards the customers' requirements (CUSTOMER). In this way, we are setting the course for a successful future. This is precisely why we can continue to look forward to the coming years with great confidence.

Events after the Reporting Period

Since the end of the 2018 financial year, there have been no further occurrences that are of major significance for Daimler. The course of business in the first weeks of 2019 confirms the statements made in the "Outlook" section of this Annual Report.

Remuneration Report

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

Principles of Board of Management remuneration

Goals

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

Practical implementation

For each upcoming financial year, the Presidential Committee at first prepares a review by the Supervisory Board of the system and level of remuneration on the basis of a comparison with competitors. The main focus is on checking for appropriateness, based on a horizontal and 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-term and long-term variable components;
- and the target remuneration consisting of base salary, annual bonus and long-term variable remuneration, also with consideration of entitlement to a retirement pension and fringe benefits.

The vertical comparison focuses on the ratio of Board of Management remuneration to the remuneration of the senior executives and the entire workforce of Daimler AG in Germany, also in terms of development over time. The Supervisory Board has defined the group of senior executives for this purpose. 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 comparison groups the Supervisory Board establishes the causes, and in the absence of objective reasons for the deviation adjusts the remuneration of the Board of Management as necessary.

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

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

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

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

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

All members of the Supervisory Board and thus all members of the Presidential Committee are obligated, pursuant to the procedural rules of the Supervisory Board and its committees, to disclose any conflicts of interest to the Supervisory Board. For its part, in its report to the Annual Meeting the Supervisory Board informs of any conflicts of interest that have arisen and of how they have been dealt with (cf. Report of the Supervisory Board page 46 ff of the Annual Report). In the case of significant and not merely temporary conflicts of interest the Supervisory Board member in question is required to resign. Furthermore, the Supervisory Board has set targets for a minimum number of independent members of the Supervisory Board and of members without potential conflicts of interest. Further details of the contents of and compliance with these targets are provided in the Declaration on Corporate Governance, Corporate Governance Report on page 191 ff of this Annual Report.

The system of Board of Management remuneration in 2018
The fixed base salary and the annual bonus each comprise approximately 30% of the target remuneration, while the variable component of remuneration with a long-term incentive effect (PPSP) makes up approximately 40% of the target remuneration. ↗ B.42

As before, only 50% of the annual bonus is paid out in the March of the following financial year. The other 50% is paid out a year later (deferral) with the application of a bonus-malus rule, depending on the development of the Daimler share price compared with an automotive index (STOXX Europe Auto Index) page 62 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 and give due consideration to both positive and negative business developments.

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

As in the prior year, the maximum amounts of remuneration of the members of the Board of Management were set for financial year 2018 at 1.9 times the target remuneration for its members and 1.5 times the target remuneration for its Chairman. The target remuneration consists of the base salary, the target annual bonus and the grant value of the PPSP, excluding fringe benefits and retirement benefit commitments. With the inclusion of fringe benefits and retirement benefit commitments from the respective financial year, the maximum limit of total remuneration increases by these amounts. The possible cap on the amount exceeding the maximum limit takes place with the payment of the PPSP issued in the relevant financial year, i.e. for the year 2018, with payment of the PPSP in 2022. ↗ B.43

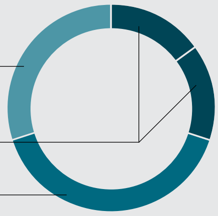
The individual components of the remuneration system are as follows:

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

B.42
Remuneration structure

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

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



B.43
Maximum limit of total remuneration[1] 2018

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

Base salary in 2018
+ target bonus = 100% of the 2018 base salary
+ PPSP value when granted for 2018

Target remuneration[1] 2018

Base salary in 2018
+ annual bonus for 2018
(50% paid out in 2019 + 50% in 2020)
+ PPSP payment for 2018 (in 2022) incl. dividend equivalent payments

Total remuneration[1] in 2018

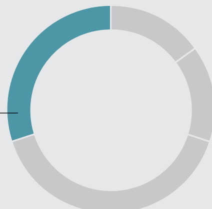
The possible cap on the amount exceeding the maximum limit takes place with the payment of the PPSP for 2018 in 2022.

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

B.44
Base salary – fixed page 121

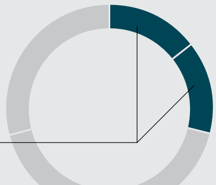
base salary – fixed – oriented towards the area of responsibility

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



B.45

Annual bonus – short- and medium-term performance-related remuneration page 122



short- and medium-term performance-related components approx. 30%

annual bonus 2018 = target bonus × overall target achievement

target bonus = 100% of base salary 2018

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

overall target achievement

time of payment of annual bonus 2018

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

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

amount paid out = 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.

B.46

Annual bonus[1] 2018

dependent upon	
EBIT target achievement Range of possible target achievement: 0% – 200%	– 50% relates to a comparison of actual EBIT in 2018 with EBIT targeted for 2018 – 50% relates to a comparison of actual EBIT in 2018 with actual EBIT in 2017
Target achievement for the Board of Management as a whole (derived from individual targets) Range of possible target achievement: -25% – +25%	Individual target agreements in 2018
Target achievement for the Board of Management as a whole: non-financial targets Range of possible target achievement: -10% – +10%	For 2018: Further development and permanent establishment of the corporate value of integrity; diversity and the maintenance and enhancement of a high level of employee satisfaction and product quality.
Non-achievement of individual compliance targets Range of possible target achievement: -25% – 0%	Compliance agreements in 2018
Maximum target achievement (total cap):	**235% of the target bonus**

1 May be subject to retention or repayment claims.

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

Primary reference parameters:
- 50% relates to a comparison of actual EBIT in 2018 with EBIT targeted for 2018.
- 50% relates to a comparison of actual EBIT in 2018 with actual EBIT in 2017.

Amount with 100% target achievement (target annual bonus):
In 2018, this is equivalent to the respective base salary.

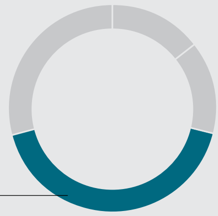
Range of possible target achievement:
0 to 200%, that is, the annual bonus due to EBIT achievement has an upper limit of double the base salary and may also be zero. Both primary performance parameters, each of which relates to half of the bonus, can vary between 0% and 200%. For the primary performance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

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

In addition, the Supervisory Board uses individual target agreements as a basis for measuring the target achievement for individual Board of Management members and then uses this target achievement value to measure the overall target achievement of the Board of Management as a whole. This overall target achievement result can lead to an addition or reduction of up to 25% from the degree of target achievement as measured on the basis of the primary performance parameters. Only in exceptional cases may the Supervisory Board deviate from this overall performance assessment and make individual additions or deductions within the range described above. In addition, on the basis of the sustainability-related non-financial targets for the Board of Management as a whole, an amount of up to 10% can be added or deducted, depending on the predefined key figures/assessment basis. The non-financial targets defined for 2018 were the further development and permanent establishment of the corporate value of integrity, the promotion of diversity in the sense of increasing the share of women in management positions and the maintenance and enhancement of a high level of employee satisfaction and product quality.

B.47

Performance Phantom Share Plan (PPSP)
– long-term performance-related remuneration page 123



long-term performance-related remuneration approx. 40%

amount when granted in euros page 123
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 2018
in February of the year 2022

B.48

PPSP 2018

dependent upon	
Development of performance factors	– 50% relates to the “return on sales” achieved in a three-year comparison with the defined group of competitors page 124 Bandwidth of possible target achievement: 0% – 200%[1] – 50% relates to the “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) have been purchased (shares to be held until the end of the term of service)

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

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

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

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

The **Performance Phantom Share Plan** (PPSP) is a variable element of remuneration with long-term incentive effects. At the beginning of the plan, the Supervisory Board specifies a grant value (absolute amount in euros) in the context of setting the individual annual target remuneration. This amount is divided by the relevant average price of Daimler shares calculated over a predefined long period of time, which results in the preliminary number of phantom shares allocated.

Also at the beginning of the plan, performance targets are set for a period of three years (performance period). Depending on the achievement of these performance targets with a possible range of 0% to 200%, after three years the phantom shares allocated at the beginning of the plan are converted into the final number of phantom shares allocated.

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

Performance parameters for Plan 2018:

- 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 (currently 9%) 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 (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 2018, 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 depends on target achievement measured according to the criteria described above and on the share price relevant for the payout. This share price is limited to 2.5 times the share price at the beginning of the plan. In addition, the amount to be paid out is limited to 2.5 times the absolute euro amount specified at the beginning of the plan, which is relevant for the preliminary number of phantom shares allocated. This maximum amount includes the dividend equivalent paid out during the four-year plan period.

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

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

Appropriateness of Board of Management remuneration
In accordance with Section 87 of the German Stock Corporation Act (AktG), the Supervisory Board of Daimler AG once again had an assessment of the system of Board of Management remuneration carried out by an external remuneration expert at the end of 2018. The result was that the remuneration system as described above was confirmed as being in conformance with the requirements of applicable law. The remuneration system was approved by the Annual Shareholders' Meeting in 2014 with an approval ratio of 96.8%.

B.49

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

Financial targets	Non-financial targets	Transformation targets	
Strategic targets for the operational result – EBIT targeted/actual comparison	– Employee targets – Customer targets – Diversity targets – Integrity 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)**

Further development of the remuneration system effective as of January 1, 2019

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

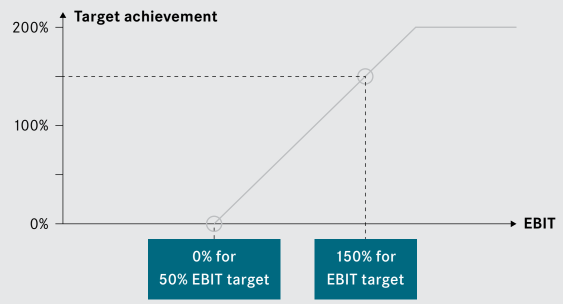
At its meeting in December 2018, the Supervisory Board decided to further develop the remuneration system for the Board of Management in view of the fundamental technical changes in our industry and the associated changes in the competitive environment, as well as changing customer behavior, the need for significant investments in new technologies, and the expectations of our shareholders. The main focus was on the implementation of the new corporate strategy: safeguarding the Group's future by expanding our business model as an automaker and a provider of mobility services. In times of comprehensive transformation, it is especially important to align the incentives in the remuneration system with the necessary investments in the future. In this connection, further aims were to achieve a higher degree of transparency, reduce the complexity of the methods used and more precisely define the collective non-financial aims and criteria. The implementation will affect the short-term and medium-term remuneration component, the annual bonus. Because the Supervisory Board and the Board of Management consider it important to have a uniform basic incentive structure, the Board of Management has also decided to make a corresponding adjustment for all management levels. As a result, the short-term and medium-term variable remuneration component (the annual bonus) for the Board of Management and for managers will be calculated according to uniform goals/criteria and a uniform system starting with the 2019 financial year. This uniform approach is already being used to calculate the long-term variable remuneration component (Performance Phantom Share Plan = PPSP).
↗ B.49

B.50

Financial target

Achievement of EBIT target results in 150% and is determined by

ROS target	×	Revenue base 2018	×	Accumulated growth factor revenue



Financial target

The financial target is oriented toward the operating result of the Daimler Group (EBIT). The target value of EBIT for each financial year is derived on the basis of the desired medium-term return, which is set by the Supervisory Board and is especially ambitious, oriented toward the competitive environment, and derived from the growth targets. The starting point of the calculation is the revenue of financial year 2018 (to date: financial year 2013).

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 actually achieved EBIT value is at or above the upper limit of the range, the target achievement degree is always 200%. The range of target achievement develops linearly within the range.
↗ B.50

B.51

Integrity

Degree of target achievement	Addition or deduction	Integrity indicator	Approval rate of any question
Excellent	2.5%	81–100	≥75%
Good	2.0%	71–80	≥65%
Average	1.0%	61–70	≥60%
Low	-2.5%	≤60	

B.52

Quality

Degree of target achievement	Addition or deduction	Quality KPIs of all divisions
Excellent	2.5%	Target overachieved[1]
Good	2.0%	Target achieved[1]
Average	1.0%	Underperformed[1]
Low	-2.5%	Target not achieved[1]

1 The amount to which the addition or deduction deviates from the respective target value is defined according to the specific division and product.

Non-financial targets

The non-financial targets, which are oriented toward sustainability and are for the first time uniform at all management levels, 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.

Specifically:
Achievement of the Group-level targets regarding the further development and permanent establishment of integrity is measured on the basis of certain standardized questions in our global employee survey. This measurement is based on the achieved approval rate of any question and the average approval rate achieved across all questions (integrity indicator). The relevant degree of target achievement at the Group level (in %) is derived from these figures. ↗ B.51

Quality and/or customer satisfaction targets (quality KPIs of all divisions) are defined by the individual divisions for each 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) is carried out. With regard to services, this comparison is carried out by means of a customer satisfaction index. The relevant degree of target achievement (in %) at the Group level is derived as a weighted average of the individual divisional degrees of target achievement (in %). ↗ B.52

The degree of the employees' commitment to the company (engaged employees) is calculated on the basis of their answers to certain standardized questions in our global employee survey. These answers, together with the response rate achieved in the employee survey, are used to derive the degree of achievement (in %) of the targets defined at the Group level for the maintenance and enhancement of a high degree of satisfaction and motivation among the employees. ↗ B.53

A target for the proportion of women in executive positions (Aspirational Guidelines) 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 comparison of the target figures with the actual figures at the end of a financial year is used to derive the degree of target achievement (in %). ↗ B.54

A higher degree of transparency will be achieved in the future, thanks to the increased quantification of the non-financial targets and the publication of the degree of target achievement in the Remuneration Report.

B.53
Employee engagement

Degree of target achievement	Addition or deduction	Engaged employees	Response rate
Excellent	2.5%	> 35%	> 70%
Good	2.0%	> 30%	> 65%
Average	1.0%	> 25%	> 60%
Low	-2.5%	< 25%	< 60 %

B.54
Diversity

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

Transformation targets
Transformation targets will replace 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 will refer to quantitative as well as qualitative aspects and will be assessed and evaluated correspondingly by the Supervisory Board.

In order to take into account the implementation of the future-oriented measures for the technological and sustainable realignment of the Group, the divisions will annually define key performance indicators and target values for the future-oriented CASE fields – Connected, Autonomous, Shared & Services, Electric. After the end of a financial year, a comparison of the target values and the actual values will be conducted for each division. The Supervisory Board will derive the Board of Management's shared degree of target achievement from the divisions' degree 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. It will be possible to add or deduct 25 percentage points to/from the degree to which the financial target has been achieved.

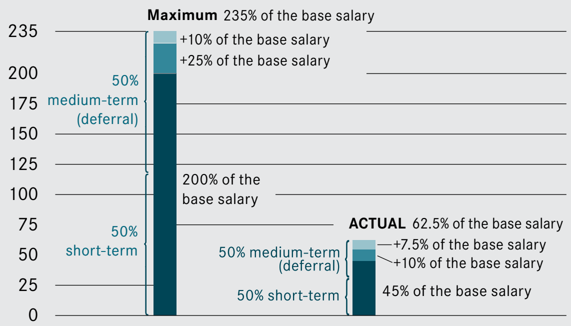
This criteria-based consideration of the future-oriented CASE fields will be based on assessments of the success of product-related, technical and economic activities/progress. Furthermore, it should be possible to assess the progress of sustainability/Environment Social Governance (ESG) aspects and 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, development progress of products and digital services, number of online contracts, proportion of digital self-services, revenue from mobility services).

The description of the transformation criteria and the publication of target achievement figures in the Remuneration Report will ensure a higher degree of transparency in the future.

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 remain 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.55

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



Non-achievement of compliance targets -25% - 0 % (not applied in 2018)

Joint performance +/- 25%

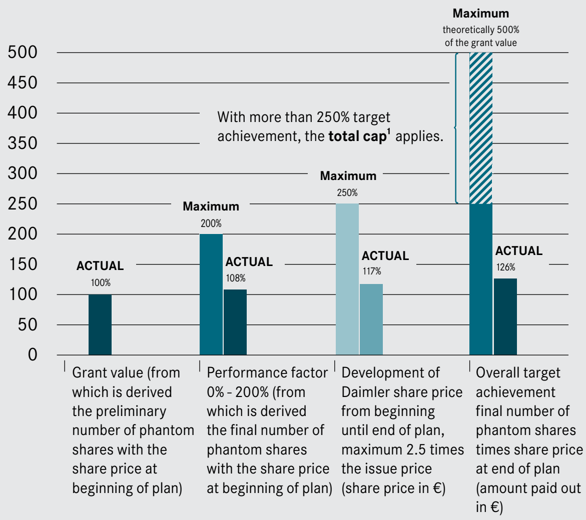
Non-financial success parameters +/- 10%

Financial success parameters 0% – 200%

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

B.56

PPSP 2014 (paid in 2018)
(long-term variable remuneration ↗ B.61)



1 Amount paid out including dividend-equivalent payments of PPSP 2014.

Board of Management remuneration in financial year 2018

Board of Management remuneration in 2018 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 2018,
- the half of the annual bonus for 2018 payable in 2019 and measured as of the end of the reporting period,
- the half of the medium-term share-based component of the annual bonus for 2018 payable in 2020 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 2018, and
- the taxable non-cash benefits in 2018.

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.55** and ↗ **B.56**.

B.57

Board of Management remuneration in 2018

In thousands of euros		Base salary	Short and medium-term variable remuneration (annual bonus): Short-term	Short and medium-term variable remuneration (annual bonus): Medium-term	Long-term variable remuneration (PPSP): Number	Long-term variable remuneration (PPSP): Value when granted (2018: at share price €70.13) (2017: at share price €67.49)	Total
Dr. Dieter Zetsche	**2018**	**2,048**	**640**	**640**	**37,915**	**2,659**	**5,987**
	2017	2,008	1,978	1,978	39,315	2,653	8,617
Dr. Wolfgang Bernhard[1]	**2018**	**–**	**–**	**–**	**–**	**–**	**–**
	2017	92	90	90	–	–	272
Martin Daum[2]	**2018**	**832**	**260**	**260**	**14,896**	**1,045**	**2,397**
	2017	677	667	667	15,446	1,043	3,054
Renata Jungo Brüngger	**2018**	**832**	**260**	**260**	**14,896**	**1,045**	**2,397**
	2017	812	800	800	15,446	1,043	3,455
Ola Källenius	**2018**	**832**	**260**	**260**	**14,896**	**1,045**	**2,397**
	2017	812	800	800	15,446	1,043	3,455
Wilfried Porth	**2018**	**832**	**260**	**260**	**15,573**	**1,092**	**2,444**
	2017	812	800	800	16,148	1,090	3,502
Britta Seeger	**2018**	**832**	**260**	**260**	**14,896**	**1,045**	**2,397**
	2017	812	800	800	15,446	1,043	3,455
Hubertus Troska	**2018**	**832**	**260**	**260**	**14,896**	**1,045**	**2,397**
	2017	812	800	800	15,446	1,043	3,455
Bodo Uebber	**2018**	**967**	**302**	**302**	**17,807**	**1,249**	**2,820**
	2017	947	932	932	18,464	1,246	4,057
Total	**2018**	**8,007**	**2,502**	**2,502**	**145,775**	**10,225**	**23,236**
	2017	7,784	7,667	7,667	151,157	10,204	33,322

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

The total remuneration of the Board of Management for the financial year 2018 amounts to €24.7 million (2017: €35.0 million). Of that total, €9.5 million was fixed, that is, non-performance-related remuneration (2017: €9.5 million), €5.0 million (2017: €15.3 million) was short-term and medium-term variable performance-related remuneration (annual bonus with deferral), and €10.2 million was variable performance-related remuneration granted in the financial year 2018 with a long-term incentive effect (2017: €10.2 million). ↗ B.57

The granting of non-cash benefits in kind, primarily the reimbursement of expenses for security precautions and the provision of company cars, resulted in taxable benefits for the members of the Board of Management in 2018 as shown 'in table ↗ B.58.

B.58

Taxable non-cash benefits and other fringe benefits

In thousands of euros	2018	2017
Dr. Dieter Zetsche	**195**	167
Dr. Wolfgang Bernhard[1]	**–**	9
Martin Daum[2]	**121**	235
Renata Jungo Brüngger	**93**	108
Ola Källenius[3]	**161**	95
Wilfried Porth	**88**	146
Britta Seeger	**164**	366
Hubertus Troska[4]	**494**	470
Bodo Uebber	**164**	107
Total	**1,480**	1,703

1 2017: Board of Management remuneration paid until Feb. 10, 2017.
2 2017: Board of Management remuneration paid from March 1, 2017.
3 Including an anniversary bonus of €69,456.50.
4 For the fulfillment of disclosure obligations pursuant to Section 285 No. 9a of the German Commercial Code (HGB), this amount is reduced by €182,254 for the financial year 2018 (2017: €197,508). 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.

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 targeted level of retirement provision for each Board of Management member – also according to the period of membership – and the resulting annual and long-term expense for the Company. The contributions to the retirement provision are granted until the age of 62. The benefit from the pension plan is payable to surviving Board of Management members at the earliest at the age of 62, irrespective of their age upon retirement. If a member of the Board of Management retires due to disability, the benefit is paid as a disability pension, even before the age of 62.

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

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

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

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

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

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

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

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

Departing Board of Management members are also provided with a company car, in some cases for a defined period.

Service costs for pension obligations according to IFRS amounted to €2.4 million in financial year 2018 (2017: €2.0 million). The present value of the total defined benefit obligation according to IFRS amounted to €86.0 million as of December 31, 2018 (December 31, 2017: €82.7 million). Taking age and period of service into account, the individual entitlements, service costs and present values are shown in the table. ↗ B.59

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 44 f

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

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

Sideline activities of Board of Management members

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

Loans to members of the Board of Management

In 2018, 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 2018 to former members of the Board of Management of Daimler AG and their survivors amounted to €16.2 million (2017: €19.0 million). Pension provisions according to IFRS for former members of the Board of Management and their survivors amounted to €270.2 million as of December 31, 2018 (2017: €270.5 million).

B.59

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

In thousands of euros		Annual pension (as regulated until 2005) as of age 60	Service cost (for pension, pension capital and Daimler Pensions Plan)	Present value[1] of obligations (for pension, pension capital and Daimler Pensions Plan)
Dr. Dieter Zetsche	**2018**	**1,050**	**–**	**42,023**
	2017	1,050	–	42,738
Dr. Wolfgang Bernhard[2]	**2018**	**–**	**–**	**–**
	2017	–	46	–
Martin Daum[3]	**2018**	**–**	**244**	**3,261**
	2017	–	102	2,860
Renata Jungo Brüngger	**2018**	**–**	**251**	**1,290**
	2017	–	245	938
Ola Källenius	**2018**	**–**	**257**	**2,971**
	2017	–	248	2,651
Wilfried Porth	**2018**	**156**	**292**	**11,270**
	2017	156	282	10,280
Britta Seeger	**2018**	**–**	**248**	**1,467**
	2017	–	122	1,072
Hubertus Troska	**2018**	**–**	**244**	**5,285**
	2017	–	238	4,909
Bodo Uebber	**2018**	**275**	**886**	**18,387**
	2017	275	690	17,263
Total	**2018**	**1,481**	**2,422**	**85,954**
	2017	1,481	1,973	82,711

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

Details of Board of Management remuneration in 2018 pursuant to the requirements of the German Corporate Governance Code

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

The total of “benefits granted” for financial year 2017 is calculated from

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

The total of “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 payable in 2019 for 2018 at the value for target achievement of 100%,
- the half of the share-based annual bonus payable in 2020 for 2018 at the value for target achievement of 100%,
- 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).

B.60

Benefits granted

	Dr. Dieter Zetsche Chairman of the Board of Management, Head of Mercedes-Benz Cars				**Dr. Wolfgang Bernhard** Daimler Trucks & Buses			
	Jan. 1 – Dec. 31		Jan. 1 – Dec. 31		Jan. 1 – Feb. 10		Jan. 1 – Dec. 31	
	2017	**2018**	min.	max.	2017	**2018**	min.	max.
In thousands of euros								
Base salary	2,008	**2,048**	2,048	2,048	92	**–**	–	–
Taxable non-cash benefits and other fringe benefits	167	**195**	195	195	9	**–**	–	–
Total	2,175	**2,243**	2,243	2,243	101	**–**	–	–
Annual variable remuneration (50% of annual bonus, short-term)	1,004	**1,024**	0	2,407	46	**–**	–	–
Deferral (50% of annual bonus, medium-term)	1,004	**1,024**	0	2,407	46	**–**	–	–
Long-term variable remuneration (plan period of 4 years)	2,653	**2,659**	0	7,000	–	**–**	–	–
Total	4,661	**4,707**	0	11,814	92	**–**	–	–
Retirement pension expense (service costs)	–	**–**	–	–	46	**–**	–	–
Total remuneration	6,836	**6,950**	2,243	14,057	239	**–**	–	–
Total limit[1] for components of remuneration granted in the reporting year Excluding – Taxable non-cash benefits and other fringe benefits – Retirement pension expense (service costs)	10,224			10,344	348			–

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

Benefits granted

	Martin Daum Daimler Trucks & Buses				Renata Jungo Brüngger Integrity & Legal Affairs			
	March 1 – Dec. 31	Jan. 1 – Dec. 31			Jan. 1 – Dec. 31	Jan. 1 – Dec. 31		
	2017	**2018**	min.	max.	2017	**2018**	min.	max.
In thousands of euros								
Base salary	677	**832**	832	832	812	**832**	832	832
Taxable non-cash benefits and other fringe benefits	235	**121**	121	121	108	**93**	93	93
Total	912	**953**	953	953	920	**925**	925	925
Annual variable remuneration (50% of annual bonus, short-term)	338	**416**	0	978	406	**416**	0	978
Deferral (50% of annual bonus, medium-term)	338	**416**	0	978	406	**416**	0	978
Long-term variable remuneration (plan period of 4 years)	1,043	**1,045**	0	2,750	1,043	**1,045**	0	2,750
Total	1,719	**1,877**	0	4,706	1,855	**1,877**	0	4,706
Retirement pension expense (service costs)	102	**244**	244	244	245	**251**	251	251
Total remuneration	2,733	**3,074**	1,197	5,903	3,020	**3,053**	1,176	5,882
Total limit[1] for components of remuneration granted in the reporting year Excluding – Taxable non-cash benefits and other fringe benefits – Retirement pension expense (service costs)	4,662			5,252	5,176			5,252

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

Benefits granted

	Ola Källenius Group Research & Mercedes-Benz Cars Development				Wilfried Porth HR and Labor Relations Director & Mercedes-Benz Vans			
	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31			Jan. 1 – Dec. 31	Jan. 1 – Dec. 31		
	2017	**2018**	min.	max.	2017	**2018**	min.	max.
In thousands of euros								
Base salary	812	**832**	832	832	812	**832**	832	832
Taxable non-cash benefits and other fringe benefits	95	**161**	161	161	146	**88**	88	88
Total	907	**993**	993	993	958	**920**	920	920
Annual variable remuneration (50% of annual bonus, short-term)	406	**416**	0	978	406	**416**	0	978
Deferral (50% of annual bonus, medium-term)	406	**416**	0	978	406	**416**	0	978
Long-term variable remuneration (plan period of 4 years)	1,043	**1,045**	0	2,750	1,090	**1,092**	0	2,750
Total	1,855	**1,877**	0	4,706	1,902	**1,924**	0	4,706
Retirement pension expense (service costs)	248	**257**	257	257	282	**292**	292	292
Total remuneration	3,010	**3,127**	1,250	5,956	3,142	**3,136**	1,212	6,043
Total limit[1] for components of remuneration granted in the reporting year Excluding – Taxable non-cash benefits and other fringe benefits – Retirement pension expense (service costs)	5,176			5,252	5,271			5,347

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

Benefits granted

	Britta Seeger Mercedes-Benz Cars Marketing & Sales				Hubertus Troska Greater China			
	Jan. 1 – Dec. 31		Jan. 1 – Dec. 31		Jan. 1 – Dec. 31		Jan. 1 – Dec. 31	
	2017	**2018**	min.	max.	2017	**2018**	min.	max.
In thousands of euros								
Base salary	812	**832**	832	832	812	**832**	832	832
Taxable non-cash benefits and other fringe benefits	366	**164**	164	164	470	**494**	494	494
Total	1,178	**996**	996	996	1,282	**1,326**	1,326	1,326
Annual variable remuneration (50% of annual bonus, short-term)	406	**416**	0	978	406	**416**	0	978
Deferral (50% of annual bonus, medium-term)	406	**416**	0	978	406	**416**	0	978
Long-term variable remuneration (plan period of 4 years)	1,043	**1,045**	0	2,750	1,043	**1,045**	0	2,750
Total	1,855	**1,877**	0	4,706	1,855	**1,877**	0	4,706
Retirement pension expense (service costs)	122	**248**	248	248	238	**244**	244	244
Total remuneration	3,155	**3,121**	1,244	5,950	3,375	**3,447**	1,570	6,276
Total limit[1] for components of remuneration granted in the reporting year Excluding – Taxable non-cash benefits and other fringe benefits – Retirement pension expense (service costs)	5,176			5,252	5,176			5,252

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

Benefits granted

	Bodo Uebber Finance & Controlling, Daimler Financial Services			
	Jan. 1 – Dec. 31		Jan. 1 – Dec. 31	
	2017	**2018**	min.	max.
In thousands of euros				
Base salary	947	**966**	966	966
Taxable non-cash benefits and other fringe benefits	107	**164**	164	164
Total	1,054	**1,130**	1,130	1,130
Annual variable remuneration (50% of annual bonus, short-term)	473	**483**	0	1,136
Deferral (50% of annual bonus, medium-term)	473	**483**	0	1,136
Long-term variable remuneration (plan period of 4 years)	1,246	**1,249**	0	3,288
Total	2,192	**2,215**	0	5,560
Retirement pension expense (service costs)	690	**886**	886	886
Total remuneration	3,936	**4,231**	2,016	7,576
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)	6,095			6,171

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

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

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

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 payable in 2019 for 2018 at the value as of the end of the reporting period,
- the half of the share-based 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 reporting 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.

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Payments made

	Dr. Dieter Zetsche Chairman of the Board of Management, Head of Mercedes-Benz Cars		**Dr. Wolfgang Bernhard** Daimler Trucks & Buses	
	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	Jan. 1 – Feb. 10	Jan. 1 – Dec. 31
	2017	**2018**	2017	**2018**
In thousands of euros				
Base salary	2,008	**2,048**	92	–
Taxable non-cash benefits and other fringe benefits	167	**195**	9	–
Total	2,175	**2,243**	101	–
Annual variable remuneration (50% of annual bonus, short-term)	1,978	**640**	90	–
Deferral (50% of annual bonus, medium-term)	2,175	**1,349**	892	–
Long-term variable remuneration				
Payment of PPSP 2013	6,181	–	2,472	–
Payment of PPSP 2014	–	**3,463**	–	–
Dividend equivalent PPSP 2014	152	–	–	–
Dividend equivalent PPSP 2015	121	**138**	–	–
Dividend equivalent PPSP 2016	133	**149**	–	–
Dividend equivalent PPSP 2017	128	**144**	–	–
Dividend equivalent PPSP 2018	–	**138**	–	–
Total	10,868	**6,021**	3,454	–
Retirement pension expense (service costs)	–	–	46	–
Total remuneration	13,043	**8,264**	3,601	–

Payments made

	Martin Daum[1] Daimler Trucks & Buses		Renata Jungo Brüngger[1] Integrity & Legal Affairs	
	March 1 – Dec. 31	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31
	2017	**2018**	2017	**2018**
In thousands of euros				
Base salary	677	**832**	812	**832**
Taxable non-cash benefits and other fringe benefits	235	**121**	108	**93**
Total	912	**953**	920	**925**
Annual variable remuneration (50% of annual bonus, short-term)	667	**260**	800	**260**
Deferral (50% of annual bonus, medium-term)	–	**–**	–	**525**
Long-term variable remuneration				
Payment of PPSP 2013	–	**–**	488	**–**
Payment of PPSP 2014	–	**510**	–	**208**
Dividend equivalent PPSP 2014	22	**–**	9	**–**
Dividend equivalent PPSP 2015	17	**20**	7	**9**
Dividend equivalent PPSP 2016	19	**22**	53	**60**
Dividend equivalent PPSP 2017	50	**56**	50	**56**
Dividend equivalent PPSP 2018	–	**54**	–	**54**
Total	775	**922**	1,407	**1,172**
Retirement pension expense (service costs)	102	**244**	245	**251**
Total remuneration	1,789	**2,119**	2,572	**2,348**

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

Payments made

	Ola Källenius[1] Group Research & Mercedes-Benz Cars Development		Wilfried Porth HR and Labor Relations Director & Mercedes-Benz Vans	
	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31
	2017	**2018**	2017	**2018**
In thousands of euros				
Base salary	812	**832**	812	**832**
Taxable non-cash benefits and other fringe benefits	95	**161**	146	**88**
Total	907	**993**	958	**920**
Annual variable remuneration (50% of annual bonus, short-term)	800	**260**	800	**260**
Deferral (50% of annual bonus, medium-term)	846	**525**	846	**525**
Long-term variable remuneration				
Payment of PPSP 2013	457	**–**	2,472	**–**
Payment of PPSP 2014	–	**402**	–	**1,448**
Dividend equivalent PPSP 2014	18	**–**	64	**–**
Dividend equivalent PPSP 2015	48	**55**	50	**58**
Dividend equivalent PPSP 2016	53	**60**	56	**62**
Dividend equivalent PPSP 2017	50	**56**	52	**59**
Dividend equivalent PPSP 2018	–	**54**	–	**57**
Total	2,272	**1,412**	4,340	**2,469**
Retirement pension expense (service costs)	248	**257**	282	**292**
Total remuneration	3,427	**2,662**	5,580	**3,681**

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

Payments made

	Britta Seeger[1] Mercedes-Benz Cars Marketing & Sales		Hubertus Troska Greater China	
	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31
	2017	**2018**	2017	**2018**
In thousands of euros				
Base salary	812	**832**	812	**832**
Taxable non-cash benefits and other fringe benefits	366	**164**	470	**494**
Total	1,178	**996**	1,282	**1,326**
Annual variable remuneration (50% of annual bonus, short-term)	800	**260**	800	**260**
Deferral (50% of annual bonus, medium-term)	–	**–**	846	**525**
Long-term variable remuneration				
Payment of PPSP 2013	123	**–**	2,472	**–**
Payment of PPSP 2014	–	**56**	–	**1,385**
Dividend equivalent PPSP 2014	2	**–**	61	**–**
Dividend equivalent PPSP 2015	2	**3**	48	**55**
Dividend equivalent PPSP 2016	5	**6**	53	**60**
Dividend equivalent PPSP 2017	50	**56**	50	**56**
Dividend equivalent PPSP 2018	–	**54**	–	**54**
Total	982	**435**	4,330	**2,395**
Retirement pension expense (service costs)	122	**248**	238	**244**
Total remuneration	2,282	**1,679**	5,850	**3,965**

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

Payments made

	Bodo Uebber Finance & Controlling, Daimler Financial Services	
	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31
	2017	**2018**
In thousands of euros		
Base salary	947	**967**
Taxable non-cash benefits and other fringe benefits	107	**164**
Total	1,054	**1,131**
Annual variable remuneration (50% of annual bonus, short-term)	932	**302**
Deferral (50% of annual bonus, medium-term)	1,005	**624**
Long-term variable remuneration		
Payment of PPSP 2013	2,956	**–**
Payment of PPSP 2014	–	**1,656**
Dividend equivalent PPSP 2014	73	**–**
Dividend equivalent PPSP 2015	58	**66**
Dividend equivalent PPSP 2016	63	**71**
Dividend equivalent PPSP 2017	60	**67**
Dividend equivalent PPSP 2018	–	**65**
Total	5,147	**2,851**
Retirement pension expense (service costs)	690	**886**
Total remuneration	6,891	**4,868**

Remuneration of the Supervisory Board

Supervisory Board remuneration in 2018
The remuneration of the Supervisory Board is determined by the Annual Shareholders' Meeting of Daimler AG and is governed by the Company's Articles of Incorporation. The new regulations for Supervisory Board remuneration approved by the Annual Shareholders' Meeting in March 2017 and effective for the financial year beginning on January 1, 2017 specify that the members of the Supervisory Board receive, in addition to the refund of their expenses and the cost of any value-added tax incurred by them in performance of their office, fixed remuneration of €144,000 after the conclusion of the financial year. The Chairman of the Supervisory Board receives an additional €288,000 and the Deputy Chairman of the Supervisory Board receives an additional €144,000. The members of the Audit Committee are paid an additional €72,000, the members of the Presidential Committee are paid an additional €57,600 and the members of the other committees of the Supervisory Board are paid an additional €28,800; an exception is the Chairman of the Audit Committee, who is paid an additional €144,000. Additional payments are made for activities in a maximum of three committees; any persons who are members of more than three such committees receive additional payments for the three most highly paid functions. Members of a Supervisory Board committee are only entitled to remuneration for such membership in a financial year if the committee has actually convened to fulfill its duties in this period.

In connection with the remuneration adjustment, all members of the Supervisory Board have made a self-commitment to purchase Company shares in the amount of 20% of their gross annual salary (excluding committee remuneration and the meeting fee) every year and to hold these shares until the end of one year after they have left the Company's Supervisory Board (voluntary obligation in accordance with the "comply or explain" principle).

This does not apply to Supervisory Board members whose Supervisory Board remuneration is subject in a mandatory or voluntary manner to the guidelines of the German Trade Union Confederation on the transfer of supervisory board remuneration to the Hans Böckler Foundation, or to the same extent is subject to a transfer to the employer or claim to payment due to a service or employment contract. In the event that a lower amount of the Supervisory Board remuneration is transferred or credited, the voluntary commitment applies to 20% of the amount not transferred or credited. With this voluntary commitment, the members of the Supervisory Board are expressing their focus on and commitment to the long-term, sustainable success of the Company.

The members of the Supervisory Board and its committees receive a meeting fee of €1,100 for each Supervisory Board meeting and committee meeting that they attend. The meeting fee is paid only once if several meetings of the Supervisory Board and/or its committees are held on the same calendar day.

The individual remuneration of the members of the Supervisory Board is shown in the following table. ↗ B.62

In financial year 2018, no remuneration was paid for services provided personally beyond the aforementioned board and committee activities, in particular for advisory or agency services, except for the remuneration paid to the members of the Supervisory Board representing the employees in accordance with their contracts of employment.

The remuneration of all the activities of the members of the Supervisory Board of Daimler AG in the year 2018 was thus €4.2 million (2017: €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 2018.

B.62
Supervisory Board remuneration

Name	Function(s) remunerated	Total in 2018
In euros		
Dr. Manfred Bischoff	Chairman of the Supervisory Board, the Presidential Committee and the Nomination Committee	533,800
Michael Brecht[1]	Deputy Chairman of the Supervisory Board, the Presidential Committee and the Audit Committee	435,200
Dr. Paul Achleitner	Member of the Supervisory Board and the Nomination Committee	183,800
Bader M. Al Saad	Member of the Supervisory Board	152,800
Sari Baldauf	Member of the Supervisory Board and the Nomination Committee	184,900
Michael Bettag[1]	Member of the Supervisory Board	153,900
Dr. Clemens Börsig	Member of the Supervisory Board and Chairman of the Audit Committee	302,300
Raymond Curry[2]	Member of the Supervisory Board (since April 5, 2018)	113,515
Dr. Jürgen Hambrecht	Member of the Supervisory Board and the Presidential Committee	214,800
Petraea Heynike	Member of the Supervisory Board	153,900
Andrea Jung	Member of the Supervisory Board (until April 5, 2018)	40,779
Joe Kaeser	Member of the Supervisory Board and the Audit Committee	229,200
Ergun Lümali[1]	Member of the Supervisory Board and the Audit Committee	230,300
Wolfgang Nieke[1]	Member of the Supervisory Board	153,900
Dr. Bernd Pischetsrieder	Member of the Supervisory Board	153,900
Valter Sanches[3]	Member of the Supervisory Board (until April 5, 2018)	40,779
Jörg Spies[1]	Member of the Supervisory Board (until April 5, 2018)	40,779
Elke Tönjes-Werner[1]	Member of the Supervisory Board	153,900
Sibylle Wankel[1]	Member of the Supervisory Board	153,900
Dr. Frank Weber	Member of the Supervisory Board	153,900
Marie Wieck	Member of the Supervisory Board (since April 5, 2018)	113,515
Dr. Sabine Zimmer[1]	Member of the Supervisory Board (since April 5, 2018)	113,515
Roman Zitzelsberger[1]	Member of the Supervisory Board and the Presidential Committee	213,700

1 The employee representatives have stated that their board remuneration is to be transferred to the Hans-Böckler Foundation, in accordance with the guidelines of the German Trade Union Federation.
2 Mr. Curry has directed that he receive no remuneration whatsoever and that his corresponding board remuneration is to be paid to the Hans-Böckler Foundation.
3 Mr. Sanches has directed that he receive no fixed component of remuneration 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, 2018. It is divided into 1,069,837,447 registered shares, each of which accounts for approximately €2.87 of equity capital. Pursuant to Section 67 Subsection 2 of the German Stock Corporation Act (AktG), only those persons registered as shareholders in the register of shareholders are considered to be shareholders of the Company. With the exception of treasury shares, from which the Company does not have any rights, all shares confer equal rights to their holders. Each share confers the right to one vote and, with the possible exception of any new shares that are not yet entitled to a dividend, to an equal share of the profits in accordance with the dividend payout approved by the Annual Shareholders' Meeting. The rights and obligations arising from the shares are derived from the provisions of applicable law, in particular Sections 12, 53a ff, 118 ff and 186 of the German Stock Corporation Act. There were no treasury shares at December 31, 2018.

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 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 Supervisory Board of Daimler AG has decided generally to limit the initial appointment of members of the Board of Management to three years. Reappointment or the extension of a period of office is permissible, in each case for a maximum of five years.

Pursuant to Section 31 Subsection 2 of the German Codetermination Act (MitbestG), the Supervisory Board appoints the members of the Board of Management with a majority comprising at least two thirds of its members' votes. If no such majority is obtained, the Mediation Committee of the Supervisory Board has to make a suggestion for the appointment within one month of the vote by the Supervisory Board in which the required majority was not reached. The Supervisory Board then appoints the members of the Board of Management with a majority of its members' votes. If no such majority is obtained, voting is repeated and the Chairperson of the Supervisory Board then has two votes. The same procedure applies for dismissals of members of the Board of Management.

In accordance with Article 5 of the Articles of Incorporation, the Board of Management has at least two members. The number of members is decided by the Supervisory Board. Pursuant to Section 84 Subsection 2 of the German Stock Corporation Act (AktG), the Supervisory Board can appoint a member of the Board of Management as its Chairperson. If a required member of the Board of Management is lacking, an affected party can apply in urgent cases for that member to be appointed by the court pursuant to Section 85 Subsection 1 of the German Stock Corporation Act (AktG). Pursuant to Section 84 Subsection 3 of the German Stock Corporation Act (AktG), the Supervisory Board can revoke the appointment of a member of the Board of Management and of the Chairperson of the Board of Management if there is an important reason to do so.

Pursuant to Section 179 of the German Stock Corporation Act (AktG), the Articles of Incorporation can only be amended by a resolution of an Annual Shareholders' Meeting. Unless otherwise required by applicable law, resolutions of the Annual Shareholders' Meeting – with the exception of elections – are passed pursuant to Section 133 of the German Stock Corporation Act (AktG) and Article 16 Subsection 1 of the Articles of Incorporation with a simple majority of the votes cast and if required with a simple majority of the share capital represented. Pursuant to Section 179 Subsection 2 of the German Stock Corporation Act (AktG), any amendment to the purpose of the Company requires a 75% majority of the share capital represented at the Shareholders' Meeting; no use is made in the Articles of Incorporation of the possibility to stipulate a larger majority of the share capital. 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 else can be sold for cash to third parties at a price that is not significantly below the market price at the time of the sale. The shares can also be used to service debt on convertible bonds and/or bonds with warrants, or can be issued to employees of the Company and employees and members of executive bodies of affiliated companies pursuant to Section 15 ff of the German Stock Corporation Act (AktG). The Company's own shares can also be canceled.

In addition, the Board of Management is authorized under other defined circumstances and with the consent of the Supervisory Board to exclude shareholders' subscription rights for shares they acquire. The Company's own shares in a volume of up to 5% of the share capital existing at the time of the resolution of the Annual Shareholders' Meeting can also be acquired with the application of derivative financial instruments (put or call options, forwards or a combination of these financial instruments), whereby the terms of the derivatives may not exceed 18 months and must be terminated on March 31, 2020, at the latest.

No use was made of this authorization to acquire the Company's own shares during the reporting period.

By resolution of the Annual Shareholders' Meeting held on April 9, 2014, the Board of Management was authorized with the consent of the Supervisory Board to increase the share capital of Daimler AG in the period until April 8, 2019 by up to €1 billion by issuing new registered shares of no par value in exchange for cash or non-cash contributions, and with the consent of the Supervisory Board under certain conditions and within defined limits to exclude shareholders' subscription rights (Approved Capital 2014). That Approved Capital 2014, of which no use was made, was canceled by resolution of the Annual Shareholders' Meeting of April 5, 2018. Also by resolution of that Annual Shareholders' Meeting, 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 the 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 Daimler AG becomes a subsidiary of another company or comes under the control of one person or several persons acting jointly.
- Credit agreements with lenders for a total amount of €1.7 billion, which the lenders are entitled to terminate if Daimler AG becomes a subsidiary of another company or comes under the control of one person or several persons acting jointly.
- Guarantees and securities for credit agreements of consolidated subsidiaries for a total amount of €15 million, which the lenders are entitled to terminate if Daimler AG becomes a subsidiary of another company or comes under the control of one person or several persons acting jointly.
- A master cooperation agreement on wide-ranging strategic cooperation with Renault S.A., Renault-Nissan B.V. and Nissan Motor Co., Ltd. In the case of a change of control of one of the parties to the agreement, each of the other parties has the right to terminate the agreement. A change of control as defined by the master cooperation agreement occurs if a third party or several third parties acting jointly acquire, legally or economically, directly or indirectly, at least 50% of the voting rights in the company in question or are authorized to appoint a majority of the members of its managing board. Under the master cooperation agreement, several cooperation agreements were concluded between Daimler AG on the one side and Renault and/or Nissan on the other, which provide for the right of termination for a party to the agreement in the case of a change of control of another party. These agreements primarily concern a new architecture for small cars, the shared use and development of fuel-efficient diesel and gasoline engines and transmissions, the development and supply of a small urban delivery van, the development, production and supply of pickups, the use of an existing architecture for compact cars, and the joint production of Infiniti/Nissan and Mercedes-Benz compact vehicles 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.
- An agreement with BAIC Motor Co., Ltd. related to a jointly held company for the production and distribution of cars of the Mercedes-Benz brand in China, by which BAIC Motor Co., Ltd. is given the right to terminate the agreement or exercise a put or call option in the case that a third party acquires one third or more of the voting rights in Daimler AG.
- An agreement related to the establishment of a joint venture with Beiqi Foton Motor Co., Ltd. for the purpose of producing and distributing heavy-duty and medium-duty trucks of the Auman brand. This agreement gives Beiqi Foton Motor Co., Ltd. the right of termination in the case that one of its competitors acquires more than 25% of the equity or assets of Daimler AG or becomes able to influence the decisions of its Board of Management.
- An agreement between Daimler and Robert Bosch GmbH related to the joint establishment and operation of EM-motive GmbH for the development and production of electric motors for automotive applications, which gave the Robert Bosch Group the right to terminate the agreement and to acquire the shares of the Daimler Group if Daimler should become controlled by a competitor of Robert Bosch GmbH, was terminated in January 2019. Robert Bosch GmbH is to acquire the shares in the joint venture held by Daimler. The conclusion of the transaction requires the approval of the competition authorities, which is expected to be granted in March 2019.
- 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.

Risk and Opportunity Report

The Daimler Group is exposed to a large number of risks that are directly linked with the business activities of its divisions or which result from external influences. A risk is understood as the danger that events, developments or actions will prevent the Group or one of its divisions from achieving its targets. At the same time, it is important for the Daimler Group to identify opportunities so that they can be utilized in the course of its business activities, thus safeguarding and enhancing the Group's competitiveness. An opportunity is understood as the possibility to safeguard or to surpass the planned targets of the Group or a division as a result of events, developments or actions. The divisions have direct responsibility for recognizing and managing business risks and opportunities at an early stage. As part of the strategy process, risks related to the planned long-term development and opportunities for further profitable growth are identified and integrated into the decision-making process. In order to identify business risks and opportunities at an early stage, to assess and manage them consequently, effective management and control systems, which are clustered into a risk and opportunity management system, are applied. Risks and opportunities are not offset. The system is described below.

B.63

Assessment of probability of occurrence/possible impact

Level	Probability of occurrence		
Low	0% <	Probability of occurrence	≤ 33%
Medium	33% <	Probability of occurrence	≤ 66%
High	66% <	Probability of occurrence	< 100%

Level	Possible impact		
Low	€0 <	Impact	< €500 million
Medium	€500 million ≤	Impact	< €1 billion
High		Impact	≥ €1 billion

Risk and opportunity management system

The **risk management system** with regard to existence-threatening and other material risks is integrated into the value-based management and planning system of the Daimler Group. It is an integral part of the overall planning, management and reporting process in the legal entities, divisions and corporate functions. The risk management system is intended to systematically and continually identify, assess, control, monitor and report risks threatening Daimler's existence and other material risks, in order to support the achievement of corporate targets and to enhance risk awareness at the Group.

The **opportunity management system** at the Daimler Group is based on the risk management system. The objective of opportunity management is to recognize the possible opportunities arising in business activities as a result of positive developments at an early stage, and to use in the best possible way for the Group by taking appropriate measures. By taking advantage of opportunities, planned targets should be secured or overachieved. Opportunity management considers relevant and realizable opportunities that have not yet been included in any planning.

In the context of operative planning, risks and opportunities – with consideration of appropriate risk and opportunity categories – are identified and assessed for a two-year planning period. Furthermore, the discussions for the derivation of mid-term and strategic targets in the context of strategic planning include the identification and assessment of risks and opportunities relating to a longer period. The reporting of risks and opportunities in the Management Report generally relates to a period of one year. Besides the reporting at specific times, risk and opportunity management is established as a continuous task within the Group. In addition to the regular reporting, there is also an internal reporting obligation within the Group for material risks arising unexpectedly. The central Group Risk Management regularly reports the identified risks and opportunities to the Board of Management and the Supervisory Board.

Risk assessment takes place on the basis of probability of occurrence and possible impact according to the levels “Low”, “Medium” and “High”. These levels also apply to the possible impact of opportunities. An analysis of the probability of occurrence is not considered here. When assessing the impact of a risk or opportunity, its effect on EBIT is generally considered.

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.63 and is conducted before measures are implemented. In addition to the quantifiable risks and opportunities, risk management also considers qualitative risks and opportunities, which primarily comprise those risks connected with aspects presented in the non-financial report. In the context of describing the risk and opportunity categories, significant changes in comparison to the prior year are explained.

Risk management is based on the principle of completeness. This means that at the level of the individual entities, all 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 consolidation of the consolidated financial statements and goes beyond that if necessary. The risks and opportunities of the divisions and operating units, important associated companies, joint ventures, joint operations and the corporate departments are included.

The tasks of the employees responsible for risk and opportunity management include, besides the identification and assessment of risks and opportunities, the definition of measures and the initiation of such measures, if necessary. The objective of such measures is to avoid, reduce or transfer risks. The utilization or enhancement of an opportunity, and its partial or full implementation, also require measures to be taken. The cost-effectiveness of a measure is assessed before its implementation. The possible impact and probability of occurrence of all identified 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 divisions based on individual risks and opportunities.

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 legal entities and corporate functions. The system includes principles and procedures as well as preventive and detective controls. Among other things, it is regularly checked, if

- the Group’s uniform financial reporting, valuation and accounting guidelines are continually updated and regularly taught and adhered to;
- transactions within the Group are accounted for and properly eliminated;
- issues relevant for financial reporting and disclosure from agreements entered into are recognized and appropriately presented;
- processes are established to guarantee the completeness of financial reporting;
- processes are established for the segregation of duties and for the “four-eyes principle” (dual accountability) in the context of preparing financial statements, and authorization and access rules exist for relevant IT accounting systems.

The effectiveness of the internal control system is systematically assessed with regard to the corporate accounting process. The first step consists of risk analysis and a definition of control with the objective of identifying significant risks relating to the processes of corporate accounting and financial reporting in the main legal entities and corporate functions. The controls required are then defined and documented in accordance with Group-wide guidelines. Random samples are regularly tested to assess the effectiveness of the controls. Those tests constitute the basis for self-assessment of the appropriate magnitude and effectiveness of the controls. The results of this self-assessment are documented and reported in a Group-wide IT system. Identified weaknesses are eliminated with consideration of their potential effects. At the end of the annual cycle, the selected legal entities and corporate functions confirm the effectiveness of the internal control and risk management system with regard to the corporate accounting process. The Board of Management and the Audit Committee of the Supervisory Board are regularly informed about the main control weaknesses and the effectiveness of the control mechanisms installed. However, the internal control and risk management system for the accounting process cannot ensure with absolute certainty that material false statements in accounting are avoided.

The **organizational embedding and monitoring of risk and opportunity management** takes place through the risk management organization established at the Group. In this context, the divisions, corporate functions and legal entities are requested to report on concrete risks and opportunities at regular intervals. This information is passed on to Group Risk Management, which processes the information and provides it to the Board of Management and the Supervisory Board as well as to the Group Risk Management Committee (GRMC). The GRMC is composed of representatives of Accounting & Financial Reporting, the Legal Department, Compliance, Technical Compliance and Group Security, and is chaired by the Board of Management Member for Finance & Controlling/Daimler Financial Services. The internal auditing department contributes material findings on the internal control and risk management system.

Responsibility for operational risk management and for the risk management processes lies directly with the divisions, corporate functions and legal entities.

Reports regarding the current risk situation and the effectiveness, functionality and appropriateness of the internal control and risk management system are regularly presented to the Board of Management and to the Audit Committee of the Supervisory Board of Daimler AG. Furthermore, the responsible managers regularly discuss risks and opportunities out of business operations with the Board of Management.

The Audit Committee of the Supervisory Board is responsible for **monitoring the internal control and risk management system**. The internal auditing department monitors whether the statutory conditions and the Group's internal guidelines concerning the internal control and risk management system of the Group are adhered to. If required, measures are 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 automotive divisions.

In addition, risks and opportunities that are not yet known or classified as not material can influence profitability, cash flows and financial position.

Industry and business risks and opportunities

The following section describes industry and business risks and opportunities of the Daimler Group. A quantification of these risks and opportunities is shown in table ↗ **B.64**.

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 upswing of the **world economy** to continue in 2019, although with less dynamism than in the two previous years. Economic developments in 2018 are described in detail in the "Economic Conditions and Business Development" section of this Management Report; growth assumptions for 2019 are explained in the "Outlook" section on pages 79 ff and 158 ff.

Economic risks and opportunities are linked with assumptions and forecasts concerning **general developments**. The relationship between risks and opportunities at the beginning of the year 2019 seems to be somewhat less favorable than in the previous year.

The escalation of the **trade conflict** between the United States and China continues to be one of the main risks. But the threat of US tariffs on vehicles and parts imported from other markets, including the European Union, could also affect existing global value chains and have a negative impact on sales opportunities and economic developments. Furthermore, there is a danger that countries will implement increasingly protectionist measures such as specific market-access barriers or industrial policy instruments. Should these trade tensions spread and massively affect global trade, there would be significant impacts on inflation, business climate, consumer confidence and ultimately also on global economic growth. 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 from preferential trade conditions.

In the **United States**, economic and fiscal policy could turn out to be more expansive than previously assumed. As the Daimler Group generates a substantial proportion of its revenue in the United States, especially in the Mercedes-Benz Cars, Daimler Trucks and Daimler Financial Services divisions, these developments would have considerable consequences for the Group's success. Furthermore, stronger growth in the United States would also have spillover effects on the rest of the world. The disadvantages of such an expansionary fiscal policy are the further worsening of the debt situation in the United States and the risk that inflation will rise more significantly than currently expected, due not least to rising wages and a labor market close to full employment. This would force the Federal Reserve to raise federal funds rates more sharply than expected by the market, which would directly weaken domestic demand. As a further consequence, increasing volatility in the financial markets could adversely affect investor confidence, leading to widespread sales of equities and thus triggering a chain reaction on stock markets, with major market adjustments and phases of exceptional volatility in global financial markets.

In **Europe**, the further development of relations between the European Union and the United Kingdom represents a significant risk. If the negotiated exit agreement is not approved by the British parliament and as a result, there are neither further negotiations nor a complete cancellation of Brexit, a disorderly withdrawal in spring 2019 is at least possible. This would have a massive impact on the UK economy and, probably to a lesser extent, on the remaining EU member states, and would make trading conditions more difficult. Furthermore, if financial-market participants are not sufficiently prepared, noticeable market distortions cannot be ruled out, which would have significant negative effects on the real economy. Besides that, increased political uncertainty in the euro zone, for example as a result of developments in Italy, could adversely affect consumption and investment decisions by households and companies. The European market continues to be very important for Daimler across all divisions.

Due to China's enormous importance as a growth driver for the world economy in recent years, a downturn in the **Chinese economy** would represent a considerable risk to the global economy. The enormous rise in debt that has been observed since the global financial crisis, especially in the corporate sector, represents a significant risk. If the government's efforts to restrict credit growth in combination with the negative impact of US tariffs on imports from China lead to a more significant growth slowdown than currently expected, this would result in a perceptible cooling-off for the world economy. Within China, a slowdown could result in a major increase in non-performing loans, which would then lead to turbulences in, the banking sector and financial markets. The aforementioned risks could result in significant negative effects on units sales, particularly for the Mercedes-Benz Cars division, for which China is now the biggest individual sales market by a large margin. On the other hand, triggered by the stimulus measures announced by the Chinese government, growth in 2019 could also turn out stronger than expected. The resulting higher growth in overall economic consumption would offer additional opportunities, especially for the Mercedes-Benz Cars division.

Pressure on the **emerging markets** could increase if more countries were affected by massive capital outflows and exchange-rate losses, or if the currency crises in Argentina and Turkey turn into significant banking crises. In such cases, global investors would withdraw capital from emerging markets on a large scale, which would probably force those countries with large foreign-trade imbalances to make painful adjustments. Renewed financial-market turbulences and currency crises are possible consequences and could have a massive impact on the economies of affected countries. Lower growth in world trade and lower raw-material prices (e.g. a drop in the oil price) than currently forecast would also have a negative impact on growth for exporters of raw materials. As Daimler is already very active in those countries, or their markets play a strategic role, this would have negative effects on the Group's prospective unit sales. However, import-dependent economies such as India would benefit from lower raw-material prices. An excessive and sudden rise in oil prices, for example as a result of geopolitical tension, would increase inflationary pressure and cause central banks to raise interest rates more rapidly, with negative effects on sentiment indicators and consumer behavior.

In view of the ongoing positive economic situation in many parts of the world, the opportunity exists that the **world economy** will actually grow at a higher rate than hitherto assumed in 2019. A stronger increase in global demand would also support raw-material prices and would have positive effects on raw-material exporters in South America, the Middle East and Africa.

B.64

Industry and business risks and opportunities

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

Further risks are related to **geopolitical tensions, terrorist attacks** or assassinations in Europe or other major economies, which could adversely affect global trade and international capital markets for a prolonged period.

General market risks and opportunities

The risks and opportunities for the economic development of automotive markets are strongly affected by the cyclical situation of the global economy as described above. The assessment of market risks and opportunities is linked to assumptions and forecasts about the overall development of markets in the regions in which the Daimler Group is active. The possibility of markets developing better or worse than assumed in the planning, or of changing market conditions, generally exists for all divisions of the Daimler Group.

Potential effects of the **risks on the development of unit sales** are included in risk scenarios. The risks can cause changes in the planned business activities, the related vehicle sales and inventories, and the aftersales business. In particular, the partially unstable macroeconomic environment as well as political or economic uncertainty could be causes in this context. A rising oil price and volatile exchange rates can also lead to market uncertainty and thus to falling demand. Differences between the divisions exist due to the partly varying regional focus of their activities. Discussions about the future of diesel technology and the related uncertainties may result in a change in customer demand which could negative affect on sales of diesel vehicles and can lead to a possibly drop in earnings. The development of markets, unit sales and inventories is continually analyzed and monitored by the divisions; if necessary, specific marketing and sales programs are implemented.

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 to business opportunities in the market. Opportunities can also arise from an improvement in the competitive situation or a positive development of demand for the divisions. However, the existing market opportunities of the divisions of the Daimler Group can only be utilized if production can be aligned accordingly, and if this is enabled by regional conditions. In addition, any gaps between demand and supply have to be recognized and covered in good time. The measures that could be initiated by the Daimler Group to utilize potential opportunities include a combination of local sales and marketing activities, as well as central strategic product and capacity planning.

As the target achievement of the Daimler Financial Services division is closely connected with the business development in the automotive divisions, the existing **volume risks and opportunities** are reflected in the Daimler Financial Services segment.

Due to the partly difficult financial situation of some **dealerships and vehicle importers**, support actions might become necessary to ensure the performance of the business partners. The sources of these risks lie in the respective risk environment as well as in the necessary infrastructure investments that have been made for sales of new products. Supporting actions can adversely affect the profitability, cash flows and financial position of the automotive divisions. Further risks may result from the dependency on certain dealerships. In certain circumstances, relationships with new business partners may have to be developed. The financial situation of strategically relevant dealerships and vehicle importers is continually monitored. If required, payment conditions can be adjusted. Risks of this kind exist for dealerships and vehicle importers of the divisions Mercedes-Benz Cars, Daimler Trucks and Mercedes-Benz Vans.

The successful product portfolio of the Daimler Group contributes to its advantageous positioning compared with the competitors. Possibly rising **competitive and price pressure** above all affect the segments Mercedes-Benz Cars and Daimler Trucks. Aggressive pricing policies, the introduction of new products by competitors, or pricing pressure in the aftersales business can make it more difficult to achieve expected prices. This might result in lower revenue, the failure to achieve the products' planned profitability, or lower market shares. The extent of such risks is related to the magnitude of a division's sales volume. Continuous monitoring of competitors is carried out in order to recognize these risks at an early stage. Depending on the situation, product-specific and possibly regionally different measures are taken to support weaker markets. They include the use of new sales channels, actions designed to strengthen brand awareness and brand loyalty as well as sales and marketing campaigns. Daimler also applies various programs to boost sales, which include financial incentives for customers.

Further risks at Mercedes-Benz Cars, Mercedes-Benz Vans and Daimler Financial Services relate to the **development of used vehicle markets** and thus to the residual values of the vehicles produced. In particular, the uncertainty existing in connection with diesel vehicles can have a negative impact on residual values. As part of the established residual-value management process, certain assumptions are made at local and corporate levels regarding the expected level of prices, based upon which the cars to be returned in the leasing business are evaluated. If changing market developments lead to a negative deviation from assumptions, there is a risk of lower residual values of used cars. Depending on the region and the current market situation, the measures taken generally include continuous market monitoring as well as, if required, price-setting strategies or sales promotion measures designed to regulate vehicle inventories. The quality of market forecasts is verified by periodic comparisons of internal and external sources, and, if required, the determination of residual values is adjusted and further developed with regard to methods, processes and systems. On the other hand, opportunities can arise from a positive development of residual values caused by a favorable market environment for used vehicles as well as reductions in discounts granted on new vehicles.

In addition, a residual-value risk from non-Daimler vehicles exists for the Daimler Financial Services companies that operate commercial fleet management and leasing management, because most of those vehicles are not covered by manufacturers' residual-value guarantees. Residual-value risk is taken into account through a high level of diversification with regard to brands, regions, customers and lease periods. Used-vehicle prices are continually monitored both locally and centrally, so that the residual-value risk from a drop in market prices can be forecast in good time and suitable countermeasures may be initiated.

Across all segments, the assessment of general market risks is unchanged compared with the previous year. However, due to increasing political and economic uncertainty, the impact of market opportunities has decreased from "High" to "Low".

Risks and opportunities relating to the leasing and sales-financing business

In connection with the sale of vehicles, Daimler offers its customers a wide range of financing possibilities – primarily of leasing and financing the Group's products. The resulting risks for the Daimler Financial Services segment are mainly due to borrowers' worsening creditworthiness, so receivables might not be recoverable in whole or in part because of customers' insolvency (**default risk or credit risk**). Daimler counteracts credit risks by means of creditworthiness checks on the basis of standardized scoring and rating methods and the collateralization of receivables, as well as an effective risk management with a firm focus on monitoring both internal and macroeconomic leading indicators. Other risks associated with the leasing and sales-financing business involve the possibility of increased refinancing costs due to changes in interest rates (**interest rate risk**).

An adjustment of credit conditions for customers in the leasing and sales-financing business caused by higher refinancing costs could reduce the new business and contract volume of Daimler Financial Services, also reducing the unit sales of the automotive divisions. Risks and opportunities also arise from a lack of matching maturities with refinancing. The **risk of mismatching maturities** is minimized by coordinating refinancing with the periods of financing agreements, from the perspective of interest rates as well as liquidity. Any remaining risks from changes in interest rates are managed by the use of derivative financial instruments. Further information on credit risks and the Group's risk-minimizing actions is provided in Note 33 of the Notes to the Consolidated Financial Statements.

Possible residual-value risks for the automotive divisions and the companies in the Daimler Financial Services division that operate commercial fleet management and leasing management are described in the section "General Market Risks and Opportunities".

The possible impact of the risks and opportunities and the probability of occurrence of the risks relating to the leasing and sales-financing business continue to be assessed as "Low".

Procurement market risks and opportunities

Procurement market risks arise for the automotive divisions in particular from fluctuations in prices of raw materials and energy. There are also risks of financial bottlenecks of suppliers and of capacity bottlenecks caused by supplier delivery failures or by insufficient utilization of production capacities at suppliers. Disagreements with suppliers regarding the agreed pricing of supplies and the supplied quality can also lead to procurement market risks. The risk situation relating to the possible impact has not changed compared with the previous year. However, the probability of occurrence has risen from "Low" to "Medium" due to the threat of tariff increases on certain raw materials. Opportunities in the raw-material markets continue to exist due to positive price developments for relevant raw materials. Compared with the previous year, the impact of those opportunities has increased from "Low" to "Medium" as a result of more optimistic assumptions concerning the future development of raw-material prices.

Raw-material prices continued to feature significant volatility in 2018. Due to almost completely unchanged macroeconomic conditions, price fluctuations are expected with uncertain and uneven trends in the near future. On the one hand, raw-material markets can be impacted by political crises and uncertainties – combined with possible supply bottlenecks – as well as by volatile demand for specific raw materials. Potential tariff increases for certain raw materials as a result of increasing protectionist tendencies worldwide can also have a negative impact on price developments. Generally, the ability to pass on the higher costs of commodities and other materials in the form of higher prices for manufactured vehicles is limited because of strong competitive pressure in the international automotive markets.

Supplier risk management aims to identify potential **financial bottlenecks for suppliers** at an early stage and to initiate suitable countermeasures. Although the crisis of recent years is over, the situation of some of suppliers remains difficult due to a high degree of competitive pressure. This has necessitated individual or joint support actions by vehicle manufacturers to safeguard their production and sales. In the context of supplier risk management, regular reporting dates are set for suppliers for which we have received early warning signals and made corresponding internal assessments. On those dates, the suppliers report their key performance indicators to Daimler and decisions can be made concerning any required support actions.

Due to the planned electrification of new model series and a shift in customer demand from diesel to gasoline engines, the Mercedes-Benz Cars segment in particular is faced with the risk that Daimler will require changed volumes of components from suppliers. This could result in **over- or underutilization of production capacities** for certain suppliers. If supplier cannot cover their fixed costs, there is the risk that suppliers could demand compensation payments. Necessary capacity expansion at suppliers' plants could also require cost-effective participation.

Risks and opportunities relating to the legal and political framework

The automotive industry is subject to extensive governmental regulation worldwide. Legal and political framework have a considerable impact on Daimler's future business success. Regulations concerning vehicles' **emissions, fuel consumption 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 probability of occurrence of risks from the legal and political framework has increased from "Low" to "Medium". This is mainly due to risks from more difficult certification processes and delays in certification, as well as the threat of increased tariffs. The potential impact of these risks remains unchanged at "High". The assessment of the possible impact of the opportunities is also unchanged at "Low".

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

The **Mercedes-Benz Cars** segment faces risks with respect to regulations concerning 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, for example the 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 development and production measures in order to meet the CO_2 fleet limits applicable as of 2020.

The EU Commission is currently revising, amending or supplementing the framework conditions for the WLTP measurement method, which was only introduced in September 2018. Some of these changes are to come into force as early as 2019. This will result in increased and additional WLTP testing and documentation costs. In the worst case, recertification could also become necessary, which in turn could cause supply bottlenecks.

Strict regulations for the reduction of vehicles' emissions and fuel consumption create potential risks also for the **Daimler Trucks and Daimler Buses** divisions, because it will be difficult to fulfill the statutory requirements in some countries. This applies above all 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 will be mandatory for the most important vehicle categories as of 2019. The prescribed level of ambition cannot be achieved with conventional technology alone. Daimler Trucks and Daimler Buses will therefore have to apply the latest technologies in order to fulfill these requirements.

Very demanding regulations for CO_2 emissions are also planned or have been approved for light commercial vehicles, which will present a challenge for **Mercedes-Benz Vans**, especially in the long term. This applies in particular to the markets of the United States and Europe.

The position of the Daimler Group in key foreign markets could also be affected by an **increase** in or **changes to free-trade agreements**. If free-trade agreements are concluded without the involvement of countries where Daimler produces or if free-trade agreements are amended to make them substantially stricter, the position of the Daimler Group could be significantly impacted. At the same time, new free-trade agreements could also result in opportunities for the Daimler Group towards competitors in countries which are not parties to such agreements or which do not produce in those countries.

The danger exists that individual countries will attempt to defend or improve their competitiveness in the world's markets by resorting to **interventionist and protectionist actions. Industrial policy measures** are intended to attract investment into a country and increase local value creation along the entire value chain. In addition, attempts are being made to limit growth in imports through barriers to market access such as by making **certification processes** more difficult, **delaying certification** and imposing other complicated **customs procedures**. These measures generally exacerbate uncertainties in the planning process.

In addition to the described emission and fuel-consumption regulations, **traffic-policy restrictions** for the reduction of traffic jams, noise and emissions are becoming increasingly important in cities and urban areas worldwide. In China for example, limited access to vehicle registration is continuing and is actually worsening. 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, especially those with diesel engines.

Cities are becoming connected and are increasingly seeking partnerships with industry in order to cooperate on new mobility solutions. This can create a demand for vehicles with alternative drive systems, as well as for new mobility services including car-sharing services. In order to utilize the resulting opportunities, Daimler is present in the market with the provision of innovative mobility services.

In April 2018, the US Department of the Treasury's Office of Foreign Assets Control announced sanctions against various individuals and companies. This may affect business activities of the Daimler Group, in particular with sanctioned business partners in Russia.

Daimler continually monitors the development of statutory and political conditions and attempts to anticipate foreseeable requirements and long-term targets at an early stage in the process of product development. The great challenge of the coming years will be to offer an appropriate range of drive systems and the right product portfolio in each market.

Company-specific risks and opportunities

The following section describes company-specific risks and opportunities of the Daimler Group. A quantification of these risks and opportunities is shown in table ↗ B.65.

Production and technology risks and opportunities
Key success factors for achieving the desired level of prices for the products of the Daimler Group – and hence for the achievement of corporate targets – are brand image, design and quality, and thus the acceptance of products by customers, as well as technical features based on innovative research and development. Convincing solutions, which for example support accident-free driving or further improve the products' fuel consumption and emissions, such as hybrid or electric vehicles, are of key importance for safe and sustainable mobility. Innovations and technology opportunities for the progressive and future-oriented design of the product range flow into the strategic product planning of the automotive divisions. However, due to increasing technical complexity, the continually rising extent of requirements in terms of emissions, fuel consumption and safety, as well as meeting and steadily raising the Daimler Group's quality standards, product launches and manufacturing in the automotive divisions are also subject to production and technology risks.

In the context of product launches, the required parts and equipment components have to be available. To avoid restrictions in this context, the related processes are continually evaluated and improved. In order to secure and enhance the long-term future viability of production facilities, modernization, expansion, construction and restructuring measures are carried out as required. The **execution of modernization activities and the launch of new products** are generally connected with high investments. For example, stipulations, plant reconstruction or delays in the ramp-up phase of an innovation or during a product's lifecycle can lead to inefficiencies in the production process and as a consequence to a short-term reduction in production volumes. In addition, the planned increase in battery production due to the increasing electrification of the vehicle fleet means that initial technical problems cannot be ruled out during the production of the various battery types. Those automotive segments are affected which are currently launching a new product or have planned a related production ramp-up. In this context, it is also necessary to consider dependencies 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 infrastructure problems, reduced plant availability or the failure of **production equipment or production plants** may cause internal bottlenecks that would consequently generate costs. With the parallel failure of several production plants, the resulting effects could accumulate. These risks mainly exist for the Mercedes-Benz Cars segment. The production equipment is continually maintained and modernized. As a precaution, spare parts are held available as well as, if required, redundant machines are purchased for the production plants that might be at risk.

Insufficient availability of vehicle components at the right time, 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 the Mercedes-Benz Cars division. At the Daimler Trucks division, there are further risks due to high utilization of production capacity in connection with potential bottlenecks for components for heavy-duty trucks. As a result of the expansion of production in the Mercedes-Benz Vans segment, a temporary increase in the workforce and additional shifts in the production plants could become necessary. 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

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Company-specific risks and opportunities

Risk category	Probability of occurrence	Impact	Opportunity category	Impact
Production and technology risks	Low	High	Production and technology opportunities	Low
Information technology risks	Low	High	Information technology opportunities	–
Personnel risks	Medium	Low	Personnel opportunities	–
Risks related to associated companies, joint ventures and joint operations	Low	Medium	Opportunities related to associated companies, joint ventures and joint operations	Low

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 safeguarding production by securing the quantitative and qualitative ability to deliver of the suppliers. Furthermore, by sourcing components from other plants, potential bottlenecks can be reduced and can lead to opportunities at the Daimler Trucks division due to rising demand for heavy commercial vehicles.

Warranty and goodwill cases could arise in the Daimler Group if the quality of the products does not meet the requirements, regulations are not fully complied with, or support cannot be provided in the required form in connection with product problems and product care. Quality problems with components in vehicles from external suppliers can require technical adjustments that can lead to considerable expenses. If such risks occurred possible claims 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 with the previous year across all segments.

Information technology risks and opportunities

The digitization strategy that is systematically pursued at Daimler offers new possibilities for enhancing customer benefits and enterprise value. However, it also includes risks from the increasing IT dependency of products and business and production processes. In addition, specific risks exist due to the use and availability of new technologies in connection with digitization, which amongst others can affect the products, their use, or business operations. In addition, risks from cybercrime and hacker attacks cannot be ruled out.

It is essential for the globally active group like Daimler that information is available and can be exchanged in an up-to-date, complete and correct form. Appropriately secured IT systems and a reliable IT infrastructure must be used to protect information. Risks must be identified and evaluated over the entire lifecycle of applications and IT systems, and managed in line with their criticality. 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.

Due to growing requirements concerning the confidentiality, integrity and availability of data, Daimler has defined various preventive and corrective measures so that the related risks are minimized and possible damage is limited. These measures are continually adapted to changing circumstances. For example, the Group minimizes potential interruptions of operating processes in data centers by means of mirrored data sets, decentralized data storage, outsourced data backups and IT systems designed for high availability. Emergency plans are developed, employees are trained and sensitized, and further technical and organizational precautions are taken in order to maintain operating capability. Specific threats are analyzed and countermeasures are coordinated at a central cyber security center. The protection of products and services from danger caused by hacking and cybercrime is continually developed.

Despite all precautionary measures, disturbances in information processing and therefore negative impacts on the business processes and on IT-based services cannot be completely ruled out.

Due in particular to the changed risk situation relating to cybercrime and hacker attacks, the possible impact of information-technology risks has increased compared with the previous year from “Medium” to “High”.

Personnel risks and opportunities

The success of the Daimler Group is highly dependent on its employees and their expertise. They are involved in their respective activities and working processes with their ideas and suggestions, and thus make significant contributions to improvements and innovations every day.

Competition for highly qualified staff and management is still very intense in the industry and the regions in which Daimler operates. Future success also depends on the extent to which the Daimler Group succeeds over the long term in recruiting, integrating and retaining specialist employees. The established human resources instruments take such personnel risks into consideration, while contributing toward the recruitment and retention of staff with high potential and expertise as well as transparency with regard to the resources of the Daimler Group. One focus of human resources management is the targeted personnel development and further training of the workforce. Employees benefit for example from the range of courses offered by the Daimler Corporate Academy and from transparency in the context of performance management. 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 issue is addressed by measures taken in the area of generation management, which are intended to counteract the effects of personnel bottlenecks by exerting an influence on entrepreneurial activity and consequently on the earnings of the Daimler Group.

Risks in the context of negotiations on collective bargaining frameworks and the associated potential loss of production are not to be expected to a large extent in Germany before 2020.

There is no segment-specific assessment of human-resources risks because the described risks are not primarily related to any specific business segment, but are valid for all segments in the respective regions. Overall, the probability of occurrence of personnel risks has increased compared to the previous year from “Low” to “Medium”. Their possible impact remains unchanged.

Risks and opportunities related to associated companies, joint ventures and joint operations

Cooperation with partners in associated companies, joint ventures and joint operations and other types of partnership is of key importance for Daimler. Along with ensuring better access to growth markets and new technologies, these shareholdings and partnerships help to utilize synergies and improve cost structures in order to successfully respond to the competitive situation in the automotive industry. Through investments in startups, Daimler promotes innovative approaches in many areas of the Group.

The Daimler Group generally participates in the risks and opportunities of associated companies, joint ventures and joint operations in line with its ownership interest.

The remeasurement of an associated company, joint venture or joint operation 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 are also generally connected with startups whose further development is not yet foreseeable. Risks from associated companies, joint ventures or joint operations exist in the Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans and Daimler Financial Services segments, as well as from the associated companies, joint ventures and joint operations directly allocated to the Group. All associated companies, joint ventures and joint operations are subject to a 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.

Risks and opportunities related to associated companies, joint ventures and joint operations are unchanged compared with the previous year.

Financial risks and opportunities

The following section deals with financial risks and opportunities of the Daimler Group. Risks and opportunities can have a negative or positive effect on the profitability, cash flows and financial position of the Daimler Group. The probability of occurrence and possible impact of these risks and opportunities is presented in table ↗ B.66. The probability of occurrence and impact of the financial risks and opportunities are essentially unchanged from the previous year. Only the impact of risks of limited access to the capital market have increased from "Medium" to "High".

In principle, the Group's operating and financial risk exposures underlying its financial risks and opportunities can be divided into symmetrical and asymmetrical risk and opportunity profiles. With the symmetrical risk and opportunity profiles (e.g. currency exposures), risks and opportunities exist equally, while with the asymmetrical risk and opportunity profiles (e.g. credit and country exposures), the risks outweigh the opportunities.

Daimler is generally exposed to risks and opportunities from changes in market prices such as currency exchange rates, interest rates, commodity prices and share prices. Market price changes can have a negative or positive influence on the Group's profitability, cash flows and financial position. Daimler manages and monitors market price risks and opportunities primarily in the context of its operational business and financing activities, and applies derivative financial instruments for hedging purposes where needed, thus limiting both market price risks and opportunities.

In addition, the Group is exposed to credit and country-related risks, risks of restricted access to capital markets and risks of early credit repayment requirements. As part of the risk management process, Daimler regularly assesses these risks by considering changes in key economic indicators and market information. Pension plan assets to cover retirement and healthcare benefits (market-sensitive investments including equities and interest-bearing securities) are not included in the following analysis.

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

Exchange rate risks and opportunities
The Daimler Group's global orientation means that its business operations and financial transactions are connected with risks and opportunities related to fluctuations in currency exchange rates. This applies in particular to fluctuations against the euro of the US dollar, Chinese renminbi, British pound and other currencies such as those of growth markets. An exchange rate risk or opportunity arises in business operations primarily when revenue is generated in a currency different from that of the related costs (transaction risk). This applies in particular to the Mercedes-Benz Cars division, as a major portion of its revenue is generated in foreign currencies while most of its production costs are denominated in euros. The Daimler Trucks division is also exposed to such transaction risks, but to a lesser degree because of its worldwide production network. Regularly updated currency risk exposures are successively hedged with suitable financial instruments (predominantly currency forwards and options) in accordance with exchange rate expectations, which are continually reviewed, whereby both risks and opportunities are limited. Any overcollateralization caused by changes in exposure is generally reversed by suitable measures without delay. Exchange rate risks and opportunities also exist in connection with the translation into euros of the net assets, revenues and expenses of the companies of the Group outside the euro zone (translation risk); these risks are generally not hedged.

Interest rate risks and opportunities
Changes in interest rates can create risks and opportunities for business operations as well as for financial transactions. Daimler employs a variety of interest-rate sensitive financial instruments to manage the cash requirements of its business operations on a day-to-day basis. Most of these financial instruments are held in connection with the financial services business of Daimler Financial Services. Term-congruent refinancing is generally undertaken for the financial services business. However, to a certain extent, the funding does not match in terms of maturities and interest rates, which gives rise to the risk of changes in interest rates. The funding activities of the industrial business and the financial services business are coordinated centrally at Group level. Derivative interest rate instruments such as interest rate swaps are used to achieve the desired interest rate maturities and asset/liability structures (asset and liability management).

Equity price risks and opportunities
The Group is subject to equity price risks in connection with its listed associated companies and joint ventures. At December 31, 2018, the shares in listed companies that Daimler AG directly holds are shares that are classified as long-term investments, some of which are accounted for in the consolidated financial statements using the equity method. The Group does not include these investments in a market price risk analysis. The section "Risks and opportunities related to associated companies, joint ventures and joint operations" provides more information on equity risks and opportunities.

Commodity price risks and opportunities
As already described in the section "Procurement market risks and opportunities", the Group's business operations are exposed to changes in the market prices of purchased parts and raw materials. The Group addresses these procurement risks by means of concerted commodity and supplier risk management. Some of the derivative financial instruments are used to reduce the Group's market price risks related to the purchase of certain metals.

Credit risks
The Group is exposed to credit risks which result primarily from its financial services activities and from the operations of its vehicle business. Credit risks also arise from the Group's liquid assets. The following statements pertain to risks arising from the Group's liquid assets; risks related to leasing and sales financing are addressed on page 148. 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 continually 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
Daimler is exposed to country risks that primarily result from cross-border financing or collateralization for Group companies or customers, from investments in subsidiaries, 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 cross-border financing of customers and for hard-currency portfolios from financial services companies) and through investment-protection insurance against political risks in high-risk countries. Daimler also has an internal rating system that divides all countries in which it operates into risk categories.

Risks of restricted access to capital markets
Daimler covers its refinancing needs, among other things, by means of borrowing in the capital markets. Access to capital markets in individual countries may be limited by government regulations or by a temporary lack of absorption capacity. In addition, pending legal proceedings as well as Daimler's own business policy considerations may temporarily prevent the company from covering any liquidity requirements by means of borrowing in the capital markets. The increased planned refinancing volume compared with 2018 has also increased the possible impact of the risk of limited access to the capital market in 2019.

Risks of early credit repayment obligations
Daimler may be required to make premature repayment of special-purpose loans in the case of adverse results of ongoing legal proceedings. It is to be expected that the resulting refinancing requirement will have to be concluded at a higher cost.

Further information on financial risks, risk-limiting measures and the management of these risks is provided in Note 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.

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 particularly 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.

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. A risk to the credit rating of the Daimler Group can also arise if the earnings and cash flows from the anticipated Group's growth cannot be realized.

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. No quantitative assessment of these risks is carried out.

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. Currently, Daimler is subject to governmental information requests, inquiries, investigations, administrative orders and proceedings relating to environmental, securities, 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 conducting investigations and/or proceedings, and/or have issued administrative orders. 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, securities, criminal and antitrust laws. These authorities include, amongst others, the U.S. Department of Justice ("DOJ"), which has requested that Daimler conduct an internal investigation, the U.S. Environmental Protection Agency ("EPA"), the California Air Resources Board ("CARB") and other US state authorities, the U.S. Securities and Exchange Commission ("SEC"), the European Commission, with which Daimler has filed a leniency application and which meanwhile has opened a formal investigation into possible collusion on clean emission technology, as well as national antitrust authorities and other authorities of various foreign states as well as the German Federal Financial Supervisory Authority ("BaFin"), the German Federal Ministry of Transport and Digital Infrastructure ("BMVI") and the German Federal Motor Transport Authority ("KBA"). The Stuttgart district attorney's office is conducting criminal investigation proceedings against Daimler employees on the suspicion of fraud and criminal advertising, and, in May 2017, searched the premises of Daimler at several locations in Germany. Further, Daimler comprehensively responded to the diesel emissions committee of inquiry of the German Parliament in the previous legislative period. Daimler continues to fully cooperate with the authorities and institutions. Irrespective of such cooperation, 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 as subpoenas, i.e. legal instructions issued under penalty of law in the process of taking evidence, or other requests for documentation, testimony or other information, further search warrants, a notice of violation or an increased formalization of the governmental 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 second and third quarter of 2018, KBA issued 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 EU type approvals in this respect, including a stop of the first registration and mandatory recall. 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, KBA routinely conducts further reviews of Mercedes-Benz vehicles. It cannot be ruled out that in the course of further investigations, KBA will issue additional administrative orders making similar findings. Daimler has implemented a temporary delivery and registration stop with respect to certain models and reviews constantly whether it can lift this delivery and registration stop in whole or in part. The new calibration requested by KBA in its administrative order of the second quarter of 2018 has meanwhile been completed and the relevant software has been approved by KBA; the related recall has in the meantime been initiated. It cannot be ruled out, however, that further delivery and registration stops may be ordered or resolved by the Company as a precautionary measure under the relevant circumstances. 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 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 will, 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 will furthermore 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 and the technical Compliance Management System (tCMS), which is and continues to be implemented to address the specific risks associated with the product development process throughout the group and is designed particularly to also provide guidance – taking into account technical and legal aspects – with regard to the complex interpretation of regulations, it cannot be ruled out that authorities 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 have impermissible functionalities and/or calibrations. Furthermore, the authorities have increased scrutiny of Daimler's processes regarding running-change, field-fix and defect reporting as well as other compliance issues. The 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. If these or other information requests, inquiries, investigations, administrative orders and proceedings result in unfavorable findings, an unfavorable outcome or otherwise develop unfavorably, Daimler could be subject to significant monetary penalties, fines, remediation requirements, further vehicle recalls, further registration and delivery stops, process improvements, mitigation measures and the early termination of promotional loans, and/or other sanctions, measures and actions, 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 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 carries the risk of being able to have an adverse effect on other proceedings, also potentially leading to new or expanded investigations or proceedings.

In addition, Daimler's ability to defend itself in proceedings could be impaired by 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. Another consumer class-action lawsuit against Daimler AG and other companies of the Group containing similar allegations was filed in Canada in April 2016. 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. Further details please see Note 30 of the Notes to the Consolidated Financial Statements.

In Germany, lawsuits by customers alleging violations of warranty and tort laws as well as lawsuits by investors alleging the violation of disclosure requirements are pending. At the end of December 2018, the regional court of Stuttgart published in the claims register an investor's motion to initiate a model proceeding in accordance with the Act on Model Proceedings in Capital Markets Disputes (KapMuG) alleging the violation of ad hoc disclosure requirements. 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 proceedings discussed above.

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 faces 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.

Non-financial risks

As a company with worldwide activities, Daimler AG is at the focus of public interest. In this context, the relevant stakeholders' perception is of crucial importance and can affect the reputation of the entire Daimler Group see page 202 »Non-Financial Report«. A key role in the public's current perception is played by the company's approach to environmental, employee and social matters, fighting corruption and bribery, and respecting human rights.

Risks arise above all in connection with the public debate about diesel vehicles and the related fundamental reconsideration of methods for measuring emissions. Due to the replacement of the NEDC (New European Driving Cycle) with the new measuring method WLTP (Worldwide Harmonized Light Vehicles Test Procedure), the fleet CO_2 average has worsened. In light of today's knowledge, this would make it more difficult to achieve the CO_2 targets as of 2020. Furthermore, there has been some pressure in the past two years on diesel technology, which is important for compliance with the challenging CO_2 targets in the EU, because of 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, Daimler has developed a convincing technical solution for reducing NO_X emissions in real driving (real driving emissions (RDE)) and will successively introduce this innovation throughout the product range. 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 for the divisions, the corporate functions and the legal entities.

As well as the risk categories described above, unpredictable events such as natural disasters, political instability or terrorist attacks can disturb production and business processes. Emergency plans are therefore prepared to allow the resumption of business operations as soon as possible. As far as possible, and commensurate to the level of individual risks, precautionary measures are taken and insurance policies are arranged. Disruptions of business processes can also occur in connection with projects as a result of system changes. Risks relating to compliance are also included in the risk management process and are continually monitored. Regular training courses are carried out to prevent compliance violations. In addition to the described risks, other risks can occur that adversely affect the public perception and therefore the reputation of the Daimler Group. Public interest is focused on Daimler's position with regard to individual issues in the fields of sustainability, integrity and social responsibility. Furthermore, customers, business partners and capital markets are interested in how the Group reacts to the technological challenges of the future, how it succeeds in offering up-to-date and technologically leading products in the markets, and how business operations are conducted under the given conditions. Furthermore, the secure handling of sensitive data is a precondition for maintaining business relationships with customers and suppliers in a trusting and cooperative environment.

Compared with the previous year, IT risks have increased from the changed situation in relation to cyber crime and hacker attacks. In addition, increasing trade-restrictive and protectionist tendencies worldwide have led to a higher probability of occurrence of risks from political and legal frameworks and, among other things, to a reduction in market opportunities. However, the overall view of the Daimler Group's risk and opportunity situation remains essentially unchanged. No risks are recognizable – neither on the balance sheet date nor at the time of preparing the consolidated financial statements – that either alone or in combination with other risks could endanger the continued existence of the Group. As considerable economic and industry risks still exist, setbacks on the way to sustainably achieving growth and profitability targets cannot be ruled out. New competitors in the IT sector for example and the Group's current strategy, among other things in connection with electric mobility, pose further challenges for the Daimler Group and are connected with risks and opportunities. By effectively and flexibly focusing production and sales activities on changing conditions, the divisions of the Daimler Group strive to utilize the opportunities offered so that they can fulfill or surpass their respective targets and plans. As far as can be influenced by the Daimler Group and provided that the required measures are financially viable, the Group takes appropriate action to realize those opportunities.

In order to recognize risks and opportunities at an early stage and to deal successfully with the current risk and opportunity situation, the established risk and opportunity management system is continually monitored and further developed.

Outlook

The statements made in the Outlook chapter are based on the operational planning of Daimler AG as approved by the Board of Management and the Supervisory Board in December 2018. 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 2019.

For forecasting the profitability of our divisions, as of Annual Report 2018, we have changed over to using return on sales instead of EBIT for the automotive divisions and return on equity for Daimler Financial Services. This creates a link between our expectations for the current financial year and our strategic targets. Divisional return on sales and return on equity will be forecast with the use of bandwidths. Furthermore, we have adjusted the sensitivities for forecasting the unit sales and revenue of the divisions and the Group, and for forecasting Group EBIT.

Our assessments for the year 2019 are based on the assumption of generally stable economic conditions and the expectation that the upward development of the global economy will continue. We also assume that worldwide demand for motor vehicles will be roughly 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 143 ff

The world economy

At the beginning of 2019, the world economy is displaying rather weaker growth than in the previous year, but is generally continuing its solid development. We assume that this moderate slowdown will continue as the year progresses. Growth prospects for the industrialized countries in particular are rather less positive than in the previous year, while the economies of the emerging markets should develop at a similar rate overall.

Most economic indicators suggest that the economy of the European Monetary Union will experience a further slowdown in growth in the year 2019. If domestic demand remains robust, a lower contribution from foreign trade should lead to a growth rate of only about 1.5%. Under these conditions, the European Central Bank will continue to follow its announced course and is unlikely to raise key interest rates; if it does, then probably not before the fall of 2019. The outlook for the German economy is also rather less positive and also here, we expect a further growth slowdown to less than 1.5%. Because the exact procedure and economic effects of the United Kingdom's imminent withdrawal from the European Union are still difficult to assess, the British economy must also be expected to develop rather moderately in 2019. But despite the high level of uncertainty, the majority of analysts do not expect an economic slump.

In the United States, the leading indicators suggest that the economy's solid upswing should continue. However, growth is likely to be somewhat weaker than in the previous year, as the positive impetus from the tax cuts is coming to an end. Thanks to stable domestic demand, moderate inflation and low unemployment, the US Federal Reserve will probably be able to maintain its course of slightly restrictive monetary policy with further moderate interest-rate increases. All in all, total economic output should grow by just below 2.5%.

The growth prospects of the Japanese economy also remain stable at a low level. A solid outlook for domestic demand should mitigate external risks, so that growth in gross domestic product (GDP) of just under 1% can again be expected.

In China, the gradual slowdown in growth of recent years is set to continue this year. In particular, the uncertainties surrounding the trade conflict with the United States should continue to have a negative impact. On the other hand, the announced government stimuli should stabilize the economy. Overall, a still solid increase in gross domestic product of just over 6% is to be expected. While the economies of Central and Eastern Europe are unlikely to match their robust growth of 2018, slight acceleration of growth is anticipated for the South American economic region. With GDP growth expected to be just below 2%, however, South America remains below its potential. The ongoing comparatively low level of raw-material prices, especially of oil, is unlikely to deliver any support for the countries of the Middle East; their growth rates will probably remain significantly below average for this region at less than 2%. Overall, the emerging markets should achieve economic growth in the magnitude of 4 to 4.5% in 2019, as in the previous year, thus developing along their long-term trend.

Overall, the world economy should grow in 2019 by rather less than 3%. Although this is an ongoing solid rate of expansion, it is significantly slower growth than in the previous year.

Automotive markets

In 2019, worldwide **demand for cars** should remain roughly at the level of the previous year. The European market is likely to be of the magnitude of 2018. In Western Europe, we expect demand to remain more or less stable in view of the above-average market level that has now returned, and Germany, the region's largest single market, should also display a stable development at the prior-year level. The car market of Eastern Europe is also expected to maintain its prior-year volume. The Russian market should continue to develop comparatively favorably with a slight increase, while a sharp decline is expected in Turkey.

The US market for cars and light trucks is likely to contract slightly from a high level. Following the weaker level of the previous year, the Chinese car market should stabilize in 2019 and maintain its volume at close to the prior-year level. Demand in India, however, should grow moderately. In Japan, we expect the market volume to remain more or less unchanged.

Demand for medium- and heavy-duty trucks should vary in the regions relevant to us, but we anticipate the continuation of favorable market conditions.

In North America, we assume that the truck market in weight classes 6 to 8 will maintain the high level of the previous year.

Despite a certain weakening of overall economic growth, we expect demand in the EU30 region (European Union, Switzerland and Norway) to remain at the high level of 2018. In Brazil, the market is expected to continue its recovery with a significant increase in truck sales. However, the Turkish market is likely to shrink again significantly due to the country's economic recession. We anticipate a slight increase in demand for trucks in Russia.

The most important Asian markets from Daimler's perspective are likely to present a varied picture in 2019. In the Japanese market for light-, medium- and heavy-duty trucks, we anticipate a slight market decrease at an ongoing solid level. We expect a stable development of the Indonesian truck market. In India, following strong growth in 2018, demand for medium- and heavy-duty trucks should remain at the same level in 2019. In the Chinese market, a significant correction is to be expected following the extremely high volume of the previous year.

In the EU30 region in 2019, we expect 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** and in the segment of mid-size pickups. In the United States, demand for large vans should be slightly stronger than in the previous year. The market for large vans in Latin America should continue its recovery in 2019. In China, we expect slight growth in the market we address there for mid-size vans.

We expect slight growth in the market volume for **buses** in the EU30 region. In Latin America (excluding Mexico), we assume that the situation will improve due to the slight market recovery in Brazil. But growth in Latin America continues to be held back by the economic crisis in Argentina.

Unit sales

Mercedes-Benz Cars aims to continue along its growth path in 2019. We intend to slightly increase our total unit sales, thus reaching a new record level. The basis for this, and for ongoing sales success worldwide, is our attractive and innovative model portfolio.

Mercedes-Benz intends to launch more than a dozen new and upgraded automobiles in 2019. There should be a positive impact on unit sales in particular from models such as the new B-Class, the A-Class sedan and the eighth model in the compact-car segment. We are also well positioned in 2019 in the growing segment of sports utility vehicles. The new GLE and the new GLS should make a contribution here, as well as the popular and upgraded GLC. Mercedes-AMG should guarantee our success in the high-performance segment once again in the year 2019: More and more customers are fascinated by the broad and appealing range of automobiles offered by our sports-car and high-performance brand, which we are continuously developing.

We are systematically expanding our worldwide production network for electric mobility. Under the product and technology brand EQ, which stands for “Electric Intelligence,” we will offer not only vehicles but also services in connection with electric mobility. By the year 2022, we want to electrify the entire portfolio of Mercedes-Benz Cars. Our goal is to offer our customers various electrified alternatives in each segment – from the smart to the compact cars to the large SUVs. We plan to have a total of more than 130 electrified models in our portfolio by the year 2022. This will include all-electric vehicles, plug-in hybrids and models with 48-volt technology. By the year 2025, depending on the development of the public infrastructure and on customer preferences, 15 to 25% of the cars we sell are to be purely electric. To achieve that, we plan to launch more than ten all-electric cars on the market.

Following the changeover in the United States and Canada, the smart brand will be based solely on electric drive by the year 2020. The battery-electric smart models are making the entry into electric mobility more attractive than ever. They combine the agility of a smart with locally emission-free driving – the ideal combination for urban mobility.

Daimler Trucks anticipates further growth in total unit sales in 2019, with a slight increase compared with the previous year. In the NAFTA region, we expect to be able to increase our sales again slightly compared with the previous year. In Brazil, we expect our sales volumes to significantly exceed the previous year’s low level. In the EU30 region, our sales should be slightly above the prior-year level. In India, we once again anticipate a significant increase in unit sales for 2019. In Japan and Indonesia, we expect to achieve approximately the same sales volumes as in the previous year. After the considerable economic uncertainty of the past year, we anticipate a slight decrease in unit sales in Turkey.

Mercedes-Benz Vans plans to significantly increase its unit sales in the year 2019. Growth is expected to be strong in the United States. We anticipate slight growth in the EU30 region. Sales growth in the year 2019 should be helped in particular by the new Sprinter, which was launched in mid-2018.

Daimler Buses assumes it will be able to defend its market leadership in its most important traditional core markets for buses above 8 tons. We anticipate significant growth in total unit sales in 2019. We assume that unit sales will increase slightly in the EU30 region and significantly in India. Unit sales in Latin America (excluding Mexico) are expected to be at the prior-year level.

Daimler Financial Services aims to achieve ongoing growth in the coming years. In 2019, we expect further growth in contract volume and a slight increase in new business. We are opening up new market potential through more flexible leasing and rental products with the option of moving to new vehicles at shorter intervals. We intend to generate additional growth 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 slightly increase its total unit sales in 2019.

Revenue and earnings

We assume that the **revenue** of the Daimler Group will also increase slightly in 2019, as a result of the overall positive development of unit sales in the automotive divisions. Exchange-rate effects are likely to have a rather negative impact on the development of revenue in the year 2019. This applies above all to our business in China, as well as in various emerging markets and in the United Kingdom.

Our divisions have very attractive product ranges, which have been expanded and systematically renewed in recent years. We assume that Daimler will profit from this fact also under partially difficult market conditions, and will be able to strengthen or defend its position in major markets. At Mercedes-Benz Cars, additional revenue growth should be ensured in 2019 above all by the new A-Class and B-Class, and by the G-Class and the GLE. On the other hand, expected exchange-rate developments and lifecycle effects for some car models as well as a changed sales structure will have a dampening effect on revenue. Overall, Mercedes-Benz Cars anticipates a slight increase in revenue in 2019. Due to generally favorable market conditions and positive sales expectations, the Daimler Trucks, Mercedes-Benz Vans and Daimler Buses divisions plan to achieve significant revenue growth. Daimler Financial Services anticipates a slight increase.

The growth in unit sales and revenue that we anticipate should have a generally positive impact on earnings in 2018. We have laid the foundations for a lasting high level of earnings with various programs for improved profitability, which we already implemented in the years 2013 to 2015. Since then, we have continuously been taking further measures in all divisions for the long-term and structural optimization of our business system. At Mercedes-Benz Cars, for example, we aim to achieve efficiency improvements in the context of the F4L (Fit for Leadership) program in an amount of €4 billion by 2025. Daimler Trucks is also working continuously on efficiency improvements. In combination with the cost optimizations we have so far planned and partially already implemented, we have achieved profit-effective improvements for Daimler Trucks in an amount of €1.4 billion, which will become fully effective in the year 2019.

We are standardizing and modularizing our production processes throughout the Group. In this context, we are making intelligent use of vehicle platforms, allowing us to achieve further cost advantages. In parallel, we are pushing forward with digital connectivity in all divisions and at all stages of the value chain – from development to production to sales and service. In this way, we are opening up additional scope to become even faster, more flexible and more efficient – to the benefit of our customers.

However, earnings will be reduced by the continuation of very high expenditure: for our model offensive, for innovative technologies (especially for reducing fuel consumption and for electrification), for the digitization of our products and processes, and for the expansion and modernization of our worldwide production capacities. Furthermore, rising raw-material prices are leading to a significant increase in material costs, and exchange-rate effects are also likely to be negative overall. Another factor is that for the year 2019, a mid-three-digit million amount is planned at Group level for the implementation of the new corporate structure “Project Future”. page 71

On the basis of the market developments we anticipate, the aforementioned factors and the planning of our divisions, we assume, however, that Group EBIT in 2019 will be slightly above the level of the previous year. It will also include significant positive effects on assets and earnings that we expect at the Daimler Financial Services division from the merger of its mobility services with those of the BMW Group.

The individual divisions have the following expectations for returns in 2019:
Mercedes-Benz Cars: return on sales of 6% to 8%
Daimler Trucks: return on sales of 7% to 9%
Mercedes-Benz Vans: return on sales of 5% to 7%
Daimler Buses: return on sales of 5% to 7%
Daimler Financial Services: return on equity of 17% to 19%

At Mercedes-Benz Cars, positive effects will result from the anticipated growth in unit sales. There will be negative effects, however, from currency exchange rates and the continuation of very high expenditure for new technologies and vehicles. In addition, rising raw-material prices will lead to a significant increase in material costs.

Daimler Trucks, Mercedes-Benz Vans and Daimler Buses should profit from rising unit sales and the efficiency-enhancing measures. A negative impact is likely also in these divisions from the development of prices in the raw-material markets. Furthermore, earnings at Daimler Trucks are likely to be impacted by higher expenditure for new technologies and future Products.

The return on equity expected at Daimler Financial Services on the one hand takes into consideration significant positive effects on assets and earnings from the planned merger of the mobility services of Daimler and BMW. On the other hand, we expect the division’s earnings to be reduced by the normalization of credit-risk costs and further investment in advancing digitization and mobility services. Further growth in contract volume should have a positive impact on earnings.

Free cash flow and liquidity

The generally moderate development of earnings in the automotive divisions will affect the free cash flow of the industrial business. There will be a negative effect from the continuing high advance expenditure for new products and technologies. In addition, there will be costs for Project Future for the implementation of the new Group structure. Under these conditions, we assume that the free cash flow of the industrial business should be slightly higher than in the previous year.

For the year 2019, 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 2019. 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 strong creditworthiness, we anticipate slightly less attractive conditions in 2019, despite the normalization of the liquidity situation on international capital markets after the end of the central banks’ bond-buying programs in the United States and Europe. An additional goal is to continue securing a high degree of financial flexibility.

Dividend

At the Annual Shareholders’ Meeting on May 22, 2019, the Board of Management and the Supervisory Board will propose the payment of a dividend of €3.25 per share for the year 2018 (prior year: €3.65). This represents a total distribution of €3.5 billion (prior year: €3.9 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.

Investment

In order to achieve our ambitious growth targets, we will systematically expand our product range in the coming years. At the same time, we want to be able to play a leading role in the far-reaching technological transformation of the automotive industry. This applies in particular to the increasing electrification of our product portfolio and to the digital connectivity of our products and processes along the entire value chain. By intelligently connecting the constantly growing volumes of data, we will create efficiency advantages, improve our product quality and facilitate the ongoing flexibilization of the production process. Against this background, we intend to maintain our investment in property, plant and equipment at a very high level, although there is likely to be a slight decrease in comparison to the year 2018.

Investment in property, plant and equipment at Mercedes-Benz Cars is likely to reach a similarly high level in 2019 as in the previous year. This is primarily due to the ongoing product offensive. The most important projects include the new models of the compact class, the C-Class and the S-Class, the new SUVs (GLE and GLS), and new engines and transmissions. Substantial investment is planned also for the realignment of our German production sites, for the expansion of our international production network, and for the worldwide production network for electric mobility. Furthermore, the division is making substantial investments in the technological CASE areas of the future (Connected, Autonomous, Shared & Services, Electric). Daimler Trucks will mainly invest in 2019 in new products and successor generations for existing products, global component projects and the optimization of its worldwide production network. At Mercedes-Benz Vans, the focus of capital expenditure will be on production of the new Sprinter in Düsseldorf, North Charleston and Argentina, and on the further development of the V-Class and Vito. Key projects at Daimler Buses are improvements in the production network and advance expenditure for new models, in particular for an electrically powered city bus.

Research and development

With our research and development activities, our goal is to further strengthen Daimler’s competitive position against the backdrop of upcoming technological challenges. With new and attractive products, we want to inspire our customers and utilize the growth opportunities offered by worldwide automotive markets. We are increasingly focusing on the strategic areas for the future of connectivity, automated and autonomous driving, flexible use and services, and electric drive (CASE). We aim to occupy a leading position in these areas, both individually and by linking them up intelligently. In order to achieve our goals, we will maintain our total expenditure for research and development in 2019 at the very high level of the previous year. At Mercedes-Benz Cars, a large part of that expenditure will flow into the renewal of the product portfolio. The division’s most important projects are the successor models for the C-Class, the S-Class and the new compact cars, as well as the expansion of the model range of the EQ product and technology brand. We are also working hard on new, low-emission combustion engines, electric mobility, the connectivity of our vehicles, and innovative safety technologies for automated and autonomous driving. The topics of electric mobility, connectivity and automated driving will play an important role also at Daimler Trucks. Other key areas are successor generations for existing products, fuel efficiency and emission reductions, as well as tailored products and technologies for important growth markets. Key projects at Mercedes-Benz Vans are the successor generation of the Sprinter and the further development of the Vito and the V-Class. Furthermore, Mercedes-Benz Vans is pushing forward with the electrification of its commercial model series. Another important topic is the connectivity of products and processes, especially the innovative connectivity solution, Mercedes PRO. The Daimler Buses division is focusing its development activities on new products, compliance with future emission standards and further reductions in fuel consumption. An important role is also played by alternative drive systems, especially electrification, and additional pioneering projects relating to automation functions and autonomous driving.

The workforce

Due to the growth in unit sales and revenue we anticipate, production volumes are likely to continue rising in 2019. At the same time, the efficiency-enhancing measures we have implemented in recent years at all divisions are now taking effect. The medium- and long-term measures we have taken for structural improvements in our business processes should facilitate further efficiency progress. Against this backdrop, we assume that we will be able to achieve our growth targets with only slight workforce growth. Additional jobs will be created in particular through the expansion of our international production network, in the area of research and development, and in connection with the technological areas of the future, especially electric mobility and digitization. Companies that we operate together with Chinese partners and whose employees are not included in the figures for the Daimler Group are also likely to recruit additional employees.

Overall statement on future development

Although the conditions for our business at the beginning of 2019 are less favorable than in the previous year, Daimler continues to be on a stable growth path. In view of the challenging environment and the expected changes in mobility, we will continue to implement our strategy consistently in the coming years. We are focusing even more on our customers and thus creating the basis for further growth.

- We are very well positioned in our markets with innovative products and services. We are increasingly succeeding in addressing new target groups, utilizing additional market potential and strengthening our market position worldwide. With the efficiency programs that have been implemented in all divisions in recent years, we have improved our cost structures on a sustained basis and thus laid the foundations for a high level of profitability. We are currently taking further measures in all divisions for the long-term and structural optimization of the business system. In this way, we are strengthening our core business (CORE) and creating the financial basis to invest in the future of the company.
- We have therefore significantly increased our advance expenditure for new products and technologies in recent years, and we will maintain this high level in 2019. We therefore intend to play a leading role also in the future, especially in the strategic, future-oriented areas of connectivity, automated and autonomous driving, flexible use and services, and electric drive, and by intelligently linking up those areas (CASE).
- Together with the workforce, we are developing a new leadership culture under the heading of "Leadership 2020" that will allow us to successfully shape our future. In this way, we are meeting the challenges of the digital world and creating the basis for cultural changes at the Group (CULTURE).
- To enable us to react flexibly to the high dynamism of the environment, markets, new competitors and technologies, we need a structure that facilitates rapid and agile action. In the context of Project Future, we aim to further focus Daimler's divisional structure, thus strengthening the future viability of the various businesses (COMPANY). With Project Future, we want to make Daimler even more agile and faster, so that we can make even better use of market opportunities. The shareholders' approval for the implementation of the new structure is to be obtained at the Annual Shareholders' Meeting on May 22, 2019. With the four strategic areas for action – CORE, CASE, CULTURE and COMPANY – we have created the right conditions to focus even more consistently on our customers' requirements. Our goal is to continue to be one of the leading vehicle manufacturers while evolving into one of the leading providers of connected mobility. Along this path, we once again reached some pioneering milestones also in 2018. We therefore look to the year 2019 with confidence. We expect both unit sales and revenue to be higher than in the previous year, and should be able to achieve a slight increase in earnings despite the high volume of expenditure to safeguard our future.

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

The Divisions

The divisions of the Daimler Group performed very well in their markets in 2018, despite partially difficult conditions, thanks to numerous new and innovative products and services. Overall, the unit sales of our automotive divisions reached a record level, and the Daimler Financial Services division was also able to increase its contract volume significantly once again.

C | The Divisions

Mercedes-Benz Cars

After setting new records in the prior year, Mercedes-Benz Cars performed well overall during the year under review, despite significantly less favorable conditions. Unit sales reached a record level once again, revenue was at the high level of the previous year, and EBIT also reached a high level, despite high advance expenditure for our product offensive and new technologies, as well as extraordinary expenses. During the year under review, we systematically forged ahead with our model offensive. Important new models in 2018 were the new A-Class, the G-Class, the CLS and the upgraded C-Class. We also presented the first production vehicle from our new EQ electric mobility brand. In order to be able to continue meeting demand for our vehicles quickly and flexibly in the future, we are systematically further developing our global production network with more than 30 locations on four continents. The most recent example of that is the pioneering Factory 56 at our site in Sindelfingen.

C.01
Mercedes-Benz Cars

	2018	2017	18/17
€ amounts in millions			% change
Revenue	93,103	94,351[1]	-1
EBIT	7,216	8,843[1]	-18
Return on sales (in %)	7.8	9.4[1]	.
Investment in property, plant and equipment	5,684	4,843	+17
Research and development expenditure	6,962	6,642	+5
thereof capitalized	2,269	2,388	-5
Production	2,398,270	2,411,378	-1
Unit sales	2,382,791	2,373,527	+0
Employees (December 31)	145,436	142,666	+2

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

C.02
Unit sales Mercedes-Benz Cars

	2018	2017	18/17
in thousands			% change
Mercedes-Benz	2,253	2,238	+1
thereof A-/B-Class	409	420	-3
C-Class	478	493	-3
E-Class	434	398	+9
S-Class	84	79	+6
SUVs[1]	829	823	+1
Sports cars	19	25	-22
smart	130	136	-4
Mercedes-Benz Cars	2,383	2,374	+0
thereof Europe	983	1,014	-3
thereof Germany	324	320	+1
NAFTA	393	403	-3
thereof United States	327	338	-3
Asia	921	859	+7
thereof China	678	619	+10

1 Including the GLA

Ongoing high levels of unit sales, revenue and earnings
The Mercedes-Benz Cars division consists of the Mercedes-Benz brand with the Mercedes-AMG, Mercedes-Maybach and Mercedes me sub-brands, as well as the smart brand and the EQ product and technology brand for electric mobility. The division performed well in a highly competitive environment in the year under review, with unit sales totaling 2,382,800 vehicles (2017: 2,373,500). Mercedes-Benz Cars thus set a new sales record, despite operating under difficult conditions. Revenue of €93.1 billion was close to the previous year's high≈level. ↗ C.01 This development was in large part due to the continued market success of our attractive sport-utility vehicles, as well as the success of the E-Class. After reaching a new record level in 2017, EBIT decreased to €7.2 billion in the≈year under review (2017: €8,8 billion). This was the result of various factors, which are described in detail in the Profitability chapter. pages 85 f

Mercedes-Benz Cars sold a total of 982,700 vehicles in Europe in 2018 (2017: 1,013,800). Sales increases were recorded in the volume markets Germany (+1%) and Spain (+3%), and the high level of the prior year was maintained in France, while unit sales decreased in the United Kingdom (-7%) and Italy (-5%). The Mercedes-Benz Cars division remained very successful in China during the year under review, with unit sales rising by 10% to 677,700 vehicles. We set new records for unit sales also in other Asian markets, for example in India (+1%), South Korea (+1%) and Thailand (+5%). At 392,600 units, total sales in the NAFTA region were lower than the high level of the prior year. Sales decreased in the United States (-3%) and Canada (-2%), while sales in Mexico increased by 7%.

Mercedes-Benz posts record unit sales for the eighth consecutive year
At 2,252,800 vehicles (+1%), unit sales by the Mercedes-Benz brand were once again slightly higher than the record level of the previous year. ↗ C.02 Mercedes-Benz is thus once again the premium brand with the strongest unit sales in the automotive industry. Mercedes-Benz is number one in the premium segment in Germany and several other key European markets, as well as in the United States, South Korea, Canada and Japan. Furthermore, we significantly improved our position in China once again in the year under review. Demand for Mercedes-Benz

As a sport tourer, the new Mercedes-Benz B-Class places emphasis on sport: With more agile handling, it also offers more comfort and space.

brand cars remained high in 2018. The development of unit sales of certain model series was significantly influenced by lifecycle effects, however. That includes the model changes in the compact class and the model upgrade for the high-volume C-Class. The division also faced higher import duties on vehicles sold in China but manufactured in the United States, as well as suspensions of deliveries that were imposed on some diesel models. Vehicle certification processes also took longer than usual in some cases, and this had an impact on availability.

Our E-Class models were particularly successful in 2018: At 433,600 units (+9%), E-Class sales once again reached a new record level. Our attractive range of sport-utility vehicles also performed well in the market again, with sales in this segment increasing by 1% to 829,200 units. As was the case in the prior year, this positive development was primarily due to the GLC models, as well as high demand for our SUVs in China. Due to the model change, sales of C-Class vehicles decreased by 3% to 477,700 sedans, wagons, coupes and convertibles. Sales of A- and B-Class models were also affected by a model change in the year under review, although the success of the new A-Class led to total deliveries – including the CLA and CLA Shooting Brake – of 409,300 units (-3%). The S-Class was very successful in the market, with sales in this segment increasing by 6% to 83,800 units in 2018. Our Mercedes-Maybach luxury brand played a major role in this positive development. With sales of 77,700 units (+7%), the S-Class Sedan continues to be the world's the bestselling luxury sedan.

A- and B-Class set new standards
The new Mercedes-Benz A-Class, which has been available for delivery to customers since May 2018, is as young and dynamic as ever, but also more grown-up and comfortable than ever before. The vehicle completely redefines modern luxury in the compact class and revolutionizes interior design. The new A-Class was the first Mercedes-Benz model to be equipped with the all-new multimedia system MBUX (Mercedes-Benz User Experience), which marks the dawn of a new era in Mercedes me connectivity, featuring natural speech recognition ("Hey Mercedes") and artificial intelligence, both of which enable the system to adapt itself to the habits and preferences of the vehicle's owner. The new A-Class also offers a number of features and driving assistance systems that were previously only available in luxury-class vehicles. For example, the car can, for the first time, drive in partially automated mode in certain situations.

The new Mercedes-Benz B-Class was presented in Paris in October 2018. The model has a more dynamic appearance than its predecessor and displays greater agility on the road, while offering more comfort. Its avant-garde interior, which includes a distinctively designed instrument panel, makes for a unique feeling of space. The MBUX multimedia system in the B-Class is also a trailblazing feature – and thanks to state-of-the-art driving assistance systems, the B-Class boasts one of the highest levels of active safety in its segment.

Thanks in part to an additional underfloor SCR catalytic converter, A- and B-Class models equipped with the OM 654 q two-liter diesel engine are already certified in accordance with the Euro 6d standard, which will not become mandatory until 2020.

Relaunch of a bestseller: model update for the C-Class
The bestselling Mercedes-Benz model series, the C-Class, was optimized extensively for its fifth year of production. The exterior and interior were given a stylish makeover, and the onboard network is completely new, as are several other features and systems. The customer notices this directly with the User Experience feature, which includes as an option a fully digital instrument display and multimedia systems that offer customized information and music. The assistance systems in the C-Class are also now on par with those featured in the S-Class. The new C-Class series was launched with a new generation of four-cylinder gasoline engines. Some of the models come with an additional 48-volt system that includes a belt-driven starter motor/generator (EQ Boost). This system enables the implementation of additional functions that help to further reduce fuel consumption while also enhancing agility and comfort.

The new CLS: the third generation of the original

In 2003, the Mercedes-Benz CLS created a new vehicle category that for the first time combined the elegance and dynamism of a coupe with the comfort and functionality of a sedan. With the third generation of the CLS, which has been available for delivery to customers since March 2018, Mercedes-Benz is now building more strongly than ever on the trendsetting model's charisma and unique character. Like its predecessors, the third-generation CLS stands for self-assured sportiness in a highly emotive vehicle that offers impressive long-distance comfort and thrills customers with its technology.

The G-Class: an icon reinvents itself

The G-Class, the luxury off-road vehicle from Mercedes-Benz, has long been considered a design icon. Its external appearance has not changed significantly since 1979. Then as now, iconic elements have very specific functions – and also lend a unique appearance to the new G-Class, which has been available for delivery to customers since mid-2018. The new G-Class raises the bar in all relevant areas, including on- and off-road performance, comfort and telematics. The main goal of the development engineers was to redefine handling attributes in both on- and off-road driving. This goal was achieved, as the new G-Class displays even better performance off-road, while on-road it is significantly more agile, dynamic and comfortable than its predecessor.

Mercedes-Benz GLE: an SUV trendsetter reconceived

The new Mercedes-Benz GLE, which was presented in September 2018, features numerous innovations. The E-ACTIVE BODY CONTROL active suspension system on a 48-volt basis, for example, is a world first, and the model's driving assistance systems take another step forward with Active Stop-and-Go Assist. The interior offers even more space and comfort, and a third seat row is available as an option. The infotainment system has larger screens, a full-color head-up display with a resolution of 720 × 240 pixels and the MBUX Interior Assistant, which can recognize individual hand and arm movements and support personal operating intentions. The exterior design not only exudes presence and power, but also sets a new benchmark for aerodynamics in the SUV segment. The models equipped with the six-cylinder diesel engine are also already certified in accordance with the Euro 6d standard, which will not become mandatory until 2020. This was made possible by, among other things, the use of an additional underfloor SCR catalytic converter.

The Mercedes-Benz among electric vehicles

Mercedes-Benz first presented its new product and technology brand for electric mobility at the Paris Motor Show in 2016. A milestone is set to be achieved in mid-2019, when the EQC (electricity consumption combined: 22.2 kWh/100 km; CO_2 emissions combined: 0 g/km, provisional figures)[1] will become the first Mercedes-Benz vehicle to be launched under the EQ brand name. With its seamless and clear design and color highlights typical of the brand, the EQC is a trailblazer when it comes to an avant-garde electric appearance, even as it embodies the design idiom of progressive luxury. In terms of quality, safety and comfort, the EQC is the Mercedes-Benz among electric vehicles and a car that makes a convincing impression in terms of the sum of its attributes. The model also boasts highly dynamic performance, thanks to two electric motors at the front and the rear axle with a combined output of 300 kW. The sophisticated operation strategy utilized for the ECQ enables an electric range of up to 450 km according to the NEDC (provisional figure). With Mercedes me, the EQ brand offers comprehensive services that make electric mobility comfortable and practical for everyone. To sum up, the EQC symbolizes the start of a new mobility era at Daimler. Series production of the EQC will begin in 2019 at the Mercedes-Benz plant in Bremen. Preparations are already in full swing. The new EQC will be integrated into the current production operations as an all-electric vehicle.

The new Mercedes-Benz GLE is not only dynamic and comfortable on the road, but is also more competent than ever before off the road.

The new Mercedes-Benz CLS combines unique design with a luxurious interior and a comprehensive level of standard equipment.

The model is part of a comprehensive electric offensive, as Daimler plans to offer more than ten all-electric models in the car segment. In addition, the EQ brand offers a comprehensive electric mobility ecosystem of products, services, technologies and innovations. pages 14 ff

Market launch of the world's first electric vehicle with a fuel cell and plug-in hybrid technology

The Mercedes-Benz electric vehicle offensive also includes the GLC F-CELL (hydrogen consumption combined: 0.34 kg/100 km, CO_2 emissions combined: 0 g/km, electricity consumption combined: 13.7 kWh/100 km)[2]. This SUV can run on electricity as well as hydrogen because it is equipped with a lithium-ion battery with plug-in hybrid technology in addition to its fuel cell. Intelligent interplay between the battery and the fuel cell, as well as short refueling times, make the GLC F-CELL a dynamic and practical vehicle for long-distance travel. The first GLC F-CELL vehicles were delivered to selected customers in November 2018.

Mercedes-Maybach: perfection blended with exclusivity

Mercedes-Maybach stands for the highest levels of exclusivity and individuality. The luxury brand, which was launched in November 2014, combines the perfection of the Mercedes-Benz S-Class with the exclusivity of a Maybach. The Mercedes-Maybach brand's first convertible was launched in the spring of 2017 in a limited edition of 300 units. A preview of the form the luxury brand might take in the future is offered by the concept cars Vision Mercedes-Maybach 6 and Vision Mercedes-Maybach 6 Cabriolet – a sensational coupe and a luxurious convertible.

1 Figures for electricity consumption and CO_2 emissions are provisional, non-binding figures calculated by an external technical service. Figures for vehicle range are also provisional and non-binding. An EU type-approval certificate and a certificate of conformity with official figures are not yet available. The figures given above may deviate from the official figures.

2 Figures for fuel consumption, electricity consumption and CO_2 emissions are provisional and non-binding. They were determined by an external technical service for the certification process according to the provisions of the WLTP test procedure and correlated with the NEDC values. An EU type-approval certificate and a certificate of conformity with official figures are not yet available. The figures given above may deviate from the official figures.

Mercedes-AMG: the sports-car and performance brand
The brand claim of "Driving Performance" reflects the two core competencies of Mercedes-AMG: the ability to provide an unparalleled driving experience and the ability to serve as a driving force in the high-performance segment. The Mercedes-AMG sports-car brand now enhances the fascination of Mercedes-Benz with 70 models. The brand's dynamic vehicles especially attract young and sporty customers to the brand with the three-pointed star. Mercedes-AMG models differ extensively from their series-produced cousins in terms of both engineering and appearance, thus strengthening the authenticity and distinctive identity of the Mercedes-AMG brand. The new AMG GT four-door coupe is the third vehicle developed by Mercedes-AMG on its own. The model combines the impressive racetrack dynamics of the two-door AMG GT sports car with maximum suitability for everyday use – and enough space to accommodate up to five people.

20 years of smart – electric, urban, unconventional
The smart brand celebrated its 20th birthday in 2018. "Reduce to the max" was the motto of the smart brand when it began its mission of radically changing the nature of urban mobility back in 1998. Today, the brand is well on its way to making the founders' original vision a reality with all-electric drive systems. This fact is also demonstrated by Daimler's announcement at the Geneva Motor Show in March 2018 that all smart electric drive models will be sold under the EQ product and technology brand name in the future. The "smart forease" concept car was presented at the Paris Motor Show in October 2018. This extroverted design without a roof and the systematic focus on electric mobility clearly show that the electric future of the smart brand will be extremely attractive.

The range of services offered for the smart brand is being continuously expanded through the launch of "ready to" digital services. One example here is "smart ready to drop." This service, which is linked to various cooperation partners in the logistics industry, enables parcels to be delivered to the trunk of a customer's car and also allows for the pick-up of returns using the same system. "smart ready to share" enables private car sharing in closed groups – e.g. within a family, between friends or at small companies – in an extremely user-friendly manner with the help of an app that eliminates the need to hand over keys to the next user. A new service here is "smart ready to pack," which employs a sophisticated algorithm to tell shoppers while they're still making their purchases whether and how everything will fit into the smart's trunk. The new smart EQ control app has been available since August 2018. It contains a large amount of information on the car, such as the current charge level, and can control vehicle functions such as the auxiliary climate control system.

The smart brand sold a total of 130,000 vehicles in 40 markets worldwide in 2018.

Global production network – digital, flexible, green
Within the framework of its growth and modernization strategy, the Mercedes-Benz Cars division is continuously developing its flexible and efficient production network of more than 30 locations on four continents – all in line with the philosophy of "digital," "flexible" and "green." "Factory 56" at the Mercedes-Benz plant in Sindelfingen is an impressive example of this. A key feature of Factory 56 involves all-round connectivity along the entire value chain – from development and design to suppliers, production and customers. The assembly hall stands out through a particularly flexible production system that utilizes state-of-the-art Industry 4.0 technologies. Factory 56 also creates a new modern world of work that focuses on employees and takes their individual requirements more strongly into account. Factory 56 will serve as a blueprint for all future vehicle assembly operations at Mercedes-Benz Cars worldwide. It obtains its energy from CO_2-neutral sources that include a photovoltaic system installed on the roof.

The global production network is also being systematically aligned with electric mobility requirements. For example, electric vehicles from the EQ product and technology brand will be manufactured in the future within the framework of normal series production on the same lines used to produce vehicles with conventional combustion or hybrid drive systems. At the same time, we are expanding our global battery production network, which currently extends across three continents. Within the framework of its electric offensive, Mercedes-Benz Cars is not only focusing on locally emission-free vehicles, it is also consistently applying the emission-free approach to production: Mercedes-Benz Cars plants in Germany are to be supplied with CO_2-neutral energy by 2022.

Expansion of activities in China
Sales of Mercedes-Benz brand cars in China totaled more than 658,300 units in the year under review (+11%), which means China was the brand's largest single market for the fourth consecutive year in 2018. More than 70% of the vehicles we sell there were manufactured locally at facilities operated by Beijing Benz Automotive Co., Ltd. (BBAC), the joint venture with our local partner BAIC. In view of the further growth potential offered by the Chinese market, Daimler and BAIC have announced plans to jointly invest more than RMB 11.9 billion (approx. €1.5 billion) in a second BBAC production facility in Beijing. The expansion of localization will enable Daimler to respond more effectively to increasing market demand by offering local models especially tailored to Chinese customers' needs, including electric vehicles from the Mercedes-Benz EQ brand. The local presence of the Mercedes-Benz brand in China is being continuously expanded with the help of a broad range of products that currently encompasses seven locally manufactured cars and vans. The all-electric EQC sport-utility vehicle is to follow in 2019.

Best Customer Experience
"Best Customer Experience" (BCE) is a global sales and marketing initiative that was launched by the Mercedes-Benz Cars division in 2014. The initiative focuses on expansion into new markets and market segments and the development of innovative products and services. Our goal here is to make the Mercedes-Benz brand more attractive to new and also younger target groups while also strengthening the brand loyalty of established customers. To this end, the sales organization and marketing activities are to be aligned more closely with customer requirements, which are changing at an ever-faster pace as a result of digitalization. Our "Customer Centricity" philosophy puts the customer at the center of everything. The idea is to ensure personal communication with the customer for everything from the initial contact to advice, test drives, purchases and aftersales services. Here, Mercedes-Benz is using the omnichannel approach to offer customers various possibilities to establish contact with the brand and flexibly utilize different sales channels – all in line with customers' personal preferences. To this end, a variety of sales formats, new digital elements and job profiles in the retail sector are now being linked. This approach supplements the physical experience offered by traditional Mercedes-Benz showrooms.

The new Mercedes-Benz CLA Coupe features outstanding design and great automotive intelligence thanks to MBUX and augmented reality.

With the “She’s Mercedes” initiative, we are working to make the brand with the star more appealing to women in particular and to increase the proportion of female customers. Along with community and inspiration platforms, the initiative also offers training for sales staff and seeks to increase the number of women in sales positions. She’s Mercedes was launched in 2015 and has since been implemented in more than 60 countries.

Mercedes me – digital premium services

Mercedes me is playing an important role in the further development of the Mercedes-Benz brand, as this digital ecosystem has a direct impact on key factors that ensure success. Mercedes me is meanwhile live in 44 countries, which means it covers most of the world’s major automotive markets. Mercedes me connect enables customers generally to connect to their vehicles from anywhere and at any time. The average activation rate of the Mercedes me connect service for new Mercedes-Benz vehicles is over 90%, which shows how important it is to Mercedes-Benz drivers that their cars are connected and that drivers expect to enjoy all the digital services and offerings that such a connection makes possible. Highlights from the Mercedes me connect range of services include the Live Traffic Information real-time traffic service (including car-to-x communication), digital keys stored on smartphones, and “Hey Mercedes” natural speech recognition with support from artificial intelligence systems.

Mercedes me services are also available for our EQ models – or in some cases were developed especially for them. They include Mercedes me Charge for access to public charging stations in Europe. In addition, the EQ Ready app helps drivers decide whether it makes sense for them to switch to an electric car or a hybrid model.

#HIGHFIVE: a year for the history books

The year 2018 was the most successful motorsports year in the history of Daimler AG. Mercedes-AMG Petronas Motorsport captured both the World Drivers’ Championship and the World Constructors’ Championship in the Formula 1 racing series for the fifth consecutive year. The team thus once again underscored its exceptional status and technical expertise, culminating in the hybrid drive system used in the Mercedes F1 W09 EQ Power. After announcing that it would pull out of the DTM series after 30 years, Mercedes-AMG went on to take all three DTM titles in 2018. With 11 Driver’s Championships, seven Manufacturers’ Championships, 14 Team Championships and 190 first-place finishes, Mercedes-AMG is the most successful brand in the history of DTM. Mercedes-AMG Customer Racing can also look back on a very successful season in 2018, as customer teams participated in more than 1,100 races and were able to capture numerous victories and titles. Mercedes will begin a new chapter in its motorsports history in December 2019, when the brand will join the Formula E electric motorsport series with the new Mercedes EQ Formula E team. Participation in the Formula E series will enable us to demonstrate the performance capability of our intelligent battery-electric drive systems in a motorsports setting as well, and it will also add an emotive component to the EQ brand.

Daimler Trucks

2018 was a successful year for Daimler Trucks. In a mainly positive market environment, we succeeded in significantly increasing unit sales, revenue and earnings to new record levels. We increased our unit sales by double-digit rates in the NAFTA region, Indonesia, India and Brazil. At the IAA Commercial Vehicles trade fair, we presented part of our broad portfolio of vehicles with alternative drive systems: the all-electric eActros, the FUSO eCanter, the electric school bus from Thomas Built Buses and the Actros NGT powered by natural gas. The newly launched Actros is a pioneer for safety with Active Drive Assist, Active Brake Assist 5 and the mirror-cam system.

C.03
Daimler Trucks

€ amounts in millions	2018	2017	18/17 Change in %
Revenue	38,273	35,755[1]	+7
EBIT	2,753	2,383[1]	+16
Return on sales (in %)	7.2	6.7	.
Investment in property, plant, and equipment	1,105	1,028	+7
Research and development expenditure	1,295	1,322	-2
thereof capitalized	40	45	-11
Production	524,846	476,325	+10
Unit sales	517,335	470,705	+10
Employees (December 31)	82,953	79,483	+4

1 The amounts have been adjusted due to first-time adoption of IFRS 15 and IFRS 9.

C.04
Unit sales Daimler Trucks

In thousands	2018	2017	18/17 Change in %
Total	517	471	+10
EU30	85	82	+4
thereof Germany	33	32	+4
United Kingdom	8	9	-11
France	9	8	+13
NAFTA region	190	165	+15
thereof United States	161	140	+15
Latin America (excluding Mexico)	38	31	+25
thereof Brazil	21	13	+60
Asia	165	149	+11
thereof Japan	44	45	-2
Indonesia	64	43	+50
For information purposes:			
BFDA (Auman Trucks)	103	112	-8
Total (including BFDA)	621	583	+6

New records for unit sales, revenue and EBIT
Daimler Trucks posted unit sales of 517,300 trucks in 2018, a new record (2017: 470,700). The markets relevant for Daimler Trucks generally developed positively. Economic uncertainty in regions such as the Middle East, Turkey and Argentina had a negative impact on unit sales. Revenue of €38.3 billion was also significantly higher than in the previous year (2017: €35.8 billion). Furthermore, the successful implementation of our efficiency program helped us to achieve a new EBIT record of €2.8 billion (2017: €2.4 billion).

Unit sales at new high
Daimler Trucks increased its total sales by 10% to 517,300 units. In the **EU30 region** (European Union, Switzerland and Norway), our truck sales increased slightly to 85,400 units. Our Mercedes-Benz brand maintained its market leadership in the medium- and heavy-duty segment with a share of 20.6% (2017: 21.0%). In early September, we presented the new Actros with a number of new features. In addition to numerous other innovations, the flagship from Mercedes-Benz puts partially automated driving into series production with Active Drive Assist, as well as the mirror-cam system, which replaces the previous exterior mirrors. Sales in Germany also developed positively with growth of 4% to 32,900 units.

Our sales in Turkey were substantially affected by considerable economic uncertainty and at 5,000 trucks were 57% lower than the previous year's level. In **Latin America**, however, we once again significantly increased our sales to 38,200 units (2017: 30,500). There was a significant contribution from growth in unit sales in Brazil, our main market in the region. With sales there of 21,400 vehicles, we achieved an increase of 60%, although from a low level. With our Mercedes-Benz brand trucks, we increased our market share in the medium- and heavy-duty segment to 27.9% (2017: 27.6%) and were thus the market leader in Brazil. Sales in Argentina decreased in the year under review to 3,500 units (2017: 5,600).

Daimler Trucks: Well positioned worldwide with six brands – Freightliner, Western Star, Mercedes-Benz, FUSO, BharatBenz and Thomas Built Buses (from left to right).

The ongoing very positive development of unit sales in the **NAFTA region** made a substantial contribution to our growth. We once again significantly increased our unit sales to a total of 189,700 trucks (2017:165,000). In classes 6-8, we continued to be the market leader with a share of 38.4% (2017: 39.8%). We have already delivered more than 83,200 units of the new Freightliner Cascadia, our flagship in the North American market. The medium-duty DD8 engine has been produced in Detroit since the beginning of 2018, and with the introduction of this engine, we are systematically continuing our global platform strategy for the powertrain. The engine is also used in the new Freightliner Econic SD. This special truck for municipal applications, which in Europe is mainly used by waste disposal companies, has been available also in the North American market since April 2018.

In **Asia**, we increased our truck sales by 11% to 164,700 units. In Japan, our total sales were approximately 44,000 units (2017: 44,800). Our FUSO brand achieved a share of the overall Japanese truck market of 19.3% (2017: 19.6%). In Indonesia, we increased our unit sales to 64,200 trucks, which is 50% more than in 2017. Our sales of 9,700 trucks in the Middle East were significantly lower than the high level of the previous year (2017: 23,600). In India, our sales benefited from a significant recovery of demand for medium- and heavy-duty trucks. With sales of 22,500 units, we sold significantly more trucks than in the year before (2017: 16,700). Our market share with the BharatBenz brand was 7.0% (2017: 9.1%). In September 2018, we reached a major milestone with production of the 100,000th truck at the plant in Chennai. Since the start of production in 2013, we have exported vehicles from Chennai to more than 60 markets worldwide.

Active in the Chinese truck market

In China, the world's biggest truck market, Daimler AG holds a 50% equity interest in Beijing Foton Daimler Automotive Co., Ltd. (BFDA). The joint venture with Beiqi Foton Motor Co. Ltd. has been producing medium- and heavy-duty trucks of the Auman brand since the year 2012. Sales of 103,400 Auman trucks were below the high prior-year level (2017: 112,400), which, apart from the favorable economic development, was influenced above all by regulatory measures for vehicle replacement. Since the start of the cooperation, 596,700 Auman trucks have been sold.

Electrifying: The Freightliner eCascadia is in use with the first customers in North America as of 2019.

Expansion of our wide-ranging electric portfolio
At the Capital Market & Technology Days in Portland, we presented two new electric trucks for the North American market: the Freightliner eCascadia as a heavy-duty all-electric truck for long-distance applications and the Freightliner eM2 106 as an all-electric version for the medium-duty segment. The eCascadia is based on our Cascadia for heavy-duty haulage, which is already successful in North America. The Freightliner eM2 106 is used for the local distribution of foodstuffs as well as for deliveries. In December 2018, the first Freightliner eM2 was handed over to the customer Penske Truck Leasing Corp. This means that Daimler Trucks is now testing electric trucks with the first customers in all three segments: light-, medium- and heavy duty. Together with the Saf-T-Liner C2 electric school bus from Thomas Built Buses, we have therefore presented an extensive range of electric commercial vehicles in North America.

Mercedes-Benz already presented an all-electric heavy-duty distribution truck in 2016. In 2018, the first vehicles of the Mercedes-Benz eActros innovation fleet were handed over to customers. The first customers – Hermes, EDEKA, Transportbeton and Meyer-Logistik – operate in various segments and each of them is using an 18- or 25-ton truck based on the series version in daily operations for test purposes. The German Federal Ministry for the Environment (BMU) and Federal Ministry for Economic Affairs and Energy (BMW) are sponsoring the development and testing of the heavy-duty trucks in short-radius distribution operations as part of the project Concept ELV² (Concept Electric Truck in Heavy Distribution Transportation). As an alternative to electric trucks, Mercedes-Benz Trucks also offers trucks powered by natural gas. In addition to the Econic waste-disposal and delivery truck, the new Actros NGT with natural-gas drive and automatic transmission has also been available to order since 2018. Our first all-electric light-duty truck, the FUSO eCanter, was launched in Tokyo, New York and Berlin in 2017. Since the year 2018, more of the FUSO eCanter trucks have been handed over to logistics and municipalities in Berlin, London, Amsterdam and Lisbon, so this model is now operating in six metropolises around the world. The locally emission-free and nearly silent truck is in series production in Tramagal, Portugal, for markets in Europe and the United States. The trucks for the Japanese market are produced at the Mitsubishi FUSO plant in Kawasaki. Our FUSO brand already presented the all-electric FUSO Vision One for the heavy-duty segment in 2017.

In June 2018, the global **E-Mobility Group** Daimler Trucks & Buses was founded. It defines the future strategy for our electric components across brands and divisions, as well as complete electric vehicles, and is working on a worldwide uniform architecture. At the IAA Commercial Vehicles trade fair, we announced our cooperation with the Californian company, **Proterra Inc.** Proterra is a leader in the United States in the business with electric buses for local transportation. In connection with our equity interest in Proterra, it has been agreed together to examine the electrification of selected heavy-duty commercial vehicles from Daimler. As the first cooperation project, we are working on possible synergies with the electrification of school buses from the Daimler brand Thomas Built Buses, and the option to transfer Proterra's proven battery technology and drivetrain to the North American school-bus market.

New Actros with innovative safety systems

The world premiere of the new Actros took place in Berlin in early September. The new Mercedes-Benz flagship features many innovations. With Active Drive Assist, we are putting partially automated driving into series production. The system can support the driver with braking, accelerating and steering. While the driver continues to be responsible for monitoring the traffic situation, the system makes his or her work significantly easier and delivers an important contribution to enhancing safety on the roads. The improved Active Brake Assist helps to monitor the space in front of the vehicle and to react to pedestrians and cyclists even better. The fifth-generation brake assistant supports the driver with a combination of radar and camera system if there is a danger of a front-end crash or a collision with a pedestrian or cyclist, and initiates emergency braking if necessary. Sideguard Assist, which has been available for heavy-duty trucks from Mercedes-Benz since 2016, monitors not only the tractor unit but also the trailer or semi-trailer and helps to avoid accidents. When there is a person or object in the area monitored, the driver is warned visually and also acoustically if there is a danger of a collision. The new Actros differs from its predecessor also externally. The main mirrors and wide-angle mirrors have been replaced by the mirror-cam system as standard equipment in the new Actros. Two cameras installed on the truck's exterior and two monitors in the cab not only improve aerodynamics, they also offer a greatly improved view around the vehicle. The new Actros has a digital driver's workplace with high levels of operating and display comfort. Two interactive monitors are standard equipment and serve as central information sources. In addition to driver-relevant basic information, assistance systems are also visualized. It goes without saying that smartphones are fully integrated. The Truck Data Center permanently connects the vehicle with the Cloud and is the basis for all connectivity solutions that help with the provision of transport services. Real-time control of the truck via Fleetboard connected services and the preventive service product Mercedes-Benz Uptime offer the truck's operator additional added value, through predictive maintenance and low down times for example.

A good view: In the new Mercedes-Benz Actros, the driver benefits from the cab's new, intuitively operated multimedia cockpit.

Close to customers with automated and connected driving
We have further expanded our activities with automated trucks and buses and established a research and development center for automated driving in Portland, Oregon. The innovation site cooperates closely with existing development centers in Stuttgart and India. In Brazil, as part of a development partnership with a local manufacturer of agricultural machinery, Mercedes-Benz do Brasil configured 18 Mercedes-Benz Axor trucks specifically for automated use in sugar-cane harvesting. In order to support the growth of expertise in new technologies as well as global tech initiatives, a new “Daimler Trucks and Buses Tech & Data Hub” has been established in Lisbon. The Tech & Data Hub aims to acquire talented employees in various technology fields and to focus on new technologies and digital services for the commercial-vehicle sector. At the plant in São Bernardo do Campo, Brazil, a completely new type of truck assembly line for Daimler Trucks for light- to heavy-duty trucks and the related parts logistics went into operation in 2018. And at the plant site in Iracemápolis, Brazil, we opened a new truck and bus test center covering approximately 1.3 million square meters, where vehicles will be tested on a wide variety of road profiles.

Fleetboard pushes forward with digitization of logistics
At the IAA Commercial Vehicles trade fair in Hannover, Fleetboard presented its new Fleetboard customer interface. For trucking companies, the new, intuitive, web-based interface combines all data from the booked Fleetboard services in a clear format. Fleet managers and dispatchers can summarize complex information in a tailored manner and while doing so are helped to identify improvement potential. The system uses push messages to proactively indicate when there is a need for action, such as a route adjustment. The digital interface in trucks has also been further developed. Vehicles with the new interactive multimedia cockpit can be connected with the Mercedes-Benz Truck App Portal and thus equipped with efficiency-enhancing apps. The Mercedes-Benz Truck App Portal offers an open platform on which customers and partners can install their own apps. One app that will be available in the portal is Fleetboard Driver. It is also available for smartphone use in the Apple App Store and the Google Play Store. Fleetboard Driver informs the truck driver in real time of relevant vehicle data such as mileage and fuel level. In addition, it provides a direct insight into driving and rest times as well as information on optimization potential in relation to the current driving style.

Since it was launched in 2000, Fleetboard has been ensuring that people and trucks are well connected.

Mercedes-Benz Vans

Mercedes-Benz Vans continued along its course of growth during the year under review, achieving a small increase in revenue and setting a new record for unit sales. Growth was mainly driven by positive developments in the United States, China and Latin America. We also set a new sales record in Germany. The launch of the new Sprinter and the first full year of availability of the X-Class in the pickup segment enabled us to consistently forge ahead with our “Mercedes-Benz Vans goes global” growth strategy. In addition, our future-oriented “adVANce” initiative has allowed us to systematically move ahead with the transformation of Mercedes-Benz Vans from a vehicle manufacturer into a supplier of holistic transportation and mobility solutions for cargo and passengers. EBIT in 2018 was significantly lower than the previous year’s high level.

New record for unit sales

Mercedes-Benz Vans set a new sales record once again in financial year 2018, with an increase of 5% to 421,400 units. At €13.6 billion, revenue was also higher than in the previous year (2017: €13.2 billion). EBIT reached €312 million and was thus, as expected, significantly lower than the high level achieved in 2017.

Continued growth

Mercedes-Benz Vans’ products continued to be very successful in 2018. Our Sprinter, Vito and Citan vans are tailored mainly to commercial customers, while the V-Class is designed primarily for private use. The X-Class is targeted at a variety of private and commercial customers.

Sales of 278,300 units in the EU30 region, our core market, were slightly higher than in the previous year (273,300). We set a new record in Germany, with 107,300 units sold (2017: 105,800). Mercedes-Benz Vans continued to grow in the NAFTA region, where sales rose by a significant 13% to 50,900 units. This included a new record of 38,700 units sold in the United States (2017: 34,200). Mercedes-Benz Vans’ products were also very much in demand in Latin America. Unit sales in Argentina increased by 14% to 18,700 units, despite the difficult economic situation in that country. The Mercedes-Benz Vans division continued its successful development in China in 2018. Unit sales in China increased significantly, by 22% to the new record of 29,100 vans. This development was largely due to the success of the Vito and the V-Class.

At 206,300 units, global sales of Sprinter models were slightly higher than in the previous year (2017: 200,500). Sales of vans in the mid-size segment remained at the prior-year level, totaling 172,200 units in 2018, whereas sales of Vito models decreased slightly to 108,300 in the year under review (2017: 111,800). Sales of the V-Class full size MPV rose by 8% to 63,900 units. Meanwhile, sales of the Mercedes-Benz Citan reached 26,300 units (2017: 26,100). Sales of the X-Class, which we launched at the end of 2017, totaled 16,700 units in the year under review (2017: 3,300).

World premiere of the new Sprinter

The new Mercedes-Benz Sprinter had its world premiere in February 2018; the model then went into production at the Düsseldorf and Ludwigsfelde plants at the beginning of March. The new Sprinter was launched in Europe in June and then

C.05
Mercedes-Benz Vans

	2018	2017	18/17
€ amounts in millions			% change
Revenue	13,626	13,161[1]	+4
EBIT	312	1,147[1]	-73
Return on sales (in %)	2.3	8.7[1]	.
Investment in property, plant and equipment	468	710	-34
Research and development expenditure	666	565	+18
thereof capitalized	176	310	-43
Production	440,314	405,129	+9
Unit sales	421,401	401,025	+5
Employees (December 31)	26,210	25,255	+4

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

C.06
Unit sales Mercedes-Benz Vans

	2018	2017	18/17
			% change
Total	421,401	401,025	+5
EU30	278,269	273,297	+2
thereof Germany	107,267	105,781	+1
NAFTA	50,851	44,815	+13
thereof United States	38,741	34,158	+13
Latin America (excluding Mexico)	18,735	16,378	+14
Asia	38,779	33,641	+15
thereof China	29,068	23,801	+22
Other markets	34,767	32,894	+6

successively in additional markets. We also expanded our production network in September 2018 with the opening of our new plant in North Charleston and the start of production of the new Sprinter there. In recent years, we have invested a total of approximately €2.5 billion worldwide in Sprinter development, the global production network for the model, and sales and aftersales services.

As the first integrated connectivity system solution offered by Mercedes-Benz Vans, the third generation of the Sprinter represents the division's development from a pure vehicle manufacturer into a provider of holistic transport and mobility solutions. With new connectivity services, an electric drive system and customized hardware solutions for the cargo space, the large van will make customers' business much more efficient in the connected world of the future. The first Mercedes PRO fleet solutions were made available to commercial Sprinter customers when the new model was launched in June 2018. Mercedes PRO is Mercedes-Benz Vans' service brand that offers services and digital solutions in a total of eight added-value packages with 18 services. The technical basis for Mercedes PRO services is a communication module that is installed as standard in all Sprinter variants.

Investment in the Sprinter production network

In preparation for the new generation of the Sprinter, Mercedes Benz Vans made significant investments in its production network; the division focused here on manufacturing operations in the United States and Germany. After a construction period of approximately two years, our new plant in North Charleston, South Carolina, opened in September 2018. In view of the anticipated high market potential for the new Sprinter in North America, Mercedes-Benz Vans invested roughly $500 million in the new plant in North Charleston, which includes a body shop, a paint shop and a final assembly area. With the new ultra-modern production site, we will be able to supply our customers in North America even faster and more flexibly in the future, thus better utilizing the dynamic potential of the North American market. The new plant in North Charleston is therefore a central component of the "Mercedes-Benz Vans goes global" growth strategy.

In addition to the investment in North Charleston, Mercedes-Benz Vans invested approximately €450 million in the lead plant of the global Sprinter production network, which is located in Düsseldorf, Germany, as well as in the Sprinter facility in Ludwigsfelde, Germany. Mercedes Benz Vans also invested roughly US$150 million in Sprinter production operations at the González Catán plant near Buenos Aires in Argentina.

Numerous major contracts

In the first quarter of 2018, Mercedes-Benz Vans and the motor home and travel van manufacturer Hymer announced plans to establish a new comprehensive supply relationship. To this end, an agreement was concluded for deliveries of more than one thousand Sprinters each year, which will eventually make Hymer the largest single customer for the new Sprinter in the motor home and travel van sector.

During the opening ceremony for the plant in South Carolina, Mercedes-Benz Vans also announced that it will manufacture Sprinter vans in North Charleston for Amazon's Delivery Service Partner program. The program makes it possible for small business owners to obtain customized delivery vehicles with special leasing contracts at attractive conditions. The first Sprinter built in North Charleston was delivered to a participant in the Delivery Service Partner program. Amazon plans to add 20,000 Sprinter vans from Mercedes-Benz to its delivery fleet in the United States within the framework of the new partnership. The online retailer will thus place the largest single order ever received by Mercedes-Benz Vans.

The Mercedes-Benz eVito, the first model of the holistic electrification strategy eDrive@VANS, has been available since November 2018.

More than 1,700 different variants and comprehensive connectivity make the new Mercedes-Benz Sprinter the perfect vehicle for diverse transport requirements and sectors.

Full speed ahead for the future-oriented “adVANce” initiative
With its future-oriented “adVANce” initiative, Mercedes-Benz Vans is evolving from a manufacturer of globally successful vans into a provider of holistic system solutions for the transportation of goods and passengers. The division is thus playing a pioneering role in its sector. adVANce combines activities in various areas and currently comprises six innovation fields: digital@Vans, solutions@Vans, rental@Vans, sharing@Vans, eDrive@Vans and autonomous@Vans. We are employing a customer-oriented co-creation approach to incorporate our customers into the development process at an early stage. Here, we are combining our six innovation fields in order to develop new business models and tailored solutions that are adapted to our customers’ respective sectors. Mercedes-Benz Vans is also adopting a new approach with eDrive@Vans, which utilizes the way a van is used in each specific case as the key factor for evaluating various drive system options. More specifically, with eDrive@Vans, the choice of battery-electric drive or a conventional combustion engine depends solely on which represents the best solution for a particular application. Fuel cells will be added to the drive system portfolio over the medium term. In order to meet as many transport needs as possible while allowing many different sectors to enter the world of locally emission-free electric mobility, the eSprinter is now ready to join the eVito as the second model with battery-electric drive. The eSprinter will be launched on the market sometime in 2019. In the future, Mercedes-Benz Vans will expand its eDrive@VANs strategy to include fuel cells. Based on the example of a semi-integrated travel van, the Concept Sprinter F-CELL showcases the full spectrum of typical advantages of a fuel cell, from long range to locally emission-free mobility. The Concept Sprinter F-CELL unites fuel cell and battery technology in a plug-in hybrid. 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.

Daimler, with Mercedes-Benz Vans, is part of the ZUKUNFT.DE federal model project for electric mobility in Germany. ZUKUNFT.DE is a German acronym that stands for customer-friendly delivery operations, sustainability, flexibility and transparency – all brought about by emission-free vehicle operation. Among other things, the project includes the electrification of last-mile parcel deliveries in urban environments. We are one of 11 project partners that are cooperating closely with five associated partners in this major joint project, which is receiving assistance from researchers and scientists and support from the German Federal Ministry of Transport and Digital Infrastructure. The project is scheduled to be completed by the end of 2020.

With its Vision URBANETIC, Mercedes-Benz Vans has presented a revolutionary mobility concept under the label autonomous@Vans that goes far beyond previous ideas of autonomous vehicles. Vision URBANETIC removes the separation between passenger and goods transport and is set to enable the needs-based, sustainable and efficient movement of people and goods. As part of a holistic system solution, Vision URBANETIC addresses future urban challenges and offers innovative solutions. This visionary concept is based on an autonomously driving, electrically powered chassis that can carry various swap bodies for transporting either passengers or goods.

In 2017, the American startup Via and Mercedes-Benz Vans established a joint venture known as ViaVan, whose ride-sharing services are a part of sharing@Vans. The company’s innovative technology uses an intelligent algorithm to combine the same or similar routes and destinations requested by various passengers into a single trip with one vehicle, which makes it possible to avoid detours and delays for everyone. The app-based, on-demand ride-sharing service was launched in Amsterdam in March 2018. It was subsequently introduced successfully in London, and then later in Berlin in September in cooperation with the Berliner Verkehrsbetriebe (BVG) transportation company. The new service is now also being used for the first time to help optimize individual passenger transport at a company – ViaVan was launched at the BASF site in Ludwigshafen, Germany, in the year under review.

Daimler Buses

In 2018, business developments at Daimler Buses were strongly influenced by the economic crises in normally profitable key markets and the associated decrease in demand for buses. This situation led to a downward adjustment of anticipated earnings during the year under review, with the division's full-year EBIT decreasing significantly compared with the previous year. At the same time, the gradual recovery of the Brazilian economy, strong demand in the EU30 region and growth in India led to a significant increase in global unit sales at Daimler Buses in 2018. As the market leader in its most important traditional core markets, Daimler Buses focuses on innovative and pioneering city buses and touring coaches. In 2018, Daimler Buses once again presented itself as a future-oriented manufacturer with new products such as the eCitaro, digital services, a "future package" for our production network and the implementation of the CASE strategy.

C.07
Daimler Buses

€ amounts in millions	2018	2017	18/17 % change
Revenue	4,529	4,524[1]	+0
EBIT	265	281[1]	-6
Return on sales (in %)	5.9	6.2[1]	.
Investment in property, plant and equipment	144	94	+53
Research and development expenditure	199	194	+3
thereof capitalized	41	30	+37
Production	31,233	28,518	+10
Unit sales	30,888	28,676	+8
Employees (December 31)	18,770	18,292	+3

1 The amounts have been adjusted due to first-time adoption of IFRS 15 and IFRS 9.

C.08
Unit sales Daimler Buses

	2018	2017	18/17 % change
Total	30,888	28,676	+8
EU30	9,284	8,687	+7
thereof Germany	2,902	3,057	-5
Latin America (excluding Mexico)	13,681	12,740	+7
thereof Brazil	8,778	7,201	+22
Mexico	3,236	3,440	-6
Asia	3,172	2,348	+35
Other markets	1,515	1,461	+4

Sales significantly above the prior-year level
Daimler Buses sold 30,900 buses and bus chassis worldwide in financial year 2018 (2017: 28,700). The significant increase was due in particular to the gradual recovery of the economy in Brazil, high demand in our important EU30 market and growth in India. At the same time, the market-related decrease in demand in the normally profitable markets of Argentina and Turkey had a negative impact on our overall sales. The division was able to maintain its market leadership in its most important traditional core markets (EU30, Brazil, Argentina and Mexico). At €4.5 billion, revenue was at the prior-year level (€4.5 billion), while EBIT decreased slightly to €265 million (2017: €281 million).

Varied business developments in the core regions
In the EU30 region, the Daimler Buses brands Mercedes-Benz and Setra offer a complete range of city buses, intercity buses and touring coaches, as well as bus chassis. Due to continued high demand for our complete buses, sales in this region amounted to 9,300 units, which was significantly above the high number recorded in the prior year (2017: 8,700). Daimler Buses maintained its leading market position in the EU30 region with a market share of 29.0% (2017: 28.4%). At 2,900 units, sales in Germany were 5% lower than in the previous year. Sales of 300 units in Turkey were significantly lower than in the prior year (2017: 400) due to the country's situation, which remains difficult. The market situation in Latin America (excluding Mexico) improved on account of the gradually recovering market in Brazil, although growth in the region was negatively affected by the sharp market contraction in Argentina. Sales of Mercedes-Benz bus chassis in Brazil rose by 22% to 8,800 units. We were able to maintain our leading market position in Brazil with a market share of 51.6% (2017: 52.5%). In India, we continued along our growth path and increased our sales volume to 1,600 units (2017: 900). At 3,200 units, sales in Mexico were significantly lower than in the previous year (2017: 3,400).

E-mobility in series maturity: The Mercedes-Benz eCitaro is not only a city bus, it is part of a complete e-mobility system from Daimler Buses.

New all-electric Mercedes-Benz eCitaro is an important component of locally emission-free transport in cities
With the new all-electric Mercedes-Benz eCitaro, which had its world premiere at the IAA Commercial Vehicles trade fair, we now have in our portfolio a key component of environmentally friendly local public transport with low-emission and locally emission-free buses. The bus gets its energy from lithium-ion batteries, and the charging technology it uses allows it to adjust to the individual requirements of transport companies. An innovative thermal management system ensures the efficient use of energy and provides the basis for a practical range. The bus can cover about one third of transport operators' relevant routes without intermediate recharging. The first models have already been delivered to customers.

The Mercedes-Benz eCitaro also marks the launch of an innovation offensive whose objective is the rapid and practical electrification of local public transport with buses in cities and large metropolitan areas. Because battery technology is developing at a rapid pace, the eCitaro is already designed to accommodate a transition to future battery technologies such as more powerful lithium-ion batteries or the optional use of solid-state batteries. Plans also call for the eCitaro's range to be increased through the use of a range extender in the form of a fuel cell that generates electricity.

Holistic eMobility Consulting set to redefine urban bus transportation
The new all-electric eCitaro city bus is part of Daimler Buses' overall eMobility system. In order to support our customers with the transition to electric bus fleets, our eMobility Consulting team offers advice on request about different use scenarios, taking into account bus route lengths, passenger numbers, energy requirements, range calculations, charging management and other aspects. In addition, our OMNIplus service brand offers a tailored electric mobility service package that includes onsite services at customers' maintenance and repair shops.

Redefining safety with innovative safety and driver assistance systems
With new safety and assistance systems, we are demonstrating that safety has top priority for our buses. Beginning in 2019, the Active Brake Assist 4 emergency braking system will become 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 – will be available as an option for the entire Mercedes-Benz Citaro model family and the Mercedes-Benz Conecto starting in 2019. The new assistance system warns of a potential collision with pedestrians or stationary or moving objects, and automatically initiates braking if there is an imminent risk of collision. 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 and Tourismo and all Setra ComfortClass 500 and Setra TopClass 500 touring coaches.

Efficiency, variability, comfort and safety, exciting design: The new Setra S 531 DT double-decker bus.

Digital service with OMNIplus ON
Daimler Buses now also offers digital services with its new OMNIplus ON portal, which integrates existing and new services into four pillars. OMNIplus On advance ensures maximum fleet availability for bus operators, and its Uptime feature helps increase vehicle operating times, for example. OmniPlus On monitor combines telematics services that ensure efficient fleet management operations. OMNIplus On drive supports bus drivers with their departure checks, for example, and OMNIplus On commerce allows bus companies to buy spare parts quickly and directly around the clock in an online shop.

Numerous major orders for Daimler Buses – including the first large orders for the all-electric eCitaro
Daimler Buses received a large number of major orders in the year under review. The cities of Hamburg and Berlin ordered 20 and 15 Mercedes-Benz eCitaro models respectively in 2018. The order from Berlin also included an option to purchase as many as 950 Mercedes-Benz city buses. The framework agreement for the option, which runs for several years, covers the delivery of up to 600 articulated buses and a maximum of 350 solo buses. During the year under review, we were also able to gain major European orders in Poland (150 vehicles for Kraków, Gdańsk and Bialystok), Spain (EMT Madrid: 270 Citaro buses with natural gas drive to be delivered between 2019 and 2020) and Austria (framework agreement with Blaguss: 250 Setra touring coaches to be delivered between 2019 and 2022). We also received orders in Brazil, including one for 121 city buses that will be used to renew the fleets operated by various bus companies in Curitiba.

Award-winning products from Daimler Buses
The Mercedes-Benz Citaro hybrid, which is available with either a diesel or a natural gas engine, was named “Bus of the Year 2019” by an independent jury. The selection criteria for the award included profitability, innovation, quality and user-friendliness. The Citaro Ü hybrid intercity variant made a big impression in terms of sustainability and was presented with the “Sustainable Bus Award 2019” for inter-city buses. Four of our buses also captured first place in the 2018 readers’ survey conducted by the EuroTransportMedia (ETM) publishing company. The awards here were in the categories City Bus (Mercedes-Benz Citaro K), Inter-City Bus (Mercedes-Benz Citaro LE), Minibus (Sprinter Minibus) and High-Deck Touring Coach (Setra Top-Class HDH/DT).

New sales partner in North America
REV Coach LLC became the new sales partner for the Setra brand in North America at the beginning of 2018. The company took over from Motor Coach Industries International Inc. (MCI) as the general sales agent for Daimler Buses in the North American market. REV has also been responsible for Setra customer service since July 2018.

BusStore pre-owned bus brand celebrates fifth anniversary
Launched in 2013, the BusStore brand combines and further professionalizes all Mercedes-Benz and Setra activities in the area of used buses. BusStore currently sells approximately 2,000 buses each year. During the year under review, we opened new BusStore locations in Croatia, Hungary, Latvia and Slovakia, which means that BusStore now operates a total of 19 outlets in Europe. We have also launched a pilot project with BusStore Mexico in order to expand our international pre-owned bus sales operations. In addition, plans now call for BusStore locations to be established in other countries as well.

Daimler Financial Services

The number of cars and commercial vehicles financed or leased by Daimler Financial Services reached a new all-time high of more than 5.2 million at the end of financial year 2018. Contract volume developed positively, while EBIT was significantly lower than in the prior year, mainly as a result of the agreement reached to end the Toll Collect arbitration proceedings. The combination of sales financing with brokered automotive insurance policies continues to gain importance. The division's range of innovative mobility services was further expanded. Today, services such as car2go, moovel and the ride-hailing group with its mytaxi, Beat, Clever Taxi and Chauffeur Privé brands are used by 31.0 million customers all over the world. In 2018, we also announced plans to establish a new joint venture for mobility services with BMW.

Half of all Daimler vehicles delivered to customers are financed or leased
Daimler Financial Services concluded 2.0 million new financing and leasing contracts worth a total of €71.9 billion in 2018. The total value of all new contracts was thus slightly above the prior-year level (+2%). About half of all new-vehicle sales by our automotive divisions in 2018 were supported by sales financing from Daimler Financial Services. In total, more than 5.2 million financed or leased vehicles were on the books at the end of 2018 with a total contract volume of €154.1 billion; this represents a 10% increase compared with the end of 2017. EBIT amounted to €1,384 million (2017: €1,970 million). ↗ C.09

Moderate increase in new business in Europe
Daimler Financial Services concluded 970,000 new financing and leasing contracts worth €31.7 billion in the Europe region (+2%). Especially high rates of growth were recorded in Poland (+28%) and France (+21%). In Turkey, new business decreased sharply (-37%) due to the tense political and economic environment in that country. In Germany, Mercedes-Benz Bank's new business increased by 3% to €13.2 billion. Daimler Financial Services' total contract volume in Europe rose by 8% to €64.2 billion.

Slight growth in the Americas
Daimler Financial Services brokered 483,000 new financing and leasing contracts worth €22.5 billion in the Americas region in 2018 (+3%). The volume of new business developed very well in Brazil (+25%). Contract volume in the Americas region of €56.1 billion at December 31, 2018 was clearly higher than at the end of 2017 (+11%). Adjusted for exchange-rate effects, contract volume increased by 8%.

Africa & Asia-Pacific region and China: new business at prior-year level
New business in the Africa & Asia-Pacific region (excluding China) decreased slightly compared with the previous year, by 3% to €8.2 billion. Business growth was especially strong in Thailand (+24%). New business decreased significantly in India (-10%) and South Africa (-13%). At the end of 2018, contract volume in the Africa & Asia-Pacific region (excluding China) totaled €18.3 billion, representing a 6% increase over the previous year. New business increased moderately in China, however, where 319,000 new leasing and financing contracts worth €9.6 billion were concluded in 2018 (+2%). At the end of 2018, contract volume in China amounted to €15.4 billion – an increase of 26% compared with the end of 2017.

Further growth in the insurance business
Daimler Financial Services brokered approximately 2.3 million insurance policies in 2018 – an increase of 8% compared to the prior year. Business developments were particularly positive in China, Spain and Russia. More customized insurance solutions are now needed in view of the trend toward greater flexibility in vehicle use, for example in the areas of connectivity, telematics, mobility services and flat rates for leasing contracts.

C.09
Daimler Financial Services

	2018	2017	18/17
€ amounts in millions			% change
Revenue	26,269	24,530[1]	+7
EBIT	1,384	1,970	-30
Return on equity (in %)	11.1	17.7	.
New business	71,927	70,721	+2
Contract volume	154,072	139,907	+10
Investment in property, plant and equipment	64	43	+49
Employees (December 31)	14,070	13,012	+8

1 This amount has been adjusted due to first-time adoption of IFRS 15 and IFRS 9. The Group's internal revenue and cost of sales have been adjusted by the same amount at the Daimler Financial Services segment. These adjustments have been fully eliminated in the reconciliation.

Whether for leasing, financing, insurance or mobility services: The focus is always on the customer at Daimler Financial Services.

New name: Daimler Mobility AG
Daimler Financial Services AG plans to change its name to Daimler Mobility AG in the second half of 2019. The Daimler Financial Services division, which has approximately 14,070 employees, is already well known as the Daimler Group's provider of mobility services, which include car2go, moovel and the ride-hailing group with its mytaxi, Beat, Clever Taxi and Chauffeur Privé brands. The renaming underscores the division's transformation into a provider of mobility services and is one of the components of "Project Future", which is designed to strengthen the divisional structure of the Daimler Group. Approximately 31.0 million customers currently make use of the range of mobility services the division offers. Experts believe the market for mobility services will generate hundreds of billions in revenue over the next decade, and Daimler Mobility AG wants to play a key role in this development.

Mobility services remain on course for success
Daimler Financial Services once again expanded its range of innovative mobility services in 2018. The number of registered users of the car2go car-sharing service increased to 3.6 million, enabling car2go to consolidate its position as a leading company for flexible car sharing. car2go also continuously further developed its services during the year under review. For example, the company introduced a new pricing model that enables customers to rent cars at a lower rate on the outskirts of a city, which also serves to further increase vehicle availability in cities. In addition, car2go now offers customers greater flexibility by allowing them to extend their vehicle reservation period if they need to keep a car longer than planned. car2go opened its tenth North American location in Chicago in July 2018. During the same month, the first smart convertibles were added to the car2go fleet in Rome. At the beginning of 2019, a new European location was opened in Paris, which is served by a fleet of 400 all-electric smart models.

The moovel app also underwent further development. moovel enables customers in Germany to compare various mobility and transport-system options and then choose the best way to get from point A to point B. The app can also be used to book and directly pay for services provided by companies such as car2go, mytaxi and local public transport operators. In June 2018, moovel and the SSB transport company in Stuttgart established the "SSB Flex" service, and in November 2018, moovel and Rheinbahn teamed up to create the "Mobil in Düsseldorf" app. moovel is also one of the leading providers of mobile ticketing solutions for public transport companies in the United States. All in all, moovel North America offers 19 services in 15 US cities. In October 2018, FASTLink DTLA – a non-profit transportation management initiative – and moovel North America announced plans to launch a new on-demand ride-sharing pilot project in Los Angeles. The project, which has been given the name FlexLA, will supplement the services offered by the city's public transit network. The number of registered moovel app users in Germany and the United States had risen to 6.2 million by the end of 2018 (2017: 3.7 million).

The ride-hailing group behind mytaxi further strengthened its position as one of the leading providers of taxi apps in Europe in 2018, among other things, by acquiring a majority stake in Chauffeur Privé. Ride-hailing group services which were already available in the United Kingdom, Ireland, Greece, Romania and France have now been extended to cover a total of 12 European countries – and have also been launched in fast-growing markets in Central and South America (Peru, Columbia and Chile). A total of 390,000 drivers in more than 110 cities have now registered with the ride-hailing group's companies. The number of registered users of the ride-hailing group's services increased by 92% to 21.3 million in 2018. mytaxi has also created its own scooter brand with the "hive" e-scooter pilot project: Several hundred e-scooters are available in Portugal's capital, Lisbon, where they offer a genuine alternative for local transport.

Cooperation with BMW
Daimler AG and the BMW Group are joining forces to offer their customers sustainable urban mobility services from a single source in the future. The authorities have now approved the companies' plan to establish the joint venture. After completion of the complex transaction on January 31, 2019, the new

mobility services company, Daimler AG and the BMW Group will make a joint announcement in the first quarter of 2019 regarding the next steps to be taken. The headquarters of the new joint mobility-services company will be located in Berlin. Our goal is to jointly create a major global player for seamless and intelligent connected mobility services. As a hub for creativity and innovation, Berlin is exactly the right location for our plans. The 50-50 joint venture will bring together the following services: an on-demand mobility and multimodal mobility platform, car sharing, ride hailing, parking, and charging for electric vehicles.

Joint venture for premium ride-hailing services in China
Daimler Mobility Services and Geely Group Company will establish a premium ride-hailing service in China, subject to the approval of the regulatory authorities. The new company plans to begin offering a ride-hailing service with premium vehicles in several Chinese cities in 2019. The initial fleet will include Mercedes-Benz S-Class, E-Class, V-Class and Maybach vehicles, as well as premium models from the Geely electric fleet. The 50-50 joint venture will be headquartered in Hangzhou; each partner will have an equal number of seats on the company's board of management.

Expansion of fleet management operations
Daimler Financial Services once again expanded its fleet management activities in 2018. A total of 395,000 contracts were on the books at Athlon and Daimler Fleet Management in Europe at the end of 2018, which represents an increase of 3% compared with the prior year. The total fleet management contract volume amounted to €6.5 billion. Plans now call for all fleet management activities to eventually be consolidated under the Athlon brand name. Athlon gained new international customers in 2018 and strengthened its market position as a provider of comprehensive fleet management and mobility solutions for commercial customers. This development also had a positive impact on sales of Mercedes-Benz cars and vans. With "connect business," Mercedes-Benz Connectivity Services also offers cross-brand connectivity services for telematics-based car fleet management in several European countries.

heycar: Daimler invests in a used-vehicle platform
In September 2018, Daimler Financial Services announced it had signed an agreement on the planned acquisition of an interest in the heycar used-vehicle platform. This strategic investment will allow Daimler Financial Services to further expand a cross-brand platform for manufacturers, dealers, automotive banks and customers that offers everything from purchasing to financing and insurance – all from a single source.

Investment in artificial intelligence
Daimler Financial Services has invested in the New Zealand company Soul Machines in order to implement artificial and emotional intelligence systems in future sales processes. The start-up is a pioneer in the field of emotional intelligence for use in machines and digital avatars. Daimler is the first premium automobile manufacturer to invest in the development of emotional intelligence application scenarios.

Outstanding results in employer rankings
Customer and employee satisfaction is a top priority at Daimler Financial Services. In 2018, independent surveys once again showed that the company is a leader in numerous countries around the world with regard to automobile customers' and dealers' assessments of our service quality. The Great Place to Work Institute recognizes global employers for their exceptional corporate culture. Last year, Daimler Financial Services was one of two German companies to rank among the top 10 employers in the world in that survey. A total of approximately 7,000 companies with more than 5,000 employees participated. In the German survey, Daimler Financial Services finished first out of about 800 companies, thus earning itself the title of "Best employer in Germany in 2018" in the category of 2,001 to 5,000 employees.

Toll Collect agreement
In May 2018, Daimler Financial Services reached an agreement with Deutsche Telekom AG (consortium partner) and the German government on ending the arbitration proceedings regarding Toll Collect. page 76

Some 31 million customers worldwide use mobility services from Daimler Financial Services, with products such as car2go, moovel and mytaxi.

Corporate Governance

The Board of Management and the Supervisory Board of Daimler AG are committed to the principles of good corporate governance. Our actions take place within the framework of responsible, transparent and sustainable corporate governance.

D | Corporate Governance

Report of the Audit Committee

Dear Shareholders,

As Chairman of the Audit Committee, I am very pleased to report to you on the tasks and activities performed by that body in financial year 2018.

Responsibility
On the basis of applicable law, the German Corporate Governance Code and the Rules of Procedure of the Supervisory Board and its committees, the Audit Committee deals primarily with questions of accounting, financial reporting and non-financial reporting. In addition, it deals with the annual audit and reviews the qualifications and independence of the external auditors. Furthermore, it discusses the effectiveness and functional capabilities of the risk management system, the internal control system, the internal auditing system and the compliance management system. After the external auditors are elected by the Annual Shareholders' Meeting, the Audit Committee engages the external auditors to conduct the annual audit and the auditors' review of interim financial statements, determines the important audit issues and negotiates the audit fees with the external auditors. The Audit Committee also commissions the external auditors to carry out a voluntary review of the non-financial report within the framework of a limited assurance engagement.

Equal representation
Audit Committee Chairman Dr. Clemens Börsig and Joe Kaeser served as the shareholder representatives on the Audit Committee in financial year 2018. Both are independent and have expertise in the field of financial reporting, as well as special knowledge of and experience in the auditing of financial statements and the application of methods of internal control. During financial year 2018, the employees were represented on the Audit Committee by Michael Brecht as the Deputy Chairman of the Committee and by Ergun Lümali.

Meetings and participants
The Audit Committee met six times in financial year 2018. All of these meetings were also attended by the Chairman of the Supervisory Board, Dr. Manfred Bischoff, as a permanent guest. The other permanent participants at the meetings were the Chairman of the Board of Management, the members of the Board of Management responsible for Finance and Controlling and for Integrity and Legal Affairs, and the external auditors. The heads of specialist departments such as Accounting, Internal Auditing, Group Compliance and Legal were also present to report on individual items of the agenda. In addition, the Chairman of the Audit Committee held regular individual discussions, for example with the aforementioned members of the Board of Management, the external auditors and, if required, the heads of the relevant specialist departments. Such individual discussions were mainly held to prepare for the next committee meetings.

Reporting to the Supervisory Board
The Chairman of the Audit Committee informed the Supervisory Board about the activities of the Committee and about the contents of its meetings and discussions in the following Supervisory Board meetings.

Topics in 2018
In the meeting held on January 31, 2018, the Audit Committee dealt with the preliminary figures of the annual financial statements and the annual consolidated financial statements for the year 2017, as well as with the proposal on the appropriation of profits made by the Board of Management. Following an in-depth review, the Audit Committee took positive note of the presented figures and determined that no objections were to be made to their proposed publication. The Committee further recommended that the Supervisory Board, which met immediately thereafter, adopt the same view. The preliminary key figures and the proposal on the appropriation of profits were announced at the Annual Press Conference on February 1, 2018.

In another meeting held on February 9, 2018, the Audit Committee dealt with the annual financial statements, the consolidated financial statements and the combined management report for Daimler AG and the Daimler Group for the financial year 2017, each of which had been issued with an unqualified auditor's opinion by the external auditors, as well as with the proposal on the appropriation of profits. During the meeting, the Audit Committee focused in particular on the key audit matters described in each audit opinion and on the audit approach applied in each case, including the conclusions drawn. The Audit Committee also reviewed and discussed the non-financial report, which was prepared for the first time. The external auditors reported on the results of their audit and on the voluntary review of the non-financial report within the framework of a limited assurance engagement, and were also available to answer supplementary questions and to provide additional information. The audit reports on the annual company and consolidated financial statements (including the combined management report) and the internal control system (ICS), the report concerning the non-financial report,

Dr. Clemens Börsig, Chairman of the Audit Committee

and important issues related to accounting were discussed with the external auditors. In addition, the Audit Committee also discussed the risk management system (RMS). Following an in-depth review and discussion, the Audit Committee recommended that the Supervisory Board approve the financial statements, the combined management report, the non-financial report, the proposal on the appropriation of profits, and the recommendation of the Board of Management to pay a dividend of €3.65 per share entitled to a dividend. Furthermore, the Audit Committee approved the Report of the Audit Committee for the financial year 2017.

In this meeting, the Audit Committee also discussed the report on the total fees paid to the external auditors in financial year 2017 for auditing and non-auditing services and defined the framework of approval for engaging the external auditors to provide non-audit services during the period January 1, 2018 to February 15, 2019. In this context, the Audit Committee also reviewed the authorized external auditor services in accordance with the appendix to the Audit Committee's rules of procedure and adopted a resolution to update the appendix. The Audit Committee also decided to recommend to the Supervisory Board, and subsequently to the Annual Shareholders' Meeting, that KPMG AG Wirtschaftsprüfungsgesellschaft be engaged to conduct the annual external audit and the external auditors' review of interim financial reports for financial year 2018 and also to conduct the external auditor's review of interim financial reports for financial year 2019 in the period leading up to the Annual Shareholders' Meeting in 2019. The Audit Committee based this recommendation on the quality of the annual audit and the results of the independence review, for which no indications of partiality or a threat to independence were found. Subject to the election of the proposed external auditors by the Annual Shareholders' Meeting, the Audit Committee also discussed the proposal to be made regarding the fees to be agreed upon with the external auditors for financial year 2018. Finally, within the framework of its responsibility, the Audit Committee dealt with the draft agenda for the 2018 Annual Shareholders' Meeting and the annual audit plan for 2018 of the Internal Auditing department.

In the meetings during 2018 related to the quarterly results, the Audit Committee discussed the interim financial reports before their publication with the Board of Management and with the external auditors engaged to carry out the auditor's review of interim financial statements. In addition, the Committee received reports from the Internal Auditing, Group Compliance and Legal departments. The Board of Management reported regularly to the Audit Committee on the current status of the main legal proceedings, including the inquiries, investigations, proceedings and administrative orders in connection with diesel exhaust emissions. In addition, the Audit Committee regularly dealt with notifications concerning possible violations of rules submitted by employees and third parties to the Group's own whistleblower system BPO (Business Practices Office).

The meeting of the Audit Committee in April 2018 took place within the framework of the Supervisory Board meeting that was held abroad in Budapest. Along with the interim financial report for the first quarter of 2018, the Audit Committee also dealt with the quarterly reports from the Group Compliance, Legal and Internal Auditing departments. In addition, as a result of changes made to the scope of responsibility of the BPO, the Audit Committee dealt with amendments to be made to its rules of procedure with regard to the regular report that must be submitted to it. The Audit Committee also approved the fees agreed upon with the external auditors for financial year 2018 after the Annual Shareholders' Meeting made its decision on April 5, 2018 regarding the election of the proposed external auditors for the annual financial statements and the consolidated financial statements.

In its meeting in June 2018, the Audit Committee was informed about recent measures taken in connection with the administrative order issued by the German Federal Motor Transport Authority for the recall of the Vito OM622 and about the discussions held in May and June 2018 at the German Federal Ministry of Transport and Digital Infrastructure. The Audit Committee then discussed aspects of the Group's risk management system and dealt in particular with its changes and further development. It also discussed the methods and processes of, and possible changes to, the internal control system, which along with accounting also includes the internal auditing function and the compliance management system. In addition, the Committee was informed about the Group's legal system and the Group's legal risk reporting. In this meeting, the Committee also defined planning measures and the key audit issues for the external audit of financial year 2018. The meeting was also used to discuss the results of the internal quality analysis of the external audit for financial year 2017.

In the same meeting in June 2018, the Audit Committee addressed current financial accounting issues in detail, in particular new regulations for financial reporting in accordance with IFRS 16 (Leases), the draft paper from the European Securities and Markets Authority (ESMA) regarding central electronic reporting and its implications for Daimler AG and accounting procedures for research and development costs. The Committee also discussed the approach to be taken for the creation and examination of the non-financial report for 2018. Finally, the Audit Committee took note of a report on pension-, refinancing- and tax-risk management and also discussed with the Board of Management the annual report produced by the Group's Data Protection Officer.

In the meeting held in July 2018, the Audit Committee dealt mainly with the second-quarter results, the risk report and the quarterly reports from the Group Compliance, Legal and Internal Auditing departments.

In the meeting held in October 2018, the Audit Committee dealt with the interim financial report for the third quarter of 2018 and the quarterly reports from the Group Compliance and Legal departments. In addition, the Committee conducted its annual review of the authorized external auditor services in accordance with the appendix to the Audit Committee's rules of procedure and also adopted a resolution to retain for financial year 2019 the catalog updated at the beginning of 2018. Finally, the Audit Committee agreed to raise the framework of approval for engaging the external auditors to provide non-audit services during the period January 1, 2018 to February 15, 2019.

Company and consolidated financial statements 2018

In the meeting held on February 5, 2019, the Audit Committee dealt with the preliminary figures of the annual financial statements and the annual consolidated financial statements for the year 2018, as well as with the proposal on the appropriation of profits made by the Board of Management. Following an in-depth review, the Audit Committee took positive note of the presented figures and determined that no objections were to be made to their proposed publication. The Committee further recommended that the Supervisory Board, which met immediately thereafter, adopt the same view. The preliminary key figures and the proposal on the appropriation of profits were announced at the Annual Press Conference on February 6, 2019.

In another meeting on February 13, 2019, the Audit Committee reviewed and discussed in detail the annual financial statements, the consolidated financial statements and the combined management report for Daimler AG and the Daimler Group for financial year 2018, each of which had been issued with an unqualified auditor's opinion by the external auditors, as well as the proposal on the appropriation of profits and the non-financial report, which was issued with a report in accordance with ISAE 3000. At the meeting, the external auditors reported on the results of their audit and focused in particular on the key audit matters and on the audit approach applied in each case, including the conclusions drawn. They also reported on the voluntary review of the non-financial report within the framework of a limited assurance engagement and were available to answer supplementary questions and to provide additional information. The audit reports on the annual financial statements and consolidated financial statements (including the key audit matters in the audit opinions) and on the internal control system (ICS), the report concerning the non-financial report for 2018 and important issues related to financial reporting were discussed with the external auditors. The Audit Committee also discussed the risk management system (RMS). Following an in-depth review and discussion, the Audit Committee recommended that the Supervisory Board approve the financial statements, the combined management report, the declaration on corporate governance included in the corporate governance report, the non-financial report and the recommendation of the Board of Management to pay a dividend of €3.25 per share entitled to a dividend. Furthermore, the Audit Committee approved the Report of the Audit Committee for financial year 2018.

Efficiency review

As in previous years, the Audit Committee conducted a self-evaluation of its own activities also in 2018 on the basis of an extensive company-specific questionnaire. The results of this efficiency review were once again very positive and were presented and discussed in the meeting on February 13, 2019. This did not result in any need for action with regard to the Committee's tasks, or with regard to the content, frequency or procedure of its meetings.

Stuttgart, February 2019

The Audit Committee

Dr. Clemens Börsig
Chairman

Declaration on Corporate Governance, Corporate Governance Report

The Declaration on Corporate Governance pursuant to Section 289f and Section 315d of the German Commercial Code (HGB) has been combined for Daimler AG and the Daimler Group as well as with the Corporate Governance Report. The following statements thus apply to Daimler AG and the Daimler Group insofar as not otherwise stated. The Declaration on Corporate Governance, which is combined with the Corporate Governance Report, can also be viewed on the Internet at daimler.com/dai/gcgc. Pursuant to Section 317 Subsection 2 Sentence 6 of the German Commercial Code (HGB), the purpose of the audit of the 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.

Declaration by the Board of Management and the Supervisory Board of Daimler AG pursuant to Section 161 of the German Stock Corporation Act (AktG) regarding the German Corporate Governance Code

Daimler AG satisfies the recommendations of the German Corporate Governance Code published in the official section of the German Federal Gazette on April 24, 2017 in the Code version dated February 7, 2017, with the exception of Clause 3.8 Paragraph 3 (D&O insurance deductible for the Supervisory Board), and will continue to observe the recommendations with the aforesaid deviation. Since the issuance of the last compliance declaration in December 2017, Daimler AG has observed the recommendations of the German Corporate Governance Code, with the aforementioned exception.

D&O insurance deductible for the Supervisory Board (Clause 3.8, Paragraph 3)

As in previous years, the Directors' & Officers' liability insurance (D&O insurance) also contains a provision for a deductible for the members of the Supervisory Board, which is appropriate in the view of Daimler AG. However, this deductible does not correspond to the legally required deductible for members of the Board of Management in the amount of at least 10% of the damage up to at least one and a half times the fixed annual remuneration. Since the remuneration structure of the Supervisory Board is limited to function-related fixed remuneration without performance bonus components, setting a deductible for Supervisory Board members in the amount of 1.5 times the fixed annual remuneration would have a disproportionate economic impact when compared with the members of the Board of Management, whose compensation consists of fixed and performance bonus components.

Stuttgart, December 2018

For the Supervisory Board	For the Board of Management
Dr. Manfred Bischoff	Dr. Dieter Zetsche
Chairman	Chairman

This declaration and previous, no longer applicable, declarations of compliance from the past five years are also available on our website at daimler.com/dai/gcgc.

The main principles applied in our corporate governance

German Corporate Governance Code
Beyond the legal requirements of German stock corporations, codetermination and capital market legislation, Daimler AG has followed and continues to follow the recommendations of the German Corporate Governance Code ("Code") with the exception disclosed and justified in the declaration of compliance. Daimler AG has also followed and continues to follow the suggestions of the Code with just one exception: Deviating from the suggestion in Clause 2.3.3, which stipulates that companies should enable shareholders to view the Shareholders' Meeting with modern communications media such as the Internet, the Shareholders' Meeting is not transmitted in its entirety on the Internet, but only until the end of the report by the Board of Management, in order to protect the character of the Shareholders' Meeting as a meeting attended by our shareholders in person. An additional factor is that continuing the broadcast after that point, in particular broadcasting comments made by individual shareholders, could impair the discussion between shareholders and management.

The principles guiding our conduct
Our business conduct is based on Group-wide standards that go beyond the requirements of relevant legislation and the German Corporate Governance Code. These standards are based on our four corporate values integrity, respect, passion and discipline. In order to achieve viable and thus sustainable business success on this basis, our goal is to ensure that our activities are in harmony with the environment and society. This is due to the fact that we, as one of the world's leading automakers, also strive to be a leader in sustainability. We have defined the most important principles in our Integrity Code, which serves as a frame of reference for compliant and ethical conduct in everyday activities for all employees at Daimler AG and the Group.

Integrity Code
Our Integrity Code is based on a shared understanding of values, which we developed together in a dialogue with Daimler employees. The Code defines our principles of behavior in daily business. This applies to interpersonal conduct within the company as well as conduct toward customers and business partners. These central principles include compliance with laws, as well as fairness and responsibility, for example. In addition to general principles of behavior, the Code includes requirements and regulations concerning respect for and the protection of human rights and dealing with conflicts of interest. It also prohibits all forms of corruption. The Integrity Code applies to all companies and employees at the Daimler Group worldwide. The Integrity Code is available on the Internet at daimler.com/dai/caag.

We have also reached agreement on "Principles of Social Responsibility" with the World Employee Committee. These principles apply at Daimler AG and throughout the Group. In the Principles of Social Responsibility, Daimler commits itself to the principles of the UN Global Compact and thus to internationally recognized human and workers' rights, freedom of association, sustainable protection of the environment and the proscription of child labor and forced labor. Daimler also commits itself to guaranteeing equal opportunities and adhering to the principle of "equal pay for equal work."

Expectations for our business partners
We also require our business partners to adhere to compliance stipulations because we regard our business partners' integrity and behavior in conformity with regulations as an indispensable prerequisite for trusting cooperation. When selecting our direct business partners, we therefore pay close attention that they comply with the law and follow ethical principles, and that they pay the same attention themselves towards other partners in the supply chain. For the expectations we place on our business partners, see also daimler.com/sus/obr.

Risk management at the Group
Daimler has a risk management system commensurate with its size and position as a company with global operations, pages 143 ff of the Annual Report 2018. The risk management system is one component of the overall planning, controlling and reporting process. Its goal is to enable the company's management to recognize significant risks at an early stage and to initiate appropriate countermeasures in a timely manner. At least once a year, the Audit Committee discusses the effectiveness and functionality of the risk management system with the Board of Management. The Chairman of the Audit Committee reports to the Supervisory Board on the committee's work at the latest in the meeting of the Supervisory Board following each committee meeting. The Supervisory Board also deals with the risk management system on the occasion of the approval of the operational planning and the audit of the annual company and consolidated financial statements. In addition, the Board of Management regularly informs the Audit Committee and the Supervisory Board of the most important risks facing the Company and the Group as a whole. The Chairman of the Supervisory Board has regular contacts between Supervisory Board meetings with the Board of Management, and in particular with the Chairman of the Board of Management, to discuss not only the Group's strategy and business development but also the issue of risk management. The Internal Auditing department monitors adherence to the legal framework and to Group standards by means of targeted audits and initiates appropriate actions as required.

Accounting and the external audit
Daimler prepares its consolidated financial statements and interim financial reports in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union. The annual financial statements of Daimler AG are prepared in accordance with the accounting standards of the German Commercial Code (HGB). Daimler prepares both half-yearly and quarterly financial reports. The annual company financial statements and consolidated financial statements of Daimler AG are audited by external auditors; interim financial reports are reviewed by external auditors. The consolidated financial statements and the Group management reports are made publicly accessible via the Company's website within 90 days from the end of the reporting year; the interim financial reports are made publicly accessible in the same manner within 45 days from the end of the reporting period.

Based on the recommendation of the Audit Committee, the Supervisory Board submits a decision proposal to the Shareholders' Meeting for the election of the external auditors for the annual company financial statements, for the consolidated financial statements and for the auditors' review of interim financial reports. At the Annual Shareholders' Meeting on April 5, 2018, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, was elected to conduct the audit of the annual company financial statements and consolidated financial statements, and the external auditors' review of interim financial reports, for financial year 2018, as well as the external auditors' review of interim financial reports for financial year 2019 in the period leading up to the Shareholders' Meeting in 2019. Since 2014, the responsible auditor commissioned to carry out the external audit has been Dr. Axel Thümler. KPMG AG Wirtschaftsprüfungsgesellschaft has been conducting the audit of the annual company financial statements and consolidated financial statements of Daimler AG since the 1998 financial year.

Prior to issuing its recommendation to the Annual Shareholders' Meeting, the Audit Committee of the Supervisory Board obtained a declaration from the external auditors under consideration. The external auditors were requested to state whether any business, financial, personal or other relationships existed between the external auditors and their bodies and audit managers on the one hand, and the Company and the members of its bodies on the other, which could justify concerns regarding a conflict of interest. This statement also describes the extent to which other services were performed for the Daimler Group in the previous year or had been contractually agreed upon for the following year.

The Audit Committee instructed the external auditors to immediately inform the Committee Chairman of any indications of partiality or grounds for exclusion uncovered during the audit or the auditors' review of interim financial statements, and of all key findings and events relevant to the tasks of the Supervisory Board, particularly findings or events related to suspected irregularities in accounting. The Audit Committee also reached an agreement with the external auditors stipulating that the external auditors would inform the Audit Committee, and make a note in the audit report, of any facts uncovered during the annual audit that would reveal inaccuracies in the Board of Management's and the Supervisory Board's declaration of compliance with the German Corporate Governance Code.

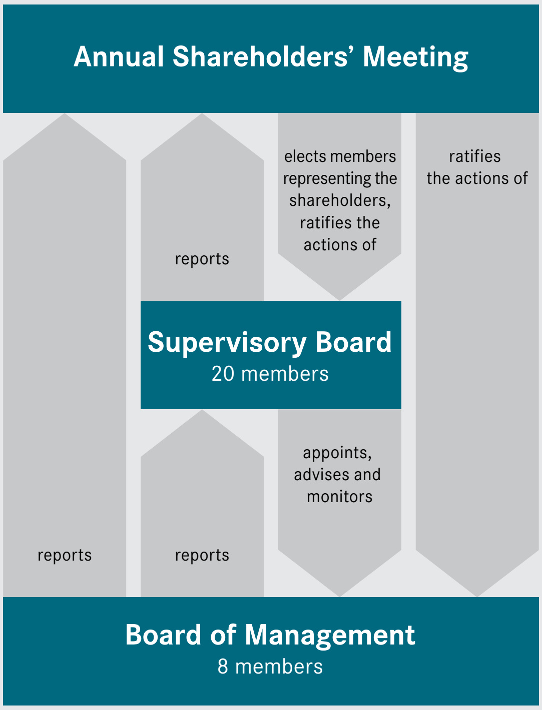
Composition and mode of operation of the Board of Management ↗ D.01

Daimler AG is obliged by the German Stock Corporation Act (AktG) to apply a dual management system featuring strict personal and functional separation between the Board of Management and the Supervisory Board (two-tier board). Accordingly, the Board of Management manages the company while the Supervisory Board monitors and advises the Board of Management.

Board of Management
In accordance with the Articles of Incorporation of Daimler AG, the Board of Management has at least two members. The precise number of Board of Management members is determined by the Supervisory Board. The Board of Management had eight members on December 31, 2018. In accordance with German law on the equal participation of women and men in executive positions, the Supervisory Board has set a target for the proportion of women on the Board of Management and a deadline for achieving this target. The details are described in a separate section: page 197. With regard to the composition of the Board of Management, the Supervisory Board has also adopted a diversity concept that is embedded in an overall requirements profile. The details of this concept are also described in a separate section: page 198.

Information on the areas of responsibility and the curricula vitae of the Board of Management members is posted on the Daimler AG website at daimler.com/dai/bom. The members of the Board of Management and their areas of responsibility are also listed on pages 44 f of the Annual Report 2018.

D.01
Governance structure



The Board of Management manages Daimler AG and the Daimler Group. With the consent of the Supervisory Board, the Board of Management determines the Group's strategic focus, defines the corporate goals, and makes decisions concerning operational planning matters. The members of the Board of Management must represent the interests of the Company and share responsibility for managing the Group's entire business.

Irrespective of this overall responsibility, the individual members of the Board of Management manage their allocated areas on their own responsibility and within the framework of the instructions approved by the entire Board of Management. Specific issues defined by the Board of Management as a whole are dealt with by the Board as a whole, which must approve all related decisions. The Chairman of the Board of Management coordinates the work of the Board of Management.

The Board of Management prepares the consolidated interim reports, the annual company financial statements of Daimler AG, the annual consolidated financial statements, and the combined management report of the Company and the Group, as well as the separate combined non-financial report produced for Daimler AG and the Group. Together with the Supervisory Board, the Board of Management issues the declaration of compliance with the German Corporate Governance Code each year. It ensures that the provisions of applicable law, official regulations and the Group's internal guidelines are adhered to, and works to make sure that the companies of the Group comply with those rules and regulations. The Board of Management has also established an adequate compliance management system that takes into account the Company's risk situation. The main features of this system are described on pages 217 ff of the Annual Report 2018. Such features include the Company's whistleblower system, the BPO (Business Practices Office), which enables Daimler employees and external whistleblowers to report misconduct anywhere in the world. The tasks of the Board of Management also include establishing and monitoring an appropriate and efficient risk management system.

For certain types of transactions defined by the Supervisory Board, the Board of Management requires the prior consent of the Supervisory Board. At regular intervals, the Board of Management reports to the Supervisory Board on the strategy of the business units, corporate planning, profitability, business development and the situation of the Group, as well as on the internal control system, the risk management system and the compliance management system. The Supervisory Board has specified the information and reporting duties of the Board of Management.

The Board of Management has also given itself a set of rules of procedure, which can be seen on our website at daimler.com/dai/rop. Those rules describe, for example, the procedure to be observed when passing resolutions and ways to avoid conflicts of interest.

CASE Steering Committee

The Board of Management has formed a Steering Committee consisting of Board of Management members to address the future-oriented CASE topics of connectivity (Connected), automated and autonomous driving (Autonomous), flexible use (Shared & Services) and electric drive systems (Electric). The responsibilities of the Board of Management as a whole, in particular those regarding the catalog of issues that require its approval, as well as the areas of responsibility of individual Board members, remain unchanged despite the creation of the Committee.

The Steering Committee consists of the Chairman of the Board of Management, who is also responsible for Mercedes-Benz Cars, as well as the members of the Board of Management responsible for Finance & Controlling/Daimler Financial Services, Mercedes-Benz Cars Marketing & Sales, and Group Research & Mercedes-Benz Cars Development. The Chairman of the Board of Management is also the Chairman of the Steering Committee. In line with the Committee's structure as described above, the members of the Steering Committee at December 31, 2018 were Dr. Dieter Zetsche (Chairman), Bodo Uebber, Britta Seeger and Ola Källenius.

Within the framework of the strategic approach adopted by the Board of Management, the Steering Committee defines the management model and the strategic guidelines for CASE. The Board of Management has defined rules of procedure for the Steering Committee. The Committee can make changes to these rules on its own authority, provided such changes do not affect the steering model.

Along with the composition of the Steering Committee, the responsibilities of its Chairman, the responsibility for the rules of procedure and the options available for establishing other CASE bodies below the Steering Committee, the rules of procedure of the Steering Committee also define the structure and format of Committee meetings and the adoption of resolutions, as well as the rules on reporting to the Board of Management of Daimler AG.

Diversity

Diversity management has been part of the corporate strategy of Daimler since 2005. We rely on the diversity of our employees and the differences between them because such differences form the foundation for an effective and successful company. The aim of our activities is to bring together the right people to tackle our challenges, create a work culture that promotes the performance, motivation and satisfaction of our employees and managers, and help attract new target groups to our products and services. Our activities for shaping diversity at Daimler focus on three areas: best mix, work culture and customer interaction. With our specific measures, activities and initiatives for everything from training formats for employees and managers to workshops, conferences, guidelines and target group-specific communication and awareness-raising measures, our diversity management system makes a major contribution to the further development of our corporate culture.

Targeted support for women on the basis of the best-mix principle was a central component of our diversity management activities even before the legislation on the equal participation of women and men in executive positions went into effect. Such support has also included and continues to include flexible working-time arrangements, company nurseries and special mentoring programs for women. In order to meet legal requirements, the Board of Management has defined targets for the proportion of women at the two management levels below the Board of Management and a deadline for achieving those targets. The details are described in a separate section. Independently of the legal requirements, Daimler continues to affirm the goal it already set itself in 2006 of increasing the proportion of women in executive positions at the Group to 20% by 2020. At the end of 2018, this proportion was 18.8% (2017: 17.6%).

Composition and mode of operation of the Supervisory Board and its committees

Supervisory Board
In accordance with the German Codetermination Act (MitbestG), the Supervisory Board of Daimler AG comprises 20 members. Half of them are elected by the shareholders at the Shareholders' Meeting. The other half comprises members who are elected by the Group's employees who work in Germany. The members representing the shareholders and the members representing the employees are equally obliged by law to act in the Company's best interests.

Information on the curricula vitae of the members of the Supervisory Board are posted on our website at daimler.com/dai/sb. Information on other mandates held by the members of the Supervisory Board can also be found on pages 54 f of the Annual Report 2018.

The Supervisory Board is to be composed so that its members together are knowledgeable about the business sector in which the Company operates and also dispose of the knowledge, skills and specialist experience that are required for the proper execution of their tasks. According to the law on the equal participation of women and men in executive positions, at least 30% of the members of the Supervisory Board of Daimler AG must be women and at least 30% must be men. The details are described in a separate section: page 197 of the Annual Report 2018. With regard to its composition, the Supervisory Board has also created an overall requirements profile consisting of a skills profile and a diversity concept to be applied to the entire Supervisory Board. Details of the overall requirements profile are also described in a separate section: page 199 ff of the Annual Report 2018. Proposals by the Supervisory Board of candidates for election by the Shareholders' Meeting as members representing the shareholders of Daimler AG, for which the Nomination Committee makes recommendations, aim to fulfill the overall requirements profile of the Supervisory Board as a whole.

The members of the Supervisory Board attend on their own responsibility courses of training and further training that might be necessary for the performance of their tasks, and are supported by the Company in doing so. Such courses may address corporate governance, changes brought about by new legislation, or the launch of new products and pioneering technologies, for example. New members of the Supervisory Board are offered an "onboarding" program that gives them the opportunity to exchange views with members of the Board of Management and other executives on current issues related to the various areas of responsibility of the Board of Management, and thus to obtain an overview of important topics at the Group.

The Supervisory Board monitors and advises the Board of Management with regard to its management of the Group. At regular intervals, the Board of Management reports to the Supervisory Board on the strategy of the business units, corporate planning, revenue development, profitability, business development and the situation of the Group, as well as on the internal control system, the risk management system, and the compliance management system. The Supervisory Board has retained the right of approval for transactions of fundamental importance. Furthermore, the Supervisory Board has specified the information and reporting duties of the Board of Management to the Supervisory Board, to the Audit Committee and – between the meetings of the Supervisory Board – to the Chairman of the Supervisory Board.

The Supervisory Board's duties include appointing and, if necessary, recalling the members of the Board of Management. Initial appointments are usually made for a period of three years. In accordance with German legislation on equal participation by women and men in executive positions, the Supervisory Board has defined a target for the proportion of women on the Board of Management and a deadline for achieving this target. The details are described in a separate section: page 197 of the Annual Report 2018. With regard to the composition of the Board of Management, the Supervisory Board has also adopted a diversity concept that is embedded in an overall requirements profile. The details of this concept are also described in a separate section: page 198 of the Annual Report 2018.

The Supervisory Board decides on the system of remuneration for the Board of Management, reviews it regularly, and determines the total individual remuneration of each member of the Board of Management with consideration of the ratio of Board of Management remuneration to the remuneration of the senior executives and the workforce as a whole, also with regard to development over time. For this comparison, the Supervisory Board has defined the senior executives by applying Daimler's internal terminology for the hierarchical levels and has defined the workforce of Daimler AG in Germany as the relevant workforce. Variable components of remuneration are generally based on an assessment period that lasts several years and is essentially future-oriented. Multi-year variable remuneration components are not paid out until they become due. The Supervisory Board has set upper limits for individual Board of Management remuneration in total and with regard to its variable components. Further information on Board of Management remuneration can be found in the Remuneration Report on pages 120 ff of the Annual Report 2018.

The Supervisory Board reviews the annual company financial statements, the annual consolidated financial statements and the combined management report of the Company and the Group, as well as the proposal for the appropriation of distributable profits. Following discussions with the external auditors and taking into consideration the audit reports of the external auditors and the results of the review by the Audit Committee, the Supervisory Board states whether, after the final results of its own review, any objections are to be raised. If that is not the case, the Supervisory Board approves the financial statements and the combined management report. Upon being approved, the annual financial statements are adopted. The Supervisory Board reports to the Annual Shareholders' Meeting on the results of its own review and on the manner and scope of its supervision of the Board of Management during the previous financial year. The Report of the Supervisory Board for the year 2018 is available on pages 46 ff of the Annual Report 2018 and on the Internet at daimler.com/dai/sb.

In 2018, the Supervisory Board once again commissioned an external review of the separate combined Non-Financial Report of Daimler AG and the Group within the framework of a limited assurance engagement. The external auditors issued a report concerning their limited assurance engagement on the Non-Financial Report in accordance with ISAE 3000, which the Supervisory Board then approved after reviewing the Non-Financial Report and discussing it with the external auditors.

The Supervisory Board has given itself a set of rules of procedure, which regulate not only its duties and responsibilities and the personal requirements placed upon its members, but above all the convening and preparation of its meetings and the procedure of passing resolutions. The rules of procedure of the Supervisory Board can be viewed on our website at daimler.com/dai/rop.

Meetings of the Supervisory Board are regularly prepared in separate discussions of the members representing the employees and of the members representing the shareholders with the members of the Board of Management. The Supervisory Board meetings during the reporting year once again included so-called executive sessions on a regular basis for discussions of the Supervisory Board in the absence of the members of the Board of Management. The Supervisory Board members can also take part in the meetings by means of conference calls or video conferences. However, this is not the rule.

The Supervisory Board has formed four committees, which perform to the extent legally permissible the tasks assigned to them in the name of and on behalf of the entire Supervisory Board. The committee chairpersons report to the entire Supervisory Board on the committees' work at the latest in the meeting of the Supervisory Board following each committee meeting. The Supervisory Board has issued rules of procedure for each of its committees. Those rules of procedure can be viewed on our website at daimler.com/dai/rop. Information on the current composition of these committees can be viewed at daimler.com/dai/sbc and is also available on page 55 of the Annual Report 2018.

Presidential Committee
The Presidential Committee is composed of the Chairman of the Supervisory Board, his Deputy, and two other members, who are elected by a majority of the votes cast by the members of the Supervisory Board.

The Presidential Committee makes recommendations to the Supervisory Board on the appointment of members of the Board of Management, whereby it takes into account the overall requirements profile it has defined to be filled, including the diversity concept, as well as the Supervisory Board's target for the proportion of women on the Board of Management. It submits proposals to the Supervisory Board on the design of the remuneration system for the Board of Management and on the appropriate total individual remuneration of its members. In this context, it follows the relevant recommendations of the German Corporate Governance Code. The Presidential Committee is also responsible for the Board of Management members' contractual affairs. In addition, it decides on the granting of approval for sideline activities of the members of the Board of Management, reports to the Supervisory Board regularly and without delay on consents it has issued, and once a year submits to the Supervisory Board for its approval a complete list of the sideline activities of each member of the Board of Management.

In addition, the Presidential Committee consults and decides on questions of corporate governance, on which it also makes recommendations to the Supervisory Board. It supports and advises the Chairman of the Supervisory Board and his Deputy, and prepares the meetings of the Supervisory Board within the limits of its responsibilities.

Nomination Committee
The Nomination Committee is composed of at least three members, who are elected by a majority of the votes cast by the members of the Supervisory Board representing the shareholders. It consists solely of members representing the shareholders and makes recommendations to the Supervisory Board concerning persons to be proposed for election as members of the Supervisory Board representing the shareholders at the Shareholders' Meeting. In doing so, the Nomination Committee takes into consideration the requirements of German law on equal participation of women and men in executive positions, as well as the recommendations of the German Corporate Governance Code. It also strives to ensure the fulfillment of the overall requirements profile, including the skills profile, for the entire Supervisory Board.

Audit Committee
The Audit Committee is composed of four members, who are elected by a majority of the votes cast by the members of the Supervisory Board. The Chairman of the Supervisory Board is not simultaneously the Chairman or a member of the Audit Committee. The Chairman of the Supervisory Board attends the meetings of the Audit Committee as a guest.

Both the Chairman of the Audit Committee, Dr. Clemens Börsig, and the other shareholder representative on the Audit Committee, Joe Kaeser, fulfill the criteria for independence and have expertise in the field of financial reporting, as well as special knowledge and experience with regard to auditing and methods of internal control. Furthermore, due to his earlier work at Robert Bosch GmbH and his long-standing membership of the Supervisory Board of Daimler AG, Dr. Clemens Börsig is also very familiar with the automotive industry.

The Audit Committee deals with the supervision of the accounting and its process as well as with the annual external audit. At least once a year, it discusses with the Board of Management the effectiveness and functionality of the internal control and risk management system, the internal auditing system and the compliance management system. It regularly receives reports on the work of the Internal Auditing department and the Compliance Organization. At least four times a year, the Audit Committee receives a report from the whistleblower system BPO (Business Practices Office) on complaints and information about any breaches of regulations or guidelines by high-level executives, as well as violations by other employees of the regulations in a defined catalog of legal provisions. It regularly receives information about the handling of these complaints and notifications.

The Audit Committee discusses with the Board of Management the interim reports before they are published. On the basis of the report of the external auditors, the Audit Committee reviews the annual company financial statements and the annual consolidated financial statements, as well as the management report of the Company and the Group, and discusses them with the external auditors. The Audit Committee makes a proposal to the Supervisory Board on the adoption of the annual company financial statements of Daimler AG, on the approval of the annual consolidated financial statements, and on the appropriation of profits. The Committee also makes recommendations for the Supervisory Board's proposal on the election of external auditors, assesses those auditors' suitability, qualifications and independence, and, after the external auditors are elected by the Annual Shareholders' Meeting, it engages them to conduct the audit of the annual company and consolidated financial statements and to review the interim reports, negotiates an audit fee, and determines the focus of the annual audit. The external auditors report to the Audit Committee on all accounting matters that might be regarded as critical and on any material weaknesses of the internal control and risk management system with regard to accounting that might be discovered during the audit.

Finally, the Audit Committee approves permitted services that are not directly related to the annual audit and which are provided by the firm of external auditors or its affiliates to Daimler AG or to companies of the Daimler Group.

Mediation Committee
The Mediation Committee is composed of the Chairman of the Supervisory Board and his Deputy, as well as one member of the Supervisory Board representing the employees and one member of the Supervisory Board representing the shareholders, each elected with a majority of the votes cast of the shareholders' and employees' representatives, respectively. It is formed solely to perform the functions laid down in Section 31 Subsection 3 of the German Codetermination Act (MitbestG). Accordingly, the Mediation Committee has the task of making proposals on the appointment of members of the Board of Management if in the first vote the majority required for the appointment of a Board of Management member of two thirds of the members of the Supervisory Board is not achieved. As in previous years, the Mediation Committee did not have to take any action in 2018.

Germany's law on the equal participation of women and men in executive positions

In accordance with German legislation on equal participation by women and men in executive positions in both the private and the public sector, the supervisory boards of listed companies or companies subject to Germany's system of codetermination have to set a target for the proportion of women on their board of management. The board of management of such a company has to set a target for the proportion of women at the two management levels below that of the board of management. If the proportions of women at the time when these targets are set by the board of management and the supervisory board are below 30%, the targets may not be lower than the proportions already reached. At the same time that the targets are set, the boards have to set periods for their achievement, which may not be longer than five years.

On December 8, 2016, the Supervisory Board passed a resolution stipulating that the target figure for the proportion of women on the Board of Management of Daimler AG would be 12.5%, while the deadline would be December 31, 2020. At December 31, 2018, the eight-member Board of Management included two women, Renata Jungo Brüngger and Britta Seeger. This means that women account for 25% of the Board of Management members.

On November 8, 2016, the Board of Management passed a resolution stipulating a target of 15% women for both the first and second management levels below the Board of Management, with a deadline of December 31, 2020. At the time of the resolution, the proportion of women in the first and second management levels below the Board of Management was 8.0% and 12.4%, respectively. At December 31, 2018, the proportion of women at the first management level below the Board of Management was 11.8%; at the second level it was 14.4%.

Since 2016, listed companies that have supervisory boards in which shareholders and employees are equally represented are required to a have proportion of at least 30% women and 30% men. This requirement has to be fulfilled by the Supervisory Board as a whole. If the side of the Supervisory Board representing the shareholders or the side representing the employees objects to the Chairman of the Supervisory Board about the application of the ratio to the entire Supervisory Board, the minimum ratio is to apply separately to the shareholders' side and to the employees' side for that election.

At December 31, 2018, 30% of the shareholder representatives in the Supervisory Board of Daimler AG were women (Sari Baldauf, Petraea Heynike and Marie Wieck), while 70% were men. On that date, 30% of the employee representatives on the Supervisory Board were women (Elke Tönjes-Werner, Sibylle Wankel and Dr. Sabine Zimmer), while 70% were men. In its meeting on December 12, 2018, the Supervisory Board considered its nominations for the election at the 2019 Shareholders' Meeting and decided, upon the recommendation of the Nomination Committee, to propose at the 2019 Annual Shareholders' Meeting that Joe Kaeser and Dr. Bernd Pischetsrieder be elected once again to the Supervisory Board. The legally required gender ratio will be met both on the shareholder representatives' side and for the Supervisory Board as a whole if these persons are elected to the Supervisory Board, provided that no other changes occur.

Along with Daimler AG itself, there are other Group companies subject to codetermination law. These companies have defined their own targets for the proportion of women on their supervisory boards, executive management bodies and the two levels below the board or executive management level, and have also set deadlines for target achievement. All relevant information here has been published in accordance with applicable law.

Overall requirements profiles for the composition of the Board of Management and the Supervisory Board

In terms of the composition of the Board of Management and the Supervisory Board, Daimler AG utilizes diversity concepts that focus on aspects such as age, gender, education and professional background. For this reason, the Company is required to describe these concepts in its declaration on corporate governance, and to also explain the aims of the diversity concepts, the manner in which they are implemented and the results achieved with them in the financial year. The Supervisory Board has combined the diversity concepts with the requirements of German legislation on equal participation of women and men in executive positions and the specific targets for the composition of executive management bodies as defined by the recommendations in the current version of the German Corporate Governance Code. These combined requirements are presented in the overall requirements profiles for the composition of the Board of Management and the Supervisory Board described below. The requirements profiles also serve as the basis for long-term succession planning. They are reviewed each year, also taking into account changes that may have been made to the German Corporate Governance Code.

Board of Management

The requirements profile for the Board of Management of Daimler AG aims for a Board of Management with excellent leadership skills that is as diverse and mutually supportive as possible. The Board of Management as a whole should possess the knowledge, skills and experience required for the proper execution of its tasks and be composed of members whose varied personal backgrounds and experiences ensure that the Board as a whole also embodies the desired management philosophy. Decisions regarding appointments to specific positions on the Board of Management are always governed by the Company's interests under consideration of all circumstances in each individual case.

The requirements profile for the Board of Management currently includes in particular the following aspects, which are to be taken into account to the greatest extent possible when making decisions on appointments to the Board of Management:

– The members of the Board of Management should have different educational and professional backgrounds, whereby at least two members should have a technical background. With Dr. Dieter Zetsche and Wilfried Porth, the Board of Management currently has two members who are engineers. Bodo Uebber is an industrial engineer. Since taking over as Head of Group Research & Mercedes-Benz Cars Development on January 1, 2017, Ola Källenius has sustainably displayed the expertise he acquired in various technical management positions within the Group.

– In order to meet legal requirements on the equal representation of women and men in executive positions, the Supervisory Board defined on December 8, 2016 a target of 12.5% for the proportion of women on the Board of Management, with a deadline of December 31, 2020. This means that of the eight current members of the Board of Management, at least one member must be a woman. The Board of Management currently has two female members, Renata Jungo Brüngger and Britta Seeger. This means the proportion of women on the Board of Management is currently 25%.

– In accordance with the recommendations contained in the current version of the German Corporate Governance Code, the Supervisory Board has set an age limit for members of the Board of Management. As a rule, 62 years of age serves as orientation for age-related retirement. When it set this age limit, the Supervisory Board deliberately decided in favor of a flexible rule allowing the required scope for the appropriate assessment of the circumstances of each individual case. Seven of the eight Board of Management members are younger than the age limit. Dr. Dieter Zetsche was older than the age limit when he began his current term of office in January 2017. The Supervisory Board nevertheless reappointed Dr. Zetsche as Chairman of the Board of Management. This decision was taken in the best interest of the Group in that it enabled the continuation of leadership at the top executive level that is needed to ensure the sustained success of the Group.

– In addition, a sufficient generational mix among Board of Management members is to be taken into account in appointment decisions, whereby if possible at least three members of the Board of Management should be 57 years of age or younger at the beginning of their respective term of office. Five members of the Board of Management – Renata Jungo Brüngger, Ola Källenius, Britta Seeger, Hubertus Troska and Bodo Uebber – met this requirement as of December 31, 2018.

– Decisions related to the composition of the Board of Management should also take into account internationality in terms of varied cultural backgrounds or international experience through assignments abroad lasting several years, whereby if possible, at least one member of the Board of Management should come from a country other than Germany. Irrespective of the many years of international experience of a large majority of members of the Board of Management, this target is currently overachieved due to the international origins of Renata Jungo Brüngger and Ola Källenius.

– The rules of procedure of the Board of Management stipulate that no member of the Board of Management may be a member of more than three supervisory boards of listed companies outside the Daimler Group or of similar boards or committees at companies outside the Daimler Group that have comparable requirements. This stipulation has been met. The only listed company in which Hubertus Troska is a member of a supervisory board or similar board outside the Daimler Group is BAIC Motor Corporation Ltd. His other board memberships are at joint ventures that fall within his areas of responsibility.

The aspects described above are to be taken into consideration when making Board of Management appointments. On the basis of a target profile that takes into account specific qualification requirements and the aforementioned criteria, the Presidential Committee creates a shortlist of available candidates whom it interviews. It then recommends a candidate to the Supervisory Board for its approval and includes an explanation of its recommendation. Decisions regarding appointments to the Board of Management are always governed by the Company's interests under consideration of all circumstances in each individual case.

Supervisory Board

In accordance with applicable law, the Supervisory Board is to be composed so that its members together are knowledgeable about the business sector in which the Company operates.

The requirements profile for the Supervisory Board of Daimler AG also aims for a Supervisory Board as diverse and mutually complementary as possible. The Supervisory Board as a whole shall understand the Company's business model and also possess the knowledge, skills and experience needed to properly execute its task of supervising and advising the Board of Management, in particular, specialized knowledge in the areas of finance, accounting, annual audits, risk management, methods of internal control and compliance. In general, the members of the Supervisory Board should complement one another with regard to their specialist knowledge and professional experience in such a manner as to ensure that the Supervisory Board can utilize the most broadly based wealth of experience and expertise possible when making decisions. The Supervisory Board also views the diversity of its members in terms of age, gender, internationality and other personal attributes as an important foundation for effective cooperation. The foundation for Supervisory Board decisions regarding proposals on candidates for election at the Shareholders' Meeting is always the Company's interests under consideration of all circumstances in each individual case.

The requirements profile for the Supervisory Board currently includes the following aspects in particular:

- The members of the Supervisory Board should have different educational and professional backgrounds. At least five members should have completed a vocational technical training or education program or possess specific technological knowledge in fields such as information technology (including digitization), chemistry, mechanical engineering or electrical engineering. Decisions related to the composition of the Supervisory Board should also take into account the fact that it may be necessary for members to obtain new skills and knowledge in order to be able to address product and market developments. Irrespective of the specific knowledge in the above-mentioned areas acquired by many members of the Supervisory Board in other functions, Dr. Jürgen Hambrecht, Dr. Bernd Pischetsrieder, Marie Wieck, Dr. Frank Weber and Roman Zitzelsberger (three shareholder representatives and two employee representatives) have relevant university degrees, while another three employee representatives have completed vocational training in the above-mentioned fields or similar areas.

- The gender composition of the Supervisory Board meets the legal requirement stipulating that at least 30% of the members of the Supervisory Board must be women and at least 30% must be men. The Supervisory Board currently has three women who represent shareholders and three women who represent employees. The proportion of women is thus 30% among the shareholder representatives, the employee representatives and the Supervisory Board as a whole.

- The rules of procedure of the Supervisory Board stipulate that candidates for election who are to hold the position for a full term of office should generally not be over the age of 72 at the time of election. In specifying this age limit, the Supervisory Board has intentionally refrained from stipulating a strict upper age limit and instead decided in favor of a flexible general limit that leaves scope to appropriately assess each individual case, keeps the range of potential Supervisory Board candidates sufficiently broad, and allows reelection. In deciding to propose Dr. Manfred Bischoff for reelection as a shareholder representative on the Supervisory Board at the Shareholders' Meeting in 2016, it made use of this scope after careful consideration and proper assessment. All other members of the Supervisory Board and the candidates Joe Kaeser and Dr. Bernd Pischetsrieder, who are to be proposed for reelection at the 2019 Annual Shareholders' Meeting, will not have reached the age limit at the time of their election.

- A sufficient generational mix among Supervisory Board members is also to be taken into account in appointment decisions. At least eight members of the Supervisory Board should be 62 years of age or younger at the time of their election or reelection. Among the current members of the Supervisory Board, all except Sari Baldauf, Petraea Heynike, Dr. Manfred Bischoff, Dr. Clemens Börsig, Dr. Jürgen Hambrecht and Dr. Bernd Pischetsrieder (i.e. 14 members) were 62 or younger when they were elected for their current term of office.

- In order to ensure sufficient internationality, for example by means of many years of international experience, the Supervisory Board has set a target of a proportion of at least 30% of international members representing the shareholders, and the resulting proportion of at least 15% of the entire Supervisory Board. Irrespective of the many years of international experience of a large majority of the shareholder representatives on the Supervisory Board, this target is currently significantly overachieved with 30% for the entire Supervisory Board due to the international origins of Bader Al Saad, Sari Baldauf, Petraea Heynike, Marie Wieck and Dr. Paul Achleitner on the shareholders' side (50%) and Raymond Curry on the employees' side.

- At least half of the members of the Supervisory Board representing the shareholders should have
  - neither an advisory nor a board function for a customer, supplier, creditor, or other third party,
  - nor a business or personal relationship to the Company or its boards

  whose specific form could cause a conflict of interest.

  Under the premise that the performance of Supervisory Board duties as an employee representative does not by itself constitute a potential conflict of interest as defined by the German Corporate Governance Code, the requirements described here are deemed to be met by at least 15 members of the Supervisory Board.

As described in the report of the Supervisory Board on page 51 of the Annual Report 2018, there were individual cases concerning two Supervisory Board members in particular situations during the reporting period where there might have been the appearance of a potential conflict of interest at the time when Board of Management reports were submitted to the Supervisory Board. The Supervisory Board members in question in these cases refrained from being present during the presentation of the Board of Management report regarding the issue that might have been affected by a potential conflict of interest.

As a result, in the case of at least half of the shareholder representatives on the Supervisory Board and at least 15 members of the entire Supervisory Board, there were no indications of a potential conflict of interest during the reporting period based on the premise described above. There were no indications for actual conflicts of interest in the financial year 2018.

- In order to ensure the independent advice to, and supervision of, the Board of Management by the Supervisory Board, the rules of procedure of the Supervisory Board stipulate that more than half of the members of the Supervisory Board representing the shareholders are to be independent as defined by the German Corporate Governance Code. The Supervisory Board may not include more than two former members of the Board of Management of Daimler AG or anyone who is a member of a board of, or advises, a significant competitor of the Daimler Group.

  Under the premise that the performance of Supervisory Board duties as an employee representative does not in itself call into question the independence of such an employee representative as defined by the German Corporate Governance Code, at least 15 members of the Supervisory Board are also deemed to be independent.

  Under the premise described above, there are, in the view of the Supervisory Board, no indications at present for any of the members of the Supervisory Board that relevant relationships or circumstances exist, in particular with the Company, members of the Board of Management or other Supervisory Board members, that could be construed as a substantial and permanent conflict of interest that would compromise their independence. No member of the Supervisory Board is a member of a board of, or advises, a significant competitor. With regard to Supervisory Board member Bader Al Saad, the Supervisory Board takes the view that his membership of the Executive Committee of the Board of Directors of Kuwait Investment Authority does not compromise his independence within the meaning of the German Corporate Governance Code. The German Corporate Governance Code does not contain a conclusive definition of independence, but instead presents examples of circumstances that would call the independence of a Supervisory Board member into question. Within the meaning of the German Corporate Governance Code, a Supervisory Board member is to be considered non-independent if he or she has a personal or business relationship with the Company, its governing bodies, a controlling shareholder or a company affiliated with a controlling shareholder that may cause a substantial and not merely temporary conflict of interest. It is the responsibility of the Supervisory Board to evaluate the independence of its members on the basis of such criteria. The Kuwait Investment Authority is not a controlling shareholder of Daimler AG that could attain an effective majority at an Annual Shareholders' Meeting. No other discernible circumstances exist that might call into question the independence of Bader Al Saad.

  The Chairman of the Supervisory Board, Dr. Manfred Bischoff, is a former member of the Board of Management.

- The rules of procedure of the Supervisory Board also define a general time limit for Supervisory Board membership. As a result, only candidates who have not yet been members of the Supervisory Board for three full terms of office at the time of their election should generally be nominated for membership of the Supervisory Board for a full term of office. This general length of service on the Supervisory Board has not been exceeded by any current member, and the candidates Joe Kaeser and Dr. Bernd Pischetsrieder, who are nominated for reelection at the Annual Shareholders' Meeting in 2019, also meet this requirement.

- Candidates for membership of the Supervisory Board and members of the Supervisory Board must have sufficient time available to perform their duties. They must also be willing and able to dedicate themselves to their tasks and to participate in all courses of training and further training that might be necessary for the performance of their tasks. Prior to issuing its election proposals, the Supervisory Board determines whether the candidates in question will have sufficient time available to perform their duties on the Supervisory Board.

- In order to ensure compliance with a current recommendation in the German Corporate Governance Code, the rules of procedure stipulate that no member of the Supervisory Board who is also a member of the board of management of a listed company may hold more than three memberships of supervisory boards of listed companies (including his or her membership of the Supervisory Board of Daimler AG) or of bodies of other companies with similar requirements outside of the group of his or her Board of Management membership. One member of the Supervisory Board, Joe Kaeser, is a member of the board of management of a listed company, but has not exceeded the maximum number of memberships.

  In the case of Supervisory Board members who are not also members of the board of management of a listed company, the legal limit of membership of ten statutorily constituted supervisory boards applies firstly, whereby chairmanship of a supervisory board counts double. In order to ensure that members of the Supervisory Board have sufficient time to fulfill their mandate, members of the Supervisory Board of Daimler AG who are not also members of the board of management of a listed company shall, however, generally be permitted membership of a maximum of eight supervisory boards (including that of Daimler AG), whereby chairmanship of a supervisory board counts double. This maximum number was not exceeded by any member of the Supervisory Board during the reporting year.

Proposals by the Supervisory Board of candidates for election by the Shareholders' Meeting as Supervisory Board members representing the shareholders of Daimler AG, for which the Nomination Committee makes recommendations, shall take into consideration the aspects described above and aim to fulfill the overall requirements profile for the Supervisory Board as a whole. On the basis of a target profile that takes into account specific qualification requirements and the aforementioned criteria, the Nomination Committee creates a shortlist of available candidates with whom it conducts structured discussions in which it also determines whether the candidate in question will have sufficient time available to perform his or her duties on the Supervisory Board with due care. The Nomination Committee then recommends a candidate to the Supervisory Board for its approval and includes an explanation of its recommendation. The foundation for Supervisory Board decisions regarding election proposals to the Shareholders' Meeting is always the Company's interests under consideration of all circumstances in each individual case.

Shareholders and the Shareholders' Meeting

The shareholders exercise their membership rights, in particular their information and voting rights, at the Shareholders' Meeting. Each share in Daimler AG entitles its owner to one vote. There are no multiple voting rights, preferred voting rights, or maximum voting rights at Daimler AG. Documents and information related to the Shareholders' Meeting can be found on our website at daimler.com/ir/am. The Annual Shareholders' Meeting is generally held within four months of the end of a financial year. The Shareholders' Meeting to be held on May 22, 2019 therefore constitutes an exception, which is necessitated by the magnitude and complexity of "Project Future", which is to be presented at the meeting.

The Company facilitates the personal exercise of the shareholders' rights and proxy voting in a variety of ways, such as by appointing Company proxies who are strictly bound by the shareholders' voting instructions and who are available during the Shareholders' Meeting. Absentee voting is also possible. It is possible to authorize the Daimler-appointed proxies and give them voting instructions or to cast absentee votes by using the e-service for shareholders.

We maintain close contacts with our shareholders in the context of our comprehensive investor relations and public relations activities. We regularly and comprehensively inform our shareholders, financial analysts, shareholder associations, the media and the interested public about the situation of the Group, and inform them without delay about any significant changes in its business. Within reasonable limits, the Chairman of the Supervisory Board is also prepared to talk to investors about specific Supervisory Board issues.

In addition to other methods of communication, we also make extensive use of the Company's website for our investor relations activities. All of the important information disclosed in 2018, including annual and interim reports, press releases, voting rights notifications from major shareholders, presentations, and audio recordings of analyst and investor events and conference calls, as well as the financial calendar, can be found at daimler.com/investors. All the dates of important disclosures such as annual reports and interim reports and the dates of the Annual Shareholders' Meeting, the annual press conference and the analyst conferences are announced in advance in the financial calendar. The financial calendar can also be found inside the rear cover of the Annual Report.

Non-Financial Report

On the following pages, we publish the non-financial report in accordance with Sections 289b – 289e, 315b and c of the German Commercial Code (HGB). This report applies to Daimler AG and to the Daimler Group. It contains the main information on the aspects of environmental, employee and social matters, combating corruption and bribery, and respect for human rights.

E | Non-Financial Report

The information provided in this report is presented in conformity with the GRI Standards of the Global Reporting Initiative, insofar as this complies with applicable law. Some aspects are presented in accordance with internal guidelines and definitions.

Information on our business model (page 74 ff of Annual Report 2018) and on non-financial risks connected with the aspects presented in this report (Risk and Opportunity Report pages 156, 157 of Annual Report 2018) is provided in the Combined Management Report in the Annual Report 2018.

Further information on our sustainability activities can be found online at daimler.com/sustainability and in our annual Sustainability Report, which can be downloaded there as a PDF data file.

Sustainability at Daimler

Sustainability is one of the basic principles of our corporate strategy as well as a benchmark for our success as a company. This approach means that we take advantage of the opportunities associated with sustainability to enhance our business success, while including environmental and social effects into our considerations.

Our strategy

We believe that a long-term sustainability strategy and effective sustainability management are the preconditions for ensuring that we continue to be one of the world's leading automobile manufacturers in the future. Sustainability is therefore firmly established as a fundamental principle of our corporate strategy at the implementation level.

In order to identify and prioritize the sustainability aspects that are relevant to our strategy, we regularly conduct a multi-stage materiality analysis. This analysis combines our own assessments with those of our stakeholders, who include our shareholders and creditors, employees, customers and suppliers, as well as governments, environmental and human rights organizations and other stakeholders from civil society. Their opinions are also always requested whenever we decide on measures for expanding and adjusting the sustainability aspects of our strategy.

In the year under review, we conducted a regular internal assessment of current developments, which confirmed the prioritization of key areas of action that we had established in 2017.

In 2018, we continued to define the concrete details of the Sustainability Strategy 2030 that we had formulated in the previous year. As a result, the areas of action that had been defined in 2017 were even more sharply focused with regard to comprehensibility and clarity. Our activities related to sustainability concentrate on the following focal topics:
- Climate protection and air quality
- Resource conservation
- Livable cities
- Traffic safety
- Data responsibility
- Human rights
- Integrity, people and partnerships

These focal points determine the structure of our sustainability management activities and our annual sustainability reporting. In addition, when we identified the material aspects to be addressed by this non-financial report, we took the focal topics of our sustainability strategy as our starting point. However, in some cases, we emphasize different aspects because of the divergent requirements set by the standards and laws that are relevant to this report.

With our strategy, we would like to help achieve the Sustainable Development Goals (SDGs) that were approved by the United Nations in September 2015. Our areas of action and the sustainability-related activities that underlie them support the following SDGs in particular:
- **SDG 8** – Decent Work and Economic Growth
  By developing and implementing a risk-based management approach to respecting and upholding human rights in our own units and our supply chain, we support the implementation of decent work as defined by SDG 8.
- **SDG 9** – Industry, Innovation and Infrastructure
  Through the advanced development of automated and autonomous driving and the expected benefits for safety and climate protection, we demonstrate the long-term potential of digital innovations.
- **SDG 11** – Sustainable Cities and Communities
  Daimler promotes sustainable mobility in urban areas through its offerings in the areas of car sharing, ride hailing and the multimodal linking of mobility services (Mobility as a Service).
- **SDG 12** – Responsible Consumption and Production
  By significantly reducing the use of primary raw materials for electric drive systems and reinforcing the material cycles of primary raw materials that are needed for our e-drive system, we are setting the course for sustainable production models in line with this SDG.
- **SDG 13** – Climate Change
  Through our initiative "The Road to Emission-free Driving" and the reduction targets it sets for our fleet emissions, we are helping to protect the planet from the effects of climate change.

Sustainable corporate governance

Our sustainability objectives and their management are part of our corporate governance system and are also included in the targets of our executives.

The Corporate Sustainability Board (CSB) is our central management body for all sustainability issues. The CSB is headed by Renata Jungo Brüngger (the Board of Management member responsible for Integrity and Legal Affairs) and Ola Källenius (the Board of Management member responsible for Group Research & Mercedes-Benz Cars Development). The operational work is done by the Corporate Sustainability Office (CSO), which consists of representatives from the specialist departments and the divisions.

Integrity, compliance and legal responsibility are the cornerstones of our sustainable corporate governance and serve as the basis of all our actions. We view integrity and values-based compliance as firm elements of our corporate culture and our daily business activities – elements that contribute to our company's lasting success. The basis for this is our Integrity Code, which defines guidelines for our everyday business conduct, offers our employees orientation and helps them make the right decisions even in difficult business situations. The Integrity Code is supplemented by other in-house principles and guidelines.

The ten principles of the UN Global Compact provide a fundamental guideline for our business operations. As a founding member and part of the LEAD group, we are strongly committed to the Global Compact. Our internal principles and guidelines are founded on this international frame of reference and other international principles, including the Core Labor Standards of the International Labour Association (ILO), the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

Sustainability management in the supply chain

Our standards and requirements
Our Supplier Sustainability Standards, which are an integral part of our conditions of business, define our requirements for working conditions, human rights, environmental protection, safety, business ethics and compliance. We urgently require our direct suppliers of goods and services all over the world to comply with these standards.

We expect our suppliers of production materials to operate with an environmental management system that is certified according to ISO 14001, EMAS or other comparable standards. We also expect this of our suppliers of non-production materials on the basis of our risk assessments. With regard to animal protection, we require our suppliers to comply with applicable laws and regulations. We do not tolerate or support the unethical treatment of animals.

We demand that our direct suppliers commit themselves to observing our sustainability standards, communicating them to their employees and to their upstream value chains, and then checking to ensure that the standards are complied with. We support them in these activities by providing them with targeted information and training and qualification measures. The central information platform for suppliers is our Daimler Supplier Portal.

Further information is available at: supplier.daimler.com

Supplier review
Our employees review new suppliers of production materials to Global Procurement Trucks & Buses in high-risk countries by means of sustainability-related on-site assessments. At Mercedes-Benz Cars, new suppliers in less risk-prone countries are also investigated by our procurement and quality employees, with a specific focus on their sustainability performance. We also conduct a more thorough assessment where this is necessary. The results of the assessment are discussed in management committees and flow into decisions on whether to award a contract.

To ensure that our direct suppliers comply with the sustainability standards, we regularly conduct risk analyses. We use regular database research and other measures to discover any violations of our sustainability and compliance rules by our current suppliers. We systematically follow up all reports of violations. With the help of an online survey, we also question our main suppliers about their sustainability management and their communication of these requirements to their upstream value chains. On the basis of the results, we define measures to improve their sustainability performance.

We have established a complaint-management process that enables individuals to draw attention to possible human rights violations at suppliers. In this context, we work together closely with the world employee committee. We bring together all the available information and take action if the reports are well-founded. The suppliers are requested to respond to the accusations; after that, we assess the facts of the case and take the necessary measures. This can lead to the termination of a business relationship. However, it is not always productive to end cooperation with a supplier immediately after a case of misconduct. It often makes more sense to work together with the supplier to improve the situation. This approach also benefits the people at the location. In addition to the complaint-management process, information on misconduct can always be submitted to the BPO whistleblower system (page 217) established by Daimler.

Environmental Issues

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

Climate protection

Target
The Paris accord on climate protection aims to limit global warming to significantly less than two degrees Celsius compared with the preindustrial level. It requires a significant intensification of measures, in particular more stringent CO_2 targets for all countries and sectors. We are in the process of deriving specific targets for all of our business divisions regarding the reduction of our products' CO_2 emissions. These targets refer to the period until 2030 and will be binding on the Daimler Group worldwide.

Our current reduction target for driving operation (tank-to-wheel) is -44% (2007 – 2021) for cars in the new-vehicle fleet in Europe. We are steadily continuing our efforts to reach this target.

Measures
Our goal is to also safeguard mobility for the generations to come. That is why we strive to offer our customers safe, efficient and low-emission vehicles and services. A core element of our approach here is to achieve a drive-system mix that is tailored to the market requirements. Our "Road to Emission-free Driving" initiative defines the primary focal points for developing new, extremely fuel-efficient and environmentally friendly drive-system technologies at all of our automotive divisions:
- further development of our vehicles equipped with state-of-the-art combustion engines in order to achieve significant reductions in consumption and emissions,
- further efficiency increase through hybridization, and
- electric vehicles with battery and fuel-cell drive.

Due diligence processes
An environmental protection guideline passed by the Board of Management formulates our approach: We develop products that are especially environmentally friendly and energy-efficient in their respective market segments. A vehicle's environmental impact is largely decided during the first stages of its development. The earlier we integrate environmentally responsible product development (Design for Environment, DfE) into the development process, the more efficiently we can minimize the impact on the environment. That is why continuous improvements in environmental compatibility are a major requirement in the creation of the product performance specifications. For every vehicle model and every engine variant, we have requirement specifications that define the characteristics and target values that must be achieved. These specifications include requirements concerning fuel consumption and emissions limit values for CO_2 and nitrogen oxides. During the development process we regularly monitor compliance with these specifications. In a committee situated directly below the Board of Management level, the managers responsible for each vehicle model series evaluate the results of this monitoring process and decide on any necessary corrective measures. If corrections are needed, the managing body of the respective division is included in the decision-making. If the situation continues to escalate, the responsible member of the Board of Management is also included.

The CO_2 process in vehicle development
All of the divisions integrate all vehicle-related goals, including those that are relevant to the environment, into their vehicle development process according to a similar pattern. The chart ↗ **E.01** shows the Mercedes-Benz Development System (MDS) as an example. In many markets there are fleet targets for the fuel consumption and CO_2 emissions of cars and light commercial vehicles – in other words, overall targets for all the new vehicles sold in a given market. The corresponding controlling process for reaching the CO_2 fleet consumption target for Cars Europe (EU 28) is shown as an example.

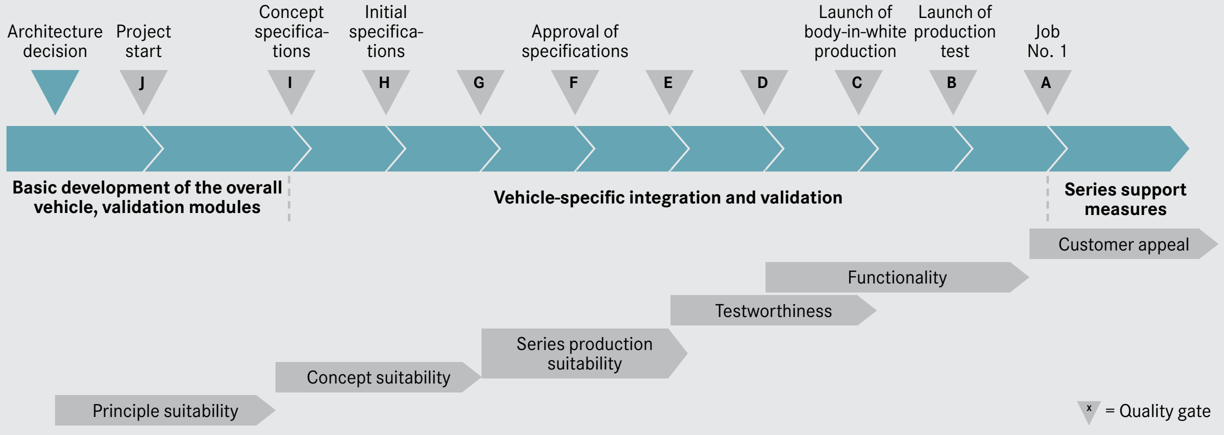
The key factors for determining the target values for fuel consumption and CO_2 emissions are the technological possibilities, the legal requirements including the fleet targets for fuel consumption, and customer wishes. The body responsible for complying with these goals and for transparency regarding the target attainment level is the CO_2 steering committee, which is headed by the Board of Management member responsible for Group Research and Mercedes-Benz Cars Development.

The fleet values for CO_2 emissions are calculated on the basis of the fuel economy numbers of the vehicles available on the market and the fuel economy specifications and prognoses for vehicles that are still in the development phase. These values are combined with the sales forecasts in order to arrive at the projected fleet values for CO_2 emissions.

The actual values may deviate from the projected target values because of various external factors such as alterations in the sales structure, changes in the political framework conditions or changes in the fuel consumption target values of the vehicles that are still in the development phase. In case of a deviation, the CO_2 steering committee organizes an assessment of various options and then decides on the measures to be initiated.
If the need for adjustment is especially urgent, the process is escalated to the responsible managing body. From a strategic standpoint, this process takes place over a period of approximately ten years.

E.01

Vehicle product creation process for individual vehicles



Result

In the year under review, the average CO_2 emissions of the total fleet of Mercedes-Benz Cars in Europe (EU28 +Iceland) increased to 132 (2017: 125) g/km (NEDC).

The transition from the NEDC to the WLTP as the legally stipulated CO_2 emission measurement cycle for individual vehicles has led to a significant increase in our fleet emission values. At the same time, the shift of sales from vehicles with diesel engines to cars powered by gasoline engines, as well as a further increase in sales of large SUVs and all-wheel-drive vehicles, have contributed to a higher CO_2 value for our fleet.

Because all vehicle models will have been certified in accordance with the WLTP by September 2019, we expect only a slightly lower CO_2 value for our fleet in 2019, in spite of further progress in reducing our vehicles' fuel consumption. Our vehicle electrification measures are expected to lead to a significant decrease in our fleet's CO_2 emissions in 2020.

The new WLTP test cycle. Since September 2017, all of our new car types in Europe have been certified according to the Worldwide Harmonized Light Vehicles Test Procedure (WLTP). This test procedure includes numerous changes compared to the previous New European Driving Cycle (NEDC). The changes include higher average and maximum speeds, more dynamic handling, gliding inertial masses instead of inertia classes, a smaller standstill share of total fuel consumption, and consideration of special equipment and the quiescent current requirement. Overall, these changes are leading to more realistic, but also higher, fuel economy values.

According to the legal requirements, until 2021 automakers must calculate the CO_2 emissions of their vehicle fleets in Europe by using a predefined formula to convert the vehicles' WLTP values back into NEDC values. This explains why every new vehicle is certified according to the WLTP although the European CO_2 emission value of the automaker's fleet is still indicated as the NEDC value. The legislators want to ensure the comparability of the automakers' fleet values in the period until 2022, when a new limit value will come into force.

We continue to work hard to meet all statutory CO_2 requirements, including the very challenging EU limits for 2021. However, reaching these fleet targets will depend not only on offering appealing and highly efficient vehicles with electric drives, but also on our customers' actually deciding to buy those models. In order to optimally position ourselves in this respect, we are systematically changing over our product range to the latest engine generations, and are also systematically electrifying our portfolio with plug-in hybrids and all-electric vehicles.

Clean air

Target

In addition to climate protection, the improvement of inner-city air quality will continue to be an important environmental consideration in the future. Traffic still accounts for a considerable share of nitrogen oxide pollution near roads. Our fundamental goal is to fulfill emission requirements as far in advance as possible and to reduce potential risks for human beings and the environment.

Measures

Cutting-edge technologies are enabling us to steadily reduce the pollutant emissions of our cars and commercial vehicles. In doing so, we have set our sights not only on conventional gasoline and diesel engines but also on hybrid vehicles that combine conventional and electric drive technologies.

The introduction of the new diesel engine families consisting of the OM654, the OM656 and the OM608, as well as the increasing electrification of drive systems, will greatly help us to reach the emission targets.

Our plan for the future of diesel engines also includes the development of software updates for a total of more than three million vehicles owned by customers – significantly more than one million of which are in Germany. With the updates, we are improving the NO_X emission performance of our vehicles under real driving conditions by an average of 25 to 30%. Verification is with the use of the measuring cycles approved by the authorities (WLTC 1, 2, 3).

After talks with the German Federal Ministry of Transport and Digital Infrastructure (BMVI) in June 2018 and by order of the German Federal Motor Transport Authority (KBA), Daimler is carrying out a mandatory recall of approximately 690,000 vehicles in Europe (including approximately 280,000 in Germany). The great majority of these vehicles were already covered by Daimler's program of voluntary service measures announced in July 2017. These measures are being implemented in close cooperation with Germany's vehicle registration agencies.

Daimler supports the German federal government's concept for clean air and the safeguarding of individual mobility. By means of an attractive incentive program in the defined priority regions, we are accelerating the renewal of the vehicle fleet. In this way, Daimler is making a significant contribution to the German government's concept in order to avoid any disadvantages for drivers of diesel-powered cars.

Following the coalition decision, in early October 2018, Daimler also announced its intention to participate in a hardware retrofit program for diesel vehicles in the defined priority regions as part of the German government's concept for clean air and the safeguading of individual mobility. Within this context, Daimler is prepared to cover the cost of a hardware retrofitting up to a maximum value of €3,000 for Mercedes-Benz customers with Euro 5 diesel vehicles in the defined priority regions. The retrofitting must be developed and offered by a third-party supplier and approved by the German Federal Motor Transport Authority (KBA). In addition, it must demonstrably authorize entry into certain cities, including driving on roads affected by the driving ban. Daimler's aim is to promote the interests of its customers by creating transparency as to which hardware solutions third-party suppliers can offer, and when.

Increasing the mobility fund. We have significantly increased our planned contribution to the "Immediate Action Program for Clean Air," which was agreed on at the National Forum Diesel in August 2017. Together with BMW and Volkswagen, we are now providing the automobile industry's entire share of the funding.

Local measures. With regard to the local measures, Daimler is focusing in particular on Stuttgart. For example, we are subsidizing our employees' use of public transport, such as the commuter train, streetcar and bus networks, to get to work. Thanks to Daimler's coverage of the costs, since January 2018 the Group's employees have been able to use local public transportation free of charge to travel between their homes and workplaces in the Stuttgart region on particulate alert days.

In order to assess the effects of modern diesel engines in the fleet and to factor in possible future driving bans, we have commissioned a calculation of future air quality scenarios at Neckartor in Stuttgart, together with the Robert Bosch company and in close cooperation with the Stuttgart city government and the responsible federal state ministries. An advisory committee of recognized experts and university professors supported the study, which was conducted by the Aviso company. According to the scenarios of the study, the limits will probably not be reached at Neckartor by 2020. But – depending on the package of measures implemented – the limit of 40 micrograms per cubic meter of ambient air is expected to be permanently met between 2020 and 2025.

Result
Mercedes-Benz vehicles powered by the new diesel engines (OM 654, OM 656 and OM 608) emit between 40 and 60 milligrams of nitrogen oxide (NO_X) on average – during thousands of kilometers of driving on the road and under the conditions specified by the Real Driving Emissions (RDE) test. These figures are significantly lower than the current RDE emissions limit of 80 milligrams per kilometer multiplied by the correlation factor 2.1 (Level 1). The correlation factor was determined by an EU regulation to cover the usually higher nitrogen-oxide emissions in real operation for new vehicle types until the end of 2019.

The lower values are made possible by an innovative overall package consisting of the engine and the exhaust aftertreatment system. This package was launched with the new engine generation in 2016 and is being continually enhanced. The very good results have been repeatedly confirmed in road tests by organizations such as DEKRA and TÜV, as well as by various trade magazines.

Conservation of resources

Target
Evaluating the environmental compatibility of a vehicle requires an analysis of the emissions and use of resources throughout the entire lifecycle.

Measures and result
During the development process of a vehicle, we prepare a recycling concept for each vehicle model in which all of its components and materials are examined with a view to their suitability for the various stages of the recycling process. As a result, all Mercedes-Benz car models are 85% recyclable and 95% recoverable, pursuant to ISO 22 628. The key aspects of our activities in this area are:

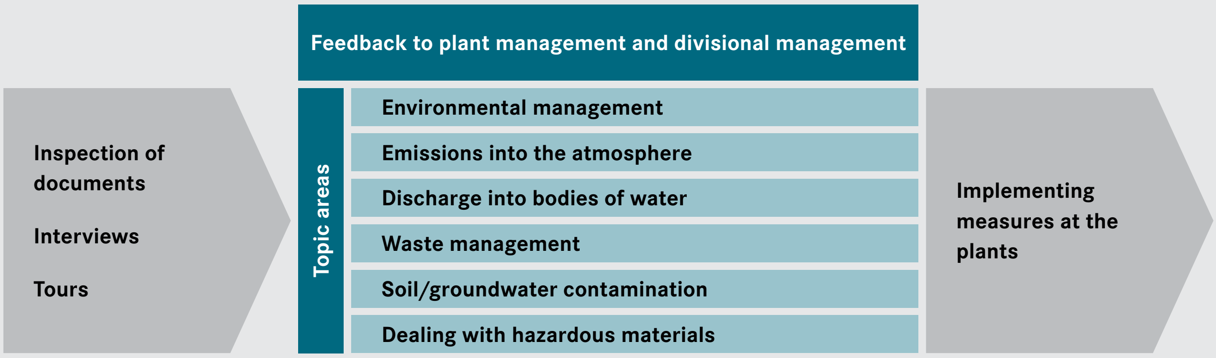
- the resale of tested and certified used parts through the Mercedes-Benz Used Parts Center (GTC),
- the remanufacturing of used parts, and
- the workshop waste disposal system MeRSy (Mercedes-Benz Recycling System).

Production-related environmental protection

Target
Our commitment to the environment is an integral component of our corporate strategy. For this reason, we have established environmental management systems at our manufacturing locations with the goal of providing safe, efficient, environmentally friendly services of guaranteed high quality that comply with all legal stipulations. We also carry out environmental risk assessments at all production locations in which the Group has a majority interest in the ownership structure. Supported by the use of Daimler Group standards, we strive to maintain a high level of air quality control, climate protection and resource conservation (in terms of water consumption, waste management and soil conservation).

E.02

Methodology for assessing environmental risks



Measures

The environmental and energy-related guidelines approved by the Board of Management define our environmental and energy-related policy at the Daimler Group. The guidelines also express our commitment to integrated environmental protection. That begins with the assessment of the causes of environment problems and takes into account the environmental effects of production processes and products as early as the planning and development phases.

Environmental protection measures at our production locations are coordinated across business units by three regional committees (Germany/Europe, North and South America and Asia) that are centrally managed. These measures are regulated in line with a corporate policy and organizational and technical standards.

The environmental measures are monitored by external auditors (ISO 14001 certification, EMAS validation) and by internal environmental risk assessments (the due diligence process). We conduct training sessions through the respective local organizations. The important content of our training sessions includes water pollution control, wastewater treatment, emergency management in case of environmentally relevant malfunctions and the planning of plants and workplaces in accordance with environmental protection principles.

Due diligence processes

In 1999, we developed a methodology for assessing environmental risks (environmental due diligence) as a tool for preventing risks to the environment and complying with statutory requirements. We have applied this methodology throughout the Group since 2000, both internally and also externally in connection with our acquisition plans. During this period we have conducted three complete risk assessments at the Daimler production plants of Mercedes-Benz Cars, Mercedes-Benz Vans, Daimler Trucks and Daimler Buses.

The fourth round of environmental risk assessments began in 2014. A number of new risk aspects have been integrated into the topic areas. Nonetheless, we have not changed the methods or the tools, because we want these results to be comparable with the results of the assessments that have already been carried out. ↗ E.02

Result

In this way, all the production locations are being visited and assessed in five-year cycles according to well-established and standardized procedures. The results are reported to the plant and divisional managements, and the Group annually assesses the implementation of the recommendations for minimizing risks at the locations. In this way, we are striving to enforce the high environmental standards to which we have committed ourselves at all of our production locations around the world.

In 2018, we evaluated the production locations of the Detroit Diesel Remanufacturing business area and a number of CKD plants of MBC. The most important results were in the areas of explosion protection and the proper storage of hazardous substances.

Mobility services

In addition to our products' high level of environmental compatibility and our environmentally friendly and efficient production processes, we also strive to provide innovative mobility services on the road to emission-free driving. That is why we have developed a range of pioneering mobility concepts and are forging ahead with innovative approaches – from the car-sharing provider car2go and the mobility platform moovel to the taxi app mytaxi and our participation in the coach company FlixBus and the Bus Rapid Transit (BRT) system. Recent additions to this list in 2018 were ViaVan, an on-demand ride-sharing service with two locations in the UK; a partnership with the Chinese ride-hailing service CaoCao, which has more than 17 million registered users; and the acquisition of an interest in Turo, the US market leader for car sharing with private vehicles, which already has five million users. The merger of the German peer-to-peer car-sharing platform Croove, in which Daimler already holds an interest, should ease the US company's entry into the German market.

The joint venture for mobility services planned by Daimler and BMW is moving forward step by step. The authorities have now approved the companies' plan to establish the joint venture. The merger of our on-demand mobility services in the areas of car sharing, ride hailing, parking, charging and multi-modality with the mobility services of BMW is intended to give additional impetus to our activities for the expansion and improvement of mobility services.

Employee Issues

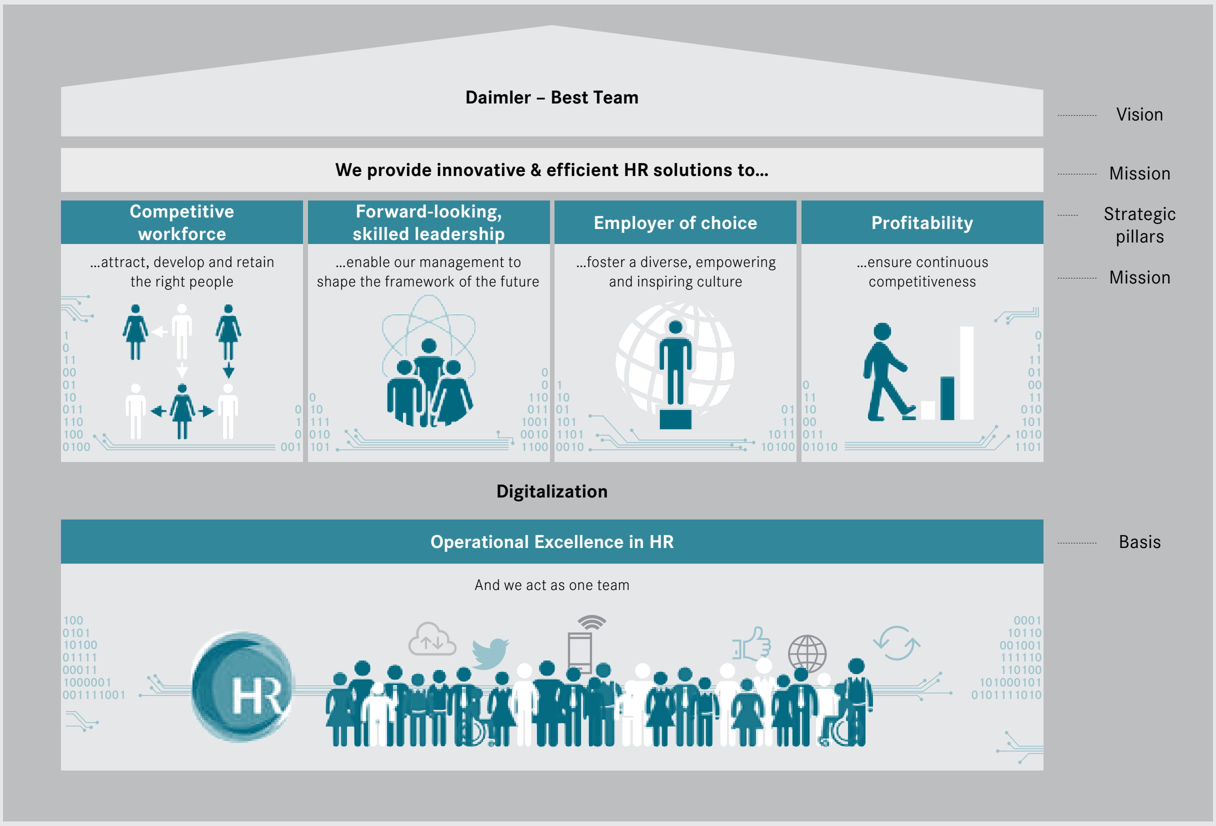
The success of Daimler AG and its subsidiaries is largely dependent on the skills and commitment of our employees. More than 298,000 people promote our company's success worldwide by contributing their concepts and ideas to their tasks and work processes and by helping to make improvements and create innovations. Trusting relationships with employees are therefore more than just an ethical and legal requirement for us – without them, we would not be able to conduct our business successfully.

General figures regarding the development of our workforce numbers can be found in the Workforce section of the Management Report. pages 113 f

In order to recruit, develop and retain highly qualified staff, we are continuously striving to further improve our attractiveness as an employer. Because our executives and managers should motivate their employees to achieve top performance, it is crucial that we equip them with outstanding leadership skills. In addition, we want to take on social responsibility and let diversity flourish in our global company.

A professional HR organization and efficient operating processes form the basis for the implementation of these overarching goals, from which we have derived key areas of action. The main control tool we use is our HR Scorecard, which uses key performance indicators concerning demographic development, diversity and sick rates to provide information about the sustainability of human resources measures and processes in the individual areas of action.

E.03
HR Strategy 2025



Partnership with the employees

We want to work together with our employees as partners, respect their interests and get them involved in the company by continuously providing them with information and enabling them to participate in decision-making processes. To achieve these goals, we are guided not only by the International Labour Organization's (ILO) work and social standards but also by our Principles of Social Responsibility. In these principles, we commit ourselves, among other things, to respecting key employee rights – from the provision of equal opportunities to the right to receive equal pay for equal work. Violations of these principles can be reported to the whistleblower system BPO, which addresses further investigations to the pertinent units.

Our employees also have the right to organize themselves in labor unions. We also ensure this right in countries in which freedom of association is not legally protected. We work together constructively with the employee representatives and the trade unions. Important partners here include the local works councils, the European Works Council and the World Employee Committee (WEC). We have signed collective bargaining agreements for all of the employees at Daimler AG, and this also applies to the majority of our employees throughout the Group.

In a variety of committees, we regularly inform the employee representatives about the economic situation and all of the key changes at Daimler AG and the Group. We conclude agreements with the respective workers' representative bodies concerning the effects of our decisions on the employees. In Germany, comprehensive regulations to this effect are contained in the Works Council Constitution Act. We notify our employees about far-reaching changes early on.

One result of the ongoing dialogue between the corporate management and the employees' association was the renewal of the company-wide "Safeguarding the Future of Daimler" agreement in 2015. This accord, which is valid until 2020, enables the company to respond to the "future plan" agreements that have been reached at many of the locations of Daimler AG with concrete investment commitments, flexible personnel assignment models and the possibility of selectively increasing staffing requirements. As a result, we can make use of market opportunities and better absorb fluctuations in demand. The company-wide agreement essentially protects all of the employees of Daimler AG in Germany from being laid off until the end of 2020.

The expansion of this Safeguarding the Future agreement is also an integral part of "Project Future" for restructuring our Group, and it is being implemented in close cooperation with the employee representatives. If Project Future is implemented, Daimler AG's Safeguarding the Future agreement will be extended until 2029. As a result, terminations for operational reasons would be excluded on principle until December 31, 2029 for all employees who are affected by a transition of operations resulting from the new Group structure and who do not contest their transfer to the new organization.

High attractiveness as an employer

Our activities and measures for enhancing our attractiveness as an employer are designed to enable us to recruit and retain a sufficient number of specialized employees and qualified managers in the competition for talented staff. Our primary objectives here are to ensure attractive and fair compensation and to establish and maintain a work culture that enables outstanding performance and a high level of motivation and satisfaction among our employees and managers.

Attractive and fair remuneration

We remunerate work in accordance with the same principles at all our affiliates around the world. Our Corporate Compensation Policy, which is valid for all groups of employees, establishes the framework conditions and minimum requirements for the design of the remuneration systems. Internal audits are conducted on a random basis to make sure these conditions and requirements are met. In our desire to offer salaries and benefits that are customary in the industry and the respective markets, we also give consideration to local market conditions within the specified framework. The salaries are determined on the basis of the employees' tasks and performance, and in line with their qualifications and experience. In setting the remuneration of the employees we are not guided by gender or place of origin, but exclusively by the employee's job and responsibility.

In cases where Daimler AG and its Group companies have signed collective bargaining agreements, they often also offer voluntary benefits that are agreed upon with the respective employees' associations. These benefits primarily consist of employer-funded retirement contributions as well as profit-sharing agreements for the respective company. For example, the eligible employees of Daimler AG will receive a profit participation of €4,965 for 2018 (2017: €5,700). In addition, our employees can avail themselves of a wide variety of sports facilities and social amenities, ranging from daycare centers to the counseling service for people in extreme situations.

In 2018 the Group spent:

- €18,329 billion on wages and salaries (thereof Daimler AG: €11,569 billion),
- €3,332 billion on social welfare services (thereof Daimler AG: €1,849 billion), and
- €0.8 billion on retirement benefits for a workforce numbering 298,465 on average (thereof Daimler AG: 151,879 employees).

Modern working conditions

Working conditions are being increasingly influenced by working hours, workplaces, the work environment, the level of employee empowerment and a state-of-the-art management culture. The length of our employees' workweek is generally regulated by the company or by a collective bargaining agreement. In Germany, overtime is only performed within the framework of a requirements planning forecast and has to be approved by the employee representatives. In general, we allocate working times in such a way that remuneration remains stable even if the amount of work sometimes fluctuates. This is made possible by a time-account system.

Flexible working arrangements
Today's living and working conditions require working times to be flexibly organized in accordance with individual needs. Our approach is therefore to challenge our employees to achieve top performance and support their efforts to do so, rather than focus on their mere presence at work. For this reason, we also seek to improve performance by helping employees and managers reconcile their professional and personal responsibilities.

We also boost employees' flexibility and self-determination by giving them the opportunity for mobile working. An associated company agreement has been in force at Daimler AG since December 2016. The agreement gives employees the right to mobile working if the task permits.

We also promote job sharing, in which two employees share the same task or position and work together up to 60 hours per week. This provides managers in particular with a means of reconciling the needs of work and family.

Furthermore, company agreements at Daimler AG enable employees to suspend their careers for several years for a qualification program or a sabbatical or to provide home care – with the promise that they can return to Daimler AG afterwards.

We encourage all employees who take parental leave to subsequently return to their jobs at the company because we value their knowledge and experience. In Germany, we offer about 705 places in daycare centers in close proximity to our company locations as well as about 200 reserved places at cooperating facilities. In addition, we cooperate with a third party that assists employees in finding childcare providers.

In 2018, around 3,800 employees at Daimler AG availed themselves of the opportunity to take parental leave. Moreover, around 400 employees took advantage of the opportunity to take off work for a prolonged period. At the end of 2018, more than 250 employees were working in job-sharing positions at the team, sub-department and departmental levels.

Leadership 2020 – further development of the management culture
Our business is changing at a rapid pace. In order to remain successful in the future, we are changing our management culture and the way we cooperate. This is why we launched the Leadership 2020 initiative in 2016. Employees from more than 23 countries and all levels of management are currently working on Daimler's future management culture. Guidance is provided by new management principles that, among other things, make the company faster and more flexible and boost its innovative potential. Procedures, processes and structures are being called into question and changed in eight "game changers." In its meetings, the Board of Management of Daimler AG regularly discusses the initiative's progress and decides which measures need to be taken.

Successful employee survey
Our Group-wide employee survey is a key indicator of where we currently stand from the point of view of our employees, and what we need to do to improve the company in the future. The survey conducted in 2018 was based on a completely new concept. In September 2018, nearly 300,000 employees in more than 50 countries were invited to participate in the survey and send us their feedback. The Group-wide participation rate of 80 percent was the highest rate posted to date for a Group-wide employee survey at Daimler. This outstanding participation rate underscores our employees' interest and their willingness to actively help shape the company's further development. 75% of our employees who participated in the survey reported that they are satisfied or very satisfied with Daimler as an employer and that they are proud to work at Daimler.

Our employees' great loyalty to the company is also expressed by the amount of time they have worked for Daimler. During the year under review the average number of years our employees have worked for Daimler decreased slightly to 15.8 years (2017: 16.1 years). In Germany, employees had worked for the Group for an average of 19.4 years at the end of 2018 (2017: 19.5 years). The comparative figure for Daimler AG was 20.2 years (2017: 20.3 years). Daimler employees outside Germany had worked for the Group for an average of 10.6 years (2017: 11.0 years). In 2018, our labor turnover rate amounted to 4.9% worldwide (2017: 5.1%).

A competitive workforce

We can only be successful if we have a skilled and high-performing workforce. We therefore aim to continuously develop our employees and make sure they stay competitive. We are pursuing this goal by implementing measures in four overarching areas of action: diversity management, the securing of young talent, qualification, and health management and occupational safety.

Diversity management
Daimler promotes the diversity and heterogeneity of its employees, because they serve as the basis of a high-performing company. As a result, diversity management is included in our corporate strategy. The various skills and talents of our workforce enable us as a global company to effectively reflect the diversity of our customers, suppliers and investors around the world.

Daimler's more than 298,000 employees from over 160 countries provide the Group with a vibrant mixture of cultures and ways of life. We utilize this diversity to put together optimized teams. Most of our managers abroad come from the respective regions. We promote the cultural diversity of our employees with worldwide staff assignments, mentoring, intercultural skills training and targeted recruiting measures. International candidates account for more than one third of the people recruited through our previous CAReer trainee program.

Our aim is to increase the share of women in management positions to at least 20% by the year 2020. Currently more than 18% of our executives in middle and upper management are women. For Daimler AG, we signed a company-wide agreement for the advancement of women. It stipulates a target corridor for the proportion of women in the total workforce, in vocational training and in Level 4 and 5 management positions. In order to achieve our goals, we have installed an ongoing internal reporting and planning system.

The age differences at the company will rise in the future due to the increase in the retirement age and the extension of people's working lives. The average age of our global workforce in 2018 was 42.7 years (2017: 42.8). Our employees at Daimler AG were 44.8 years old on average (2017: 44.7). Demographic development will cause the average age to continue to rise in the years ahead. However, the proportion of older employees will decrease again over the long term because many baby boomers will retire from the company. We consider this transformation to be an opportunity, and we are adjusting the framework conditions accordingly. Our generation management system focuses on measures for maintaining the performance and health of younger and older employees as well as for promoting cooperation between people of different ages.

Once every quarter, the Board of Management discusses our diversity management activities and the associated results. We also hold discussions with external stakeholders as part of our involvement in the Diversity Charter, of which we are a founding member.

Securing young talent

Daimler takes a holistic approach to securing young talent. Our STEM educational initiative, "Genius", offers many activities that get children and young people enthusiastic about technology topics. Genius also helps teachers make their classes varied and future-oriented by offering them practice-related instructional materials, interactive technology workshops and advanced training courses.

Along with technical and commercial apprenticeships and courses of study at the Cooperative University, we also conduct various activities that address young talents. We offer extensive possibilities to personally interact with the company via social media, hackathons, competitions and internships.

After completing their college degrees, graduates can directly join our company or launch their careers at Daimler by taking part in INspire, a series of varied international talent training programs. Each one of our talent training programs offers cross-unit insights, first-class training and personal coaching. For example, "INspire – the Leaders' Lab" is designed for young professionals with initial practical experience who would like to specifically prepare for management positions at the company.

Daimler has offered an in-house trainee program called CAReer since 2007. The talent training program "INspire – the Leaders' Lab", which replaced CAReer in 2018, is directed at participants who are more focused on careers in management. In 2018 we hired 23 trainees through our INspire program. About 48% of the trainees were women and 40% were international participants. In addition, 40 participants, including 24 women and 17 international candidates, began their CAReer program during the transition period.

In Germany, we recruit most of the young talent we need through our industrial-technical and commercial apprenticeships and the courses of study at the Cooperative State University, which had more than 180 students in 2018.

E.04

Share of women

	2018	2017
In percent		
Share of women (worldwide)	19.1	18.5
Share of women (Daimler AG)	16.6	16.1
Share of women in Level 4 management positions (Daimler AG)	19.2	18.0
Women in senior management positions Levels 1–3 (worldwide)	18.8	17.6
Share of women at the second management level below that of the Board of Management (Daimler AG)	14.4	11.9
Share of women at the first management level below that of the Board of Management (Daimler AG)	11.8	8.7
Share of women on the Board of Management	25.0	25.0
Share of women on the Supervisory Board	30.0	25.0

E.05

Accident figures[1]

		2018	2017
Incidence of accidents			
Number of accidents (worldwide)		3,152	2,766
Incidence of accidents (worldwide, number of work-related accidents that resulted in at least one lost day per 1 million hours of attendance)	Rate	7.7	7.5
Accident downtime (worldwide, number of lost days per 1 million hours of attendance)		113	106
Number of deaths as a result of work-related accidents		1	1
Number of employee deaths as a result of work-related accidents[2]		1	0
Number of deaths of third-party employees as a result of work-related accidents		0	1

1 Reporting rate of Daimler production locations (Mercedes-Benz Cars, Daimler Trucks, Daimler Buses, Mercedes-Benz Vans) worldwide: > 99%.
2 Tragically, an employee suffered a fatal work-related accident in Germany in 2018.

We had 8,061 trainees throughout the Group at the end of 2018 (2017: 8,097). Of this number, 4,009 were in a training program at Daimler AG (2017: 4,409). During the year under review, 1,265 (2017: 1,278) young people began an apprenticeship at Daimler AG; 1,191 (2017: 1,197) were hired after completing their apprenticeships. The costs for vocational training for Daimler AG totaled €124 million in 2018 (2017: €114 million).

Programs such as “Skilled Worker in Focus” and the team leader development program ensure that employees are extensively qualified according to uniform standards. The participants are given the opportunity to obtain good career prospects and plan concrete development goals. Our company’s sustained success is closely linked to the high quality of our managers. That’s why we focus especially on the development of talented young managers. We validate the young talents’ leadership potential at our PV44 in-house assessment center and in the team leader development program, both of which use a uniform standard for all of our locations. The Board of Management member responsible for human resources regularly receives reports about the measures and results of our training activities and the development paths of our trainees.

Qualifications

We provide our staff with training and continuing education opportunities for their professional and personal development throughout their careers. At least once a year, employees discuss qualification topics with their managers and agree on appropriate measures. The company agreement on qualification regulates continuing education at Daimler AG. This agreement also stipulates that employees can leave the company for up to five years in order to learn additional skills and guarantees that they can return to the company. In 2018, around 430 employees availed themselves of this opportunity.

Our production locations are responsible for the qualification of managers and specialized employees in manufacturing. The Global Training unit safeguards and increases the skills of our employees at the Mercedes-Benz sales organization. In 2018, more than 800 Mercedes-Benz trainers in over 80 countries instructed approximately 210,000 participants. A total of 1.3 million training courses are held each year.

The Daimler Corporate Academy program helps the Group develop a new management culture and world of work. In 2018, the Corporate Academy enabled a total of 65,800 specialized employees and managers worldwide to continue their personal and professional development. At Daimler AG, we spent €123 million on the training and qualification of our employees in the year under review (2017: €121 million). On average, every employee spent 3.2 days on qualification courses in 2018 (2017: three days).

Health management and safety at the workplace

We want to maintain our employees’ health and physical well-being for the long term. To this end, the Daimler Group has uniform preventive healthcare standards in place worldwide.

As part of Daimler AG’s health management approach, we develop and implement anticipatory solutions that range from the job-related “Daimler GesundheitsCheck” and the ergonomic design of workstations to the IT system that makes it easier to permanently reintegrate employees suffering from limitations imposed by their health.

Our Health & Safety unit is responsible for occupational health and safety, company health-promotion efforts, ergonomics, counseling service and integration management. Health management and occupational safety are also governed by our risk management systems. Our company health promotion is aimed at motivating employees to develop healthy lifestyles and reinforcing their sense of personal responsibility regarding health issues. This objective is promoted worldwide with the help of campaigns, counseling and qualification offerings, as well as therapeutic and rehabilitation measures. All of our plants in Germany have health centers on their premises or cooperate with health centers located near the plants.

Occupational safety is firmly embedded at all levels of Daimler and is addressed by an extensive portfolio of measures for the prevention of work accidents, work-related illnesses and occupational diseases. Our Center of Competence Safety creates the associated Group-wide guidelines. We have standardized key occupational health and safety processes in order to enable the creation and advancement of integrated processes and systems. Every manager at Daimler is responsible for ensuring that all internal guidelines and legal requirements for occupational health and safety are complied with.

Every organizational unit within the Daimler Group has to approve and pursue occupational safety objectives on a regular basis in accordance with our globally valid occupational health and safety guidelines and occupational safety strategy and the results of internal audits and reviews. The content and criteria of our internal occupational safety management system correspond to the standards of ISO 45001 and are regularly updated.

The Board of Management receives a Health & Safety report at regular intervals and is, among other things, given monthly updates about the frequency of accidents. A Group crisis unit, in which the Board of Management is also involved, enables Daimler to respond quickly to various incidents such as serious accidents and pandemics.

Social Issues

As a global automotive company, we operate in an environment that is subject to a variety of societal, social and political influencing factors. In order to ensure we can continue operating effectively in the future, we need to make our company's interests understandable to governments and society, and must also address the concerns of groups within society. We therefore regularly share information with our stakeholders and communicate our interests in an open and fair dialog with governments and political representatives.

Stakeholder involvement

We consider it important to engage in a continuous dialog with all of our interest groups so that we can bring together various perspectives on our involvement with sustainability issues, address future trends early on and share experiences. We also want to engage in constructive discussions of controversial themes at a very early stage. We always focus on conducting a dialog that is successful and productive for both sides. In order to conduct this kind of dialog, we need to identify our stakeholders. We define our stakeholders as individuals and organizations that have legal, financial, ethical or ecological expectations regarding Daimler. One of the criteria for identifying and weighting stakeholders is the extent to which a person or group is affected by our company's decisions or, conversely, is taken into accout in such decisions. Our primary stakeholders are our shareholders, creditors, employees, customers and suppliers. However, we also communicate regularly with civil groups such as NGOs, as well as associations, trade unions, the media, analysts, municipalities, residents and neighbors in the communities where we operate and representatives of science and government. ↗ E.06

Dialog at the Group level

In order to implement the dialog with our stakeholders throughout the Group, we have defined clear areas of responsibility, communication channels and specific dialog formats. The proactive dialog with our stakeholders is initiated by experts from the Integrity and Legal Affairs department and coordinated by our corporate sustainability bodies.

One essential tool of the dialog with our stakeholders is the **Daimler Sustainability Dialogue**, which has been held annually in Stuttgart since 2008 and brings various stakeholder groups together with members of our Board of Management and executive management. The participants attend a range of workshops, where they discuss issues related to sustainability and work together to address them. The Daimler representatives responsible for specific themes take up the impulses from the discussions and work together with the stakeholders to incorporate these ideas into their work throughout the year. They then report at the event in the following year on the progress made in the interim. We held our eleventh Daimler Sustainability Dialogue in Stuttgart during the year under review. The evening before the event was devoted to sustainability issues related to electric mobility. In a creative ideation workshop called "Smart Cities," experts from various units worked out sustainable solutions to everyday urban problems. On the main day of the event, about 200 stakeholders split up into eight working groups to discuss themes such as data ethics, the market penetration of electric vehicles and digitalization in the work environment.

As a global company, we have set ourselves the goal of implementing sustainability standards at our business units and specialist departments around the world. To this end, we organize Daimler Sustainability Dialogue events in other countries as well. Such dialog events have been held in China, Japan, the United States and Argentina. During the year under review, more than 200 stakeholders attended the sixth Daimler Sustainability Dialogue in Beijing, where they discussed topics relating to sustainable production, innovation, artificial intelligence and integrity and legal affairs.

The **Advisory Board for Integrity and Corporate Responsibility** has been an important source of input for sustainability activities at Daimler since 2012. The board's members – external experts from the fields of science and business, as well as from civic organizations – utilize an external point of view to offer critical and constructive support for the integrity and corporate responsibility process at Daimler. The board meets at regular intervals and holds discussions with members of the Board of Management and other Daimler executives. Its members have extensive experience and possess a variety of specialized knowledge regarding environmental and social policy, various human rights and ethical issues, and the development of transport, traffic and mobility. During the year under review, the Advisory Board addressed, among other things, the further development of our culture of integrity, electric mobility, mechanisms for dealing with complaints, mobility services and data responsibility.

We also maintain contact with representatives from civic organizations and other companies, and we participate in various associations, committees and sustainability initiatives. The most important initiatives here are the UN Global Compact and Econsense — a German business forum for sustainable development.

We also utilize online and print media, discussions with experts, workshops and local and regional dialog events for our dialog with stakeholders.

In addition to the formally structured dialog, we receive inquiries from stakeholders concerning various sustainability-related topics. These inquiries are addressed directly by specific specialist departments and units in a decentralized manner. This approach brings our stakeholders closer to our business operations and enables specialized knowledge to be directly incorporated into the dialog. Individual inquiries from stakeholders are also reported on in the meetings of our sustainability bodies and committees and are thus taken into consideration in the strategic decisions made by our sustainability management organization. Our sustainability bodies also coordinate dialog with our stakeholders on interdisciplinary issues.

Dialog at the local and regional levels

We also engage in a dialog with the stakeholders at our locations. In connection with specific occasions and projects, we address questions, concerns, criticism and suggestions made by stakeholders and conduct an open-ended dialog with them. We also stage proactive dialog and information events on current topics. The results of all of our dialog measures are incorporated into decision-making and decision-implementation processes at the company. A current example of this approach involves the sustainable further development of the Rastatt plant. The transformation process here focuses on electric mobility and the associated need for additional factory space. Together with officials of the city of Rastatt, we searched for potential locations for a plant extension in the vicinity of the current plant and took into account the suggestions and recommendations made by stakeholder groups, including nature preservation and environmental organizations, property owners, tenants and leaseholders, neighboring communities and municipal agencies. We also continue to keep the public up to date with various dialog and information events, including civic dialogs, meetings with affected individuals and organizations, and plant tours.

Political dialog and representation of interests

As a company with global operations, we have to deal with a wide range of political changes and decisions that impact our business activities. In order to safeguard the future of the Daimler Group, it is therefore important that we represent the interests of our company in an open and trusting dialog with governments, associations, organizations and various groups in society. In line with this philosophy, such a dialog also allows us to hear their concerns and consider their point of view in our actions.

Our principles for political dialog and communicating our interests form the basis of responsible, reliable and open action with the aim of harmonizing the company's interests with the interests of society at large. This also includes the idea of maintaining neutrality when dealing with political parties and representatives of interest groups. The aim of our discussions with political decision-makers is to achieve greater planning security and contribute our ideas to processes of social change. We focus here on issues such as vehicle safety, emission regulations, new mobility concepts and electric mobility. Other important issues include trade policy, location-specific matters and education and human resources policy.

Our management policy on Lobbying and Political Donations governs, among other things, the use of lobbying instruments and other methods for making our interests known in the political realm. We represent the company's interests through dialog with decision-makers, including elected officials or politicians who have been nominated for office, government officials, and representatives of political interest groups, trade organizations, business associations and government agencies. Participation in specialized government committees and product sales to ministries, government agencies and diplomatic missions are part of our business operations and therefore not considered a component of lobbying.

Our central coordinating body for political dialog at the national and international levels is the External Affairs and Public Policy department, which falls under the responsibility of the Chairman of the Board of Management. This department operates a global network with offices in Berlin, Brussels, Beijing, Singapore, Stuttgart and Washington and also has corporate representations in other key markets. In order to ensure that political lobbying activities are coordinated, and also to avoid political target groups being addressed in an uncoordinated manner, employees in the External Affairs and Public Policy department must be registered.

Also through the Group-wide Lobbyists Register, we want to ensure that our political lobbying is carried out in accordance with applicable regulations and ethical standards. The register also helps us meet the registration requirements of public institutions.

We regard donations to political parties as an element of our social responsibility and as a contribution to the democratic process. We make these donations in strict conformity with applicable law. All donations to political parties require a Board of Management resolution. As in previous years, Daimler AG made donations totaling €320,000 to political parties in 2018. Of this total, the CDU and SPD each received €100,000, and the FDP, CSU and Alliance 90/Green Party €40,000 each.

E.06

Examples of instruments of stakeholder dialog

Information	Dialogue	Participation
- Daimler Sustainability Report as well as regional reports (such as the Daimler China Sustainability Report) - Sustainability newsletters and magazines - Environmental declarations by the plants - Press and public-relations work - Corporate website - Blogs and social media - Social intranet and internal communication - Plant tours, receptions, Mercedes-Benz Museum	- Annual "Daimler Sustainability Dialogue" (Germany/regions) - Local dialog with residents and municipalities - Internal dialog sessions on integrity and compliance - Daimler Supplier Portal - Membership of sustainability initiatives and networks - Collaboration in the BDI workgroup on artificial intelligence - Specialist conferences on societal topics and debates - Topic- and project-related discussions - New dialog formats on future questions: think tanks, hackathons, ideation challenge	- Stakeholder consultation in topic-related workgroups - Advisory Board for Integrity and Corporate Responsibility - Peer review within the framework of sustainability initiatives such as the UN Global Compact

Compliance

Values-based compliance is an indispensable part of day-to-day business at Daimler, and for us, means acting in conformance with laws and regulations. Our objective is to ensure that all Daimler employees worldwide are always able to carry out their work in conformance with applicable laws, regulations, voluntary commitments and our values, as set out in binding form in our Integrity Code. Our compliance activities focus on complying with all applicable anti-corruption regulations, the maintenance and promotion of fair competition, adherence to legal and regulatory stipulations regarding product development, respect for and the protection of human rights, adherence to data protection laws, compliance with sanctions lists and the prevention of money laundering.

Our Compliance Management System

Our Compliance Management System (CMS) consists of basic principles and measures intended to promote rule-based behavior throughout the company. The CMS is based on national and international standards and applies on a global scale at all Daimler AG units and majority holdings. The CMS consists of seven elements that build on one another. ↗ E.07

Our compliance values and goals
Our Compliance Management System (CMS) is designed to help Daimler and its employees avoid inappropriate or illegal behavior, and our culture of integrity serves as the foundation for this approach. The measures needed for this are defined by our compliance and legal organizations in a process that also takes the company's business requirements into account. page 116

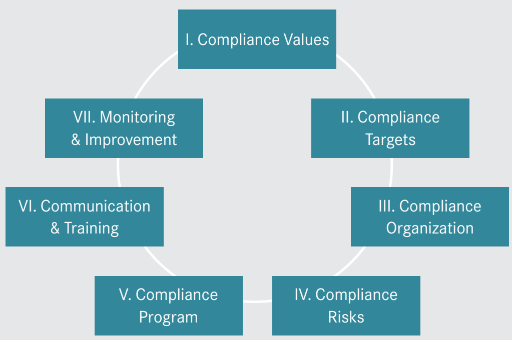
Our compliance organization
Our compliance and legal organizations have set themselves the goal of ensuring Group-wide conformance with laws and regulations. Our compliance organization is structured in a divisional and regional manner, while our legal organization is structured regionally and along the value chain. These structures enable us to provide optimal support and advice to our divisions. A contact person is made available to each function, division and region. In addition, a global network of local contact persons makes sure that our standards are met throughout the Group and also helps local management at Daimler facilities and sales companies implement our compliance program.

Compliance risks
We systematically pursue the goal of minimizing compliance risks, and we analyze and assess the compliance risks of all our business units every year. These analyses are based on centrally compiled information on all business units and take specific additional details into account as needed. The results of the analyses form the basis of our risk control.

Compliance program
Our compliance program comprises principles and measures designed to reduce compliance risks and prevent violations of regulations and laws. The individual measures, which are based on the knowledge gained through our systematic compliance analyses, focus on the following aspects:

The whistleblower system BPO (Business Practices Office) enables Daimler employees and external whistleblowers to report misconduct anywhere in the world. The BPO is available around the clock to receive information that is sent by e-mail or normal mail, or by filling out a special form. An external toll-free hotline is also available in Brazil, the United States and South Africa. Reports can be submitted anonymously if local laws permit this. In Germany, reports to the BPO can also be submitted via a neutral intermediary, who in this case is an independent external attorney. The information provided to the BPO enables us to learn about potential risks and specific violations that pose a high risk to the company and its employees, and this in turn allows us to prevent damage to the company and its reputation. A globally valid corporate policy aims to ensure a fair and transparent approach that takes into account the principle of proportionality for the affected parties, while also giving protection to whistleblowers. In an effort to increase trust in our whistleblower system and make it even better known within the Group, we have established a continuous communication process that includes the periodic provision of information to employees about the type and number of

E.07
Daimler Compliance Management System (CMS)



reported violations. We also supply information materials such as country-specific information cards. In addition, we have produced an instructional video in ten languages and we repeatedly stage informational and dialog events at our locations as well.

The BPO process was developed further during the year under review. A risk-based initial assessment and standardized processes enable more rapid identification and effective processing of high-risk reports submitted to the BPO. The case categories used by the BPO have been updated and new categories have been added in order to incorporate the latest social and legal developments into the BPO process. In the year under review, 89 new BPO cases were opened. A total of 101 cases were closed, 60 of them "with merit," which means the initial suspicion was confirmed. Of these latter cases, five were categorized as "corruption" and seven as "theft, breach of trust and enrichment offenses of a significant magnitude or value." Seven cases fell under the category "damage exceeding €100,000." One case was in the category "physical injury."

With regard to those cases that are closed "with merit," appropriate response measures are decided in line with the principles of proportionality and fairness. Fairness, which is the key principle in the overall process, applies to both whistleblowers and affected parties. In other words, affected parties are not judged in advance and the assumption of innocence applies until it has been proven that a violation has occurred. Whistleblowers who contact the BPO are also protected. They do not need to worry that their report might result in negative consequences for themselves.

Personnel measures taken in 2018 included the issuing of verbal and written warnings and final warnings, as well as separation agreements and ordinary and extraordinary terminations.

Compliance on the part of our business partners

We also require our business partners to adhere to clear compliance requirements because we regard our business partners' integrity and behavior in conformity with regulations as a precondition for trusting cooperation. In the selection of our direct business partners, we therefore ensure that they comply with the law and observe ethical principles. In financial year 2018, we completed the implementation of our globally standardized process for the effective and efficient examination of all new and existing business partners (Business Partner Due Diligence Process). Our continuous monitoring here is designed to ensure we can identify possible integrity violations by our business partners. We also reserve the right to terminate cooperation with, or terminate the selection process for, any business partner who fails to comply with our standards. In addition, we work with our procurement units to continuously improve our processes for selecting and cooperating with suppliers; our global Daimler Supplier Sustainability Standards apply here. On the basis of these standards and our Integrity Code, a specific Supplier Compliance Awareness Module was developed. This module is distributed to our suppliers. It contains provisions similar to those that can be found in the general Compliance Awareness Module for sales partners, which was introduced in 2016 and is designed to increase their awareness of compliance requirements. See also daimler.com/sus/obr.

Communication and training

Our extensive training courses are based on our Integrity Code. The training program is planned on the basis of an annual planning cycle that includes everything from a needs analysis to the evaluation of the entire training process. Among other things, the program covers the topics of integrity, compliance (including corruption prevention and technical compliance), data protection and antitrust law. Depending on the risk and the target group, we use classroom training or digital learning techniques such as web-based training courses.

Every employee who works at a majority-owned Daimler-controlled company can participate in a web-based and target-group oriented training program consisting of several modules – a basic module, a module specifically for managers, and expert modules on antitrust law, data protection, technical compliance, non-cash rewards for employees and function-specific topics such as procurement and sales. This program is being continuously expanded in line with the requirements of specific target groups.

Office employees are required to complete modules relevant to their role and function. The associated modules are assigned to them automatically or in a centralized process. These training modules are assigned when an employee is hired, promoted or transferred to a position that involves an increased risk. This approach ensures that personnel changes are properly addressed. In general, the program must be repeated approximately every three years. Factory employees can complete the web-based training program voluntarily.

The web-based training courses are supplemented by classroom training sessions that are conducted by central or local trainers. We provide our internal trainer network with modular training documents and materials for methodical implementation, such as trainer guideline and explanatory videos that can be used in a target group-specific manner in accordance with the risks associated with the participants' jobs. In 2018, a total of approximately 220,000 employees from various levels of the hierarchy participated in classroom and web-based training programs.

We also offer our employees in the compliance and legal organizations target group-specific qualification measures. In addition, all new employees at these organizations receive a comprehensive introduction in an onboarding program.

All of these training measures contribute to the permanent establishment of ethical and compliant behavior at the company and also help our employees deal with specific issues that can occur at work. The same is true of the Daimler app for integrity, compliance and legal affairs. The app can be downloaded and used by all employees with an iOS company-owned device. Among other things, the app enables mobile access to information on corruption prevention and antitrust law, and additional topics will be added in the coming financial year.

Information and qualification measures are also offered to individuals who perform supervisory and management functions. Within the framework of the onboarding program for new members of the Supervisory Board of Daimler AG, such members were provided with information about the antitrust compliance program and technical compliance management during the year under review. In addition, the Group's Chief Compliance Officer reported to the Audit Committee of the Supervisory Board on the status of the compliance management system. In 2018, new members of the supervisory boards of Daimler holdings were provided with information on various issues relating to compliance, data protection and integrity. They also participated in a "Know Your Responsibilities" onboarding program to make them more aware of compliance-related topics (for example anti-corruption policies) and the importance of integrity at their companies. New members of executive bodies at companies in which Daimler is the majority shareholder are given a compact overview of key aspects of corporate governance via the Corporate Governance Navigator, which is a target group-focused module that supports them in their new role by providing information on their tasks and responsibilities, contact partners and units that deal with central issues addressed by the Integrity and Legal Affairs division and adjacent units.

In addition to our internal training measures, our training program also includes special courses on integrity and compliance (including corruption prevention) that are offered to our business partners in line with their specific risks. The courses are offered as web-based training or classroom training sessions. Daimler informs its business partners about the courses and invites them to participate.

Monitoring and improvements
Every year, we review the adequacy and effectiveness of our Compliance Management System and adapt it to global developments, changed risks and new legal requirements. We also monitor important core processes during the year on the basis of key performance indicators (KPIs) that include process duration and quality. To determine these indicators, we check, among other things, whether formal requirements are met and all information is complete. In addition, we analyze the knowledge gained through independent internal and external assessments and participate in selected benchmark studies.

These activities are used to define any required improvement measures, which are implemented by the responsible units and departments and then monitored on a regular basis. The relevant management bodies continuously receive reports on these monitoring activities.

Involvement of company management
Our divisional and regional compliance managers report to the Chief Compliance Officer. This guarantees the compliance managers' independence from the business divisions. The Chief Compliance Officer, the Group General Counsel and the Vice President Legal Product & Technical Compliance report directly to the Member of the Board of Management for Integrity and Legal Affairs and to the Audit Committee of the Supervisory Board. They also report regularly to the Board of Management of Daimler AG on matters such as the status of the Compliance Management System and its further development, the status of the whistleblower system and, if necessary, on other topics. In addition, the Group General Counsel regularly reports to the Antitrust Steering Committee and the Group Risk Management Committee, to which the Chief Compliance Officer and the Vice President Legal Product & Technical Compliance also report.

Important non-financial reporting topics
Eliminating corruption, preventing cartel arrangements, ensuring compliance with technical regulations, preventing money laundering and the financing of terrorism, and complying with sanctions – we introduced our Compliance Management System (CMS) in order to address exactly these issues, which are extremely important to us. The Data Compliance Management System that we are currently setting up is also based on the Daimler CMS, as is our Group-wide approach to respecting and upholding human rights.

Anti-corruption compliance

Daimler has committed itself to fighting corruption in its own business activities. Along with complying with all applicable laws, this also involves adhering to the rules of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1997) and the United Nations Convention against Corruption (2003). As a founding member of the UN Global Compact, Daimler also seeks to ensure that not only the company itself but also its business partners act in accordance with the principles of the compact. The most important goals here are to fight corruption around the world in order to enable fair competition, eliminate the damage corruption does to society and thus improve conditions for everyone. Our anti-corruption compliance program is based on our comprehensive Compliance Management System. The program is globally valid and primarily consists of an integrated risk assessment process that takes into account internal information such as a unit's business model and external information such as the Corruption Perceptions Index from Transparency International, for example. Other program components include risk-based measures for avoiding corruption in all business activities (e.g. reviews of business partners and transactions) and measures to ensure that special care is taken in contacts with authorities and public officials. Our risk-minimization measures focus in particular on sales companies in high-risk countries and business relationships with wholesalers and general agencies worldwide.

The responsibility for implementing and monitoring measures lies with each company's management, which cooperates closely with the specialist units within Integrity and Legal Affairs.

Daimler places the same strict requirements on all of its activities around the world. In addition, we continuously improve our methods and processes and use a variety of communication and training measures to make our employees around the world more aware of the importance of fighting corruption. Further information on communication and training:
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Antitrust compliance

Free and unfettered competition is one of the foundations of our social and economic system. Such competition creates growth and jobs and ensures that all of us as consumers have access to modern products at fair prices. Our Group-wide Antitrust Compliance Program is oriented to national and international standards. The program establishes a binding, globally valid Daimler standard that defines how matters of competition law are to be assessed. The Daimler standard is based on the standards of the European antitrust authorities and courts. The objective of the Daimler standard is a uniform level of compliance and advice in all countries and thus compliance with all local and international antitrust laws.

By means of an advisory hotline set up by our Legal department, as well as guidelines and practical support, we help our employees around the world recognize situations that might be critical from an antitrust perspective, and also act in compliance with regulations in their daily work, especially when dealing with competitors, cooperating with dealers and general agencies around the world, and participating in business association committees.

In addition to Daimler's Legal department and its specialist advisers, the Group's global units and their employees can turn to legal advisers in local units, who also ensure that our standards are consistently upheld. We also utilize a variety of communication measures to make our employees aware of the importance of competition and antitrust laws and issues.

The results of our annual compliance risk analysis serve as the basis for the formulation of measures that address antitrust risks. The responsibility for designing, implementing and monitoring measures lies with each company's management. Managers in turn cooperate closely with Integrity and Legal Affairs, which also provides information on how to implement the measures effectively. Units that face a higher potential risk in particular must also systematically assess the adequacy and effectiveness of locally implemented antitrust compliance measures at regular intervals. In addition, our Legal and Corporate Audit departments conduct additional monitoring activities at our company's units, as well as random audits on the basis of a predefined audit plan in order to ensure that antitrust laws are complied with and internal processes are carried out properly. This helps us continuously improve the effectiveness of our Antitrust Compliance Program and adapt it to global developments and new legal requirements. The associated methods and processes are being constantly refined and improved.

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

Technical compliance

For us, technical compliance means adhering to technical regulations, standards and laws while taking into account the fundamental aims of these laws and regulations. In order to address the specific risks associated with the product development process, we combined the existing systems and additional measures and processes at all divisions of Daimler AG into a technical Compliance Management System (tCMS). The purpose of the tCMS is to ensure legal and regulatory conformity within the product development process and to provide our employees with orientation and guidance through values, structures and processes.

The technical Compliance Management System is managed Group-wide by a unit independent of all divisions that consists of employees with expertise in various fields, such as development, legal affairs, integrity and compliance. The head of this unit – the Vice President Legal Product & Technical Compliance – reports directly to the member of the Daimler AG Board of Management responsible for Integrity and Legal Affairs. Our divisional structure enables us to optimally support and advise our divisions. The unit's tasks include the organization of the technical Compliance Management System and its associated governance elements and providing legal advice to the divisions.

In order to further strengthen the tCMS, dedicated units with experts for technical compliance have been created in the development departments at the Cars, Vans, Trucks and Buses divisions. In addition, there is a network of technical compliance contact partners within the development departments who serve as a link between operating units and the compliance organization. These partners support the development departments in matters of technical compliance. Complex questions regarding technical compliance are evaluated and then decided unanimously in an interdisciplinary process that takes into account technical and legal criteria. Our "Infopoint Integrity" is also available as a contact and advice center for topics related to technical compliance, while our BPO whistleblower system is available for reporting on technical compliance violations.

The Technical Integrity initiative, as part of the tCMS, aims to ensure responsible behavior during the product development process, particularly in situations where legal provisions may be unclear. Together with the relevant development departments, so-called commitment statements have been formulated in order to support the employees in this process. These principles have been discussed with employees at dialog sessions held around the world. Various communications measures regarding the commitment statements have been conveyed to all employees and anchored in selected training courses .

Development employees at all divisions have been sensitized to issues relating to integrity, compliance and legal regulations in the product development process through various communications measures such as "Tone from the Top" mailings and posters, as well as through special training courses and dialog sessions. Dialog sessions have also been held worldwide with more than 750 managers from development and development-related departments at the various divisions in order to ensure that technical compliance and integrity are anchored in the organization. In addition, more than 19,500 employees from the development departments of all divisions worldwide took part in classroom training courses on technical compliance in the year under review.

The effectiveness of our tCMS is monitored annually in a process that also results in the development of measures to improve the system wherever necessary.

Data compliance

As a consequence of the European Union's new General Data Protection Regulation (GDPR), which went into effect on May 25, 2018, we are consolidating all existing data protection measures, processes and systems throughout the Group into a single Data Compliance Management System. This system is based on the Daimler Compliance Management System (CMS), whose approach helps us meet the company's accountability requirement and the data controller's obligation to demonstrate the basis of the processing of personal data as described in the GDPR.

The establishment of the Data Compliance Management System was accompanied by the creation of a new Data Compliance unit within the compliance organization. This unit defines the program elements and controls their implementation throughout the Group. At the same time, the Chief Officer Corporate Data Protection and his team continue to perform the tasks required by law to ensure compliance with data protection rules. The Chief Officer Corporate Data Protection is independent and reports directly to the Board of Management member for Integrity and Legal Affairs. The Chief Officer Corporate Data Protection informs and advises the data controllers and the specialist departments, serves as a contact partner for complaints regarding data protection, monitors compliance with data protection rules, provides advice on the implementation of data protection impact assessments and cooperates with the regulatory authorities. We are currently realigning the existing network of local data protection coordinators and merging this network into our compliance network.

Our Corporate Data Protection Policy creates Group-wide standards for handling the data of employees, customers and business partners. The internal processes necessitated by the GDPR and the requirements of the Compliance Management System are reflected in a new version of the Corporate Data Protection Policy.

A key component of the Data Compliance Management System is the Data Compliance Risk Assessment, which involves a systematic analysis and evaluation of data protection risks at all business units. These analyses are based on centrally compiled information on all business units; specific additional details are taken into account in line with the given risk assessment. The results of the analyses form the basis of our risk management and risk minimization activities. The analyses enable us to adopt a risk-based approach for the further development of our Data Compliance Management System.

The results of the annual Data Compliance Risk Assessment serve as the basis for the formulation of measures that address possible data protection risks. The elements of our data compliance program include the provisions of the General Data Protection Regulation (relating, for example, to information obligations, the rights of data subjects and concepts for data erasure), the stipulations of local data protection laws, communication and training measures and various data protection consulting services. The responsibility for designing and implementing measures lies with each company's management. Managers in turn cooperate closely with Integrity and Legal Affairs, which also provides support with implementation.

A monitoring plan is used to assess the effectiveness and efficiency of the implementation of the various measures at the business units. These reviews are used to define improvement measures, which are implemented by the responsible units and departments and then monitored on a regular basis.

Anti-financial crime compliance

Money laundering and the financing of terrorism pose considerable sociopolitical risks. For this reason, the prevention of money laundering and the implementation of anti-money laundering measures have been defined as central compliance goals in our Integrity Code. With our core business and our global production and sale of vehicles, we and companies controlled by the Group are subject to the provisions of the German Money Laundering Act (GwG), which applies to "commercial sellers of goods." As a result, we are required to implement Group-wide and thus worldwide measures to prevent and combat money laundering and the financing of terrorism (anti-money laundering – AML – and counter terrorist financing – CTF – policies).

An integrated Group-wide compliance approach has been implemented in the Anti-Financial Crime (AFC) department in order to link prevention of the circumvention of supranational and national sanctions with measures to prevent and combat money laundering, organized crime and other criminal economic activity and the financing of terrorism. This is important, as these risks can not only have a negative impact on society; they can also cause long-term damage to our reputation, as well as financial damage that can negatively affect our companies and our shareholders and stakeholders.

The organizational structure of the AFC specialist unit serves as the central Group organization for promoting compliance with the GwG across all divisions. This structure also brings together under one roof our two Centers of Competence for Preventing and Combating Money Laundering and the Financing of Terrorism (CoC AML) and the Center of Competence for Checks against Sanctions Lists (CoC CSL). The objective of the sanctions compliance process is to ensure the performance of systematic reviews to determine whether the names of affected natural or juridical persons or organizations can be found on any sanctions list around the globe (checks against sanctions lists – CSL). The review thus involves checking supranational sanctions lists such as those published by the United Nations (UN) and the European Union (EU), as well as national sanctions lists, in particular those published by the United States, that may be applicable in certain situations.

As required by law, such reviews are conducted for customers and business partners, for example in sales and procurement, as well as for employees and strategic cooperation partners. The provisions of data protection law are taken into account when such checks against sanctions lists are performed. Our integrated compliance approach aims to ensure that we can effectively prevent and combat money laundering and the financing of terrorism.

Human rights compliance

For Daimler, respect for human rights is a fundamental component of responsible corporate governance. Respect for human rights is therefore a key component of our Group-wide sustainability strategy. We are committed to ensuring that human rights are respected and upheld throughout our organization and by our suppliers.

The following standards and guidelines in particular serve as a frame of reference for our conduct and are of central importance for our due diligence obligations as defined by the HRRS:
– the UN Global Compact,
– the UN Guiding Principles on Business and Human Rights,
– the Universal Declaration of Human Rights,
– Germany's National Action Plan on Business and Human Rights, and
– the Core Labor Standards of the International Labour Organization.

Our expectations, which are based on these standards and guidelines, are clearly defined and described in our Integrity Code and the Daimler Supplier Sustainability Standards. The latter define our requirements with regard to working conditions, human rights, environmental protection, safety, business ethics and compliance, and are also part of our general terms and conditions. We demand that our direct suppliers worldwide commit themselves to observing our sustainability standards, communicating them to their employees and to upstream value chains, and checking to ensure that the standards are complied with. As a risk-based measure, we ourselves perform checks in critical supply chains in order to verify compliance with our standards by further members of the supply chain. These audits begin with the tier one supplier and extend to the critical points in the supply chain, and even down to the mines if necessary.

We are gradually expanding our Human Rights Respect System (HRRS) in a process that also includes regular consultations with external stakeholders. The HRRS, which orientates itself on our Group-wide Compliance Management System (CMS), utilizes a risk-based approach in its focus on Daimler majority holdings (including our production locations) and our supply chain.

Due diligence with the Human Rights Respect System

As a proactive risk management system, the HRRS is designed to identify and avoid systemic risks and possible negative effects of our business activities on human rights early on. The HRRS thus primarily protects third parties and is aimed at exerting its effect along our supply chain as well. It consists of four steps that are to be applied to Daimler majority-owned companies and the supply chain:

1. identification of potential human rights risks (risk assessment),
2. definition, implementation and management of preventive measures and countermeasures (program implementation),
3. monitoring of the effectiveness of the measures, in particular at higher-risk units and in supply chains that are at a high risk of human rights violations (monitoring), and
4. periodic internal reporting on relevant issues, compliance with external reporting requirements (reporting).

The HRRS also involves consultation and exchange with rights holders (for example our employees and their representatives) and external third parties such as civil society organizations and local populations.

Identification of human rights risks at Daimler majority holdings

The risk assessment is a two-step process. The first step involves a categorization of the majority holdings on the basis of predefined criteria, such as the risk situation in specific countries and risks associated with specific business operations. In the second step, units that display a heightened human rights risk are subject to an on-site assessment. The modular approach we employ here takes into account fundamental human rights standards such as those defined in the Universal Declaration of Human Rights and the Core Labour Standards of the International Labour Organization (ILO).

During the reporting year, we made adjustments to our risk assessment methods and also had external stakeholders verify our risk assessment process. The feedback we receive from stakeholders is used to further develop and improve the risk assessment system. We are also currently developing an effective approach to program implementation, monitoring and reporting.

Identification of human rights risks in our supply chain

Since 2008 we have defined our expectations towards our suppliers regarding sustainability in our Supplier Sustainability Standards. Upholding human rights and in particular stipulations concerning working conditions are key components of these requirements. In order to meet our human rights due diligence obligations even more systematically, we have developed risk classifications tailored to various product areas (such as production materials and services). This enables us to identify services and raw materials that may pose risks to human rights, including minerals that are potentially associated with conflicts. During the year under review, we started using our analyses here as a basis for defining and implementing measures that can also be applied beyond the level of our direct suppliers if necessary.

Further Group-wide measures

Within our sales organization, we conduct individual audits of potentially critical transactions in cooperation with the units that are involved. During our ongoing training sessions, we also inform our employees and make them aware of their obligation to respect and safeguard human rights as described in our Integrity Code. Employees and external parties can use various channels, such as the BPO (Business Practices Office) whistleblower system and the World Employment Committee, to report suspected human rights violations and obtain “access to remedy” as defined by the third pillar of the UN Guiding Principles on Business and Human Rights. daimler.com/company/corporate-governance/compliance/principles.html
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Involvement at the executive level

The responsibility for human rights issues lies with the Integrity and Legal Affairs Board of Management function. The member of the Board of Management responsible for Integrity and Legal Affairs is regularly informed about human rights activities. This is supplemented by regular reports submitted to the Board of Management and the Corporate Sustainability Board (CSB), as well as to the Procurement Council (PC) within the framework of our sustainability strategy.

Independent Auditor's Report Concerning a Limited Assurance Engagement on the Non-Financial Group Reporting[1]

To the Supervisory Board of Daimler AG, Stuttgart

We have performed an independent limited assurance engagement on the separate combined non-financial Report of Daimler AG, Stuttgart and the Group (further "Daimler") as well as the by reference qualified parts "Business model", "The workforce", "Legal risks" and "Non-Financial risks" (further "Report") according to §§ 315b and 315c in conjunction with 289b to 289e German Commercial Code (HGB) for the business year from January 1 to December 31, 2018.

Management's Responsibility
The legal representatives of Daimler are responsible for the preparation of the Report in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the Report and the use of assumptions and estimates for individual sustainability disclosures which are reasonable under the given circumstances. Furthermore, the responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Report in a way that is free of – intended or unintended – material misstatements.

Independence and quality assurance on the part of the auditing firm
We are independent from the company in accordance with the requirements of independence and quality assurance set out in legal provisions and professional pronouncements and have fulfilled our additional professional obligations in accordance with these requirements.

Our audit firm applies the national statutory provisions and professional pronouncements for quality assurance, in particular the professional code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Practitioner's Responsibility
Our responsibility is to express a conclusion on the Report based on our work performed within a limited assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" published by IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance whether any matters have come to our attention that cause us to believe that the Report for the period from January 1 to December 31, 2018, has not been prepared, in all material respects in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB. We do not, however, provide a separate conclusion for each disclosure. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement and therefore significantly less assurance is obtained than in a reasonable assurance engagement. The choice of audit procedures is subject to the auditor's own judgement.

Within the scope of our engagement, we performed amongst others the following procedures:
– Inquiries of personnel on group level who are responsible for the materiality analysis to get an understanding of the process for identifying material topics and respective report boundaries for Daimler
– A risk analysis, including a media search, of relevant information about the sustainability performance of Daimler in the reporting period
– Evaluation of the design and implementation of systems and processes for the collection, processing and monitoring of information on environmental, employee and social matters, respect for human rights, and combating corruption and bribery, including data consolida-tion
– Inquiries of personnel on group level who are responsible for the collection of the infor-mation to concepts, due diligence processes, results and risks, the conduction of internal controls and the information consolidation
– Evaluation of selected internal and external documents
– Analytical evaluation of data and trends of quantitative information which are reported by all sites on group level
– Evaluation of local data collection and reporting processes and reliability of reported data via a sampling survey in Kawasaki (Japan), Sindelfingen and Düsseldorf (both Germany).
– Assessment of the overall presentation of the information

Conclusion
Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Report of Daimler for the business year from January 1 to December 31, 2018 is not prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

Restriction of use/AAB clause
This report is issued for purposes of the Supervisory Board of Daimler AG, Stuttgart, only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of Daimler AG, Stuttgart, and professional liability is governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf. By reading and using the information contained in this report, each recipient confirms notice of provisions of the General Engagement Terms (including the limitation of our liability for negligence to EUR 4 Mio as stipulated in No. 9) and accepts the validity of the attached General Engagement Terms with respect to us.

Stuttgart, February 13, 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft
(Original German version signed by:)

Dr. Thümler	Mokler
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

1 Our engagement applied to the German version of the Report 2018. This text is a translation of the Independent Assurance Report issued in the German language, whereas the German text is authoritative.

Consolidated Financial Statements

The Consolidated Financial Statements presented as follows have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). They also comply with additional requirements set forth in Section 315e Subsection 1 of the German Commercial Code (HGB).

F | Consolidated Financial Statements

Consolidated Statement of Income

F.01

	Note	2018	2017 (adjusted)[1]
In millions of euros			
Revenue	4	167,362	164,154
Cost of sales	5	-134,295	-129,626
Gross profit		33,067	34,528
Selling expenses	5	-13,067	-12,951
General administrative expenses	5	-4,036	-3,808
Research and non-capitalized development costs	5	-6,581	-5,938
Other operating income	6	2,330	2,259
Other operating expense	6	-1,462	-1,043
Profit on equity-method investments, net	13	656	1,498
Other financial income/expense, net	7	210	-210
Interest income	8	271	214
Interest expense	8	-793	-582
Profit before income taxes[2]		10,595	13,967
Income taxes	9	-3,013	-3,350
Net profit		7,582	10,617
thereof profit attributable to non-controlling interests		333	339
thereof profit attributable to shareholders of Daimler AG		7,249	10,278
Earnings per share (in euros) for profit attributable to shareholders of Daimler AG	36		
Basic		6.78	9.61
Diluted		6.78	9.61

1 The prior-year figures have been adjusted due to the effects of the first-time adoption of IFRS 15 and IFRS 9. Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Consolidated Financial Statements.
2 The reconciliation of Group EBIT to profit before income taxes is presented in Note 34.

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income/Loss[1]

F.02

	Daimler Group 2018	Shareholders of Daimler AG 2018	Non-controlling interests 2018	Daimler Group 2017 (adjusted)[2]	Shareholders of Daimler AG 2017 (adjusted)[2]	Non-controlling interests 2017
In millions of euros						
Net profit	7,582	7,249	333	10,617	10,278	339
Currency translation adjustments	234	214	20	-2,652	-2,584	-68
Equity instruments and debt instruments						
Unrealized gains/losses (pre-tax)	-45	-44	-1	18	17	1
Reclassifications to profit and loss (pre-tax)	–	–	–	-1	-1	–
Taxes on unrealized gains/losses and on reclassifications	21	21	–	-3	-3	–
Equity instruments and debt instruments (after tax)	-24	-23	-1	14	13	1
Derivative financial instruments						
Unrealized gains/losses (pre-tax)	-1,080	-1,081	1	2,419	2,423	-4
Reclassifications to profit and loss (pre-tax)	-722	-722	–	44	44	–
Taxes on unrealized gains/losses and on reclassifications	537	537	–	-735	-736	1
Derivative financial instruments (after tax)	-1,265	-1,266	1	1,728	1,731	-3
Equity-method investments						
Unrealized gains/losses (pre-tax)	-3	-3	–	25	25	–
Taxes on unrealized gains/losses and on reclassifications	-1	-1	–	–	–	–
Equity-method investments (after tax)	-4	-4	–	25	25	–
Items that may be reclassified to profit/loss	-1,059	-1,079	20	-885	-815	-70
Actuarial gains/losses on equity-method investments (pre-tax)	-1	-1	–	–	–	–
Actuarial gains/losses on equity-method investments (after tax)	-1	-1	–	–	–	–
Actuarial gains/losses from pensions and similar obligations (pre-tax)	-1,627	-1,625	-2	-108	-106	-2
Taxes on actuarial gains/losses from pensions and similar obligations	171	171	–	-19	-19	–
Actuarial gains/losses from pensions and similar obligations (after tax)	-1,456	-1,454	-2	-127	-125	-2
Items that will not be reclassified to profit/loss	-1,457	-1,455	-2	-127	-125	-2
Other comprehensive income/loss, net of taxes	-2,516	-2,534	18	-1,012	-940	-72
Total comprehensive income	5,066	4,715	351	9,605	9,338	267

1 See Note 20 for other information on comprehensive income/loss.
2 The prior-year figures have been adjusted due to the effects of the first-time adoption of IFRS 15 and IFRS 9. Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Consolidated Financial Statements.

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

F.03

	Note	2018	At December 31, 2017 (adjusted)[1]
In millions of euros			
Assets			
Intangible assets	10	14,801	13,735
Property, plant and equipment	11	30,948	27,981
Equipment on operating leases	12	49,476	47,074
Equity-method investments	13	4,860	4,818
Receivables from financial services	14	51,300	46,600
Marketable debt securities and similar investments	15	722	990
Other financial assets	16	2,763	3,204
Deferred tax assets	9	4,021	2,844
Other assets	17	1,115	1,203
Total non-current assets		160,006	148,449
Inventories	18	29,489	25,686
Trade receivables	19	12,586	11,995
Receivables from financial services	14	45,440	39,454
Cash and cash equivalents		15,853	12,072
Marketable debt securities and similar investments	15	8,855	9,073
Other financial assets	16	2,970	3,602
Other assets	17	5,889	5,014
Assets held for sale		531	–
Total current assets		121,613	106,896
Total assets		281,619	255,345
Equity and liabilities			
Share capital		3,070	3,070
Capital reserves		11,710	11,742
Retained earnings		49,490	47,553
Other reserves		397	1,504
Equity attributable to shareholders of Daimler AG		64,667	63,869
Non-controlling interests		1,386	1,290
Total equity	20	66,053	65,159
Provisions for pensions and similar obligations	22	7,393	5,767
Provisions for income taxes		628	1,046
Provisions for other risks	23	7,734	7,143
Financing liabilities	24	88,662	78,378
Other financial liabilities	25	2,375	2,370
Deferred tax liabilities	9	3,762	2,347
Deferred income	26	1,612	1,668
Contract and refund liabilities	27	5,438	3,833
Other liabilities	28	10	10
Total non-current liabilities		117,614	102,562
Trade payables		14,185	12,451
Provisions for income taxes		823	560
Provisions for other risks	23	7,828	7,620
Financing liabilities	24	56,240	48,746
Other financial liabilities	25	7,657	6,905
Deferred income	26	1,580	1,528
Contract and refund liabilities	27	7,081	7,375
Other liabilities	28	2,346	2,439
Liabilities held for sale		212	–
Total current liabilities		97,952	87,624
Total equity and liabilities		281,619	255,345

1 The prior-year figures have been adjusted due to the effects of the first-time adoption of IFRS 15 and IFRS 9.
Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Consolidated Financial Statements.

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows[1]

F.04

In millions of euros	2018	2017 (adjusted)[2]
Profit before income taxes	10,595	13,967
Depreciation and amortization/impairments	6,305	5,676
Other non-cash expense and income	-872	-1,507
Gains (-)/losses (+) on disposals of assets	-178	-453
Change in operating assets and liabilities		
Inventories	-3,850	-1,455
Trade receivables	-884	-1,597
Trade payables	1,694	1,259
Receivables from financial services	-10,257	-11,412
Vehicles on operating leases	-1,609	-3,304
Other operating assets and liabilities	877	210
Dividends received from equity-method investments	1,380	843
Income taxes paid	-2,858	-3,879
Cash used for/provided by operating activities	343	-1,652
Additions to property, plant and equipment	-7,534	-6,744
Additions to intangible assets	-3,167	-3,414
Proceeds from disposals of property, plant and equipment and intangible assets	644	812
Investments in shareholdings	-780	-1,105
Proceeds from disposals of shareholdings	363	418
Acquisition of marketable debt securities and similar investments	-5,739	-6,729
Proceeds from sales of marketable debt securities and similar investments	6,210	7,266
Other	82	-22
Cash used for investing activities	-9,921	-9,518
Change in short-term financing liabilities	2,637	751
Additions to long-term financing liabilities	71,137	63,116
Repayment of long-term financing liabilities	-56,318	-47,073
Dividend paid to shareholders of Daimler AG	-3,905	-3,477
Dividends paid to non-controlling interests	-315	-250
Proceeds from the issue of share capital	118	114
Acquisition of treasury shares	-50	-42
Acquisition of non-controlling interests in subsidiaries	-78	-10
Cash provided by financing activities	13,226	13,129
Effect of foreign exchange rate changes on cash and cash equivalents	133	-868
Net increase in cash and cash equivalents	3,781	1,091
Cash and cash equivalents at beginning of period	12,072	10,981
Cash and cash equivalents at end of period	15,853	12,072

1 See Note 29 for other information on Consolidated Statements of Cash Flows.
2 The prior-year figures have been adjusted due to the effects of the first-time adoption of IFRS 15 and IFRS 9.
Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Consolidated Financial Statements.

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity[1]

F.05

	Share capital	Capital reserves	Retained earnings[2]	Currency translation	Equity instruments/ debt instruments
In millions of euros					
Balance at January 1, 2017	3,070	11,744	40,794	2,842	53
First-time adoption of IFRS 15	–	–	95	–	–
First-time adoption of IFRS 9	–	–	23	–	–
Balance at January 1, 2017 (adjusted)[3]	3,070	11,744	40,912	2,842	53
Net profit	–	–	10,278	–	–
Other comprehensive income/loss before taxes	–	–	-106	-2,584	16
Deferred taxes on other comprehensive income	–	–	-19	–	-3
Total comprehensive income/loss	–	–	10,153	-2,584	13
Dividends	–	–	-3,477	–	–
Changes in the consolidated group	–	–	-35	–	–
Capital increase/Issue of new shares	–	–	–	–	–
Acquisition of treasury shares	–	–	–	–	–
Issue and disposal of treasury shares	–	–	–	–	–
Changes in ownership interests in subsidiaries	–	5	–	–	–
Other	–	-7	–	–	–
Balance at December 31, 2017	3,070	11,742	47,553	258	66
Balance at January 1, 2018	**3,070**	**11,742**	**47,553**	**258**	**66**
First-time adoption of IFRS 9	–	–	**2**	–	**-28**
Balance at January 1, 2018 (adjusted)[3]	**3,070**	**11,742**	**47,555**	**258**	**38**
Net profit	–	–	**7,249**	–	–
Other comprehensive income/loss before taxes	–	–	**-1,626**	**214**	**-44**
Deferred taxes on other comprehensive income	–	–	**171**	–	**21**
Total comprehensive income/loss	–	–	**5,794**	**214**	**-23**
Dividends	–	–	**-3,905**	–	–
Capital increase/Issue of new shares	–	–	–	–	–
Acquisition of treasury shares	–	–	–	–	–
Issue and disposal of treasury shares	–	–	–	–	–
Changes in ownership interests in subsidiaries	–	**-32**	–	–	–
Other	–	–	**46**	–	–
Balance at December 31, 2018	**3,070**	**11,710**	**49,490**	**472**	**15**

1 See Note 20 for other information on changes in equity.
2 Retained earnings also include items that will not be reclassified to the Consolidated Statement of Income. Actuarial losses from pensions and similar obligations amount to 9,017 net of tax in 2018 (2017: €7,562 million net of tax).
3 The prior-year figures have been adjusted due to the effects of the first-time adoption of IFRS 15 and IFRS 9. Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Consolidated Financial Statements.

The accompanying notes are an integral part of these Consolidated Financial Statements.

Other reserves items that may be reclassified in profit/loss: Derivative financial instruments	Other reserves items that may be reclassified in profit/loss: Share of investments accounted for using the equity method	Treasury share	**Equity attributable to shareholders of Daimler AG**	Non-controlling interests	**Total equity**	In millions of euros
-537	-16	–	57,950	1,183	59,133	**Balance at January 1, 2017**
–	–	–	95	–	95	First-time adoption of IFRS 15
-23	–	–	–	–	–	First-time adoption of IFRS 9
-560	-16	–	58,045	1,183	59,228	**Balance at January 1, 2017 (adjusted)[3]**
–	–	–	10,278	339	10,617	Net profit
2,467	25	–	-182	-73	-255	Other comprehensive income/loss before taxes
-736	–	–	-758	1	-757	Deferred taxes on other comprehensive income
1,731	25	–	9,338	267	9,605	Total comprehensive income/loss
–	–	–	-3,477	-250	-3,727	Dividends
–	–	–	-35	–	-35	Changes in the consolidated group
–	–	–	–	56	56	Capital increase/Issue of new shares
–	–	-42	-42	–	-42	Acquisition of treasury shares
–	–	42	42	–	42	Issue and disposal of treasury shares
–	–	–	5	24	29	Changes in ownership interests in subsidiaries
–	–	–	-7	10	3	Other
1,171	9	–	63,869	1,290	65,159	**Balance at December 31, 2017**
1,171	**9**	**–**	**63,869**	**1,290**	**65,159**	**Balance at January 1, 2018**
–	**–**	**–**	**-26**	**-8**	**-34**	First-time adoption of IFRS 9
1,171	**9**	**–**	**63,843**	**1,282**	**65,125**	**Balance at January 1, 2018 (adjusted)[3]**
–	**–**	**–**	**7,249**	**333**	**7,582**	Net profit
-1,803	**-3**	**–**	**-3,262**	**18**	**-3,244**	Other comprehensive income/loss before taxes
537	**-1**	**–**	**728**	**–**	**728**	Deferred taxes on other comprehensive income
-1,266	**-4**	**–**	**4,715**	**351**	**5,066**	Total comprehensive income/loss
–	**–**	**–**	**-3,905**	**-315**	**-4,220**	Dividends
–	**–**	**–**	**–**	**80**	**80**	Capital increase/Issue of new shares
–	**–**	**-50**	**-50**	**–**	**-50**	Acquisition of treasury shares
–	**–**	**50**	**50**	**–**	**50**	Issue and disposal of treasury shares
–	**–**	**–**	**-32**	**-13**	**-45**	Changes in ownership interests in subsidiaries
–	**–**	**–**	**46**	**1**	**47**	Other
-95	**5**	**–**	**64,667**	**1,386**	**66,053**	**Balance at December 31, 2018**

Notes to the Consolidated Financial Statements

1. Significant accounting policies

General information

The Consolidated Financial Statements of Daimler AG and its subsidiaries ("Daimler" or "the Group") have been prepared in accordance with Section 315e of the German Commercial Code (HGB) and comply with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Daimler AG is a stock corporation organized under the laws of the Federal Republic of Germany. The Company is entered in the Commercial Register of the Stuttgart District Court under No. HRB 19360 and its registered office is located at Mercedesstraße 137, 70327 Stuttgart, Germany.

The Consolidated Financial Statements of Daimler AG are presented in euros (€). Unless otherwise stated, all amounts are stated in millions of euros. All figures shown are rounded in accordance with standard business rounding principles.

The Board of Management authorized the Consolidated Financial Statements for publication on February 13, 2019.

Basis of preparation

Applied IFRSs
The accounting policies applied in the Consolidated Financial Statements comply with the IFRSs required to be applied in the EU as of December 31, 2018.

IFRSs issued, EU endorsed and initially adopted in the reporting period

Application of IFRS 15 Revenue from Contracts with Customers. In May 2014, the IASB published the standard IFRS 15. It replaces existing guidance for revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The new standard lays down a comprehensive framework for determining in which amount and at which date revenue is recognized. The new standard specifies a uniform, five-step model for revenue recognition, which is generally to be applied to all contracts with customers.

Daimler applies IFRS 15 for the first time for the financial year beginning on January 1, 2018. First-time adoption has been conducted retrospectively. The figures reported for the previous year have been adjusted by the effects arising from the adoption of IFRS 15.

Daimler uses the following practical expedients available under IFRS 15 for retrospective first-time adoption:

- Contracts concluded until December 31, 2016 (in application of previously relevant accounting standards) were not reassessed under IFRS 15. Due to the application of this practical expedient, profit decreased especially in Q1 2017 in comparison to full retrospective adoption. The impact on the Group's profitability, liquidity and capital resources or financial position is assessed to be not material.

- Contracts that were modified before January 1, 2017 have not been reassessed pursuant to the provisions of IFRS 15 for contract modifications. The application of this practical expedient did not have any major impact on the Group's profitability, liquidity and capital resources or financial position.

- At December 31, 2017, the amount of the transaction price allocated to the remaining performance obligations is not disclosed and an explanation of when that amount is expected to be recognized as revenue is not given.

First-time adoption of IFRS 15 particularly affects Daimler in the following areas:

Contract liabilities. IFRS 15 includes guidance on the presentation of contract fulfillment and contract obligations. These are assets and liabilities from contracts with customers which arise dependent on the relationship between the entity's performance and the customer's payment. Therefore, a contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

The guidance led to reclassifications in the Statement of Financial Position from deferred income and other liabilities into contract liabilities.

Contract liabilities occur at Daimler especially in the following circumstances:

- deferred revenue for service and maintenance contracts and for extended warranties, and
- advance payments received on contracts in the scope of IFRS 15.

Refund liabilities. A refund liability occurs if Daimler receives consideration from a customer and expects to refund some or all of that consideration to the customer. A refund liability is measured at the amount of consideration received for which Daimler does not expect to be entitled and is thus not included in the transaction price.

This guidance led to reclassifications in the Statement of Financial Position from provisions for other risks and other financial liabilities into refund liabilities.

Refund liabilities occur at Daimler especially in the following circumstances:

- obligations from sales transactions (especially performance bonuses, discounts and other price concessions) in the scope of IFRS 15, and
- sales with a right of return and residual-value guarantees.

Sale of vehicles for which the Group enters into a repurchase obligation. IFRS 15 differentiates between three forms of repurchase agreements: a forward (an entity's obligation to repurchase the asset), a call option (an entity's right to repurchase the asset) and a put option (an entity's obligation to repurchase the asset at the customer's request). The latter can lead to accounting changes since under IFRS 15, such vehicle sales might necessitate the reporting of a sale with the right of return. Such transactions have so far been reported as operating leases.

Sale of vehicles with a residual-value guarantee. Under IFRS 15, arrangements such as when an entity provides its customer with a guaranteed minimum resale value that he receives on resale do not constraint the customer in its ability to direct the use of, and obtain substantially all of the benefits from the asset. At contract inception of a sale with a residual-value guarantee an entity therefore has to recognize revenue. However, a potential compensation payment to the customer has to be considered (revenue deferral). Such transactions have so far been reported as operating leases.

Accounting of contract manufacturing. Under a contract manufacturing agreement, Daimler sells assets to a third-party manufacturer from which Daimler buys back the manufactured products after completion of the commissioned work. If the sale of the assets is not accompanied by the transfer of control to the third-party manufacturer, no revenue is recognized under IFRS 15.

Date of recognition of sales incentives. Under IFRS 15, obligations from sales transactions are presented by Daimler as refund liabilities. Obligations from sales transactions which have previously been accounted for as a provision might necessitate earlier recognition as refund liabilities under IFRS 15 due to different recognition principles.

Due to clarifications of IFRS 15 regarding the scope of application and the accounting of licenses, income from licenses has been reclassified from other operating income to revenue.

Table ↗ F.06 shows the effects of the application of IFRS 15 and IFRS 9 (as far as the effects relate to non-designated components of derivatives) on the Consolidated Statement of Income for the year 2017.

F.06

Effects from the application of IFRS 15 and IFRS 9 on the Consolidated Statement of Income

	2017
In millions of euros	
Revenue	-176
Cost of sales	373
Selling expenses	14
General administrative expenses	1
Other operating income	-565
Other operating expense	-1
Other financial income/expense, net[1]	20
Income taxes	87
Net profit	-247

1 Exclusively from the first-time adoption of IFRS 9. Resulting from the deferral of profits and losses relating to non-designated components of derivatives in other comprehensive income.

The effects on the line items of the Consolidated Statement of Financial Position at January 1, 2017 as well as at December 31, 2017 are presented in table ↗ F.07.

Basic and diluted earnings per share decrease by €0.23 in 2017.

Application of IFRS 9 Financial Instruments. Daimler applies IFRS 9 initially for reporting periods beginning on and after January 1, 2018. Initial application is made retrospectively. In accordance with the transition requirements, Daimler chose to present prior periods in accordance with IAS 39. As an exception, the transition for recognition of fair-value changes of certain non-designated components of derivatives through other comprehensive income is to be applied retrospectively to the comparative figures.

Initial application of IFRS 9 leads to the following major changes:

Financial assets. IFRS 9 introduces a comprehensive classification model for financial assets that classifies financial assets into three categories: financial assets at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. Under IAS 39, financial assets were classified as loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss.

F.07

Effects from the application of IFRS 15 on the Consolidated Statement of Financial Position

	Dec. 31, 2017	Jan. 1, 2017
In millions of euros		
Assets		
Equipment on operating leases	-640	-264
Trade receivables	5	2
Receivables from financial services	267	–
Other financial assets	5	14
Deferred tax assets	-9	-35
Other assets	112	63
Total assets	-260	-220
Equity and liabilities		
Total equity	-155	95
Trade payables	-23	-1
Provisions for other risks	-2,481	-2,663
Other financial liabilities	-2,247	-1,955
Deferred tax liabilities	-55	4
Deferred income	-6,274	-5,820
Contract and refund liabilities	11,208	10,328
Other liabilities	-233	-208
Total equity and liabilities	-260	-220

Financial assets that give rise to cash flows consisting only of payments of principal and interest are classified in accordance with Daimler's business model for holding these instruments. Financial assets that are held in a business model with the objective to hold them until maturity and collect the contractual cash flows are measured at amortized cost. These business models are managed principally based on interest-rate structure and credit risk. If the business model comprises the intention to hold the financial assets to collect the contractual cash flows but expects to sell these financial assets if this is necessary, e.g. to fulfill a specific need for liquidity, then these instruments are measured at fair value through other comprehensive income. Financial assets that have only cash flows of principal and interest but are not held within one of the business models described above are measured at fair value through profit or loss.

Financial assets that contain cash flows other than those of principal and interest, such as interests in money-market funds or derivatives including separated embedded derivatives, are measured at fair value through profit or loss. For equity instruments, IFRS 9 optionally allows measurement at fair value through other comprehensive income. Daimler elects to measure equity instruments at fair value through other comprehensive income on an instrument by instrument basis. When these equity instruments are sold or written off, any unrealized gains and losses on these equity instruments are reclassified to retained earnings and not presented within profit or loss. Under IAS 39 equity instruments were classified as available for sale. Unrealized gains and losses and impairments were shown in the statement of income when the instruments were derecognized. These equity instruments are shown within other financial assets.

Trade receivables and receivables from financial services are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They were categorized as loans and receivables under IAS 39 and therefore measured at amortized cost. All of these instruments are categorized as measured at amortized cost using the effective interest rate method.

Marketable debt securities are non-derivative financial assets that were not classified in any of the other categories and therefore were categorized as available for sale under IAS 39 and measured at fair value through other comprehensive income. Within marketable debt securities and similar investments, except for interests in money-market funds, marketable debt securities are categorized as measured at fair value through other comprehensive income under IFRS 9, while similar investments are measured at amortized cost.

Impairment model based on expected credit losses. IFRS 9 introduces the expected credit loss impairment approach to be applied on all financial assets (debt instruments) at amortized cost or at fair value through other comprehensive income. Under IAS 39, these instruments were assessed to determine whether there has been objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment. For quoted equity instruments, a significant or prolonged decline in fair value was additional objective evidence of possible impairment. Incurred losses were recognized as an impairment of financial assets. Under IFRS 9 the new approach takes projections of the future into consideration. The expected credit-loss approach uses three stages for allocating impairment losses:

Stage 1: expected credit losses within the next twelve months

Stage 1 includes all contracts with no significant increase in credit risk since initial recognition and usually includes new acquisitions and contracts with fewer than 31 days past due date. The portion of the lifetime expected credit losses resulting from default events possible within the next 12 months is recognized.

Stage 2: expected credit losses over the lifetime – not credit impaired

If a financial asset has a significant increase in credit risk since initial recognition but is not yet credit impaired, it is moved to stage 2 and measured at lifetime expected credit loss, which is defined as the expected credit loss that results from all possible default events over the expected life of a financial instrument.

Stage 3: expected credit losses over the lifetime – credit impaired

If a financial asset is defined as credit-impaired or in default, it is transferred to stage 3 and measured at lifetime expected credit loss. Objective evidence for a credit-impaired financial asset includes 91 days past due date and other information about significant financial difficulties of the borrower.

The determination of whether a financial asset has experienced a significant increase in credit risk is based on an assessment of the probability of default, which is made at least quarterly, incorporating external credit rating information as well as internal information on the credit quality of the financial asset. For debt instruments that are not receivables from financial services, a significant increase in credit risk is assessed mainly based on past-due information.

A financial asset is migrated to stage 2 if the asset's credit risk has increased significantly compared to its credit risk at initial recognition. The credit risk is assessed based on the probability of default. For trade receivables, the simplified approach is applied whereby expected credit losses for all trade receivables are initially measured over the lifetime of the instrument.

Daimler applies the low credit risk exception to the stage allocation to quoted debt instruments with investment-grade ratings. These debt instruments are always allocated to stage 1.

In stage 1 and 2, the effective interest revenue is calculated based on gross carrying amounts. If a financial asset becomes credit impaired in stage 3, the effective interest revenue is calculated based on its net carrying amount (gross carrying amount adjusted for any loss allowance).

Measurement of expected credit losses. Expected credit losses are measured in a way that reflects:

a) the unbiased and probability-weighted amount;

b) the time value of money; and

c) reasonable and supportable information (if available without undue cost or effort) at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are measured as the probability-weighted present value of all cash shortfalls over the expected life of each financial asset. For receivables from financial services, expected credit losses are mainly calculated with a statistical model using three major risk parameters: probability of default, loss given default and exposure at default. Under IAS 39, the amount of the loss on loans and receivables was the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding expected future credit losses not yet incurred), discounted at the financial asset's original effective interest rate. For available-for-sale financial assets, an amount previously recognized in other comprehensive income equal to the difference between cost of acquisition (net of any principal repayments and amortization) and the current fair value less any impairment loss on that financial asset previously recognized in profit or loss was recognized in the statement of income.

The estimation of these risk parameters incorporates all available relevant information, not only historical and current loss data, but also reasonable and supportable forward-looking information reflected by the future expectation factors. This information includes macroeconomic factors (e.g., gross domestic product growth, unemployment rate, cost performance index) and forecasts of future economic conditions. For receivables from financial services, these forecasts are performed using a scenario analysis (base case, adverse and optimistic scenarios).

F.08
First-time adoption effects of IFRS 9 on equity

In millions of euros	
Retained earnings	
Balance at December 31, 2017 according to IAS 39	47,553
Change in credit risk for financial instruments	-52
Reclassification of impairments of equity instruments recognized through profit or loss under IAS 39	38
Adjustments from measurement of equity instruments recognized through profit or loss	16
Other effects from first-time adoption of IFRS 9	1
Deferred taxes on first-time adoption effects	-1
Balance at January 1, 2018 according to IFRS 9	47,555
Reserves for available-for-sale financial assets	
Balance at December 31, 2017 according to IAS 39	66
Reclassification in reserve for equity instruments recognized at fair value through other comprehensive income (after deferred taxes)	-44
Reclassification in reserve for debt instruments recognized at fair value through other comprehensive income (after deferred taxes)	-22
Balance at January 1, 2018 according to IFRS 9	–
Reserves for equity instruments recognized at fair value through other comprehensive income	
Balance at December 31, 2017 according to IAS 39	–
Reclassification from reserves for available-for-sale financial assets (after deferred taxes)	44
Reclassification of impairments of equity instruments recognized through profit or loss under IAS 39	-38
Deferred taxes on first-time adoption effects	6
Balance at January 1, 2018 according to IFRS 9	12
Reserves for debt instruments recognized at fair value through other comprehensive income	
Balance at December 31, 2017 according to IAS 39	–
Reclassification from reserves for available-for-sale financial assets (after deferred taxes)	22
Change in credit risk for debt instruments	4
Other effects from first-time adoption of IFRS 9	2
Deferred taxes on first-time adoption effects	-2
Balance at January 1, 2018 according to IFRS 9	26
Non-controlling interests after taxes	
Balance at December 31, 2017 according to IAS 39	1,290
Change in credit risk for financial instruments	-11
Deferred taxes on first-time adoption effects	3
Balance at January 1, 2018 according to IFRS 9	1,282

A financial instrument is written off when there is no reasonable expectation of recovery, for example at the end of insolvency proceedings or after a court decision of uncollectibility.

Significant modification (e.g., that leads to a change in the present value of the contractual cash flows of 10%) leads to derecognition of financial assets. This is estimated to be rare and immaterial for receivables from financial services. If the terms of a contract are renegotiated or modified and this does not result in derecognition of the contract, then the gross carrying amount of the contract has to be recalculated and a modification gain or loss has to be recognized in profit or loss.

Derivative financial instruments and hedge accounting. Embedded derivatives are principally separated from the host contract and recognized separately. However, embedded derivatives are not separated from the host contract, if that host contract is a financial asset, if Daimler chooses to measure a hybrid contract at fair value through profit or loss or if an analysis shows that the economic characteristics and risks of embedded derivatives are closely related to those of the host contract. Under IAS 39, embedded derivatives were also separated if the host contract was a financial asset which was not measured at fair value through profit or loss, or the economic characteristics and risks of the embedded derivative were not closely related to those of the host contract.

If the requirements for hedge accounting set out in IFRS 9 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign business operation. The documentation of the hedging relationship includes the objectives and strategy of risk management, the type of hedging relationship, the nature of the risk being hedged, the identification of the eligible hedging instrument and the eligible hedged item, as well as an assessment of the effectiveness requirements comprising the risk mitigating economic relationship, the absence of deteriorating effects from credit risk and the appropriate hedge ratio. Under IAS 39, the documentation of the hedging relationship also included a description of the method used to assess hedge effectiveness. Furthermore, IAS 39 included requirements for the retrospective and prospective an assessment of hedge effectiveness with appropriate compliance with a corridor for offsetting risks from changes in the fair value or cash flows with regard to the hedged risk. Hedges were assessed as highly effective and were regularly assessed as to determine whether they were highly effective during the entire period for which they were designated.

Under IFRS 9, for cash flow hedges of volatile prices in highly probable forecast procurement transactions, designation can be made for separable risk components of these non-financial hedged items. Daimler can apply this possibility to facilitate future hedge accounting and thereby reduce ineffectiveness of hedge relationships for commodities. The option to separate risk components for these transactions was not available under IAS 39.

Under IFRS 9, amounts recognized in other comprehensive income as effective hedging gains or losses from hedging instruments are removed from the reserves for derivative financial instruments and directly included in the initial cost or carrying amount of the hedged item at initial recognition if a hedged

F.09
Measurement categories of financial instruments

In millions of euros	Measurement categories according to IAS 39	Measurement categories according to IFRS 9	Carrying amount according to IAS 39 at Dec. 31, 2017	Carrying amount according to IFRS 9 at Jan. 1, 2018
Financial assets				
Receivables from financial services	Loans and receivables	Measured at cost	86,054	85,998
Trade receivables	Loans and receivables	Measured at cost	11,995	11,999
Cash and cash equivalents	Loans and receivables	Measured at cost	12,072	12,072
Marketable debt securities and similar investments				
Marketable debt securities recognized at fair value through other comprehensive income	Classified as available-for-sale instruments	Recognized at fair value through other comprehensive income	6,733	6,733
Marketable debt securities recognized at fair value through profit or loss	Classified as available-for-sale instruments	Recognized at fair value through profit or loss	3,130	3,130
Similar investments measured at cost	Classified as available-for-sale instruments	Measured at cost	200	200
Other financial assets				
Equity instruments and debt instruments				
Equity instruments recognized at fair value through other comprehensive income	Classified as available-for-sale instruments	Recognized at fair value through other comprehensive income	173	173
Equity instruments and debt instruments recognized at fair value through profit or loss	Classified as available-for-sale instruments	Recognized at fair value through profit or loss	211	227
Financial assets recognized at fair value through profit or loss	Recognized at fair value through profit or loss	Recognized at fair value through profit or loss	82	82
Other receivables and financial assets	Loans and receivables	Measured at cost	3,172	3,168
			123,822	123,782
Financial liabilities				
Financing liabilities	Measured at cost	Measured at cost	127,124	127,121
Trade payables	Measured at cost	Measured at cost	12,451	12,451
Financial liabilities recognized at fair value through profit or loss	Recognized at fair value through profit or loss	Recognized at fair value through profit or loss	111	111
Other financial liabilities	Measured at cost	Measured at cost	8,468	8,471
			148,154	148,154

forecast transaction results in the recognition of a non-financial asset or non-financial liability. No respective adjustment of initial cost of acquisition was made under IAS 39.

For other cash flow hedges, the accumulated hedging gains or losses from hedging instruments are reclassified from the reserves for derivative financial instruments to the Consolidated Statement of Income when the hedged item affects profit or loss. The ineffective portions of fair value changes are recognized directly in profit or loss.

For derivative instruments designated in a hedge relationship, certain components can be excluded from designation and the changes in these components' fair value are then deferred in other comprehensive income under IFRS 9. This applies for example to the fair value of options or cross currency basis spread. It was possible to separate the time value of the options also under IAS 39, but was subject to the recognition of changes in fair value through profit or loss.

Table ↗ **F.08** shows the effects on the components of equity from first-time adoption of IFRS 9.

The original measurement categories and carrying amounts of financial instruments according to IAS 39 as well as the new measurement categories and carrying amounts of financial instruments according to IFRS 9 are summarized in table ↗ **F.09**.

Table ↗ **F.10** shows the reconciliation of the carrying amounts of financial instruments according to IAS 39 at December 31, 2017 to the carrying amounts according to IFRS 9 at January 1, 2018.

F.10

Reconciliation of carrying amounts (IAS 39 to IFRS 9)

In millions of euros	Carrying amount according to IAS 39 at Dec. 31, 2017	Reclassification effects	Remeasurement effects	Carrying amount according to IFRS 9 at Jan. 1, 2018
Financial instruments measured at cost				
Receivables from financial services	86,054	–	-56	85,998
Trade receivables	11,995	–	4	11,999
Cash and cash equivalents	12,072	–	–	12,072
Marketable debt securities and similar investments	–	200	–	200
Other receivables and financial assets	3,172	–	-4	3,168
	113,293	200	-56	113,437
Available-for-sale financial assets				
Marketable debt securities and similar investments	10,063	-10,063	–	–
Equity instruments recognized at fair value	384	-384	–	–
	10,447	-10,447	–	–
Financial assets recognized at fair value through other comprehensive income				
Marketable debt securities and similar investments	–	6,733	–	6,733
Equity instruments	–	173	–	173
	–	6,906	–	6,906
Financial assets recognized at fair value through profit or loss				
Marketable debt securities and similar investments	–	3,130	–	3,130
Equity instruments and debt instruments	–	211	16	227
	–	3,341	16	3,357

Application of IFRIC 23 Uncertainty over Income Tax Treatments. In October 2018, IFRIC 23 Uncertainty over Income Tax Treatments was endorsed by the EU. IFRIC 23 has to be applied to annual reporting periods beginning on or after January 1, 2019. Early adoption is permitted. Daimler has chosen to apply IFRIC 23 at December 31, 2018. The application does not have any material impact on the Group's profitability, liquidity and capital resources and financial position as the former Daimler accounting policy was very close to IFRIC 23.

IFRSs issued, EU endorsed and not yet adopted

In January 2016, the IASB published **IFRS 16 Leases**, replacing IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease and other interpretations. IFRS 16 abolishes for lessees the previous classification of leasing agreements as either operating or finance leases. Instead, IFRS 16 introduces a single lessee accounting model, requiring **lessees** to recognize assets for the right to use as well as leasing liabilities for the outstanding lease payments. This means that leases that were previously not reported in the Statement of Financial Position will have to be reported in the future – very similar to the current accounting of finance leases.

According to IFRS 16 a lessee may elect, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. Daimler will apply both recognition exemptions. The lease payments associated with those leases are recognized as an expense on either a straight-line basis over the lease term or another systematic basis.

Right-of-use assets are measured at cost less any accumulated depreciation and if necessary any accumulated impairment. The cost of a right-of-use asset comprise the present value of the outstanding lease payments, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, Daimler also applies the practical expedient that the payments for non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise the right-of-use asset is depreciated to the end of the lease term.

Lease liabilities, which are assigned to financing liabilities are measured initially at the present value of the lease payments less any lease payments made before that date. Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (by not affecting net income) the carrying amount to reflect the lease payments made.

According to IFRS 16 the depreciation of the right-of-use is recognized within functional costs. The interest due on the lease liability is a component of interest expense. The lease expenses of leases classified according to IAS 17 as operating leases are fully recognized within functional costs.

Lease accounting for **lessors** has been taken over almost identically from IAS 17 into IFRS 16.

IFRS 16 is to be applied to annual reporting periods beginning on or after January 1, 2019; early adoption is permitted if IFRS 15 is already applied. Daimler will apply IFRS 16 for the first time for the financial year beginning on January 1, 2019. In compliance with the transition regulations, Daimler will not adjust the prior-year figures and will present the accumulated transitional effects in retained earnings.

Daimler as lessee will use following practical expedients of IFRS 16 at the date of initial application:

- With leases previously classified as operating leases according to IAS 17 the lease liability will be measured at the present value of the outstanding lease payments, discounted by the incremental borrowing rate at January 1, 2019. The respective right-of-use asset is generally recognized at an amount equal to the lease liability;

- An impairment review is not performed. Instead, a right-of-use asset is adjusted by the amount of any provision for onerous leases recognized in the Statement of Financial Position at December 31, 2018;

- Regardless of their original lease term, leases for which the lease term ends latest on December 31, 2019 are recognized as short-term leases;

- At the date of initial application, the measurement of a right-of-use asset excludes the initial direct costs; and

- Hindsight is considered when determining the lease term if the contract contains options to extend or terminate the lease.

Based on the Group-wide preparations for implementation of IFRS 16, the effect of the first-time application of IFRS 16 will be that right-of-use assets and lease liabilities will probably be recognized at an amount of €3.5 billion in the Consolidated Statement of Financial Position. At the date of initial application, retained earnings will be adjusted only insignificantly. In the year 2019, we do not expect the effect on Group EBIT to be material.

IFRSs issued but neither EU endorsed nor yet adopted
In May 2017, the IASB issued **IFRS 17 Insurance Contracts.** IFRS 17 replaces the currently applicable IFRS 4. It establishes more transparency and comparability with regard to the recognition, measurement, presentation and disclosure of insurance contracts with the insurer. The application of IFRS 17 is mandatory for reporting periods beginning on or after January 1, 2021. Early adoption is permitted. Daimler currently does not expect any material impacts on the Group's profitability, liquidity and capital resources or financial position due to the application of IFRS 17. Early adoption is not currently planned.

In addition, further standards and interpretations have been approved which are not expected to have a material impact on the Consolidated Financial Statements.

Presentation
Presentation in the Consolidated Statement of Financial Position differentiates between current and non-current assets and liabilities. Assets and liabilities are classified as current if they are expected to be realized or settled within one year or within a longer and normal operating cycle. Deferred tax assets and liabilities as well as assets and provisions for pensions and similar obligations are generally presented as non-current items.

The Consolidated Statement of Income is presented using the cost-of-sales method.

Measurement
The Consolidated Financial Statements have been prepared on the historical-cost basis with the exception of certain items such as financial assets measured at fair value through profit or loss, derivative financial instruments, hedged items, and pensions and similar obligations. The measurement models applied to those exceptions are described below.

Principles of consolidation
The Consolidated Financial Statements include the financial statements of Daimler AG and the financial statements of all subsidiaries, including structured entities which are directly or indirectly controlled by Daimler AG. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

Structured entities which are controlled also have to be con-solidated. Accordingly, the assets and liabilities remain in the Consolidated Statement of Financial Position. Structured entities are entities which have been designed so that voting or similar rights are not relevant in deciding who controls the entity. This is the case for example if voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The financial statements of consolidated subsidiaries which are included in the Consolidated Financial Statements are generally prepared as of the reporting date of the Consolidated Financial Statements. The financial statements of Daimler AG and its subsidiaries included in the Consolidated Financial Statements are prepared using uniform recognition and measurement principles. All intercompany assets and liabilities, equity, income and expenses as well as cash flows from transactions between consolidated entities are entirely eliminated in the course of the consolidation process.

Business combinations are accounted for using the purchase method.

Changes in equity interests in Group subsidiaries that reduce or increase Daimler's percentage ownership without change of control are accounted for as an equity transaction between owners.

Investments in associated companies, joint ventures or joint operations
An associated company is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee. Associated companies are generally accounted for using the equity method.

For entities over which Daimler has joint control together with a partner (joint arrangements), it is necessary to differentiate whether a joint operation or a joint venture exists. In a joint venture, the parties that have joint control of the arrangement have rights to the net assets of the arrangement. For joint ventures, the equity method has to be applied. A joint operation exists when the jointly controlling parties have direct rights to the assets and obligations for the liabilities. In this case, the prorated assets and liabilities and the prorated income and expenses are generally to be recognized (proportionate consolidation).

Joint operations that have no significant impact on the Consolidated Financial Statements are generally accounted for using the equity method.

In the special event that the financial statements of associated companies, joint ventures or joint operations should not be available in good time, the Group's proportionate share of the results of operations is included in Daimler's Consolidated Financial Statements with a one to three-month time lag. Significant events or transactions are accounted for without a time lag, however (see Note 13).

Subsidiaries measured at amortized cost
Subsidiaries, associated companies, joint ventures and joint operations whose business is non-active or of low volume and that individually and in sum are not material for the Group and the fair presentation of financial position, liquidity and capital resources, and profitability are generally measured at amortized cost in the Consolidated Financial Statements.

Foreign currency translation
Transactions in foreign currency are translated at the relevant foreign exchange rates prevailing at the transaction date. In subsequent periods, assets and liabilities denominated in foreign currency are translated using period-end exchange rates; gains and losses from this measurement are recognized in profit and loss (except for gains and losses resulting from the translation of equity instruments measured at fair value through other comprehensive income, which are recognized in other comprehensive income/loss).

Assets and liabilities of foreign companies for which the functional currency is not the euro are translated into euros using period-end exchange rates. The translation adjustments are presented in other comprehensive income/loss. The components of equity are translated using historical rates. The statements of income and cash flows are translated into euros using average exchange rates during the respective periods.

The exchange rates of the US dollar, the British pound, the Japanese yen and the Chinese renminbi – the most significant foreign currencies for Daimler – are as shown in table ↗ **F.11**.

Hyperinflation
To determine whether a country is to be considered as in hyperinflation, the Daimler Group refers to the list published by the International Practices Task Force (IPTF) of the Center of the Audit Quality or other relevant international publications. If a country is in hyperinflation, IAS 29 Financial Reporting in Hyperinflationary Economies has to be applied from the beginning of the respective reporting period, i.e. from January 1 of the respective reporting year.

As a consequence of the assessment that Argentina is in hyperinflation, we apply IAS 29 to our Argentinian business since January 1, 2018. This application does not have a material impact on the Group's profitability, liquidity and capital resources and financial position.

Accounting policies

Revenue recognition
Revenue from sales of vehicles, service parts and other related products is recognized when control of the goods is transferred to the customer. This generally occurs at the time the customer takes possession of the products.

Generally, payment from sales of vehicles, service parts and other related product is made when the customer obtains control of these products.

Dealers may finance their vehicle inventory by dealer inventory financing provided by Daimler Financial Services. Furthermore end-customers may be credit financed by Daimler Financial Services. Receivables from sales financing with end-customers and dealers are presented in receivables from financial services. Further information is provided in Note 14.

F.11
Exchange rates

	2018 USD	2018 GBP	2018 JPY	2018 CNY	2017 USD	2017 GBP	2017 JPY	2017 CNY
	1 € =	1 € =	1 € =	1 € =	1 € =	1 € =	1 € =	1 € =
Average exchange rate on December 31	1.1450	0.8945	125.8500	7.8751	1.1993	0.8872	135.0100	7.8044
Average exchange rates during the respective period								
First quarter	1.2292	0.8834	133.1700	7.8154	1.0648	0.8601	121.0100	7.3353
Second quarter	1.1918	0.8762	130.0900	7.6035	1.1021	0.8611	122.5800	7.5597
Third quarter	1.1629	0.8924	129.6100	7.9151	1.1746	0.8978	130.3500	7.8340
Fourth quarter	1.1414	0.8867	128.8200	7.8953	1.1776	0.8875	132.9100	7.7899

Revenue recognition from the sale of vehicles for which the Group enters into a repurchase obligation is dependent on the form of the repurchase agreement:

- Sales of vehicles in the form of a forward (an entity’s obligation to repurchase the asset) and a call option (an entity’s right to repurchase the asset) are reported as operating leases.

- Sales of vehicles including a put option (an entity’s obligation to repurchase the asset at the customer’s request) are reported as operating leases if the customer has a significant economic incentive to exercise that right. Otherwise a sale with a right of return is reported. Daimler considers several factors when assessing whether the customer has a significant economic incentive to exercise his right. Amongst others, these are the relation between repurchase price and the expected future market value (at the time of repurchase) of the asset, or historical return rates.

Arrangements such as when Daimler provides customers with a guaranteed minimum resale value that they receive on resale (residual-value guarantee) do not constraint the customers in their ability to direct the use of, and obtain substantially all of the benefits from, the asset. At contract inception of a sale with a residual-value guarantee, revenue therefore has to be recognized. However, a potential compensation payment to the customer has to be considered (revenue deferral).

Under a contract manufacturing agreement, Daimler sells assets to a third-party manufacturer from which Daimler buys back the manufactured products after completion of the commissioned work. If the sale of the assets is not accompanied by the transfer of control to the third-party manufacturer, no revenue will be recognized under IFRS 15.

The Group offers extended, separately priced warranties for certain products as well as service and maintenance contracts. Revenue from these contracts is deferred insofar as a customer has made an advance payment and is generally recognized over the contract period in proportion to the costs expected to be incurred based on historical information. A loss on these contracts is recognized in the current period if the sum of the expected costs for services under the contract exceeds unearned revenue. Usually those contracts are paid in advance or in equal instalments over the contract term.

For multiple-element arrangements, such as when vehicles are sold with free or reduced-in-price maintenance programs or with free online services, the Group allocates revenue to the various elements based on their estimated relative stand-alone selling prices. To determine stand-alone selling prices, Daimler primarily uses price lists with consideration of average price reductions granted to its customers.

Vehicles may be initially sold to non-Group dealers. Subsequently a customer decides to enter into a leasing contract with Daimler Financial Services regarding such a vehicle. The vehicle is therefore sold by the non-Group dealer to Daimler Financial Services and a leasing contract is entered into with the customer. When control of the vehicle is transferred to the non-Group dealer Daimler recognizes revenue from the sale of the vehicle.

The incremental cost of obtaining contracts is recognized as an expense when incurred if the amortization period would be no longer than one year.

Daimler does not adjust the promised amount of consideration for the effects of a significant financing component if at contract inception it is expected that the period between the transfer of a promised good or service to a customer and payment by the customer is no longer than one year.

Revenue also includes revenue from the rental and leasing business as well as interest from the financial services business at Daimler Financial Services. The revenue from the rental and leasing business results from operating leases and is recognized on a straight-line basis over the periods of the contracts. In addition, sales revenue is generated at the end of lease contracts from the subsequent sale of the vehicles. Revenue from receivables from financial services is recognized using the effective interest method.

Daimler uses a variety of sales promotion programs dependent on various market conditions in individual countries as well as the respective product life cycles and product-related factors (such as amounts of discounts offered by competitors, excess industry production capacity, the intensity of market competition and consumer demand for the products). These programs comprise cash offers to dealers and customers as well as lease subsidies or loans at reduced interest rates which are reported as follows:

- Revenue is recognized net of sales reductions such as cash discounts and sales incentives granted.

- When loans are issued below market rates, related receivables are recognized at present value (using market rates) and revenue is reduced for the interest incentive granted.

- If subsidized leasing fees are agreed upon in connection with finance leases, revenue from the sale of a vehicle is reduced by the amount of the interest incentive granted.

Research and non-capitalized development costs
Expenditure for research and development that does not meet the conditions for capitalization according to IAS 38 Intangible Assets is expensed as incurred.

Borrowing costs
Borrowing costs are expensed as incurred unless they are directly attributable to the acquisition, construction or production of a qualifying asset and are therefore part of the cost of that asset. Depreciation of the capitalized borrowing costs is presented within cost of sales.

Government grants
Government grants related to assets are deducted from the carrying amount of the asset and are recognized in earnings over the life of a depreciable asset as a reduced depreciation expense. Government grants which compensate the Group for expenses are recognized as other operating income in the same period as the expenses themselves.

Profit/loss on equity-method investments
This item includes all income and expenses in connection with investments accounted for using the equity method. In addition to the prorated profits and losses from financial investments, it also includes profits and losses resulting from the sale of equity interests or the remeasurement of equity interests following a loss of significant influence. Daimler's share of dilution gains and losses occurring if the Group or other owners do not participate in capital increases of companies in which shares are held and accounted for using the equity method are also included in profit/loss on equity-method investments. This item also includes losses on the impairment of an investment's carrying amount and/or gains on the reversal of such impairments.

Other financial income/expense, net
Other financial income/expense, net includes all income and expense from financial transactions which are not included in interest income and/or interest expense, and for Daimler Financial Services are not included in revenue and/or cost of sales. For example, expense from the compounding of interest on provisions for other risks is recorded in this line item.

Furthermore, income and expenses from equity interests are included in other financial income/expense, net, if such income or expenses are not presented under equity-method investments.

Interest income and interest expense
Interest income and interest expense include interest income from investments in securities, cash and cash equivalents as well as interest expense from liabilities. Furthermore, interest and changes in fair values related to interest rate hedging activities as well as income and expense resulting from the allocation of premiums and discounts are included. The interest components of defined benefit pension obligations and other similar obligations as well as of the plan assets available to cover these obligations and interest on supplementary income tax payments or reimbursements are also presented in this line item.

For the segment Daimler Financial Services interest income and expense and gains or losses from derivative financial instruments from financial services business are disclosed under revenue and cost of sales respectively.

Income taxes
Income taxes are comprised of current income taxes and deferred taxes.

Current income taxes are calculated based on the respective local taxable income and local tax rules for the period. In addition, current income taxes presented for the period include adjustments for uncertain tax payments or tax refunds for periods not yet finally assessed, however, excluding interest expenses and interest refunds and penalties on the underpayment of taxes. For the case it is probable that amounts declared as expenses in the tax returns might not be recognized (uncertain tax positions), a provision for income taxes is recognized. The amount is based on the best estimate of the expected tax payment (expected value or most likely amount). Tax refund claims from uncertain tax positions are recognized when it is predominantly likely and thus reasonably expected that they can be realized. Only in the case of tax loss carryforwards or unused tax credits, no provision for taxes or tax claim is recognized for these uncertain tax positions. Instead, the deferred tax assets for the unused tax loss carryforwards or tax credits are to be adjusted.

Changes in deferred tax assets and liabilities are generally recognized through profit and loss in deferred taxes in the Consolidated Statement of Income, except for changes recognized in other comprehensive income/loss or directly in equity.

Deferred tax assets or liabilities are calculated on the basis of temporary differences between the tax basis and the financial reporting of assets and liabilities including differences from consolidation, on unused tax loss carryforwards and unused tax credits. Measurement is based on the tax rates expected to be effective in the period in which an asset is recognized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted at the reporting date or are soon to be enacted. Daimler recognizes a valuation allowance for deferred tax assets when it is unlikely that a corresponding amount of future taxable profit will be available against which the deductible temporary differences, tax loss carryforwards and tax credits can be utilized. Deferred tax liabilities for taxable temporary differences in connection with investments in subsidiaries, branches, associates and interests in joint arrangements are not recognized if the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Earnings per share
Basic earnings per share are calculated by dividing profit attributable to shareholders of Daimler AG by the weighted average number of shares outstanding. As nothing occurred in the years 2018 and 2017 that resulted in any dilution, diluted earnings per share were the same as basic earnings per share in those years.

Intangible assets
Intangible assets are measured at acquisition or manufacturing cost less accumulated amortization. If necessary, accumulated impairment losses are recognized.

Intangible assets with indefinite useful lives are reviewed annually to determine whether indefinite-life assessment continues to be appropriate. If not, the change in the useful-life assessment from indefinite to finite is made on a prospective basis.

Intangible assets other than development costs with finite useful lives are generally amortized on a straight-line basis over their useful lives (three to ten years). The amortization period for intangible assets with finite useful lives is reviewed at least at each year-end. Changes in expected useful lives are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recorded in functional costs.

Development costs for vehicles and components are recognized if the conditions for capitalization according to IAS 38 are met. Subsequent to initial recognition, the asset is carried at cost less accumulated amortization and accumulated impairment losses. Capitalized development costs include all direct costs and allocable overheads and are amortized on a straight-line basis over the expected product life cycle (a maximum of ten years). Amortization of capitalized development costs is an element of manufacturing costs and is allocated to those vehicles and components by which they were generated and is included in cost of sales when the inventory (vehicles) is sold.

Goodwill
For acquisitions, goodwill represents the excess of the consideration transferred over the fair values assigned to the identifiable assets proportionally acquired and liabilities assumed. Goodwill is accounted for at the subsidiaries in the functional currency of those subsidiaries.

In connection with obtaining control, non-controlling interest in the acquiree is principally recognized at the proportionate share of the acquiree's identifiable assets, which are measured at fair value.

Property, plant and equipment
Property, plant and equipment are measured at acquisition or manufacturing costs less accumulated depreciation. If necessary, accumulated impairment losses are recognized.

The costs of internally produced equipment and facilities include all direct costs and allocable overheads. Acquisition or manufacturing costs include the estimated costs, if any, of dismantling and removing the item and restoring the site.

Property, plant and equipment are depreciated over the useful lives as shown in table ↗ F.12.

F.12
Useful lives of property, plant and equipment

Buildings and site improvements	10 to 50 years
Technical equipment and machinery	6 to 25 years
Other equipment, factory and office equipment	3 to 30 years

Leasing
Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. The Group is a lessee of property, plant and equipment and a lessor of its products. It is evaluated on the basis of the risks and rewards of a leased asset whether the ownership of the leased asset is attributed to the lessee (finance lease) or to the lessor (operating lease).

Daimler as lessee
In the case of an operating lease, the lease payments or rental payments are expensed on a straight-line basis in the Consolidated Statement of Income.

Assets carried as finance leases are measured at the beginning of the (lease) contract at the lower of the present value of the minimum lease payments and the fair value of the leased object, and in the following periods less accumulated depreciation and other accumulated impairment losses. Depreciation is on a straight-line basis; residual values of the assets are given due consideration. Payment obligations resulting from future lease payments are discounted and disclosed under financing liabilities.

Sale and lease back
The same accounting principles apply to assets if Daimler sells such assets and leases them back from the buyer.

Daimler as lessor
Operating leases relate to vehicles that the Group produces itself and leases to third parties. Additionally an operating lease may have to be reported with sales of vehicles for which the Group enters into a repurchase obligation:

- Sales of vehicles in the form of a forward (an entity's obligation to repurchase the asset) and a call option (an entity's right to repurchase the asset) are reported as operating leases.

- Sales of vehicles including a put option (an entity's obligation to repurchase the asset at the customer's request) are reported as operating leases if the customer has a significant economic incentive to exercise that right. Otherwise a sale with a right of return is reported. Daimler considers several factors when assessing whether a customer has a significant economic incentive to exercise his right at contract inception. Amongst others these are the relation between repurchase price and the expected future market value (at the time of repurchase) of the asset or historical return rates.

In case of accounting as an operating lease these vehicles are capitalized at (depreciated) cost of production under leased equipment in the vehicle segments and are depreciated over the contract term on a straight-line basis with consideration of the expected residual values. Changes in the expected residual values lead either to prospective adjustments of the scheduled depreciation or to an impairment loss if necessary.

Operating leases also relate to vehicles, primarily Group products that Daimler Financial Services acquires from non-Group dealers or other third parties and leases to end customers. These vehicles are presented at (amortized) cost of acquisition under leased equipment in the Daimler Financial Services segment. If these vehicles are Group products and are subsidized, the subsidies are deducted from the cost of acquisition. After revenue is received from the sale to independent dealers, these Group products generate revenue from lease payments and subsequent resale on the basis of the separate leasing contracts. The revenue received from the sale of Group products to the dealers is estimated by the Group as being of the magnitude of the respective addition to leased equipment at Daimler Financial Services. In 2018, additions to leased equipment from these vehicles at Daimler Financial Services amounted to approximately €13 billion (2017: approximately €13 billion).

In the case of finance leases, the Group presents the receivables under receivables from financial services in an amount corresponding to the net investment of the lease agreements. The net investment of a lease agreement is the gross investment (future minimum lease payments and non-guaranteed residual value) discounted at the rate upon which the lease agreement is based.

Equity-method investments
On the date of acquisition, a positive difference between cost of acquisition and Daimler's share of the fair values of the identifiable assets and liabilities of the associated company or joint venture is determined and recognized as investor level goodwill. The goodwill is included in the carrying amount of the equity-method investment. If an equity interest in an existing associated company is increased without change in significant influence, goodwill is determined only for the additionally acquired interest; the previous investment is not remeasured at fair value.

Daimler reviews on each reporting date whether there is any objective indication of impairments or impairment reversals of equity-method investments. If such indications exist, the Group determines the impairment loss or reversal to be recognized. If the carrying amount exceeds the recoverable amount of an investment, the carrying amount is written down to the recoverable amount. The recoverable amount is the greater of fair value less costs to sell and value in use. An impairment reversal is carried out if there is objective evidence for an impairment reversal. If such an assessment is made, the recoverable amount is remeasured. The amount of an impairment reversal is limited to the amount by which an asset has been impaired.

Gains or losses (to be eliminated) from transactions with companies accounted for using the equity method are recognized through profit and loss with corresponding adjustments of the investments' carrying amounts. Deconsolidation effects from the contribution of interests in subsidiaries to investments which are measured using the equity method are also subject to elimination adjustments to the carrying amount of the investment.

Impairment of non-current non-financial assets
Daimler assesses at each reporting date whether there is an indication that an asset may be impaired or whether there is an indication that a previously recognized impairment loss may be reversed. If such indication exists, Daimler estimates the recoverable amount of the asset. The recoverable amount is determined for each individual asset unless the asset generates cash inflows that are not largely independent of those from other assets or groups of assets (cash-generating units). Goodwill and other intangible assets with indefinite useful lives are tested at least annually for impairment; this takes place at the level of the cash-generating units. If the carrying amount of an asset or of a cash-generating unit exceeds the recoverable amount, an impairment loss is recognized for the difference.

The recoverable amount is the higher of fair value less costs of disposal and value in use. For cash-generating units, Daimler in a first step determines the respective recoverable amount as value in use and compares it with the respective carrying amount (including goodwill). The cash-generating units are generally defined as the reporting segments. At Daimler Financial Services, impairment tests are carried out below the segment level. There is a differentiation between the two cash-generating units Daimler Financial Services Classic (typical financial services business) and Daimler Financial Services Mobility (innovative mobility services). The material assets of the cash-generating unit Daimler Financial Services Mobility have been classified as assets held for sale due their intended contribution into a joint venture. Therefore, no separate testing for impairment was necessary.

Value in use is measured by discounting expected future cash flows from the continuing use of the cash-generating units using a risk-adjusted interest rate. Future cash flows are determined on the basis of the long-term planning, which is approved by management and which is valid at the date when the impairment test is conducted. This planning is based on expectations regarding future market share, the general development of respective markets as well as the products' profitability. The multi-year planning comprises a planning horizon until 2025 and therefore mainly covers the product life cycles of our automotive business. The rounded risk-adjusted interest rates used to discount cash flows, which are calculated for each cash-generating unit, are unchanged from the previous year at 8% after taxes for the cash-generating units of the automotive business. For the cash-generating unit Daimler Financial Services Classic, a risk-adjusted interest rate of 9% after taxes is applied (unchanged from the previous year). Whereas the discount rate for the cash-generating unit Daimler Financial Services Classic represents the cost of equity, the risk-adjusted interest rate for the cash-generating units of the automotive business is based on the weighted average cost of capital (WACC). These are calculated based on the capital asset pricing model (CAPM) taking into account current market expectations. In calculating the risk-adjusted interest rate for impairment test purposes, specific peer group information is used for beta factors, capital-structure data and cost of debt. Periods not covered by the forecast are taken into account by recognizing a residual value (terminal value), which does not consider any growth rates. In addition, several sensitivity analyses are conducted. These show that even in the case of more unfavorable premises for main influencing factors with respect to the original planning, no need for impairment exists. If value in use is lower than the carrying amount, fair value less costs of disposal is additionally calculated to determine the recoverable amount.

An assessment for assets other than goodwill is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may be reversed. If this is the case, Daimler records a partial or entire reversal of the impairment; the carrying amount is thereby increased to the recoverable amount. However, the increased carrying amount may not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized in prior years.

Non-current assets held for sale and disposal groups
The Group classifies non-current assets or disposal groups as held for sale if the conditions of IFRS 5 Non-current assets held for sale and discontinued operations are fulfilled. In this case, the assets or disposal groups are no longer depreciated but measured at the lower of carrying amount and fair value less costs to sell. If fair value less costs to sell subsequently increases, any impairment loss previously recognized is reversed. This reversal is restricted to the impairment loss previously recognized for the assets or disposal group concerned. The Group generally discloses these assets or disposal groups separately in the Consolidated Statement of Financial Position.

Inventories
Inventories are measured at the lower of acquisition or manufacturing cost and net realizable value. The net realizable value is the estimated selling price less estimated costs of completion and estimated costs to sell. The acquisition or manufacturing costs of inventories are generally based on the specific identification method and include costs incurred in acquiring the inventories and bringing them to their existing location and condition. Costs for large numbers of inventories that are interchangeable are allocated under the average cost formula. In the case of manufactured inventories and work in progress, acquisition or manufacturing cost also includes production overheads based on normal capacity.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments in the form of financial assets and financial liabilities are generally presented separately. Financial instruments are recognized as soon as Daimler becomes a party to the contractual provisions of the financial instrument. In the case of purchases or sales of financial assets through the regular market, Daimler uses the transaction date as the date of initial recognition or derecognition.

Upon initial recognition, financial instruments are measured at fair value. For the purpose of subsequent measurement, financial instruments are allocated to one of the categories mentioned in IFRS 9 Financial Instruments (financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss). Transaction costs directly attributable to acquisition or issuance are considered by determining the carrying amount if the financial instruments are not measured at fair value through profit or loss.

Financial assets
Financial assets primarily comprise receivables from financial services, trade receivables, receivables from banks, cash on hand, derivative financial assets, financial investments and marketable securities and similar investments and financial investments. The classification of financial instruments is based on the business model in which these instruments are held and on their contractual cash flows.

The determination of the business model is made at the portfolio level and is based on management's intention and past transaction patterns. Assessments of the contractual cash flows are made on an instrument by instrument basis.

Financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss include financial assets with cash flows other than those of principal and interest on the nominal amount outstanding. Further financial assets that are held in a business model other "hold to collect" or "hold to collect and sell" are included here.

In addition, derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as financial assets acquired for the purpose of selling in the near term that are classified as held for trading, are included here. Gains or losses on these financial assets are recognized in profit or loss.

Financial assets at amortized cost. Financial assets at amortized cost are non-derivative financial assets with contractual cash flows that consist solely of payments of principal and interest on the nominal amount outstanding and which are held with the aim of collecting the contractual cash flows, such as receivables from financial services, trade receivables or cash and cash equivalents (business model "hold to collect"). Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks, as well as debt instruments and certificates of deposits with a remaining term when acquired of up to three months, which are not subject to any material value fluctuations. Cash and cash equivalents correspond with the classification in the Consolidated Statement of Cash Flows.

After initial recognition, financial assets at amortized cost are subsequently carried at amortized cost using the effective interest method less any loss allowances. Gains and losses are recognized in the Consolidated Statement of Income when the financial assets at amortized cost are impaired or derecognized. Interest effects on the application of the effective interest method are also recognized in profit or loss as well as effects from foreign currency translation.

Financial assets at fair value through other comprehensive income. Financial assets at fair value through other comprehensive income are non-derivative financial assets with contractual cash flows that consist solely of payments of principal and interest on the nominal amount outstanding which are held to collect the contractual cash flows as well as sell the financial, e.g. to achieve a defined liquidity target (business model "hold to collect and sell"). This category also includes equity instruments not held for trading for which the option to present changes in the fair value of the instrument within other comprehensive income has been applied.

After initial measurement, financial assets at fair value through other comprehensive income are measured at fair value, with unrealized gains or losses being recognized in other comprehensive income/loss. Except for equity instruments a loss allowance is recognized for expected losses in profit or loss. Upon disposal of financial assets, the accumulated gains and losses recognized in other comprehensive income/loss resulting from measurement at fair value are recognized in profit or loss. Interest earned on financial assets at fair value through other comprehensive income is generally reported as interest income using the effective interest method. Changes in the fair value of equity instruments measured at fair value through other comprehensive income are not recycled to profit or loss. Dividends are recognized in profit or loss when the right of payment has been established.

Impairment of financial assets
At each reporting date, a loss allowance is recognized for financial assets, loan commitments and financial guarantees other than those to be measured at fair value through profit or loss reflecting expected losses for these instruments. The same method is used for the impairment of non-revocable loan commitments and financial guarantees. Expected credit losses are allocated using three stages:

Stage 1: expected credit losses within the next twelve months

Stage 1 includes all contracts with no significant increase in credit risk since initial recognition and usually includes new acquisitions and contracts with fewer than 31 days past due date. The portion of the lifetime expected credit losses resulting from default events possible within the next 12 months is recognized.

Stage 2: expected credit losses over the lifetime – not credit impaired

If a financial asset has a significant increase in credit risk since initial recognition but is not yet credit impaired, it is moved to stage 2 and measured at lifetime expected credit loss, which is defined as the expected credit loss that results from all possible default events over the expected life of a financial instrument.

Stage 3: expected credit losses over the lifetime – credit impaired

If a financial asset is defined as credit-impaired or in default, it is transferred to stage 3 and measured at lifetime expected credit loss. Objective evidence for a credit-impaired financial asset includes 91 days past due date and other information about significant financial difficulties of the borrower.

The determination of whether a financial asset has experienced a significant increase in credit risk is based on an assessment of the probability of default, which is made at least quarterly, incorporating external credit rating information as well as internal information on the credit quality of the financial asset. For debt instruments that are not receivables from financial services, a significant increase in credit risk is assessed mainly based on past-due information or the probability of default.

A financial asset is migrated to stage 2 if the asset's credit risk has increased significantly compared to its credit risk at initial recognition. The credit risk is assessed based on the probability of default. For trade receivables, the simplified approach is applied whereby all trade receivables are allocated to stage 2 initially. Hence, no determination of significant increases in credit risk is necessary.

Daimler applies the low credit risk exception to the stage allocation to quoted debt instruments with investment-grade ratings. These debt instruments are always allocated to stage 1.

In stage 1 and 2, the effective interest revenue is calculated based on gross carrying amounts. If a financial asset becomes credit impaired in stage 3, the effective interest revenue is calculated based on its net carrying amount (gross carrying amount adjusted for any loss allowance).

Measurement of expected credit losses. Expected credit losses are measured in a way that reflects:

a) the unbiased and probability-weighted amount;

b) the time value of money; and

c) reasonable and supportable information (if available without undue cost or effort) at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are measured as the probability-weighted present value of all cash shortfalls over the expected life of each financial asset. For receivables from financial services, expected credit losses are mainly calculated with a statistical model using three major risk parameters: probability of default, loss given default and exposure at default.

The estimation of these risk parameters incorporates all available relevant information, not only historical and current loss data, but also reasonable and supportable forward-looking information reflected by the future expectation factors. This information includes macroeconomic factors (e.g., gross domestic product growth, unemployment rate, cost performance index) and forecasts of future economic conditions. For receivables from financial services, these forecasts are performed using a scenario analysis (base case, adverse and optimistic scenarios). The impairment amount for trade receivables is predominantly determined on a collective basis.

A financial instrument is written off when there is no reasonable expectation of recovery, for example at the end of insolvency proceedings or after a court decision of uncollectibility.

Significant modification (e.g., that leads to a change in the present value of the contractual cash flows of 10%) leads to derecognition of financial assets. This is estimated to be rare and immaterial for receivables from financial services. If the terms of a contract are renegotiated or modified and this does not result in derecognition of the contract, then the gross carrying amount of the contract has to be recalculated and a modification gain or loss has to be recognized in profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is presented in the Consolidated Statement of Financial Position provided that an enforceable right currently exists to offset the amounts involved, and there is an intention either to carry out the offsetting on a net basis or to settle a liability when the related asset is sold.

Financial liabilities
Financial liabilities primarily include trade payables, liabilities to banks, bonds, derivative financial liabilities and other liabilities.

Financial liabilities measured at amortized cost. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities at fair value through profit or loss. Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Derivatives (including embedded derivatives separated from the host contract) which are not used as hedging instruments in hedge accounting are classified as held for trading. Gains or losses on liabilities held for trading are recognized in profit or loss.

Derivative financial instruments and hedge accounting
The Group uses derivative financial instruments exclusively for hedging financial risks that arise from its operating or refinancing activities. These are mainly interest rate risks, currency risks and commodity price risks.

Embedded derivatives are principally separated from the host contract and recognized separately. However, embedded derivatives are not separated from the host contract if that host contract is a financial asset, if Daimler chooses to measure a hybrid contract at fair value through profit or loss, or if an analysis shows that the economic characteristics and risks of embedded derivatives are closely related to those of the host contract.

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IFRS 9 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign business operation. In a fair value hedge, the changes in the fair value of a recognized asset or liability or an unrecognized firm commitment are hedged. In a cash flow hedge, the variability of cash flows to be received or paid from expected transactions related to a recognized asset or liability or a highly probable forecast transaction is hedged. The documentation of the hedging relationship includes the objectives and strategy of risk management, the type of hedging relationship, the nature of the risk being hedged, the identification of the eligible hedging instrument and the eligible hedged item, as well as an assessment of the effectiveness requirements comprising the risk mitigating economic relationship, the absence of deteriorating effects from credit risk and the appropriate hedge ratio. Hedging transactions are regularly assessed to determine whether the effectiveness requirements are met while they are designated.

Changes in the fair value of derivative financial instruments that are designated in a hedge relationship are recognized periodically in either profit or loss or other comprehensive income, depending on whether the derivative is designated as a hedge of changes in fair value or cash flows. Changes in fair value of non-designated derivatives are recognized in profit or loss. For fair value hedges, changes in the fair value of the hedged item and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument are recognized after tax in other comprehensive income.

Under IFRS 9, for cash flow hedges of volatile prices in procurement transactions expected with a high degree of probability, designation can be made for separable risk components of these non-financial hedged items. Daimler can apply this possibility to facilitate future hedge accounting and thereby reduce the ineffectiveness of hedge relationships for commodities.

Under IFRS 9, with cash flow hedges, amounts recognized in other comprehensive income as effective hedging gains or losses from hedging instruments are removed from the reserves for derivative financial instruments and directly included in the initial cost or carrying amount of the hedged item at initial recognition if a hedged forecast transaction results in the recognition of a non-financial asset or non-financial liability.

For other cash flow hedges, the accumulated hedging gains or losses from hedging instruments are reclassified from the reserves for derivative financial instruments to the Consolidated Statement of Income when the hedged item affects profit or loss.

The ineffective portions of fair value changes are recognized directly in profit or loss.

For derivative instruments designated in a hedge relationship, certain components can be excluded from designation and the changes in these components' fair value are then deferred in other comprehensive income under IFRS 9. This applies for example to the time value of options or cross currency basis spreads.

Hedge relationships are to be discontinued prospectively if a particular hedge relationship ceases to meet the qualifying criteria for hedge accounting under IFRS 9. Instances that require discontinuation of hedge accounting are, among others, loss of the economic relationship between the hedged item and the hedging instrument, disposal or termination of the hedging instrument, or a revision of the documented risk management objective of a particular hedge relationship. Accumulated hedging gains and losses from cash flow hedges are retained and are reclassified from equity as described at maturity if the hedged future cash flows are still expected to occur. Otherwise, accumulated hedging gains and losses are immediately reclassified to profit or loss.

If derivative financial instruments do not or no longer qualify for hedge accounting because the qualifying criteria for hedge accounting are not or are no longer met, the derivative financial instruments are classified as held for trading and are measured at fair value through profit or loss.

Pensions and similar obligations
The measurement of defined benefit plans for pensions and other post-employment benefit obligations (medical care) in accordance with IAS 19 Employee Benefits is based on the projected unit credit method. Plan assets invested to cover defined benefit pension obligations and other post-employment benefit obligations (medical care) are measured at fair value and offset against the corresponding obligations. For the valuation of defined benefit plans, differences between actuarial assumptions used and actual developments as well as changes in actuarial assumptions result in actuarial gains and losses, which have a direct impact on the Consolidated Statement of Financial Position or on the Consolidated Statement of Comprehensive Income/Loss.

The balance of defined benefit plans for pensions and other post-employment benefit obligations and plan assets (net pension obligation or net pension assets) accrues interest at the discount rate used as a basis for the measurement of the gross pension obligation. The resulting net interest expense or income is recognized in profit and loss under interest expense or interest income in the Consolidated Statement of Income. The other expenses resulting from pension obligations and other post-employment benefit obligations (medical care), which mainly result from entitlements acquired during the year under review, are taken into consideration in the functional costs in the Consolidated Statement of Income.

The discount factors used to calculate the present values of defined benefit pension obligations are to be determined – with maturities and currencies matching the pension payments – by reference to market yields at the end of the reporting period on high-quality corporate bonds in the respective markets. For very long maturities, there are no high-quality corporate bonds available as a benchmark. The respective discount factors are estimated by extrapolating current market rates along the yield curve.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized in profit or loss when the curtailment or settlement occurs.

Provisions for other risks
A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the reporting date. Provisions with an original maturity of more than one year are discounted to the present value of the expenditures expected to settle the obligation at the end of the reporting period. If the criteria of the regulations on recognition and measurement of provisions are not fulfilled and the possibility of a cash outflow upon settlement is not unlikely, the item is to be presented as a contingent liability, insofar as it is adequately measurable. The amount disclosed as a contingent liability represents the best estimate of the possible obligation at the reporting date. Provisions and contingent liabilities are regularly reviewed and adjusted as further information becomes available or circumstances change.

A provision for expected warranty costs is recognized when a product is sold or when a new warranty program is initiated. Estimates for accrued warranty costs are primarily based on historical experience.

Restructuring provisions are set up in connection with programs that materially change the scope of business performed by a segment or business unit or the manner in which business is conducted. In most cases, restructuring expenses include termination benefits and compensation payments due to the termination of agreements with suppliers and dealers. Restructuring provisions are recognized when the Group has a detailed formal plan that has either commenced implementation or been announced.

Contract and refund liabilities
Contract liabilities. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

Contract liabilities occur at Daimler especially in the following circumstances:

- deferred revenue for service and maintenance contracts and for extended warranties, and

- advance payments received on contracts in the scope of IFRS 15.

Refund liabilities. A refund liability occurs if Daimler receives consideration from a customer and expects to refund some or all of that consideration to the customer. A refund liability is measured at the amount of consideration received for which Daimler does not expect to be entitled and is thus not included in the transaction price.

Refund liabilities occur at Daimler especially in the following circumstances:

- obligations from sales transactions (especially performance bonuses, discounts and other price concessions) in the scope of IFRS 15, and

- sales with the right of return and residual-value guarantees.

Share-based payment
Share-based payment comprises cash-settled liability awards.

Liability awards are measured at fair value at each balance sheet date until settlement and are classified as provisions. The profit or loss of the period equals the addition to and/or the reversal of the provision during the reporting period and the dividend equivalent paid during the period, and is included in the functional costs.

Presentation in the Consolidated Statement of Cash Flows
Interest paid as well as interest and dividends received are classified as cash provided by/used for operating activities. The cash flows from short-term marketable debt securities with high turnover rates and significant amounts are offset and presented within cash provided by/used for investing activities.

2. Accounting estimates and management judgments

In the Consolidated Financial Statements, to a certain degree, estimates and management judgments have to be made which can affect the amounts and reporting of assets and liabilities, the reporting of contingent assets and liabilities on the balance sheet date, and the amounts of income and expense reported for the period. The major items affected by such estimates and management judgments are described as follows. Actual amounts may differ from the estimates. Changes in the estimates and management judgments can have a material impact on the Consolidated Financial Statements.

Recoverable amounts of cash-generating units and equity-method investments
In the context of impairment tests for non-financial assets, estimates have to be made to determine the recoverable amounts of cash-generating units. Assumptions have to be made in particular with regard to future cash inflows and outflows for the planning period and the following periods. The estimates include assumptions regarding future market share and the growth of the respective markets as well as regarding the products' profitability. On the basis of the impairment tests carried out in 2018, the recoverable amounts are substantially larger than the net assets of the Group's cash-generating units.

When objective evidence of impairment or impairment reversal is present, estimates and assessments also have to be made to determine the recoverable amount of an equity method financial investment. The determination of the recoverable amount is based on assumptions regarding future business developments for the determination of the expected future cash flows of that financial investment. See Note 13 for the presentation of carrying amounts and fair values of equity-method financial investments in listed companies.

Recoverable amount of equipment on operating leases
Daimler regularly reviews the factors determining the values of its leased vehicles. In particular, it is necessary to estimate the residual values of vehicles at the end of their leases, which constitute a substantial part of the expected future cash flows from leased assets. In this context, assumptions are made regarding major influencing factors, such as the expected number of returned vehicles, the latest remarketing results and future vehicle model changes. Those assumptions are determined either by qualified estimates or by publications provided by expert third parties; qualified estimates are based, as far as publicly available, on external data with consideration of internally available additional information such as historical experience of price developments and recent sale prices. The residual values thus determined serve as a basis for depreciation; changes in residual values lead either to prospective adjustments of the depreciation or, in the case of a significant decline in expected residual values, to impairment. If depreciation is prospectively adjusted, changes in estimates of residual values do not have a direct effect but are equally distributed over the remaining periods of the lease contracts.

Collectability of receivables from financial services
The Group regularly estimates the risk of default on receivables from financial services. Many factors are taken into consideration in this context, including historical loss experience, the size and composition of certain portfolios, current economic events and conditions and the estimated fair values and adequacy of collaterals. In addition to historical and current information on losses, appropriate and reliable forward-looking information on factors is also included. This information includes macroeconomic factors (e.g. GDP growth, unemployment rate, cost-performance index) and forecasts of future economic conditions. For receivables from financial services, these forecasts are determined using a scenario analysis (baseline scenario, optimistic and pessimistic scenario). Changes to the estimation and assessment of these factors influence the allowance for credit losses with a resulting impact on the Group's net profit. See also Notes 14 and 33 for further information.

Product warranties
The recognition and measurement of provisions for product warranties is generally connected with estimates.

The Group provides various types of product warranties depending on the type of product and market conditions. Provisions for product warranties are generally recognized when vehicles are sold or when new warranty programs are initiated. Based on historical warranty claim experience, assumptions have to be made on the type and extent of future warranty claims and customer goodwill, as well as on possible recall campaigns for each model series. These assessments are based on experience of the frequency and extent of vehicle faults and defects in the past. In addition, the estimates also include assumptions on the amounts of potential repair costs per vehicle and the effects of possible time or mileage limits. The provisions are regularly adjusted to reflect new information.

Further information on provisions for other risks is provided in Note 23.

Legal proceedings
Various legal proceedings, claims and governmental investigations are pending against Daimler AG and its subsidiaries on a wide range of topics. If the outcome of such legal proceedings is detrimental to Daimler, the Group may be required to pay substantial compensatory and punitive damages, to undertake service actions or recall campaigns, to pay fines or to carry out other costly actions. Litigation and governmental investigations often involve complex legal issues and are connected with a high degree of uncertainty. Accordingly, the assessment of whether an obligation exists on the balance sheet date as a result of an event in the past, and whether a future cash outflow is likely and the obligation can be reliably estimated, largely depends on estimations by the management. Daimler regularly evaluates the current stage of legal proceedings, also with the involvement of external legal counsel. It is therefore possible that the amounts of provisions for pending or potential litigation will have to be adjusted due to future developments. Changes in estimates and premises can have a material effect on the Group's future profitability. It is also possible that provisions accrued for some legal proceedings may turn out to be insufficient once such proceedings have ended. Daimler may also become liable for payments in legal proceedings no provisions were established for. Although the final resolution of any such proceedings could have a material effect on Daimler's operating results and cash flows for a particular reporting period, Daimler believes that it should not materially affect the Group's financial position.

Further information on liability and litigation risks is provided in Note 30.

Pensions and similar obligations
The calculation of provisions for pensions and similar obligations and the related pension cost are based on various actuarial valuations. The calculations are subject to various assumptions on matters such as current actuarially developed probabilities (e.g. discount factors and cost-of-living increases), future fluctuations with regard to age and period of service, and experience with the probability of occurrence of pension payments, annuities or lump sums. As a result of changed market or economic conditions, the probabilities on which the influencing factors are based, may differ from current developments. The financial effects of deviations of the main factors are calculated with the use of sensitivity analyses. See Note 22 for further information.

Income taxes
The calculation of income taxes of Daimler AG and its subsidiaries is based on the legislation and regulations applicable in the various countries. Due to their complexity, the tax items presented in the Consolidated Financial Statements are possibly subject to different interpretation by taxpayers on the one hand and local tax authorities on the other hand. For the calculation of deferred tax assets, assumptions have to be made regarding future taxable income and the time of realization of the deferred tax assets. In this context, Daimler takes into consideration, among other things, the projected earnings from business operations, the effects on earnings of the reversal of taxable temporary differences, and realizable tax strategies. As future business developments are uncertain and are sometimes beyond Daimler's control, the assumptions to be made in connection with accounting for deferred tax assets are connected with a substantial degree of uncertainty. On each balance sheet date, Daimler carries out impairment tests on deferred tax assets on the basis of the planned taxable income in future financial years; if Daimler assesses that the probability of future tax advantages being partially or fully unrealized is more than 50%, the deferred tax assets are impaired. Further information is provided in Note 9.

3. Consolidated Group

Composition of the Group
Table ↗ **F.13** shows the composition of the Group.

The aggregate balance sheet totals of the subsidiaries, associated companies, joint ventures and joint operations accounted for at amortized cost whose business is non-active or of low volume and which are not material for the Group and the fair presentation of its profitability, liquidity and capital resources and financial position would amount to approximately 1% of the Group's balance sheet total; the aggregate revenues and the aggregate net profit would amount to approximately 1% of the Group's revenue and net profit.

A detailed list of the companies included in the Consolidated Financial Statements and of the equity investments of Daimler Group pursuant to Section 313 of the German Commercial Code (HGB) is provided in the statement of investments. Further information is provided in Note 40.

Structured entities
The structured entities of the Group are rental companies, asset-backed-securities (ABS) companies and special funds. The purpose of the rental companies primarily is the acquisition, renting and management of assets. The ABS companies are primarily used for the Group's refinancing. The assets transferred to structured entities usually result from the Group's leasing and sales financing business. Those entities refinance the purchase price by issuing securities. The special funds are set up in particular in order to diversify the capital investment strategy.

At the reporting date, the Group has business relationships with 18 (2017: 24) controlled structured entities, of which 18 (2017: 22) are fully consolidated. In addition, the Group has relationships with 7 (2017: 6) non-controlled structured entities. The unconsolidated structured entities are not material for the Group's profitability, liquidity and capital resources and financial position.

Equity-method investments

In May 2017, Daimler acquired for a purchase price of €0.3 billion an interest of 15% in **LSH Auto International Limited** (LSHAI), which is responsible for the Mercedes-Benz retail business of Lei Shing Hong Group. LSHAI, a subsidiary of Lei Shing Hong Group, is one of the biggest Mercedes-Benz dealers worldwide.

In January 2017, **There Holding B.V.** sold an equity interest of 15% in HERE International B.V. to Intel Holdings B.V. and recognized a gain of €183 million in connection with the sale. Information on further transactions is explained in Note 13.

Assets and liabilities held for sale

In March 2018, the Daimler Group and the BMW Group signed an agreement to merge their business units for mobility services. The partners intend to offer their customers a holistic ecosystem of intelligent, seamlessly connected mobility services, available at the tap of a finger. To this end, the partners will combine and strategically expand their existing on-demand mobility offering in the areas of car sharing, ride hailing, parking, charging and multimodality in joint ventures. At December 31, 2018, the assets and liabilities held for sale are presented separately in the Consolidated Statement of Financial Position. The disposal group's assets amounted to €531 million and its liabilities amounted to €212 million.

Following approval by the relevant competition authorities, the transaction was completed in January 2019. In the first quarter of 2019, the transaction will produce a significant positive earnings effect (approximately €0.7 billion) and a cash outflow (approximately €0.7 billion) at the segment Daimler Financial Services.

F.13
Composition of the Group

	At December 31, 2018	2017
Consolidated subsidiaries	376	363
Germany	70	64
International	306	299
Unconsolidated subsidiaries	126	119
Germany	36	41
International	90	78
Joint operations accounted for using proportionate consolidation	1	1
Germany	–	–
International	1	1
Joint operations accounted for using the equity method	3	3
Germany	1	1
International	2	2
Joint ventures accounted for using the equity method	16	16
Germany	4	5
International	12	11
Associated companies accounted for using the equity method	16	14
Germany	4	3
International	12	11
Joint operations, joint ventures, associated companies and material other investments accounted for at (amortized) cost	32	32
Germany	13	16
International	19	16
	570	548

F.14

Revenue

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total segments	Reconciliation	Daimler Group
2018								
Europe	**36,902**	**10,775**	**8,937**	**2,851**	**4,269**	**63,734**	**-3,810**	**59,924**
NAFTA	**18,488**	**16,622**	**1,666**	**255**	**5,366**	**42,397**	**-903**	**41,494**
Asia	**30,859**	**6,503**	**844**	**227**	**230**	**38,663**	**-19**	**38,644**
Other markets	**3,950**	**3,661**	**1,130**	**777**	**203**	**9,721**	**-187**	**9,534**
Revenue according to IFRS 15	**90,199**	**37,561**	**12,577**	**4,110**	**10,068**	**154,515**	**-4,919**	**149,596**
Other revenue	**2,904**	**712**	**1,049**	**419**	**16,201**	**21,285**	**-3,519**	**17,766**
Total revenue	**93,103**	**38,273**	**13,626**	**4,529**	**26,269**	**175,800**	**-8,438**	**167,362**

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services[1]	Total segments	Reconciliation[1]	Daimler Group
2017								
Europe	37,607	10,727	8,684	2,861	3,827	63,706	-3,582	60,124
NAFTA	19,721	14,767	1,498	299	5,229	41,514	-871	40,643
Asia	30,249	6,111	860	159	218	37,597	-20	37,577
Other markets	4,364	3,323	1,010	835	176	9,708	-192	9,516
Revenue according to IFRS 15	91,941	34,928	12,052	4,154	9,450	152,525	-4,665	147,860
Other revenue	2,410	827	1,109	370	15,080	19,796	-3,502	16,294
Total revenue	94,351	35,755	13,161	4,524	24,530	172,321	-8,167	164,154

1 In 2017 at the Daimler Financial Services segment, in addition to the adjustment of prior-year figures due to IFRS 15, the Group's internal revenue has been adjusted. This adjustment has been fully eliminated in the reconciliation.

4. Revenue

Revenue disclosed in the Consolidated Statement of Income includes revenue from contracts with customers and other revenue not in the scope of IFRS 15.

Revenue from contracts with customers (revenue according to IFRS 15) is disaggregated by the two categories – type of products and services and geographical region – and presented in table ↗ **F.14**. The category type of products and services corresponds to the reportable segments.

Other revenue primarily comprises revenue from the rental and leasing business (IAS 17), interest from the financial services business at Daimler Financial Services in an amount of €5,188 million (2017: €4,613 million) and effects from currency hedging.

Revenue according to IFRS 15 includes revenue that was included in the contract liabilities at December 31, 2017 in an amount of €3,583 million (2017: €2,481 million) and revenue from performance obligations fully (or partially) satisfied in previous periods in an amount of €434 million (2017: €458 million).

Revenue that is expected to be recognized within three years related to performance obligations that are unsatisfied (or partially unsatisfied) amounted to €7,642 million at December 31, 2018. This revenue is mainly derived from long-term service and maintenance contracts and extended warranties. It does not include performance obligations from customer contracts that have original expected durations of one year or less. Long-term performance obligations of minor importance to the overall contract value of a bundled contract are not considered in assessing the original duration of that bundled contract.

Revenue by segment ↗ **F.100** and region ↗ **F.102** is presented in Note 34.

5. Functional costs

Cost of sales

Items included in cost of sales are shown in table ↗ F.15.

Amortization expense of capitalized development costs in the amount of €1,538 million (2017: €1,310 million) is presented in expense of goods sold.

Selling expenses

In 2018, selling expenses amounted to €13,067 million (2017: €12,951 million). Selling expenses consist of direct selling costs as well as selling overhead expenses and comprise personnel expenses, material costs and other selling costs.

General administrative expenses

General administrative expenses amounted to €4,036 million in 2018 (2017: €3,808 million). They consist of expenses which are not attributable to production, sales or research and development functions, and comprise personnel expenses, depreciation and amortization of fixed and intangible assets, and other administrative costs.

Research and non-capitalized development costs

Research and non-capitalized development costs were €6,581 million in 2018 (2017: €5,938 million) and primarily comprise personnel expenses and material costs.

Optimization programs

In the year 2018, optimization programs did not result in any material expenses. In the year 2017, at the Daimler Trucks segment, expenses of €172 million were incurred in connection with the optimization of fixed costs, especially at the Mercedes-Benz brand. The cash outflows occurred mainly in 2018.

Personnel expenses and average number of employees

Personnel expenses included in the Consolidated Statement of Income amounted to €22,432 million in 2018 (2017: €22,186 million). The personnel expenses are composed of wages and salaries in the amount of €18,329 million (2017: €18,188 million), social contributions in the amount of €3,332 million (2017: €3,292 million) and expenses from pension obligations in the amount of €771 million (2017: €706 million). The average numbers of people employed are shown in table ↗ F.16.

Information on the total remuneration of the current and former members of the Board of Management and the current members of the Supervisory Board is provided in Note 38.

F.15
Cost of sales

	2018	2017
In millions of euros		
Expense of goods sold	-117,508	-113,707
Depreciation of equipment on operating leases	-8,567	-7,936
Refinancing costs at Daimler Financial Services	-2,747	-2,187
Impairment losses on receivables from financial services	-382	-500
Other cost of sales	-5,091	-5,296
	-134,295	-129,626

F.16
Average number of employees

	2018	2017
Mercedes-Benz Cars[1]	146,240	143,586
Daimler Trucks	82,905	80,155
Mercedes-Benz Vans	26,223	24,823
Daimler Buses	18,506	17,978
Daimler Financial Services	13,739	12,621
Other	10,852	10,367
	298,465	289,530

1 Including proportionally 1,856 employees from proportionately consolidated companies in 2018 (2017: 1,203).

6. Other operating income and expense

The composition of other operating income is shown in table ↗ F.17.

Income from costs recharged to third parties includes income from licenses and patents, shipping costs and other costs charged to third parties, with related expenses primarily within the functional costs.

Government grants and subsidies mainly comprise reimbursements relating to current part-time early retirement contracts and subsidies for alternative drive systems. In the year 2018, other miscellaneous income contains insurance compensation of €219 million.

In the year 2017, gains on sales of property, plant and equipment included gains of €267 million from the sale of real estate by Mitsubishi Fuso Truck and Bus Corporation at the Kawasaki site in Japan.

The composition of other operating expense is shown in table ↗ F.18.

Other miscellaneous expense primarily comprises changes in other provisions. Compared with the prior year, it includes higher expenses related to legal proceedings.

F.17
Other operating income

In millions of euros	2018	2017
Income from costs recharged to third parties	821	761
Government grants and subsidies	102	107
Gains on sales of property, plant and equipment	140	385
Rental income not relating to sales financing	159	149
Income associated with optimization programs	–	133
Other miscellaneous income	1,108	724
	2,330	2,259

F.18
Other operating expense

In millions of euros	2018	2017
Losses on sales of property, plant and equipment	-106	-117
Other miscellaneous expense	-1,356	-926
	-1,462	-1,043

7. Other financial income/expense, net

Table ↗ F.19 shows the components of other financial income/expense, net.

In 2018, the measurement at fair value of the minority interest in Aston Martin Lagonda Global Holdings plc in other financial assets resulted in a gain of € 111 million, which has been assigned to the segment earnings of Mercedes-Benz Cars. The measurement was carried out in connection with the initial public offering, which took place at the beginning of October 2018.

F.19
Other financial income/expense, net

In millions of euros	2018	2017
Income and expense from compounding and effects from changes in discount rates of provisions for other risks	-31	-61
Miscellaneous other financial income/expense, net	241	-149
	210	-210

8. Interest income and interest expense

Table ↗ F.20 shows the components of interest income and interest expense.

F.20
Interest income and interest expense

In millions of euros	2018	2017
Interest income		
Net interest income on the net assets of defined benefit pension plans	3	2
Interest and similar income	268	212
	271	214
Interest expense		
Net interest expense on the net obligation from defined benefit pension plans	-133	-211
Interest and similar expense	-660	-371
	-793	-582

9. Income taxes

Profit before income taxes is comprised as shown in table ↗ F.21.

Profit before income taxes in Germany includes profit/loss on equity-method investments if the equity interests in those companies are held by German companies.

Table ↗ F.22 shows the components of income taxes.

The current tax expense includes tax benefits at German and foreign companies of €529 million (2017: tax expenses of €268 million) recognized for prior periods.

The deferred tax expense/benefit is comprised of the components shown in table ↗ F.23.

For German companies, in 2018 and 2017, deferred taxes were calculated using a federal corporate income tax rate of 15%, a solidarity tax surcharge of 5.5% on each year's federal corporate income taxes, and a trade tax rate of 14%. In total, the tax rate applied for the calculation of German deferred taxes in both years amounted to 29.825%.

For non-German companies, the deferred taxes at period-end were calculated using the tax rates of the respective countries.

Table ↗ F.24 shows a reconciliation of expected income tax expense to actual income tax expense determined using the unchanged applicable German combined statutory tax rate of 29.825%.

The law signed in 2017 by the President of the United States of America for a comprehensive tax reform ("H.R. 1/Tax Cuts and Jobs Act"), includes the reduction of the nationwide federal corporate income tax rate for US-companies from 35% to 21%, starting on January 1, 2018. At year-end 2017, the reduction of the federal corporate income tax rate required the remeasurement of the deferred tax liabilities and deferred tax assets of the US-subsidiaries of Daimler. The resulting tax benefit of €1,626 million is included in the line item tax law changes.

In 2018 and 2017, the Group impaired deferred tax assets of foreign subsidiaries. The resulting tax expenses are included in the line item change of valuation allowance on deferred tax assets.

Tax-free income and non-deductible expenses include all other effects at foreign and German companies relating to tax-free income and non-deductible expenses, for instance tax-free gains included in net periodic pension costs at the German companies and tax-free results of our equity-method investments. Furthermore, in 2017, the line item also includes tax expenses in connection with the interpretation of tax laws.

F.21
Profit before income taxes

	2018	2017
In millions of euros		
German companies	2,932	6,483
Non-German companies	7,663	7,484
	10,595	13,967

F.22
Components of income taxes

	2018	2017
In millions of euros		
Current taxes		
German companies	-1,116	-2,024
Non-German companies	-1,127	-1,985
Deferred taxes		
German companies	125	-425
Non-German companies	-895	1,084
	-3,013	-3,350

F.23
Components of deferred tax expense

	2018	2017
In millions of euros		
Deferred taxes	-770	659
due to temporary differences	-510	1,059
due to tax loss carryforwards and tax credits	-260	-400

F.24
Reconciliation of expected income tax expense to actual income tax expense

	2018	2017
In millions of euros		
Expected income tax expense	-3,160	-4,166
Foreign tax rate differential	326	-54
Trade tax rate differential	37	52
Tax law changes	11	1,585
Change of valuation allowance on deferred tax assets	-101	-171
Tax-free income and non-deductible expenses	14	-632
Other	-140	36
Actual income tax expense	-3,013	-3,350

F.25
Deferred tax assets and liabilities

	At December 31, 2018	2017
In millions of euros		
Deferred tax assets	**4,021**	2,844
Deferred tax liabilities	**-3,762**	-2,347
Deferred tax assets, net	**259**	497

F.26
Split of tax assets and liabilities before offset

	At December 31, 2018	2017
In millions of euros		
Intangible assets	**30**	47
Property, plant and equipment	**154**	134
Equipment on operating leases	**1,808**	1,662
Inventories	**1,017**	977
Receivables from financial services	**341**	405
Miscellaneous assets, mainly other financial assets	**4,837**	5,549
Tax loss carryforwards and unused tax credits	**1,538**	1,813
Provisions for pensions and similar obligations	**592**	671
Other provisions	**1,692**	1,875
Liabilities	**2,092**	1,621
Deferred income	**1,084**	878
Miscellaneous liabilities	**2**	2
	15,187	15,634
Valuation allowances	**-1,299**	-1,291
thereof on temporary differences	***-213***	*-194*
thereof on tax loss carryforwards and tax credits	***-1,086***	*-1,097*
Deferred tax assets, gross	**13,888**	14,343
Development costs	**-3,352**	-3,060
Other intangible assets	**-115**	-127
Property, plant and equipment	**-1,757**	-1,575
Equipment on operating leases	**-5,092**	-4,387
Inventories	**-78**	-55
Receivables from financial services	**-793**	-721
Miscellaneous assets	**-321**	-382
Provisions for pensions and similar obligations	**-1,572**	-3,082
Other provisions	**-233**	-150
Miscellaneous liabilities	**-316**	-307
Deferred tax liabilities, gross	**-13,629**	-13,846
Deferred tax assets, net	**259**	497

Deferred tax assets and deferred tax liabilities are offset if the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and if there is the right to set off current tax assets against current tax liabilities. In the presentation of deferred tax assets and liabilities in the Consolidated Statement of Financial Position, no difference is made between current and non-current. In the Consolidated Statement of Financial Position, deferred tax assets and liabilities are presented as shown in table ↗ **F.25**.

In respect of each type of temporary difference and in respect of each type of unutilized tax loss carryforwards and unutilized tax credits, the deferred tax assets and liabilities before offset are summarized in table ↗ **F.26**.

The development of deferred tax assets, net, is shown in table ↗ **F.27**.

Including the items recognized in other comprehensive income/loss (including items from equity-method investments), the expense for income taxes is comprised as shown in table ↗ **F.28**.

In the Consolidated Statement of Financial Position, the valuation allowances on deferred tax assets, which are mainly attributable to foreign companies, increased by €8 million compared to December 31, 2017. This is primarily a result of the additional valuation allowances of €101 million recognized in net profit. Furthermore, a decrease in the valuation allowance was recognized in equity, amongst others due to currency translation.

At December 31, 2018, the valuation allowance on deferred tax assets relates, among other things, to corporate income tax loss carryforwards (€904 million). €35 million of the deferred tax assets for corporate income tax loss carryforwards adjusted by a valuation allowance relates to tax loss carryforwards which expire at various dates from 2019 through 2020, €160 million relates to tax loss carryforwards which expire at various dates from 2021 through 2023, €50 million relates to tax loss carryforwards which expire at various dates from 2024 through 2028 and €659 million relates to tax loss carryforwards which can be carried forward indefinitely. Furthermore, the valuation allowance primarily relates to temporary differences at non-German companies as well as net operating losses for state and local taxes at the US-companies. Daimler believes that it is more likely than not that those deferred tax assets cannot be utilized. In 2018 and prior years, the Group had tax losses at several subsidiaries in several countries. After offsetting the deferred tax assets with deferred tax liabilities, the deferred tax assets not subject to valuation allowances amounted to €127 million for those subsidiaries. Daimler believes it is more likely than not that future taxable income will be sufficient to allow utilization of the deferred tax assets. Daimler's current estimate of the amount of deferred tax assets that is considered realizable may change in the future, necessitating higher or lower valuation allowances.

The retained earnings of non-German subsidiaries are largely intended to be reinvested in those operations. The Group did not recognize deferred tax liabilities on retained earnings of non-German subsidiaries of €28,514 million (2017: €28,692 million) which are intended to be reinvested. If those earnings were paid out as dividends, an amount of 5% would be taxed under German taxation rules and, if applicable, with non-German withholding tax. Additionally, income tax consequences might arise if the dividends first have to be distributed by a non-German subsidiary to a non-German holding company. Normally, the distribution would lead to an additional income tax expense. It is not practicable to estimate the amount of taxable temporary differences for these undistributed foreign earnings.

The Group has various unresolved issues concerning open income tax years with the tax authorities in a number of jurisdictions. Daimler believes that it has recognized adequate provisions for any future income taxes that may be owed for all open tax years.

As a result of future adjudications or changes in the opinions of the fiscal authorities, it cannot be ruled out that Daimler might receive tax refunds for previous years.

F.27

Change of deferred tax assets, net

	2018	2017
In millions of euros		
Deferred tax assets, net as of January 1	**497**	363
Deferred tax expense/benefit in the financial statement of income	**-770**	659
Change in deferred tax expense/benefit on equity instruments/debt instruments included in other comprehensive income/loss	**21**	-3
Change in deferred tax expense/benefit on derivative financial instruments included in other comprehensive income/loss	**537**	-735
Change in deferred tax expense/benefit on actuarial gains/losses from defined benefit pension plans	**171**	-19
Other changes[1]	**-197**	232
Deferred tax assets, net as of December 31	**259**	497

1 The other changes primarily relate to effects from currency translation.

F.28

Tax expense in equity

	2018	2017
In millions of euros		
Income tax expense in the consolidated financial statement of income	**-3,013**	-3,350
Income tax expense/benefit recorded in other reserves	**728**	-757
	-2,285	-4,107

10. Intangible assets

Intangible assets developed as shown in table ↗ F.29.

At December 31, 2018, goodwill of €433 million (2017: €455 million) relates to the Daimler Financial Services segment, goodwill of €418 million (2017: €418 million) relates to the Daimler Trucks segment and goodwill of €168 million (2017: €180 million) relates to the Mercedes-Benz Cars segment.

Non-amortizable intangible assets primarily relate to goodwill and development costs for projects which have not yet been completed (carrying amount at December 31, 2018: €4,029 million; 2017: €5,086 million). In addition, other intangible assets with a carrying amount of €270 million (2017: €255 million) are not amortizable. These non-amortizable intangible assets are distribution rights in the vehicle segments with indefinite useful lives as well as trademarks in the Daimler Trucks segment with indefinite useful lives. The Group plans to continue to use these assets unchanged.

Table ↗ F.30 shows the line items of the Consolidated Statement of Income in which total amortization expense for intangible assets is included.

F.29
Intangible assets

	Goodwill (acquired)	Development costs (internally generated)[2]	Other intangible assets (acquired)	Total
In millions of euros				
Acquisition or manufacturing costs				
Balance at January 1, 2017	1,481	13,963	4,384	19,828
Additions due to business combinations	9	–	16	25
Other additions	1	2,779	755	3,535
Reclassifications	–	–	–	–
Disposals	-34	-524	-396	-954
Other changes[1]	-71	-26	-140	-237
Balance at December 31, 2017	1,386	16,192	4,619	22,197
Additions due to business combinations	–	–	–	–
Other additions	**1**	**2,535**	**640**	**3,176**
Reclassifications	–	–	–	–
Disposals	–	**-282**	**-432**	**-714**
Other changes[1]	**-31**	**6**	**57**	**32**
Balance at December 31, 2018	**1,356**	**18,451**	**4,884**	**24,691**
Amortization/impairment				
Balance at January 1, 2017	293	5,136	2,301	7,730
Additions	–	1,323	445	1,768
Reclassifications	–	–	–	–
Disposals	–	-521	-368	-889
Other changes[1]	-22	-26	-99	-147
Balance at December 31, 2017	271	5,912	2,279	8,462
Additions	–	**1,553**	**476**	**2,029**
Reclassifications	–	–	–	–
Disposals	–	**-277**	**-373**	**-650**
Other changes[1]	**3**	**6**	**40**	**49**
Balance at December 31, 2018	**274**	**7,194**	**2,422**	**9,890**
Carrying amount at December 31, 2017	1,115	10,280	2,340	13,735
Carrying amount at December 31, 2018	**1,082**	**11,257**	**2,462**	**14,801**

1 Primarily changes from currency translation.
2 Including capitalized borrowing costs on development costs of €41 million (2017: €47 million). Amortization amounted to €15 million (2017: €13 million).

11. Property, plant and equipment

Property, plant and equipment developed as shown in table ↗ F.31.

In 2018, government grants of €51 million (2017: €50 million) were deducted from property, plant and equipment.

Property, plant and equipment also include buildings, technical equipment and other equipment under finance lease arrangements and thus deemed to be owned by the Group with a carrying amount at December 31, 2018 of €335 million (2017: €320 million). In 2018, additions to and depreciation expense on assets under finance lease arrangements amounted to €17 million (2017: €204 million) and €33 million (2017: €34 million), respectively.

F.30

Amortization expense for intangible assets in the Consolidated Statement of Income

In millions of euros	2018	2017
Cost of sales	1,820	1,585
Selling expenses	85	89
General administrative expenses	57	45
Research and non-capitalized development costs	66	48
Other operating expense	1	1
	2,029	1,768

F.31

Property, plant and equipment

In millions of euros	Land, leasehold improvements and buildings including buildings on land owned by others	Technical equipment and machinery	Other equipment, factory and office equipment	Advance payments relating to plant and equipment and construction in progress	Total
Acquisition or manufacturing costs					
Balance at January 1, 2017	16,756	25,624	26,348	3,489	72,217
Additions due to business acquisitions	–	–	–	–	–
Other additions	562	1,032	1,752	3,603	6,949
Reclassifications	559	985	803	-2,347	–
Disposals	-415	-1,173	-796	-123	-2,507
Other changes[1]	-475	-504	-709	-152	-1,840
Balance at December 31, 2017	16,987	25,964	27,398	4,470	74,819
Additions due to business acquisitions	–	–	–	–	–
Other additions	309	888	1,932	4,341	7,470
Reclassifications	612	988	1,536	-3,136	–
Disposals	-336	-634	-661	-104	-1,735
Other changes[1]	84	-30	172	96	322
Balance at December 31, 2018	17,656	27,176	30,377	5,667	80,876
Depreciation/impairment					
Balance at January 1, 2017	8,749	16,469	20,618	–	45,836
Additions	352	1,534	2,035	–	3,921
Reclassifications	-1	–	1	–	–
Disposals	-201	-1,084	-640	–	-1,925
Other changes[1]	-156	-289	-549	–	-994
Balance at December 31, 2017	8,743	16,630	21,465	–	46,838
Additions	385	1,633	2,273	–	4,291
Reclassifications	1	-12	11	–	–
Disposals	-175	-558	-540	–	-1,273
Other changes[1]	-39	-18	129	–	72
Balance at December 31, 2018	8,915	17,675	23,338	–	49,928
Carrying amount at December 31, 2017	8,244	9,334	5,933	4,470	27,981
Carrying amount at December 31, 2018	8,741	9,501	7,039	5,667	30,948

1 Primarily changes from currency translation.

12. Equipment on operating leases

The development of equipment on operating leases is shown in table ↗ F.32.

At December 31, 2018, equipment on operating leases with a carrying amount of €9,804 million were pledged as security for liabilities from ABS transactions related to a securitization transaction of future lease payments on leased vehicles (December 31, 2017: €8,684 million) (see also Note 24).

Minimum lease payments

Non-cancelable future lease payments to Daimler for equipment on operating leases are due as presented in table ↗ F.33.

F.32

Equipment on operating leases

In millions of euros	
Acquisition or manufacturing costs	
Balance at January 1, 2017	57,030
Additions due to business acquisitions	–
Other additions	24,856
Reclassifications	–
Disposals	-19,643
Other changes[1]	-3,445
Balance at December 31, 2017	58,798
Additions due to business acquisitions	–
Other additions	**24,854**
Reclassifications	–
Disposals	**-21,101**
Other changes[1]	**980**
Balance at December 31, 2018	**63,531**
Depreciation/impairment	
Balance at January 1, 2017	10,353
Additions	7,936
Reclassifications	–
Disposals	-5,902
Other changes[1]	-663
Balance at December 31, 2017	11,724
Additions[2]	**8,567**
Reclassifications	–
Disposals	**-6,431**
Other changes[1]	**195**
Balance at December 31, 2018	**14,055**
Carrying amount at December 31, 2017	47,074
Carrying amount at December 31, 2018	**49,476**

1 Primarily changes from currency translation.
2 Comprises impairments of €133 million.

F.33

Maturity of minimum lease payments for equipment on operating leases

	At December 31, 2018	2017
In millions of euros		
Maturity		
within one year	**8,376**	7,922
between one and five years	**9,898**	8,607
later than five years	**62**	71
	18,336	16,600

13. Equity-method investments

Table ↗ **F.34** shows the carrying amounts and profits/losses from equity-method investments.

Table ↗ **F.35** presents key figures on interests in associated companies accounted for using the equity method in the Group's Consolidated Financial Statements.

F.34

Summarized carrying amounts and profits/losses from equity-method investments

In millions of euros	Associated companies	Joint ventures	Joint operations	Total
At December 31, 2018				
Equity investment[1]	**4,230**	**604**	**26**	**4,860**
Equity result[1]	**1,050**	**-397**	**3**	**656**
At December 31, 2017				
Equity investment[1]	4,282	500	36	4,818
Equity result[1]	1,541	-42	-1	1,498

1 Including investor-level adjustments.

F.35

Key figures on interests in associated companies accounted for using the equity method

In millions of euros	BBAC	BAIC Motor[3]	THBV (HERE)	Others	Total
At December 31, 2018					
Equity interest (in %)	**49.0**	**9.6**	**29.6**		
Stock market price[1]	**–**	**353**	**–**		
Equity investment[2]	**2,353**	**650**	**522**	**705**	**4,230**
Equity result[2]	**1,247**	**-107**	**-101**	**11**	**1,050**
Dividend payment to Daimler[4]	**1,024**	**10**	**–**		
At December 31, 2017					
Equity interest (in %)	49.0	10.1	33.3		
Stock market price[1]	–	832	–		
Equity investment[2]	2,130	777	732	643	4,282
Equity result[2]	1,143	290	121	-13	1,541
Dividend payment to Daimler[5]	1,134	29	–		

1 Proportionate stock market prices.
2 Including investor-level adjustments.
3 The proportionate share of earnings of BAIC Motor Corporation Ltd. (BAIC Motor) is included in Daimler's Consolidated Financial Statements with a three-month time lag.
4 The dividend from BBAC of €1,024 million was partly paid out in the year 2018. The payment was €930 million.
5 The dividend from BBAC of €1,134 million was partly paid out in the year 2017 with an amount of €768 million. The remaining amount of €346 million was paid out in the year 2018.

BBAC
Beijing Benz Automotive Co., Ltd. (BBAC) produces and distributes Mercedes-Benz passenger cars and spare parts in China. The investment and the proportionate share in the results of BBAC are allocated to the Mercedes-Benz Cars segment.

The remainder of the dividend which was approved by the shareholders of Beijing Benz Automotive Co., Ltd. (BBAC) in the second quarter of 2017 was paid out in the first quarter of 2018 and led to a cash inflow of €346 million.

In the second quarter of 2018, the shareholders of BBAC approved the payout of a dividend for the 2017 financial year. The amount of €1,024 million attributable to Daimler reduced the carrying amount of the investment accordingly. The first part of the dividend was paid in the third quarter and led to a cash inflow of €495 million. A further portion of the dividend was paid in the fourth quarter of 2018 and led to a cash inflow of €435 million. Daimler plans to contribute additional equity of in total €0.4 billion in accordance with its shareholding ratio in the years 2019 to 2020.

BAIC Motor
BAIC Motor Corporation Ltd. (BAIC Motor) is the passenger car division of BAIC Group, one of the leading automotive companies in China. Directly or via subsidiaries, BAIC Motor is engaged in the business of researching, developing, manufacturing, selling, marketing and servicing automotive vehicles and related parts and components and all related services. Due to Daimler's representation on the board of directors of BAIC Motor and other contractual arrangements, Daimler classifies this investment as an investment in an associate, to be accounted for using the equity method; in the segment reporting, the investment's carrying amount and its proportionate share of profit or loss are presented in the reconciliation of total segment's assets to Group assets and total segments' EBIT to Group EBIT, respectively.

On May 3, 2018, BAIC Motor issued new shares at the Hong Kong Stock Exchange. As a result, Daimler's interest in BAIC Motor was diluted from 10.08% to 9.55%. The dilution did not lead to any material earnings effects at Daimler. Daimler continues to exercise significant influence on BAIC Motor.

As a result of the significantly reduced stock-exchange price of BAIC Motor in 2018, Daimler assessed if there is any objective indication of an impairment of its investment in BAIC Motor. This assessment did indicate a need for an impairment in the amount of €150 million in the fourth quarter of 2018. In the first quarter of 2017, a gain of €240 million was included due to the reversal of an impairment. The gain in 2017 was a result of the increased stock-exchange price. Both the gain and the loss are included in the line item profit/loss on equity-method investments, net.

THBV (HERE)
There Holding B.V. (THBV) holds an interest in HERE International B.V. (HERE). HERE is one of the biggest manufacturers of digital roadmaps for navigation systems worldwide. Future expected high resolution maps will be one of the fundamentals for future autonomous driving. THBV is accounted for in the Consolidated Financial Statements of Daimler AG as an associated company using the equity method, and is allocated to the Mercedes-Benz Cars segment.

On January 31, 2017, the sale of a 15% shareholding in HERE between THBV and Intel Holdings B.V. (Intel) has been completed. As a result, THBV now only has a significant influence on its former 100% subsidiary HERE. Therefore, as of February 1, 2017, HERE is no longer fully consolidated in the financial statements of THBV, but is presented as an associated company using the equity method. The change in the consolidation method led to the remeasurement of the HERE shares at fair value in the first quarter of 2017. The income of €183 million from this transaction that is attributable to Daimler is included in profit/loss on equity-method investments in the first quarter of 2017.

In December 2017, the former THBV shareholders Daimler, Audi and BMW signed agreements on the sale of shares in THBV to Robert Bosch Investment Nederland B.V. and to Continental Automotive Holding Netherlands B.V. Those transactions were concluded on February 28, 2018. Each of the two buyers acquired a share of 5.9% of THBV. The sale of shares was carried out in equal parts by Daimler, Audi and BMW. As a result, Daimler's equity interest decreased from 33.3% to 29.4%. The effect on earnings was not material for Daimler.

In the first quarter of 2018, the shareholders of THBV decided on a payback from the capital reserve. The amount of €96 million attributable to Daimler was paid out and decreased the carrying amount of the investment accordingly.

THBV carried out capital increases in the second and fourth quarter of 2018. Daimler participated in the capital increases with in total €62 million, whereby the equity interest attributable to Daimler gradually increased by 0.2% to 29.6%. The capital contributions increased the carrying amount of the investment accordingly.

Table ↗ F.36 shows summarized IFRS financial information after purchase price allocation for the significant associated companies which were the basis for equity-method accounting in the Group's Consolidated Financial Statements.

Other minor equity-method investments
In the second quarter of 2018, the result of joint ventures accounted for using the equity method includes an expense of €418 million for Toll Collect, primarily related to the settlement of the arbitration proceedings. The result is allocated to the Daimler Financial Services segment. Further information is provided in Note 30.

The equity-method result of joint ventures in 2017 includes impairments of investments of €125 million.

Table ↗ F.37 shows summarized aggregated financial information for the other minor equity-method investments after purchase price allocation and on a pro rata basis.

Further information on equity-method investments is provided in Notes 3 and 37.

F.36

Summarized IFRS financial information on significant associated companies accounted for using the equity method

	BBAC[1]		BAIC Motor[2]		THBV[3] (HERE)	
	2018	2017	**2018**	2017	**2018**	2017
In millions of euros						
Information on the statement of income						
Revenue	**17,433**	15,373	**20,085**	18,510	**–**	71
Profit/loss from continuing operations after taxes	**2,570**	2,350	**1,802**	1,649	**-337**	-151
Profit/loss from discontinued operations after taxes	**–**	–	**–**	–	**–**	513
Other comprehensive income/loss	**7**	23	**–**	103	**-7**	2
Total comprehensive income/loss	**2,577**	2,373	**1,802**	1,752	**-344**	364
Information on the statement of financial position and reconciliation to equity-method carrying amounts						
Non-current assets	**5,458**	4,558	**13,825**	13,089	**1,763**	1,906
Current assets	**7,156**	7,058	**10,753**	10,140	**2**	289
Non-current liabilities	**967**	741	**3,545**	3,077	**–**	–
Current liabilities	**6,625**	6,335	**10,663**	10,954	**1**	–
Equity (including non-controlling interest)	**5,022**	4,540	**10,370**	9,198	**1,764**	2,195
Equity (excluding non-controlling interests) attributable to the Group	**2,461**	2,224	**738**	712	**522**	732
Unrealized profit (-)/loss (+) on sales to/purchases from	**-107**	-93	**-8**	-9	**–**	–
Equity-method goodwill	**–**	–	–	70	**–**	–
Other	**-1**	-1	**-80**	4	**–**	–
Carrying amount of equity-method investment	**2,353**	2,130	**650**	777	**522**	732

1 BBAC:
Figures for the statement of income relate to the period of January 1 to December 31.
Figures for the statement of financial position and the reconciliation to equity-method carrying amounts relate to the balance sheet date December 31.
2 BAIC Motor:
Daimler recognizes its proportionate share of profits or losses of BAIC Motor Corporation Ltd. (BAIC Motor) with a three-month time lag.
Figures for the statement of income relate to the period of October 1 to September 30.
Figures for the statement of financial position and the reconciliation to equity-method carrying amounts relate to the balance sheet date of September 30.
3 THBV:
Figures for the statement of income relate to the period of January 1 to December 31.
Figures for the statement of financial position and the reconciliation to equity-method carrying amounts relate to the balance sheet date December 31.
Revenue at THBV relates to HERE; revenue for the year 2017 is solely for the month of January until the change in the consolidation of HERE at THBV.

F.37

Summarized aggregated financial information on minor equity-method investments

	Associated companies		Joint ventures	
	2018	2017	**2018**	2017
In millions of euros				
Summarized aggregated financial information (pro rata)				
Profit/loss from continuing operations after taxes	**33**	61	**1**	-28
Profit/loss from discontinued operations after taxes	**–**	–	**–**	–
Other comprehensive income/loss	**-6**	-1	**-1**	–
Total comprehensive income/loss	**27**	60	**0**	-28

14. Receivables from financial services

Table ↗ F.38 shows the components of receivables from financial services.

Types of receivables

Receivables from sales financing with customers include receivables from credit financing for customers who purchased their vehicle either from a dealer or directly from Daimler.

Receivables from sales financing with dealers represent loans for floor financing programs for vehicles sold by the Group's automotive businesses to dealers or loans for assets purchased by dealers from third parties, primarily, used vehicles traded in by dealers' customers or real estate such as dealers' showrooms.

Receivables from finance-lease contracts consist of receivables from leasing contracts for which all substantial risks and rewards incidental to the leasing objects are transferred to the lessee.

Maturities of the finance-lease contracts are shown in table ↗ F.39.

All cash flow effects attributable to receivables from financial services are presented within cash provided by/used for operating activities in the Consolidated Statement of Cash Flows.

Loss allowances

The development of loss allowances for receivables from financial services due to expected credit losses at December 31, 2018 under IFRS 9 is shown in table ↗ F.40. Changes in the loss allowances for receivables from financial services at December 31, 2017 under IAS 39 are shown in table ↗ F.41.

The carrying amounts of receivables from financial services based on modified contracts that are shown in stage 2 and 3, amounted to €184 million at December 31, 2018. In addition, carrying amounts of €127 million in connection with contractual modifications were reclassified from stage 2 and 3 into stage 1.

F.38
Receivables from financial services

	At December 31, 2018			At December 31, 2017		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Sales financing with customers	18,452	30,029	48,481	16,363	28,635	44,998
Sales financing with dealers	18,549	3,782	22,331	16,065	3,061	19,126
Finance-lease contracts	8,976	18,038	27,014	7,430	15,370	22,800
Gross carrying amount	45,977	51,849	97,826	39,858	47,066	86,924
Loss allowances	-537	-549	-1,086	-404	-466	-870
Net carrying amount	45,440	51,300	96,740	39,454	46,600	86,054

F.39
Maturities of the finance lease contracts

	At December 31, 2018				At December 31, 2017			
	< 1 year	1 year up to 5 years	> 5 years	Total	< 1 year	1 year up to 5 years	> 5 years	Total
In millions of euros								
Contractual future lease payments	9,389	16,583	437	26,409	7,779	14,050	321	22,150
Unguaranteed residual values	704	2,716	14	3,434	602	2,525	12	3,139
Gross investment	10,093	19,299	451	29,843	8,381	16,575	333	25,289
Unearned finance income	-1,117	-1,672	-40	-2,829	-951	-1,500	-38	-2,489
Gross carrying amount	8,976	17,627	411	27,014	7,430	15,075	295	22,800
Loss allowances	-140	-212	-2	-354	-132	-152	-2	-286
Net carrying amount	8,836	17,415	409	26,660	7,298	14,923	293	22,514

F.40

Development of loss allowances for receivables from financial services due to expected credit losses (according to IFRS 9)

				At December 31, 2018
	12-month expected credit loss	Lifetime expected credit loss		Total
		not credit impaired	credit impaired	
	(Stage 1)	(Stage 2)	(Stage 3)	
In millions of euros				
Balance at December 31 according to IAS 39				870
Effect of initial application of IFRS 9				56
Balance at January 1 according to IFRS 9	361	152	413	926
Additions	197	59	130	386
Change in remeasurement	-25	148	237	360
Utilization	-33	-17	-116	-166
Reversals	-160	-122	-160	-442
Change in models/risk parameters	–	–	–	–
Transfer to stage 1	73	-47	-26	–
Transfer to stage 2	-28	51	-23	–
Transfer to stage 3	-4	-30	34	–
Currency translation and other changes	8	1	13	22
Balance at December 31 according to IFRS 9	389	195	502	1,086

Credit risks

Information on credit risks included in receivables from financial services at December 31, 2018 under IFRS 9 is shown in table ↗ F.42 and at December 31, 2017 under IAS 39 in table ↗ F.43.

Longer overdue periods regularly lead to higher allowances.

At the beginning of the contracts, collaterals of usually at least 100% of the carrying amounts were agreed, which are backed by the vehicles based on the underlying contracts. Over the contract terms, the value of the collaterals is comprised in the calculation of the risk provisioning, so the carrying amounts of the credit impaired contracts are primarily backed by the underlying vehicles.

Further information on financial risks and nature of risks is provided in Note 33.

At December 31, 2018, receivables from financial services with a carrying amount of €8,106 million (December 31, 2017: €6,049 million) were pledged as collateral for liabilities from ABS transactions (see also Note 24).

F.41

Development of the loss allowances for receivables from financial services (according to IAS 39)

	2017
In millions of euros	
Balance at January 1	1,054
Additions	480
Utilization	-265
Reversals	-299
Currency translation and other changes	-100
Balance at December 31	870

F.42

Credit risks included in receivables from financial services (according to IFRS 9)

				At December 31, 2018
	12-month expected credit loss	Lifetime expected credit loss		Total
		not credit impaired	credit impaired	
	(Stage 1)	(Stage 2)	(Stage 3)	
In millions of euros				
Gross carrying amount	90,754	5,798	1,274	97,826
thereof				
not past due	89,967	4,295	405	94,667
past due 30 days and less	770	819	44	1,633
past due 31 to 60 days	8	448	121	577
past due 61 to 90 days	3	232	84	319
past due 91 to 180 days	3	4	209	216
past due more than 180 days	3	–	411	414

F.43

Credit risks included in receivables from financial services (according to IAS 39)

	2017
In millions of euros	
Receivables, neither past due nor impaired individually	81,474
Receivables past due, not impaired individually	
less than 30 days	2,046
30 to 59 days	315
60 to 89 days	136
90 to 119 days	43
120 days or more	105
Total	2,645
Receivables impaired individually	1,935
Net carrying amount	86,054

15. Marketable debt securities and similar investments

The marketable debt securities and similar investments with a carrying amount of €9,577 million (2017: €10,063 million) are part of the Group's liquidity management and comprise financial instruments recognized at fair value through other comprehensive income, fair value through profit and loss or recognized at amortized cost.

When a short-term liquidity requirement is covered with quoted securities, those securities are presented as current assets.

Further information on marketable debt securities and similar investments is provided in Note 32.

16. Other financial assets

The line item other financial assets presented in the Consolidated Statement of Financial Position at December 31, 2018 according to IFRS 9 is comprised as shown in table ↗ **F.44**. Table ↗ **F.45** shows the corresponding amounts at December 31, 2017 according to IAS 39.

Financial assets measured at fair value through profit or loss relate exclusively to derivative financial instruments which are not used in hedge accounting.

At December 31, 2018, receivables with a carrying amount of €511 million (2017: €511 million) were pledged as collateral for liabilities (see also Note 24).

Further information on other financial assets is provided in Note 32.

17. Other assets

Non-financial other assets are comprised as shown in table ↗ F.46.

Other expected reimbursements predominantly relate to recovery claims from our suppliers in connection with issued product warranties.

F.44
Other financial assets (according to IFRS 9)

	At December 31, 2018		
	Current	Non-current	Total
In millions of euros			
Equity instruments and debt instruments	–	748	748
Recognized at fair value through other comprehensive income	–	364	364
Recognized at fair value through profit or loss	–	384	384
Derivative financial instruments used in hedge accounting	524	509	1,033
Financial assets recognized at fair value through profit or loss	91	18	109
Other receivables and financial assets	2,355	1,488	3,843
	2,970	2,763	5,733

F.45
Other financial assets (according to IAS 39)

	At December 31, 2017		
	Current	Non-current	Total
In millions of euros			
Available-for-sale financial assets	–	1,173	1,173
thereof equity instruments recognized at fair value	–	171	171
thereof equity instruments carried at cost	–	1,002	1,002
Derivative financial instruments used in hedge accounting	1,235	1,144	2,379
Financial assets recognized at fair value through profit or loss	54	28	82
Other receivables and financial assets	2,313	859	3,172
	3,602	3,204	6,806

F.46
Other assets

	At December 31, 2018			At December 31, 2017		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Reimbursements due to income tax refunds	981	254	1,235	510	249	759
Reimbursements due to other tax refunds	3,152	136	3,288	2,832	263	3,095
Reimbursements due to the Medicare Act (USA)	–	27	27	–	68	68
Other expected reimbursements	229	254	483	274	211	485
Prepaid expenses	712	126	838	632	112	744
Others	815	318	1,133	766	300	1,066
	5,889	1,115	7,004	5,014	1,203	6,217

F.47
Inventories

	At December 31, 2018	2017
In millions of euros		
Raw materials and manufacturing supplies	3,130	2,655
Work in progress	4,674	3,373
Finished goods, parts and products held for resale	21,351	19,361
Advance payments to suppliers	334	297
	29,489	25,686

F.48
Trade receivables

	At December 31, 2018	2017
In millions of euros		
Gross carrying amount	12,826	12,295
Loss allowances	-240	-300
Net carrying amount	12,586	11,995

18. Inventories

Inventories are comprised as shown in table ↗ F.47.

The amount of write-down of inventories to net realizable value recognized as an expense in cost of sales was €333 million in 2018 (2017: €328 million). Inventories that are expected to be recovered or settled after more than twelve months amounted to €1,047 million at December 31, 2018 (December 31, 2017: €954 million) and are primarily spare parts.

As collateral for certain vested employee benefits in Germany, the value of company cars and demonstration cars at Mercedes-Benz Cars and Mercedes-Benz Vans included in inventories at Daimler AG were pledged as collateral to the Daimler Pension Trust e.V. in an amount of €952 million at December 31, 2018 (December 31, 2017: €1,033 million).

In addition, inventories with a carrying amount of €367 million at December 31, 2018 (December 31, 2017: €419 million) were pledged as collateral for liabilities from ABS transactions (see also Note 24).

The carrying amount of inventories recognized during the period by taking possession of collateral held as security amounted to €21 million at December 31, 2018 (December 31, 2017: €51 million). Those assets are utilized in the context of normal business operations.

F.49
Development of loss allowances for trade receivables due to expected credit losses (according to IFRS 9)

	At December 31, 2018		
	Lifetime expected credit loss		Total
	not credit impaired (Stage 2)	credit impaired (Stage 3)	
In millions of euros			
Balance at December 31 according to IAS 39			300
Effect of initial application of IFRS 9			-4
Balance at January 1 according to IFRS 9	168	128	296
Additions	45	60	105
Change in remeasurement	1	5	6
Utilization	-19	-18	-37
Reversals	-57	-36	-93
Change in models/risk parameters	–	–	–
Transfer to stage 2	2	-2	–
Transfer to stage 3	-1	1	–
Currency translation and other changes	-14	-23	-37
Balance at December 31 according to IFRS 9	125	115	240

19. Trade receivables

Trade receivables are comprised as shown in table ↗ F.48.

At December 31, 2018, €29 million of the trade receivables mature after more than one year (December 31, 2017: €38 million).

Trade receivables are receivables from contracts with customers in scope of IFRS 15.

Loss allowances

The development of loss allowances due to expected credit losses for trade receivables at December 31, 2018 under IFRS 9 is shown in table ↗ F.49. Changes in the loss allowances for trade receivables at December 31, 2017 under IAS 39 are shown in table ↗ F.50.

Credit risks

Information on credit risks included in trade receivables at December 31, 2018 under IFRS 9 is shown in table ↗ F.51 and at December 31, 2017 under IAS 39 in table ↗ F.52.

Further information on financial risk and types of risk is provided in Note 33.

F.50

Development of loss allowances for trade receivables (according to IAS 39)

In millions of euros	2017
Balance at January 1	340
Charged to costs and expenses	63
Utilization	-107
Currency translation and other changes	4
Balance at December 31	300

F.51

Credit risks included in trade receivables (according to IFRS 9)

	At December 31, 2018		
	Lifetime expected credit loss		Total
In millions of euros	not credit impaired (Stage 2)	credit impaired (Stage 3)	
Gross carrying amount	12,463	363	12,826
thereof			
not past due	10,456	112	10,568
past due 30 days and less	1,315	36	1,351
past due 31 to 60 days	190	3	193
past due 61 to 90 days	115	1	116
past due 91 to 180 days	142	73	215
past due more than 180 days	245	138	383

F.52

Credit risks included in trade receivables (according to IAS 39)

In millions of euros	At December 31, 2017
Receivables, neither past due nor impaired individually	7,725
Receivables past due, not impaired individually	
less than 30 days	1,228
30 to 59 days	164
60 to 89 days	61
90 to 119 days	70
120 days or more	103
Total	1,626
Receivables impaired individually	2,644
Net carrying amount	11,995

20. Equity

See also the Consolidated Statement of Changes in Equity ↗ F.05.

Share capital
The share capital (authorized capital) is divided into no-par-value shares. All shares are fully paid up. Each share confers the right to one vote at the Annual Shareholders' Meeting of Daimler AG and, if applicable, with the exception of any new shares potentially not entitled to dividends, to an equal portion of the profits as defined by the dividend distribution decided upon at the Annual Shareholders' Meeting. Each share represents a proportionate amount of approximately €2.87 of the share capital.

Since January 1, 2017, there has been no change in the number of shares outstanding/issued. The number at December 31, 2018 is 1,070 million, unchanged from December 31, 2017.

Approved capital
The Annual Shareholders' Meeting held on April 5, 2018 authorized the Board of Management, with the consent of the Supervisory Board, to increase the share capital of Daimler AG in the period until April 4, 2023 by a total of €1.0 billion in one lump sum or by separate partial amounts at different times by issuing new, registered no-par-value shares in exchange for cash and/or non-cash contributions (Approved Capital 2018). The new shares are generally to be offered to the shareholders for subscription (also by way of indirect subscription pursuant to Section 186 Subsection 5 Sentence 1 of the German Stock Corporation Act (AktG)). Among other things, the Board of Management was authorized with the consent of the Supervisory Board to exclude shareholders' subscription rights under certain conditions and within defined limits.

Approved Capital 2014, which had not been utilized, was cancelled when the resolution for a new Approved Capital 2018 took effect. Approved Capital 2018 has not yet been utilized.

Conditional capital
By resolution of the Annual Shareholders' Meeting on April 1, 2015, the Board of Management is authorized, with the consent of the Supervisory Board, until March 31, 2020 to issue convertible and/or warrant bonds or a combination of these instruments ("bonds") with a total face value of up to €10.0 billion and a maturity of no more than ten years. The Board of Management is allowed to grant the holders of these bonds conversion or warrant rights for new registered no-par-value shares in Daimler AG with an allocable portion of the share capital of up to €500 million in accordance with the details defined in the terms and conditions of the bonds. The bonds can be offered in exchange for cash and/or non-cash contributions, in particular for shares in other companies. The terms and conditions of the bonds can include warranty obligations or conversion obligations. The bonds can be issued once or several times, wholly or in installments, or simultaneously in various tranches as well by affiliates of the Company within the meaning of Sections 15 et seq. of the German Stock Corporation Act (AktG). Among other things, the Board of Management was authorized to exclude shareholders' subscription rights for the bonds under certain conditions and within defined constraints with the consent of the Supervisory Board.

In order to fulfill the conditions of the above-mentioned authorization, the Annual Shareholders' Meeting on April 1, 2015 also resolved to increase the share capital conditionally by an amount of up to €500 million (Conditional Capital 2015).

This authorization to issue convertible and/or warrant bonds has not yet been utilized.

Treasury shares
By resolution of the Annual Shareholders' Meeting on April 1, 2015, the Company is authorized until March 31, 2020 to acquire treasury shares in a volume up to 10% of the share capital issued as of the day of the resolution to be used for all legal purposes. The shares can be used, amongst other things excluding shareholders' subscription rights, for business combinations or to acquire companies or to be sold to third parties for cash at a price that is not significantly lower than the stock-exchange price of the Company's shares. The acquired shares can also be used to fulfill obligations from issued convertible bonds and/or bonds with warrants and to be issued to employees of the Company and employees and board members of the Company's affiliates pursuant to Sections 15 et seq. of the German Stock Corporation Act (AktG). The treasury shares can also be canceled.

The Board of Management is further authorized, with the consent of the Supervisory Board, to exclude shareholders' subscription rights in other defined cases. In a volume up to 5% of the share capital issued as of the day of the resolution of the Annual Shareholders' Meeting, the Company was also authorized to acquire treasury shares also by using derivatives (put options, call options, forward purchases or a combination of these instruments), whereby the term of a derivative must not exceed 18 months and must not end later than March 31, 2020.

The authorization to acquire treasury shares was not exercised in the reporting period.

As was the case at December 31, 2017, no treasury shares are held by Daimler AG at December 31, 2018.

Employee share purchase plan
In 2018, 0.7 million Daimler shares representing €2.1 million or 0.07% of the share capital were purchased for a price of €50 million and reissued to employees (2017: 0.6 million Daimler shares representing €1.7 million or 0.06% of the share capital were purchased for a price of €42 million).

Capital reserves
Capital reserves primarily comprise premiums arising on the issue of shares as well as expenses relating to the exercise of the up to 2014 exercisable stock option plans and the issue of employee shares, effects from changes in ownership interests in consolidated entities and directly attributable related transaction costs.

Retained earnings
Retained earnings comprise the accumulated net profits and losses of all companies included in Daimler's Consolidated Financial Statements, less any profits distributed. In addition, the effects of remeasuring defined benefit plans as well as the related deferred taxes are presented within retained earnings. Within the reporting period effects of first time adoption for hyperinflation in Argentina were included in the line item "Other" of Consolidated Statement of Changes in Equity.

Dividend
Under the German Stock Corporation Act (AktG), the dividend is paid out of the distributable profit reported in the annual financial statements of Daimler AG (parent company only) in accordance with the German Commercial Code (HGB). For the year ended December 31, 2018, the Daimler management will propose to the shareholders at the Annual Shareholders' Meeting to pay out €3,477 million of the distributable profit of Daimler AG as a dividend to the shareholders, equivalent to €3.25 per no-par-value share entitled to a dividend (2017: €3,905 million and €3.65 per no-par-value share entitled to a dividend respectively).

Other reserves
Other reserves comprise accumulated unrealized gains/losses from currency translation of the financial statements of the consolidated foreign companies and accumulated unrealized gains/losses on financial assets, derivative financial instruments and equity-method investments.

Table ↗ F.02 shows the details of changes in other reserves in other comprehensive income/loss.

21. Share-based payment

At December 31, 2018, the Group has the 2015-2018 Performance Phantom Share Plans (PPSP) outstanding. The PPSP are cash-settled share-based payment instruments and are measured at their respective fair values at the balance sheet date. The PPSP are paid out at the end of the stipulated holding period; earlier, pro-rated payoff is possible in the case of benefits leaving the Group only if certain defined conditions are met. PPSP 2014 was paid out as planned in the first quarter of 2018.

Moreover, 50% of the annual bonus of the members of the Board of Management is paid out after a waiting period of one year. The actual payout is determined by the development of Daimler shares compared to an automobile related index (Auto-STOXX). The fair value of this medium-term annual bonus, which depends on this development, is measured by using the intrinsic value at the reporting date.

The pre-tax effects of share-based payment arrangements for the executive managers of the Group and the members of the Board of Management of Daimler AG on the Consolidated Statement of Income and Consolidated Statement of Financial Position are shown in table ↗ F.53.

Table ↗ F.54 shows expenses in the Consolidated Statement of Income resulting from the rights of current members of the Board of Management.

The details shown in table ↗ F.54 do not represent any paid or committed remuneration, but refer to expenses calculated according to IFRS. Details of the remuneration of the members of the Board of Management in 2018 can be found in the Remuneration Report. Management Report from page 120

F.53
Effects of share-based payment

	Expense		Provision At December 31,	
	2018	2017	**2018**	2017
In millions of euros				
PPSP	**-13**	-98	**112**	191
Medium-term component of annual bonus of the members of the Board of Management	**-2**	-7	**10**	13
	-15	-105	**122**	204

F.54

Expenses in the Consolidated Statement of Income resulting from share-based payments of current members of the Board of Management

	Dr. Dieter Zetsche		Martin Daum[1]		Renata Jungo Brüngger	
	2018	2017	**2018**	2017	**2018**	2017
In millions of euros						
PPSP	**-0.4**	-3.9	**-0.2**	-0.8	**-0.2**	-0.8
Medium-term component of the annual bonus	**-0.5**	-1.8	**-0.2**	-0.7	**-0.2**	-0.7

	Ola Källenius		Wilfried Porth		Britta Seeger[2]	
	2018	2017	**2018**	2017	**2018**	2017
In millions of euros						
PPSP	**-0.1**	-1.2	**-0.1**	-1.6	**-0.3**	-0.4
Medium-term component of the annual bonus	**-0.2**	-0.7	**-0.2**	-0.7	**-0.2**	-0.8

	Hubertus Troska		Bodo Uebber		Dr. Wolfgang Bernhard[3]	
	2018	2017	**2018**	2017	**2018**	2017
In millions of euros						
PPSP	**-0.1**	-1.6	**-0.2**	-1.9	**–**	-0.2
Medium-term component of the annual bonus	**-0.2**	-0.7	**-0.2**	-0.9	**–**	–

1 Appointed to the Board of Management as of March 1, 2017.
2 Appointed to the Board of Management as of January 1, 2017.
3 Appointment to the Board of Management ended on February 10, 2017. Amounts are included pro rata for 2017.

Performance Phantom Share Plans

In 2018, the Group adopted a Performance Phantom Share Plan (PPSP), similar to those used in previous years, under which eligible employees are granted phantom shares entitling them to receive cash payments after four years. During the four-year period between the allocation of the preliminary phantom shares and the payout of the plan at the end of the term, the phantom shares earn a dividend equivalent in the amount of the actual dividend paid on ordinary Daimler shares. The amount of cash paid to eligible employees at the end of the holding period is based on the number of vested phantom shares (determined over a three-year performance period) multiplied by the quoted price of Daimler's ordinary shares (calculated as an average price over a specified period at the end of the four–year plan period). The vesting period is therefore four years. For the existing plans, the quoted price of Daimler's ordinary shares to be used for the payout is limited to 2.5 times the Daimler share price at the date of grant. Furthermore, the payout for the members of the Board of Management is also limited to 2.5 times the allotment value used to determine the preliminary number of phantom shares. The limitation of the payout for the members of the Board of Management also includes the dividend.

The number of phantom shares that vest of the PPSPs granted in 2014 to 2018 is based on the relative share performance, which measures the development of the price of a share price index based on a competitor group including Daimler, and the return on sales (RoS) compared with the average RoS of a competitor group. In addition, beginning with plan PPSP 2018, the average RoS of the competitor group is revenue-weighted.

Special rules apply for the members of the Board of Management: Daimler's RoS must be not equal to but higher than that of the competitors in order to achieve the same target achievement as the other plan participants. For the PPSP granted in 2015 and until 2018, an additional limit on target achievement was agreed upon for the reference parameter RoS for the members of the Board of Management. In the case of target achievement between 195% and 200%, an additional comparison is made on the basis of the RoS achieved in absolute terms. If the actual RoS for the automotive business is below the strategic target (currently 9%) in the third year of the performance period, target achievement is limited to 195%.

The Group recognizes a provisi,on for awarding the PPSP in the Consolidated Statement of Financial Position. Since payment per vested phantom share depends on the quoted price of Daimler's ordinary shares, that quoted price essentially represents the fair value of each phantom share. The proportionate remuneration expenses from the PPSP recognized in the individual years are measured based on the price of Daimler ordinary shares and the estimated target achievement.

22. Pensions and similar obligations

Table ↗ F.55 shows the composition of provisions for pension benefit plans and similar obligations.

At the Daimler Group, defined benefit pension obligations exist as well as, to a smaller extent, defined contribution pension obligations, specific to the various countries. In addition, healthcare benefit obligations are recognized outside Germany.

Defined benefit pension plans

Provisions for pension obligations are made for defined commitments to active and former employees of the Daimler Group and their survivors. The defined benefit pension plans provided by Daimler generally vary according to the economic, tax and legal circumstances of the country concerned. Most of the defined benefit pension plans also provide benefits in the case of invalidity and death.

The Group's main German and non-German pension plans are described below.

German pension plans and pension plan assets
Most employees in Germany have defined benefit pension plans; most of the pension plans for the active workforce are based on individual retirement benefit accounts, to which the Company makes annual contributions. The amount of the contributions for employees paid according to wage-tariff agreements depends on the tariff classification in the respective year or on their respective income, and for executives it depends on their respective income. For the commitments to retirement benefits made until 2011, the contributions continue to be converted into capital components and credited to the individual pension account with the application of fixed factors related to each employee's age. The conversion factors include a fixed value increase. The pension plans were newly structured for new entrants in 2011 to reduce the risks associated with defined benefit plans. New entrants now benefit from value increases of the contributions through an investment fund with a special lifecycle model. The Company guarantees at a minimum the value of the contributions paid in. Pension payments are made either as a life annuity, twelve annual installments, or a single lump sum.

In addition, previously concluded defined benefit plans exist which primarily depend on employees' wage-tariff classification upon transition into the benefit phase and which foresee a life annuity.

As well as the employer-financed pension plans granted by German companies, the employees of some companies are also offered various earnings-conversion models.

Most of the pension obligations in Germany relating to defined benefit pension plans are funded by funds assets. Contractual trust arrangements (CTA) exist between Daimler AG as well as some subsidiaries in Germany and the Daimler Pension Trust e.V. The Daimler Pension Trust e.V. acts as a collateral trust fund.

Effective December 13, 2018, Daimler AG transferred certain defined benefit obligations and plan assets of retired employees to Daimler Pensionsfonds AG (pension fund), which was established in June 2018. The transfer has no impact on the Group's profitability, liquidity and capital resources or financial position. In the future, these benefits will be administrated by that non-insurance-like pension fund, which falls under the scope of the Act on the Supervision of Insurance Undertakings and is therefore subject to the oversight of the Federal Financial Supervisory Agency (BaFin). Insofar as in the future, BaFin rules that a deficit has occurred in the pension fund, a supplementary contribution will be required from Daimler AG.

In Germany, there are normally no statutory or regulatory minimum funding requirements.

Non-German pension plans and pension plan assets
Significant plans exist primarily in the United States and Japan. They comprise plans relating to final salaries as well as plans relating to salary based components. Most of the obligations outside Germany from defined benefit pension plans are funded by assets funds.

Risks from defined benefit pension plans and pension plan assets
The general requirements with regard to retirement benefit models are laid down in the Pension Plan Design Policy, which has Group-wide validity. Accordingly, the committed benefits are intended to contribute to additional financial security during retirement and in the case of death or invalidity, to be capable of being planned and fulfilled by the respective company of the Group and to have a low-risk structure. In addition, a committee exists that approves new pension plans and amendments to existing pension plans as well as guidelines relating to company retirement benefits.

The obligations from defined benefit pension plans and the pension plan assets can be subject to fluctuations over time. This can cause the funded status to be negatively or positively impacted. Fluctuations in the defined benefit pension obligations result at the Daimler Group in particular from changes in financial assumptions such as discount rates and increases in the cost of living, but also from changes in demographic assumptions such as adjusted life expectancies. With most of the German plans, expected long-term wage and salary increases do not have an impact on the amount of the obligation.

F.55
Composition of provisions for pensions and similar obligations

	December 31, 2018	2017
In millions of euros		
Provision for pension benefits	6,298	4,625
Provision for other post-employment benefits	1,095	1,142
	7,393	5,767

The fair value of plan assets is predominantly determined by the situation on the capital markets. Unfavorable developments, especially of equity prices and fixed-interest securities, could reduce that fair value. The diversification of fund assets, the engagement of asset managers using quantitative and qualitative analyses, and the continual monitoring of performance and risk help to reduce associated investment risk. The Group regularly makes additional contributions to the plan assets in order to cover future obligations from defined benefit pension plans. Furthermore, in 2017, the Group made an extraordinary contribution of €3.0 billion into the German pension plan assets, in order to sustainably strengthen them.

As a general principle, it is the Group's objective to design new pension plans as defined benefit plans based on capital components or on annual contributions, or as defined contribution plans.

Reconciliation of the net obligation from defined benefit pension plans

The development of the relevant factors is shown in table ↗ **F.56**.

Composition of plan assets

Plan assets and income from plan assets are used solely to pay pension benefits and to administer the plans. The composition of the Group's pension plan assets is shown in table ↗ **F.57**.

Market prices are available for equities and bonds due to their listing in active markets. Most of the bonds have investment grade ratings. They include government bonds of very good creditworthiness.

The investment strategy is reviewed regularly and adjusted if deemed necessary. The investment strategy is determined by Investment Committees, which are generally composed of representatives of the Finance and Human Resources departments. The pension plan assets are generally oriented towards the structure of the pension obligations.

F.56

Present value of defined benefit pension obligations and fair value of plan assets

	December 31, 2018			December 31, 2017		
	Total	German Plans	Non-German Plans	Total	German Plans	Non-German Plans
In millions of euros						
Present value of the defined benefit obligation at January 1	31,744	27,746	3,998	31,173	26,982	4,191
Current service cost	700	600	100	687	591	96
Interest cost	616	481	135	648	495	153
Contributions by plan participants	60	55	5	58	54	4
Actuarial gains (-)/losses from changes in demographic assumptions	175	202	-27	-23	-13	-10
Actuarial gains (-)/losses from changes in financial assumptions	-228	75	-303	1,076	419	657
Actuarial gains (-)/losses from experience adjustments	-32	-17	-15	2	-55	57
Actuarial gains (-)/losses	-85	260	-345	1,055	351	704
Past service cost, curtailments and settlements	-76	-71	-5	-117	–	-117
Pension benefits paid	-1,385	-1,211	-174	-973	-744	-229
Currency exchange-rate changes and other changes[1]	71	-8	79	-787	17	-804
Present value of the defined benefit obligation at December 31	31,645	27,852	3,793	31,744	27,746	3,998
Fair value of plan assets at January 1	27,215	24,197	3,018	23,384	20,315	3,069
Interest income from plan assets	529	426	103	489	377	112
Actuarial gains / losses (-)	-1,781	-1,551	-230	996	541	455
Actual result on plan assets	-1,252	-1,125	-127	1,485	918	567
Contributions by the employer	696	585	111	3,692	3,596	96
Contributions by plan participants	60	55	5	58	54	4
Pension benefits paid	-1,323	-1,171	-152	-910	-702	-208
Currency exchange-rate changes and other changes[1]	66	-9	75	-494	16	-510
Fair value of plan assets at December 31	25,462	22,532	2,930	27,215	24,197	3,018
Funded status	-6,183	-5,320	-863	-4,529	-3,549	-980
thereof recognized in other assets	115	–	115	96	–	96
thereof recognized in provisions for pensions and similar obligations	-6,298	-5,320	-978	-4,625	-3,549	-1,076

1 Including reclassifications to provisions for other risks in 2017.

F.57

Composition of plan assets

	At December 31, 2018			At December 31, 2017		
	Total	German Plans	Non-German Plans	Total	German Plans	Non-German Plans
In millions of euros						
Energy, commodities and utilities	1,035	926	109	959	831	128
Financials	1,054	896	158	1,193	1,027	166
Healthcare	542	442	100	547	440	107
Industrials[1]	1,983	1,902	81	2,535	2,440	95
Consumer goods	1,018	855	163	1,149	942	207
Technology and telecommunication	1,082	924	158	1,127	932	195
Others	52	–	52	46	–	46
Equities	6,766	5,945	821	7,556	6,612	944
Government bonds	5,176	4,308	868	4,658	3,844	814
Corporate bonds	9,746	8,924	822	9,485	8,556	929
Securitized bonds	49	29	20	46	30	16
Bonds	14,971	13,261	1,710	14,189	12,430	1,759
Other exchange-traded instruments	19	16	3	5	1	4
Total exchange-traded instruments	21,756	19,222	2,534	21,750	19,043	2,707
Alternative investments[2]	498	340	158	512	388	124
Real estate	486	388	98	537	436	101
Other non-exchange-traded instruments	351	260	91	418	378	40
Cash and cash equivalents	2,371	2,322	49	3,998	3,952	46
Total non-exchange-traded instruments	3,706	3,310	396	5,465	5,154	311
Fair value of plan assets	25,462	22,532	2,930	27,215	24,197	3,018
thereof fair value of own transferable financial instruments	–	–	–	–	–	–
thereof fair value of self-used plan assets	–	–	–	50	50	–

1 Including the shares in Renault and Nissan in the amount of €1,528 (in 2017: €2,010) million.
2 Alternative investments mainly comprise private equity.

F.58

Pension cost

	2018			2017		
	Total	German Plans	Non-German Plans	Total	German Plans	Non-German Plans
In millions of euros						
Current service cost	-700	-600	-100	-687	-591	-96
Past service cost, curtailments and settlements	76	71	5	117	–	117
Net interest expense	-90	-55	-35	-161	-118	-43
Net interest income	3	–	3	2	–	2
	-711	-584	-127	-729	-709	-20

Pension cost
The components of pension cost included in the Consolidated Statement of Income are shown in table ↗ F.58.

Measurement assumptions
The measurement date for the Group's defined benefit pension obligations and plan assets is generally December 31. The measurement date for the Group's net periodic pension cost is generally January 1. The assumptions used to calculate the defined benefit obligations vary according to the economic conditions of the countries in which the pension plans are situated.

Calculation of the defined benefit obligation uses life expectancy for the German plans based first on the 2018 G mortality tables of K. Heubeck as of December 31, 2018. The tables reflect the latest statistics of the statutory pension insurance system and of the Federal Statistical Office. The effect resulting from the change of the mortality tables amounts to €202 million at December 31, 2018 and is disclosed in the valuation losses from changes in demographic assumptions. Comparable country-specific calculation methods are used for non-German plans.

Table ↗ F.59 shows the significant weighted average measurement factors used to calculate pension benefit obligations.

Sensitivity analysis
An increase or decrease in the main actuarial assumptions would affect the present value of the defined benefit pension obligations as shown in table ↗ F.60.

The calculations carried out by actuaries were done in isolation for the evaluation parameters regarded as important. This means that if there is a simultaneous change in several parameters, the individual results cannot be summed due to correlation effects. With a change in the parameters, the sensitivities shown cannot be used to derive a linear development of the defined benefit obligation.

For the calculation of the sensitivity of life expectancy, by means of fixed (non-age-dependent) factors for a reference person, a life expectancy one year higher or one year lower is achieved.

Effect on future cash flows
Daimler currently plans to make contributions of €0.7 billion to its pension plans for the year 2019; the final amount is usually set in the fourth quarter of a financial year. In addition, the Group expects to make pension benefit payments of €0.9 billion in 2019.

The weighted average duration of the defined benefit obligations is shown in table ↗ F.61.

Defined contribution pension plans
Under defined contribution pension plans, Daimler makes defined contributions to external insurance policies or investment funds. There are fundamentally no further contractual obligations or risks for Daimler in excess of the defined contributions. The Group also pays contributions to governmental pension schemes. In 2018, the total cost from defined contribution plans amounted to €1.6 billion (2017: €1.6 billion). Of those payments €1.5 billion (2017: €1.5 billion) were related to governmental pension plans.

Multi-employer plans
Multi-employer pension plans are classified at the Daimler Group as not material at December 31, 2018.

Until October 2017, a pension plan in the NAFTA region was included therein, for which the information required to use accounting for defined benefit plans was available for the first time in 2017. The company withdrew from the plan at the end of November 2017. The settlement of the plan resulted in a gain for Daimler Trucks of €117 million. The EBIT effect was presented in cost of sales in the Consolidated Statement of Income. The present value of future financial obligations was presented in provisions for other risks at December 31, 2017.

Other post-employment benefits
Certain foreign subsidiaries of Daimler, mainly in the United States, provide their employees with post-employment health care benefits with defined entitlements, which have to be accounted for as defined benefit plans. Table ↗ F.62 shows key data for other post-employment benefits.

Significant risks in connection with commitments for other post-employment benefits (medical care) relate to rising healthcare costs and lower contributions to those costs from the public sector. In addition, these plans are subject to the usual risks for defined benefit plans, in particular the risk of changes in discount rates.

F.59

Significant factors for the calculation of pension benefit obligations

	German plans At December 31,		Non-German plans At December 31,	
	2018	2017	**2018**	2017
In percent				
Discount rates	**1.8**	1.8	**4.4**	3.7
Expected increase in cost of living[1]	**1.8**	1.7	**–**	–

1 For German plans, expected increases in cost of living may affect – depending on the design of the pension plan – the obligation to the Group's active employees as well as retirees and their survivors. For most non-German plans, expected increases in cost of living do not have a material impact on the amount of the obligation.

F.60

Sensitivity analysis for the present value of defined benefit pension obligation

		December 31, 2018			December 31, 2017		
		Total	German Plans	Non-German Plans	Total	German Plans	Non-German Plans
In millions of euros							
Sensitivity for discount rates	+ 0.25%	**-1,174**	**-1,047**	**-127**	-1,184	-1,045	-139
Sensitivity for discount rates	- 0.25%	**1,252**	**1,115**	**137**	1,308	1,113	195
Sensitivity for expected increases in cost of living	+ 0.10%	**98**	**83**	**15**	109	90	19
Sensitivity for expected increases in cost of living	- 0.10%	**-95**	**-82**	**-13**	-107	-89	-18
Sensitivity for life expectancy	+ 1 year	**464**	**393**	**71**	487	417	70
Sensitivity for life expectancy	- 1 year	**-417**	**-345**	**-72**	-437	-366	-71

F.61

Weighted average duration of the defined benefit obligations

	2018	2017
In years		
German plans	**16**	16
Non-German plans	**16**	17

F.62

Key data for other post-employment benefits

	2018	2017
In millions of euros		
Present value of defined benefit obligations	**1,095**	1,142
Fair value of reimbursement rights	**27**	68
Funded status	**-1,068**	-1,074
Net periodic cost for other post-employment benefits	**-66**	-71

23. Provisions for other risks

The development of provisions for other risks is summarized in table ↗ F.63.

Product warranties
Daimler issues various types of product warranties, under which it generally guarantees the performance of products delivered and services rendered for a certain period. The provision for these product warranties covers expected costs for legal and contractual warranty claims as well as expected costs for goodwill concessions and recall campaigns. The utilization date of product warranties depends on the incidence of the warranty claims and can span the entire term of the product warranties. The cash outflow for non-current product warranties is principally expected within a period until 2021.

Personnel and social costs
Provisions for personnel and social costs primarily comprise expected expenses of the Group for employee anniversary bonuses, profit sharing arrangements and management bonuses as well as early retirement and partial retirement plans. The additions recorded to the provisions for profit sharing and management bonuses in the reporting year usually result in cash outflows in the following year. The cash outflow for non-current provisions for personnel and social costs is primarily expected within a period until 2029.

Other
Provisions for other risks include in particular expected costs in connection with liability and litigation risks as well as risks from legal proceedings. Provisions for other risks also include expected costs for other taxes, provisions for environmental protection as well as obligations from outstanding commission, for example to trade representatives, under the prerequisite that no revenue has been realized with the recipient of the commission under IFRS 15. They also include provisions for anticipated losses on contracts and various other risks which cannot be allocated to any other class of provision.

Further information on other provisions for other risks is provided in Notes 5 and 30.

F.63
Provisions for other risks

	Product warranties	Personnel and social costs	Other	Total
In millions of euros				
Balance at December 31, 2017	6,716	4,425	3,622	14,763
thereof current	3,154	2,209	2,257	7,620
thereof non-current	3,562	2,216	1,365	7,143
Additions	3,665	2,113	2,141	7,919
Utilizations	-2,931	-2,049	-1,196	-6,176
Reversals	-420	-113	-362	-895
Compounding and effects from changes in discount rates	20	-8	19	31
Currency translation and other changes	-7	-107	34	-80
Balance at December 31, 2018	7,043	4,261	4,258	15,562
thereof current	3,080	1,971	2,777	7,828
thereof non-current	3,963	2,290	1,481	7,734

24. Financing liabilities

The composition of financing liabilities is shown in table ↗ F.64.

Liabilities from finance leases relate to leases of property, plant and equipment which transfer substantially all risks and rewards to the Group as lessee. Future minimum lease payments under finance leases amounted to €477 million at December 31, 2018 (2017: €496 million). The reconciliation of future minimum lease payments from finance lease arrangements to the corresponding liabilities is shown in table ↗ F.65.

F.64
Financing liabilities

	At December 31, 2018			At December 31, 2017		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Notes/bonds	15,090	61,400	76,490	13,785	53,288	67,073
Commercial paper	2,835	–	2,835	1,045	–	1,045
Liabilities to financial institutions	21,068	18,332	39,400	17,583	16,972	34,555
Deposits in the direct banking business	9,677	2,097	11,774	9,450	2,010	11,460
Liabilities from ABS transactions	6,782	5,670	12,452	6,214	4,823	11,037
Liabilities from finance leases	27	320	347	27	325	352
Loans, other financing liabilities	761	843	1,604	642	960	1,602
	56,240	88,662	144,902	48,746	78,378	127,124

F.65
Reconciliation of minimum lease payments to liabilities from finance lease arrangements

	Future minimum lease payments		Interest included in future minimum lease payments		Liabilities from finance lease arrangements	
	at December 31,		at December 31,		at December 31,	
	2018	2017	2018	2017	2018	2017
In millions of euros						
Maturity						
within one year	38	39	11	12	27	27
between one and five years	162	150	56	61	106	89
later than five years	277	307	63	71	214	236
	477	496	130	144	347	352

25. Other financial liabilities

The composition of other financial liabilities is shown in table ↗ F.66.

Financial liabilities measured at fair value through profit or loss relate exclusively to derivative financial instruments which are not used in hedge accounting.

Further information on other financial liabilities is provided in Note 32.

26. Deferred income

The composition of deferred income is shown in table ↗ F.67.

F.66
Other financial liabilities

	At December 31, 2018			At December 31, 2017		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Derivative financial instruments used in hedge accounting	633	461	1,094	168	528	696
Financial liabilities recognized at fair value through profit or loss	51	5	56	62	49	111
Liabilities from residual value guarantees	1,149	943	2,092	1,091	998	2,089
Liabilities from wages and salaries	1,267	25	1,292	1,292	25	1,317
Accrued interest expenses	1,105	–	1,105	905	–	905
Deposits received	504	542	1,046	495	539	1,034
Other	2,948	399	3,347	2,892	231	3,123
Miscellaneous other financial liabilities	6,973	1,909	8,882	6,675	1,793	8,468
	7,657	2,375	10,032	6,905	2,370	9,275

F.67
Deferred income

	At December 31, 2018			At December 31, 2017		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Deferral of sales revenue received from sales with residual-value guarantees	391	584	975	462	671	1,133
Deferral of advance rental payments received from operating lease arrangements	890	929	1,819	824	900	1,724
Other deferred income	299	99	398	242	97	339
	1,580	1,612	3,192	1,528	1,668	3,196

27. Contract and refund liabilities

Table ↗ **F.68** shows the composition of contract and refund liabilities.

Obligations from sales transactions should, in principle, be regarded as short-term. Due to the short maturities of these financial instruments, it is assumed that their fair values are equal to the carrying amounts.

F.68
Contract and refund liabilities

	At December 31, 2018	2017
In millions of euros		
Service and maintenance contracts and extended warranties	**5,868**	5,303
Other contract liabilities	**1,167**	1,002
Contract liabilities	**7,035**	6,305
Obligations from sales transactions	**4,931**	4,489
Other refund liabilities	**553**	414
Refund liabilities	**5,484**	4,903
Contract and refund liabilities	**12,519**	11,208
thereof long-term	**5,438**	3,833
thereof short-term	**7,081**	7,375

28. Other liabilities

Table ↗ **F.69** shows the composition of other liabilities.

F.69
Other liabilities

	At December 31, 2018			At December 31, 2017		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Income tax liabilities	**272**	**8**	**280**	413	9	422
Other tax liabilities	**1,905**	**1**	**1,906**	1,871	1	1,872
Miscellaneous other liabilities	**169**	**1**	**170**	155	–	155
	2,346	**10**	**2,356**	2,439	10	2,449

29. Consolidated Statement of Cash Flows

Cash used for/provided by operating activities
Changes in other operating assets and liabilities are shown in table ↗ **F.70**.

The change of provisions in comparison to the prior year primarily resulted from provisions for pensions and similar obligations in the prior year in connection with an extraordinary contribution to the German pension plan assets. Opposing effects were related to provisions for warranties and customer goodwill obligations as well as provisions for personnel and welfare expenses. The change of miscellaneous other assets and liabilities in comparison to the prior year was strongly influenced by a lower increase in liabilities from service and maintenance contracts as well as a lower increase in liabilities from price reductions. An additional decreasing effect was caused by liabilities from advance payments received. Furthermore, the reporting year was affected by the payment of the first tranche in connection with the agreement reached to conclude the Toll Collect arbitration proceedings.

Table ↗ **F.71** shows cash flows included in cash used for/provided by operating activities.

The line item other non-cash expense and income within the reconciliation of profit before income taxes to cash used for/provided by operating activities in the reporting year and in the prior year primarily comprised the Group's share in the profit/loss of companies accounted for using the equity method (see Note 13).

Cash provided by financing activities
Cash provided by financing activities includes cash flows from hedging the currency risks of financial liabilities. In 2018, cash provided by financing activities included payments for the reduction of outstanding finance lease liabilities of €37 million (2017: €39 million).

Table ↗ **F.72** includes changes in liabilities arising from financing activities, divided into cash and non-cash components.

F.70
Changes in other operating assets and liabilities

	2018	2017
In millions of euros		
Provisions	742	-1,425
Financial instruments	-36	-128
Miscellaneous other assets and liabilities	171	1,763
	877	210

F.71
Cash flows included in cash used for/ provided by operating activities

	2018	2017
In millions of euros		
Interest paid	-678	-304
Interest received	257	187
Dividends received from equity-method investments	1,380	843
Dividends received from other shareholdings	49	52

F.72
Changes in liabilities arising from financing activities

	2018	2017
In millions of euros		
Cash flows	17,456	16,794
Obtaining or losing control of subsidiaries	–	–
Changes in foreign exchange rates	411	-7,135
Fair value changes	-256	-119
Other changes	16	-325

30. Legal proceedings

Daimler AG and its subsidiaries are confronted with various legal proceedings, claims as well as governmental 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, product warranties, environmental matters, antitrust matters (including actions for damages) and shareholder matters. Legal proceedings relating to products deal with claims on account of alleged vehicle defects. Some of these claims are asserted by way of class action suits. If the outcome of such legal proceedings is detrimental to Daimler, the Group may be required to pay substantial compensatory and punitive damages or to undertake service actions, recall campaigns, monetary penalties or other costly actions. Legal proceedings may have an impact on the Group's reputation.

Diesel emission behavior: Class action and other lawsuits in the United States and Canada
As already reported, several consumer class-action lawsuits were filed against Mercedes-Benz USA, LLC (MBUSA) in federal courts in the United States in early 2016. The main allegation was the use of devices that impermissibly impair the effectiveness of emission control systems in reducing nitrogen-oxide (NO_X) emissions and which cause excessive emissions from vehicles with diesel engines. In addition, plaintiffs alleged that consumers were deliberately deceived in connection with the advertising of Mercedes-Benz diesel vehicles. Those consumer class actions were consolidated into one class action pending against both Daimler AG and MBUSA in the US District Court for the District of New Jersey, in which the plaintiffs asserted various grounds for monetary relief on behalf of a nation-wide class of persons or entities who owned or leased certain models of Mercedes-Benz diesel vehicles as of February 18, 2016. Daimler AG and MBUSA moved to dismiss the lawsuit in its entirety. By order dated December 6, 2016, the court granted Daimler AG's and MBUSA's motion to dismiss and dismissed the lawsuit without prejudice, based on plaintiffs' failure to allege with sufficient specificity the advertising that they contended had misled them. Plaintiffs subsequently filed an amended class action complaint in the same court making similar allegations. The amended complaint also adds as defendants Robert Bosch LLC and Robert Bosch GmbH (collectively; "Bosch"), and alleges that Daimler AG and MBUSA conspired with Bosch to deceive US regulators and consumers. On February 1, 2019, the Court granted in part and denied in part Daimler AG and MBUSA's subsequent motion to dismiss. The case is ongoing as the Court's decision merely addressed certain legal aspects of plaintiffs' claims and did not decide whether the plaintiffs can ultimately prove their claims, whether the plaintiffs' allegations are true, or whether their claims have merit. Daimler AG and MBUSA view the lawsuit as being without merit and will defend against the claims.

On January 8, 2019, the Arizona State Attorney General filed a civil complaint in Arizona state court against Daimler AG and MBUSA making similar allegations that Arizona consumers were deliberately deceived in connection with the advertising of Mercedes-Benz diesel vehicles. The state seeks monetary penalties for violation of Arizona's consumer protection laws. Daimler AG and MBUSA view this lawsuit as being without merit.

Another consumer class-action lawsuit against Daimler AG and other companies of the Group containing similar allegations was filed in Canada in April 2016. On June 29, 2017, the court granted a procedural motion to certify certain issues for class treatment, and on March 12, 2018 the court ordered the parties to send a notice to the class by May 18, 2018, informing class members that the litigation is ongoing and they will be bound by the outcome. That notice was sent, and class members had until July 20, 2018 to opt out of the class to avoid being bound by subsequent rulings in the case. Daimler also regards this lawsuit as being without merit and will defend against the claims.

On July 14, 2017, an additional class action was filed in the Superior Court of California, Los Angeles County, against Daimler AG and other companies of the Group, alleging claims similar to the existing US class action. That action was removed to federal court and, on October 31, 2017, was transferred to the District of New Jersey. On December 21, 2017 the parties stipulated to dismiss, without prejudice, that lawsuit. It may be filed again under specific conditions, but Daimler also regards this lawsuit as being without merit.

Diesel emission behavior: Governmental proceedings
Furthermore, several state and federal authorities and other institutions worldwide have inquired about and/or are conducting investigations and/or administrative proceedings and/or have issued administrative orders. These particularly relate to test results, the emission control systems used in Mercedes-Benz diesel vehicles and/or Daimler's interaction with the relevant state and federal authorities as well as related legal issues and implications, including, but not limited to, under applicable environmental, securities, criminal and antitrust laws. These authorities and institutions include, among others, the U.S. Department of Justice (DOJ), which in April 2016 requested that Daimler AG review its certification and admissions processes related to exhaust emissions of diesel vehicles in the United States by way of an internal investigation in cooperation with the DOJ, the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB) and other US state authorities, the U.S. Securities and Exchange Commission (SEC), the European Commission, with which Daimler AG has filed a leniency application and which meanwhile has opened a formal investigation into possible collusion on clean emission technology, as well as national antitrust authorities and other authorities of various foreign states as well as the German Federal Financial Supervisory Authority (BaFin), the German Federal Ministry of Transport and Digital Infrastructure (BMVI) and the German Federal Motor Transport Authority (KBA), the diesel emissions committee of inquiry of the German Parliament of the previous legislative period and the Stuttgart district attorney's office. The Stuttgart district attorney's office is conducting criminal investigation proceedings against Daimler employees concerning the suspicion of fraud and criminal advertising, and, in May 2017, searched the premises of Daimler at several locations in Germany.

In the second and third quarter of 2018, KBA issued 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 EU type approvals in this respect, including a stop of the first registration and mandatory recall. Daimler filed timely objections against such administrative orders in order to have the open legal issues resolved, if necessary, also by a court of law.
In the course of its regular market supervision, KBA routinely conducts further reviews of Mercedes-Benz vehicles. It cannot be ruled out that in the course of further investigations KBA will issue additional administrative orders making similar findings. Daimler has implemented a temporary delivery and registration stop with respect to certain models and reviews constantly whether it can lift this delivery and registration stop in whole or in part. The new calibration requested by KBA in its administrative order of the second quarter of 2018 has meanwhile been completed and the relevant software has been approved by KBA; the related recall has in the meanwhile been initiated. It cannot be ruled out, however, that further delivery and registration stops may be ordered or resolved by the Company as a precautionary measure under the relevant circumstances. Daimler has initiated further investigations and otherwise continues to fully cooperate with the authorities and institutions. As the aforementioned inquiries, investigations, administrative proceedings and the replies to these related information requests, the objection proceedings against the administrative orders as well as Daimler's internal investigations are ongoing, we rely on IAS 37.92 in not disclosing any further information on whether or not, or to what extent, provisions have been recognized and/or contingent liabilities have been disclosed.

Antitrust law proceedings (including actions for damages)
Starting on July 25, 2017, a number of class actions have been filed in the United States and Canada against Daimler AG and other manufacturers of automobiles as well as various of their North American subsidiaries. Plaintiffs allege to have suffered damages because defendants engaged in anticompetitive behavior relating to vehicle technology, costs, suppliers, markets, and other competitive attributes, including diesel emissions control technology, since the 1990s. On October 4, 2017, all pending US class actions were centralized in one proceeding by the Judicial Panel on Multidistrict Litigation and transferred to the U.S. District Court for the Northern District of California. On March 15, 2018, plaintiffs in the US class action amended and consolidated their complaints into two pleadings, one on behalf of consumers and the other on behalf of dealers. On June 1, 2018, the court dismissed Mercedes-Benz U.S. International, Inc., Mercedes-Benz Vans, LLC, and Daimler North America Corp., pursuant to the parties' stipulation. Daimler AG and MBUSA remain parties in the case, regard the US and Canadian lawsuits as being without merit, and will defend against the claims.

In this context, Daimler AG may disclose that it filed an application for immunity from fines (leniency application) with the European Commission some time ago. In late October 2017, the European Commission conducted preannounced inspections with Daimler in Stuttgart (as well as further inspections with other manufacturers) in order to further clarify the facts of the case. In the third quarter of 2018, the European Commission opened a formal investigation into possible collusion on clean emission technology. At present, Daimler does not expect this unquantifiable contingent liability to have any material impact on its profitability, cash flow and financial situation.

Following the settlement decision by the European Commission adopted on July 19, 2016, concluding the trucks antitrust proceedings, Daimler AG faces customers' claims for damages to a considerable degree. Respective legal actions, 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 is taking appropriate legal remedies to defend itself. In accordance with IAS 37.92, no further information is disclosed with respect to whether, or to what extent, provisions have been recognized and/or contingent liabilities have been disclosed, so as not to prejudice Daimler AG's position.

On June 23, 2016, the German Federal Cartel Office carried out dawn raids at several car manufacturers and suppliers, including Daimler AG, with regard to steel purchasing. Daimler is cooperating in full with the authority. In accordance with IAS 37.92, no further information is disclosed with respect to whether, or to what extent, provisions have been recognized and/or contingent liabilities have been disclosed, so as not to prejudice Daimler AG's position.

Class-action lawsuits Takata airbag inflators
As already reported, in August 2016, Mercedes-Benz Canada (MB Canada) was added as a defendant to a putative nation-wide class action pending in Ontario Superior Court. The main allegation in the matter is that MB Canada, along with Takata entities and many other companies that sold vehicles equipped with Takata airbag inflators, was allegedly negligent in selling such vehicles, purportedly not recalling them quickly enough, and failing to provide an allegedly adequate replacement airbag inflator. In addition, on June 28, 2017, Takata entities along with Daimler AG and MBUSA were named as defendants in a U.S. nation-wide class action, which was filed in New Jersey federal court and includes allegations that are similar to the Canadian action. In the third quarter of 2017, the New Jersey lawsuit was transferred to federal court in the Southern District of Florida for consolidation with other multi-district litigation proceedings. Then, on March 14, 2018, Daimler AG and MBUSA were named as defendants in two additional US nation-wide class action complaints, one filed in Georgia federal court, and the other filed into the multi-district litigation proceedings pending in Florida. The allegations in these new complaints are similar to those in the Canadian and New Jersey actions. The U.S. cases have been centralized in one proceeding by the Judicial Panel on Multidistrict Litigation and transferred to the U.S. District Court for the Southern District of Florida, which is overseeing litigation against Takata and other manufacturers of automobiles. The previously reported lawsuit filed by the State of New Mexico, which also made similar claims against MBUSA and many other companies that sold vehicles equipped with Takata airbag inflators, was dismissed without prejudice on June 22, 2017. It may, however, be filed again under specific conditions. Daimler AG continues to regard all these lawsuits brought with regard to Mercedes-Benz vehicles as being without merit, and the Daimler Group affiliates respectively affected will further defend themselves against the claims.

Refrigerant
Pursuant to EU Directive 2006/40/EC, since January 1, 2011, vehicles only receive new type approvals if their air-conditioning units are filled with a refrigerant that meets certain criteria with regard to climate friendliness. For vehicles produced on the basis of type approvals granted previously, the directive allowed a period of transition until December 31, 2016. Mercedes-Benz vehicles fully comply with the legal requirements in force since January 1, 2017 through the application of CO_2 air-conditioning and the refrigerant R1234yf in combination with safety devices that are used as necessary depending on each vehicle's configuration. In December 2016, the EU Commission initiated infringement proceedings against the Federal Republic of Germany in the European Court of Justice (ECJ). The Commission saw a contravention by the German authorities of the European type-approval frame directive and of the directive on emissions from air-conditioning systems in motor vehicles. In March 2017, Germany's Federal Motor Transport Authority issued Daimler AG with an injunction requiring to retrofit such vehicles in which, in the first half of 2013 and for reasons of safety, the previously used refrigerant R134a had been used. Daimler AG considered the request to be unfounded and had filed an objection to the injunction. On October 4, 2018, the ECJ ruled in the infringement proceedings that the Federal Republic of Germany had contravened European Union law, inter alia, by not ordering the changeover of the relevant vehicles within the period specified by the Commission. Subsequently, Daimler AG has withdrawn the objection, and will carry out the requested retrofit of the affected vehicles. A provision was already recognized in the third quarter of 2018 for the retrofitting of the vehicles still operating with the previously used refrigerant R134a. No other significant risks are expected in this respect.

Toll Collect
In 2002, our subsidiary Daimler Financial Services AG, together with Deutsche Telekom AG and Compagnie Financière et Industrielle des Autoroutes S.A.(Cofiroute) entered into a consortium agreement for the purpose of jointly operating a system for the electronic collection of tolls for commercial vehicles using German highways under a contract with the Federal Republic of Germany (operating agreement) through the project company Toll Collect GmbH. Until August 31, 2018, Daimler Financial Services AG and Deutsche Telekom AG each held a 45% equity interest in the project company Toll Collect GmbH, and Cofiroute S.A. held the remaining 10%. The consortium continues to hold the equity interest in Toll Collect GbR.

The Federal Republic of Germany declared its acceptance of the offer to take over all shares in Toll Collect GmbH on August 31, 2018 and acquired the company as scheduled on September 1, 2018. According to the operating agreement, the toll collection system had to be operational not later than August 31, 2003. After a delay of the launch date, the system was largely introduced on January 1, 2005. The final operating permit was granted on July 4, 2018, in connection with the settlement of the pending arbitration proceedings. The Federal Republic of Germany had initiated arbitration proceedings against Daimler Financial Services AG, Deutsche Telekom AG and Toll Collect GbR in September 2004. In the first half of 2017, the shareholders Deutsche Telekom AG and Daimler Financial Services AG asserted counterclaims relating to breaches of duty by the Federal Republic of Germany with regard to the delay in the start of the toll system. Toll Collect GmbH had also initiated an arbitration proceeding against the Federal Republic of Germany in order to recover the advance payments withheld by the Federal Republic of Germany of €8 million per month since June 2006, as well as other remuneration in dispute.

On July 4, 2018, through its subsidiary Daimler Financial Services AG, Daimler AG together with Deutsche Telekom AG notarized a settlement agreement (hereinafter: settlement) with the Federal Republic of Germany which settles all arbitration proceedings in connection with the involvement in the Toll Collect consortium, which have been ongoing since 2004.

On July 6, 2018, the arbitral tribunal issued an award on agreed terms terminating the arbitration proceedings on the basis of the settlement.

The settlement agreement is composed of different elements. One material element is a cash payment (hereinafter: settlement payment) by Toll Collect GbR of €1.1 billion that has to be transferred in three tranches until 2020 and equally divided between Daimler Financial Services AG and Deutsche Telekom AG. The first tranche in the amount of €400 million was paid to the Federal Republic of Germany on August 1, 2018, equally divided between Daimler Financial Services AG and Deutsche Telekom. The settlement takes into account claims of Toll Collect GmbH with regard to the remuneration pursuant to the operating agreement withheld monthly by the Federal Republic of Germany since June 2006. It also takes into account penalty payments for delays already settled by the shareholders of Toll Collect GbR and related interest. Further elements of the settlement agreement relate to the determination of the purchase price for the shares in Toll Collect GmbH on August 31, 2018 as well as the obligation to achieve a certain quality regarding the collection of tolls. Should this quality parameter not be achieved, the settlement payment to the Federal Republic of Germany will be increased by €50 million. On November 15, 2018, Daimler Financial Services AG and Deutsche Telekom AG have received the written confirmation from the Federal Republic of Germany that the quality parameters have been reached. Overall, the total settlement payments to the Federal Republic of Germany amount to €3.2 billion.

In the second quarter of 2018, the profit/loss on equity-method investments includes expenses of €418 million in connection with Toll Collect. The EBIT of the Daimler Financial Services segment is reduced in particular due to the existing 50% obligation of Daimler Financial Services AG to pay €550 million to Toll Collect GbR, which is partially offset by provisions recognized in previous years.

All known and unknown claims from the toll agreement that arose until March 31, 2018 are settled under the settlement provided that the related damage occurred before March 31, 2018.

Failure to comply with various obligations under the operating agreement during the period from April 1, 2018 until the end of the operating agreement on August 31, 2018 may result in contract penalties, additional revenue reductions and damage claims. However, contract penalties and revenue reductions are capped at €100 million per operating year (increasing by 3% per financial year). At present, no respective facts are known.

Irrespective of the settlement, the guarantees relating to the completion and operation of the toll collection system as stated in the operating agreement or other additional agreements and the responsibility to fulfill all relevant obligations from April 1, 2018 until the end of the operating agreement on August 31, 2018 remain unchanged. At present, no respective facts are known.

Guarantees, which are subject to specific triggering events are described below:

- *Guarantee of bank loans.* Daimler AG issued a guarantee to third parties up to a maximum amount of €100 million for bank loans which could be obtained by Toll Collect GmbH. In September 2018 Daimler AG was released of this guarantee obligation.

- *Equity capitalization.* The consortium members have agreed within the settlement to ensure that Toll Collect GmbH disposes of a minimum equity of €50 million and a minimum liquidity of €10 million as of August 31, 2018. The minimum equity and the minimum liquidity have been confirmed on December 17, 2018, with the authorization of Toll Collect GmbH financial statements as of August 31, 2018. Should damage claims, reductions of compensation or other events that take place after March 31, 2018 lead subsequently to a decrease of Toll Collect GmbH's equity below the minimum contractually agreed, the members of the consortium are obliged to financially ensure that the minimum equity of Toll Collect GmbH is achieved anew.

- Cofiroute's risks and obligations are limited to €70 million. Daimler Financial Services AG and Deutsche Telekom AG are jointly obliged to indemnify Cofiroute for amounts exceeding this limitation.

Accounting estimates and management judgments

The Group recognizes provisions in connection with pending or threatened proceedings to the extent a loss is probable and can be reasonably estimated. Such provisions are recognized in the Group's consolidated financial statements and are based on estimates. If quantifiable, contingent liabilities in connection with legal proceedings are disclosed in the Group's consolidated financial statements. Risks resulting from legal proceedings sometimes cannot be assessed reliably or only to a limited extent. Consequently, provisions recognized for some legal proceedings may turn out to be insufficient once such proceedings have ended. The Group may also become liable for payments in legal proceedings for which no provisions were recognized and/or contingent liabilities were disclosed. Uncertainty exists with regard to the amounts or due dates of possible cash outflows. Although the final result of any such proceedings could materially affect Daimler's operating results and cash flows for a particular reporting period, Daimler believes that it should not exert a sustained influence on the Group's financial position.

31. Contingent liabilities and other financial obligations

Contingent liabilities

At December 31, 2018, the best estimate for obligations from contingent liabilities was €761 million (2017: €589 million). Some contingent liabilities are not quantifiable. This applies in particular to the assessment of the legal risks arising from the class-action lawsuits mentioned in Note 30.

Information about the settlement contract of Daimler Financial Services AG and Deutsche Telekom AG with the Federal Republic of Germany about the termination of legal disputes in connection with the involvement in the Toll Collect toll consortium and the guarantees involved is provided in Note 30.

Other financial obligations

The Group has **other financial obligations resulting from non-cancelable long-term rental agreements and operating leases for property, plant and equipment**; the contracts partially include renewal or purchase options and price-escalation clauses. In 2018, Daimler recognized as expenses payments from operating leases of €621 million (2017: €563 million). Table ↗ **F.73** provides an overview of when future minimum lease payments under non-cancelable long-term rental and lease agreements fall due (nominal amounts).

Furthermore, other financial obligations exist from the **acquisition of intangible assets, property, plant and equipment and lease property** of €5,048 million (2017: €4,876 million).

In addition, the Group had issued **irrevocable loan commitments** at December 31, 2018. These loan commitments had not been utilized as of that date. Further information with respect to these commitments is disclosed in Note 33.

F.73

Future minimum lease payments under non-cancelable long-term rental and lease agreements (nominal amounts)

	December 31, 2018	2017
In millions of euros		
Maturity		
not later than one year	**780**	698
later than one year and not later than five years	**1,645**	1,421
later than five years	**1,375**	890
	3,800	3,009

32. Financial instruments

Carrying amounts and fair values of financial instruments

Table ↗ F.74 and table ↗ F.75 show the carrying amounts and fair values of the respective classes of the Group's financial instruments at December 31, 2018 according to IFRS 9 and at December 31, 2017 according to IAS 39.

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Given the varying influencing factors, the reported fair values can only be viewed as indicators of the prices that may actually be achieved on the market.

The fair values of financial instruments were calculated on the basis of market information available on the balance sheet date. The following methods and premises were used:

Receivables from financial services
The fair values of receivables from financial services with variable interest rates are estimated to be equal to the respective carrying amounts, because the agreed upon interest rates and those available in the market do not significantly differ. The fair values of receivables from financial services with fixed interest rates are determined on the basis of discounted expected future cash flows.

The discounting is based on the current interest rates at which similar loans with identical terms could have been obtained at December 31, 2018 and December 31, 2017.

F.74
Carrying amounts and fair values of financial instruments (according to IFRS 9)

	At December 31, 2018	
	Carrying amount	Fair value
In millions of euros		
Financial assets		
Receivables from financial services	96,740	97,144
Trade receivables	12,586	12,586
Cash and cash equivalents	15,853	15,853
Marketable debt securities and similar investments	9,577	9,577
Recognized at fair value through other comprehensive income	5,855	5,855
Recognized at fair value through profit or loss	3,059	3,059
Measured at cost	663	663
Other financial assets		
Equity instruments and debt instruments	748	748
Recognized at fair value through other comprehensive income	364	364
Recognized at fair value through profit or loss	384	384
Other financial assets recognized at fair value through profit or loss	109	109
Derivative financial instruments used in hedge accounting	1,033	1,033
Other receivables and financial assets	3,177	3,177
	139,823	140,227
Financial liabilities		
Financing liabilities	144,902	144,933
Trade payables	14,185	14,185
Other financial liabilities		
Financial liabilities recognized at fair value through profit or loss	56	56
Derivative financial instruments used in hedge accounting	1,094	1,094
Miscellaneous other financial liabilities	8,882	8,882
	169,119	169,150

Trade receivables and cash and cash equivalents
Due to the short terms of these financial instruments and the fundamentally lower credit risk, it is assumed that their fair values are equal to the carrying amounts.

Marketable debt securities and similar investments, other financial assets
At December 31, 2018, *marketable debt securities* are measured at fair value through other comprehensive income or at fair value through profit or loss. *Similar investments* are measured at amortized cost and are not included in the measurement hierarchy, as their carrying amount is a reasonable approximation of fair value.

Equity Instruments are measured at fair value through other comprehensive income or at fair value through profit or loss. The fair values of the equity instruments measured through other comprehensive income are included in table ↗ F.74 and comprise BAIC BluePark New Energy Technology Co., Ltd as well as further investments not material on an individual basis. Daimler does not generally intend to sell its equity instruments which are presented at December 31, 2018.

Marketable debt securities and equity instruments measured at fair value were measured using quoted market prices at December 31, 2018. If quoted market prices were not available for these debt and equity instruments, the fair value measurement is based on inputs that are either directly or indirectly observable in active markets.

Other financial assets measured at fair value through profit or loss include derivative financial instruments not used in hedge accounting. These financial instruments as well as *derivative financial instruments used in hedge accounting* comprise:

- derivative currency hedging contracts; the fair values of cross currency interest rate swaps are determined on the basis of the discounted estimated future cash flows using market interest rates appropriate to the remaining terms of the financial instruments. The valuation of currency forwards is based on market quotes of forward curves; currency options were measured using option pricing models using market data.
- derivative interest rate hedging contracts; the fair values of interest rate hedging instruments (e.g. interest rate swaps) are calculated on the basis of the discounted estimated future cash flows using the market interest rates appropriate to the remaining terms of the financial instruments.
- derivative commodity hedging contracts; the fair values of commodity hedging contracts (e.g. commodity forwards) are determined on the basis of current reference prices with consideration of forward premiums and discounts.

Other financial receivables and assets are carried at amortized cost. Because of the predominantly short maturities of these financial instruments, it is assumed that the fair values approximate the carrying amounts.

F.75
Carrying amounts and fair values of financial instruments (according to IAS 39)

	At December 31, 2017	
	Carrying amount	Fair value
In millions of euros		
Financial assets		
Receivables from financial services	86,054	86,543
Trade receivables	11,995	11,995
Cash and cash equivalents	12,072	12,072
Marketable debt securities		
Available-for-sale financial assets	10,063	10,063
Other financial assets		
Available-for-sale financial assets	1,173	1,173
thereof equity instruments measured at fair value	171	171
thereof equity instruments measured at cost	1,002	1,002
Financial assets recognized at fair value through profit or loss	82	82
Derivative financial instruments used in hedge accounting	2,379	2,379
Other receivables and financial assets	3,172	3,172
	126,990	127,479
Financial liabilities		
Financing liabilities	127,124	128,437
Trade payables	12,451	12,451
Other financial liabilities		
Financial liabilities recognized at fair value through profit or loss	111	111
Derivative financial instruments used in hedge accounting	696	696
Miscellaneous other financial liabilities	8,468	8,468
	148,850	150,163

Financing liabilities
The fair values of bonds, loans, commercial paper, deposits in the direct banking business and liabilities from ABS transactions are calculated as present values of the estimated future cash flows. Market interest rates for the appropriate terms are used for discounting.

Trade payables
Due to the short maturities of these financial instruments, it is assumed that their fair values are equal to the carrying amounts.

Refund liabilities (IFRS 15)
Refund liabilities include obligations from sales transactions that qualify as financial instruments. Further information is provided in Note 27.

Other financial liabilities
Financial liabilities measured at fair value through profit or loss comprise derivative financial instruments not used in hedge accounting. For information regarding these financial instruments as well as *derivative financial instruments used in hedge accounting*, see the notes above under marketable debt securities and similar investments, other financial assets.

Miscellaneous other financial liabilities are carried at amortized cost. Because of the predominantly short maturities of these financial instruments, it is assumed that the fair values approximate the carrying amounts.

Offsetting of financial instruments

The Group concludes derivative transactions in accordance with the master netting arrangements (framework agreement) of the International Swaps and Derivatives Association (ISDA) and other appropriate national framework agreements. However, these arrangements do not meet the criteria for netting in the Consolidated Statement of Financial Position, as they allow netting only in the case of future events such as default or insolvency on the part of the Group or the counterparty.

Table ↗ **F.76** shows the carrying amounts of the derivative financial instruments subject to the described arrangements as well as the possible financial effects of netting in accordance with the master netting arrangements.

Measurement hierarchy

Table ↗ **F.77** and table ↗ **F.78** provide an overview of the classification into measurement hierarchies of financial assets and liabilities measured at fair value (according to IFRS 13) at December 31, 2018 according to IFRS 9 and at December 31, 2017 according to IAS 39.

At the end of each reporting period, Daimler reviews the necessity of reclassification between the measurement hierarchies.

The increase in equity and debt instruments recognized at fair value through profit or loss included in Level 1 relates primarily to the fair value measurement of the minority interest in Aston Martin Lagonda Global Holdings plc. Further information is provided in Note 7.

For the determination of the credit risk from derivative financial instruments, which are allocated to Level 2 measurement hierarchy, portfolios managed on basis of net exposure are applied.

F.76
Disclosure for recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement

	At December 31, 2018 (IFRS 9)			At December 31, 2017 (IAS 39)		
	Gross and net amounts of financial instruments in the balance sheet	Amounts subject to a master netting arrangement	Net amounts	Gross and net amounts of financial instruments in the balance sheet	Amounts subject to a master netting arrangement	Net amounts
In millions of euros						
Other financial assets[1]	**1,142**	**-574**	**568**	2,461	-566	1,895
Other financial liabilities[2]	**1,150**	**-574**	**576**	807	-566	241

1 The other financial assets which are subject to a master netting arrangement comprise derivative financial instruments that are included in hedge accounting and financial assets measured at fair value through profit or loss (see Note 16).
2 The other financial liabilities which are subject to a master netting arrangement comprise derivative financial instruments that are included in hedge accounting and financial liabilities measured at fair value through profit or loss (see Note 25).

F.77

Measurement hierarchy of financial assets and liabilities measured at fair value (according to IFRS 9)

	At December 31, 2018			
	Total	Level 1[1]	Level 2[2]	Level 3[3]
In millions of euros				
Financial assets recognized at fair value				
Marketable debt securities	8,914	5,812	3,102	–
Recognized at fair value through other comprehensive income	5,855	2,753	3,102	–
Recognized at fair value through profit or loss	3,059	3,059	–	–
Equity instruments and debt instruments	748	338	304	106
Recognized at fair value through other comprehensive income	364	208	128	28
Recognized at fair value through profit or loss	384	130	176	78
Other financial assets recognized at fair value through profit or loss	109	–	109	–
Derivative financial instruments used in hedge accounting	1,033	–	1,033	–
	10,804	6,150	4,548	106
Financial liabilities recognized at fair value				
Financial liabilities recognized at fair value through profit or loss	56	–	56	–
Derivative financial instruments used in hedge accounting	1,094	–	1,094	–
	1,150	–	1,150	–

1 Fair value measurement is based on quoted prices (unadjusted) in active markets for these or identical assets or liabilities.
2 Fair value measurement is based on inputs that are observable on active markets either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3 Fair value measurement is based on inputs for which no observable market data is available.

F.78

Measurement hierarchy of financial assets and liabilities measured at fair value (according to IAS 39)

	At December, 31 2017			
	Total	Level 1[1]	Level 2[2]	Level 3[3]
In millions of euros				
Financial assets measured at fair value				
Financial assets available-for-sale	10,234	6,721	3,513	–
thereof marketable debt securities	10,063	6,615	3,448	–
thereof equity instruments measured at fair value	171	106	65	–
Financial assets measured at fair value through profit or loss	82	–	82	–
Derivative financial instruments used in hedge accounting	2,379	–	2,379	–
	12,695	6,721	5,974	–
Liabilities measured at fair value				
Financial liabilities measured at fair value through profit or loss	111	–	111	–
Derivative financial instruments used in hedge accounting	696	–	696	–
	807	–	807	–

1 Fair value measurement is based on quoted prices (unadjusted) in active markets for these or identical assets or liabilities.
2 Fair value measurement is based on inputs that are observable on active markets either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3 Fair value measurement is based on inputs for which no observable market data is available.

F.79

Measurement hierarchy of financial assets and liabilities not measured at fair value

	At December 31, 2018 (IFRS 9)				At December 31, 2017 (IAS 39)			
	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]
In millions of euros								
Fair values of financial assets measured at cost								
Receivables from financial services	**97,144**	**–**	**97,144**	**–**	86,543	–	86,543	–
Fair values of financial liabilities measured at cost								
Financing liabilities	**144,933**	**62,961**	**81,972**	**–**	128,437	58,496	69,941	–
thereof bonds	**76,468**	**62,862**	**13,606**	**–**	68,422	57,715	10,707	–
thereof liabilities from ABS transactions	**12,474**	**99**	**12,375**	**–**	11,081	781	10,300	–
thereof other financing liabilities	**55,991**	**–**	**55,991**	**–**	48,934	–	48,934	–

1 Fair value measurement is based on quoted prices (unadjusted) in active markets for these or identical assets or liabilities.
2 Fair value measurement is based on inputs that are observable on active markets either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3 Fair value measurement is based on inputs for which no observable market data is available.

Table ↗ F.79 shows into which measurement hierarchies (according to IFRS 13) the fair values of the financial assets and liabilities are classified which are not measured at fair value in the Consolidated Statement of Financial Position.

Measurement categories

The carrying amounts of financial instruments presented at December 31, 2018 according to IFRS 9 measurement categories and at December 31, 2017 according to IAS 39 measurement categories are shown in table ↗ F.80 and ↗ F.81.

The table ↗ F.80 and table ↗ F.81 do not include the carrying amounts of derivative financial instruments used in hedge accounting as these financial instruments are not assigned to an IFRS 9 or IAS 39 measurement category. In addition table ↗ F.81 does not include cash and cash equivalents as these financial instruments are not assigned to an IAS 39 measurement category.

F.80

Carrying amounts of financial instruments presented according to IFRS 9 measurement categories

	At December 31, 2018
In millions of euros	
Assets	
Receivables from financial services[1]	70,080
Trade receivables	12,586
Cash and cash equivalents	15,853
Marketable debt securities and similar investments	663
Other receivables and financial assets	3,177
Financial assets measured at (amortized) cost	102,359
Marketable debt securities and similar investments	5,855
Equity and debt instruments	364
Financial assets measured at fair value through other comprehensive income	6,219
Marketable debt securities and similar investments	3,059
Equity and debt instruments	384
Other financial assets measured at fair value through profit or loss	109
Financial assets measured at fair value through profit or loss[2]	3,552
Liabilities	
Trade payables	14,185
Financing liabilities[3]	144,555
Other financial liabilities[4]	8,758
Financial liabilities measured at (amortized) cost	167,498
Financial liabilities measured at fair value through profit or loss[2]	56

1 This does not include lease receivables of €26,660 million as of December 31, 2018 as these are not assigned to an IFRS 9 measurement category.
2 Financial instruments classified as held for trading purposes. These figures comprise financial instruments that are not used in hedge accounting.
3 This does not include liabilities from finance leases of €347 million as of December 31, 2018 as these are not assigned to an IFRS 9 measurement category.
4 This does not include liabilities from financial guarantees of €124 million as of December 31, 2018 as these are not assigned to an IFRS 9 measurement category.

F.81

Carrying amounts of financial instruments presented according to IAS 39 measurement categories

	At December 31, 2017
In millions of euros	
Assets	
Receivables from financial services[1]	63,540
Trade receivables	11,995
Other receivables and financial assets	3,172
Loans and receivables	78,707
Marketable debt securities	10,063
Other financial assets	1,173
Available-for-sale financial assets	11,236
Financial assets measured at fair value through profit or loss[2]	82
Liabilities	
Trade payables	12,451
Financing liabilities[3]	126,772
Other financial liabilities[4]	8,327
Financial liabilities measured at (amortized) cost	147,550
Financial liabilities measured at fair value through profit or loss[2]	111

1 This does not include lease receivables of €22,514 million as of December 31, 2017 as these are not assigned to an IAS 39 measurement category.
2 Financial instruments classified as held for trading purposes. These figures comprise financial instruments that are not used in hedge accounting.
3 This does not include liabilities from finance leases of €352 million as of December 31, 2017 as these are not assigned to an IAS 39 measurement category.
4 This does not include liabilities from financial guarantees of €141 million as of December 31, 2017 as these are not assigned to an IAS 39 measurement category.

F.82
Net gains/losses (according to IFRS 9)

	2018
In millions of euros	
Equity and debt instruments recognized at fair value through profit or loss	136
Other financial assets and financial liabilities recognized at fair value through profit or loss[1]	240
Equity instruments recognized at fair value through other comprehensive income	2
Other financial assets recognized at fair value through other comprehensive income	-17
Financial assets measured at (amortized) cost	-469
Financial liabilities measured at (amortized) cost	105

1 Financial instruments classified as held for trading; these amounts relate to financial instruments that are not used in hedge accounting.

F.83
Net gains/losses (according to IAS 39)

	2017
In millions of euros	
Financial assets and liabilities recognized at fair value through profit or loss[1]	152
Available-for-sale financial assets	27
Loans and receivables	-542
Financial liabilities measured at (amortized) cost	-50

1 Financial instruments classified as held for trading; these amounts relate to financial instruments that are not used in hedge accounting.

F.84
Total interest income and total interest expense (according to IFRS 9)

	2018
In millions of euros	
Total interest income	5,189
thereof from financial assets and liabilities measured at (amortized) costs	5,100
thereof from financial assets measured at fair value through other comprehensive income	89
Total interest expense	-3,171
thereof from financial assets and liabilities measured at (amortized) costs	-3,171
thereof from financial assets measured at fair value through other comprehensive income	–

Net gains or losses

Table ↗ **F.82** shows the net gains/losses on financial instruments included in the Consolidated Statement of Income (excluding derivative financial instruments used in hedge accounting) at December 31, 2018 according to IFRS 9.

Net gains/losses on equity and debt instruments recognized at fair value through profit or loss primarily comprise gains and losses attributable to changes in the fair values of these instruments, among others the fair value change of our equity interest in Aston Martin Lagonda Global Holdings plc.

Net gains/losses on other financial assets and liabilities recognized at fair value through profit or loss primarily comprise gains and losses attributable to changes in their fair values.

Net gains/losses on equity instruments measured at fair value through other comprehensive income primarily comprise dividend payments.

Net gains/losses on other financial assets measured at fair value through other comprehensive income are primarily attributable to the effects of currency translation.

Net gains/losses on financial assets measured at (amortized) cost primarily comprise impairment losses (including reversals of impairment losses) of €407 million that are charged to cost of sales, selling expenses and other financial income/expense, net. Foreign currency gains and losses are also included. On the other hand impairment losses (excluding reversals of impairment losses) amounted to €630 million at December 31, 2017 according to IAS 39.

Net gains/losses on financial liabilities measured at (amortized) cost primarily comprise the effects of currency translation.

Table ↗ **F.83** shows the net gains/losses on financial instruments included in the Consolidated Statement of Income (excluding derivative financial instruments used in hedge accounting) at December 31, 2017 according to IAS 39.

Total interest income and total interest expense

Total interest income and total interest expense for financial assets or financial liabilities that are not measured at fair value through profit or loss at December 31, 2018 according to IFRS 9 are shown in table ↗ **F.84**.

Total interest income and total interest expense for financial assets or financial liabilities that were not measured at fair value through profit or loss amounted €4,572 million and €2,415 million respectively at December 31, 2017 according to IAS 39.

See Note 1 for qualitative descriptions of accounting for and presentation of financial instruments (including derivative financial instruments).

F.85
Amounts for the transactions designated as hedging instruments (according to IFRS 9)

					December 31, 2018
	Foreign currency risk		Interest rate risk		Commodity risk
	Cash flow hedges[1]	Hedges of net investments in foreign operations	Cash flow hedges[1]	Fair Value hedges[2]	Cash flow hedges[1]
In millions of euros					
Carrying amount of the hedging instrument					
Other financial assets current	366	–	58	57	43
Other financial assets non-current	86	–	59	364	–
Other financial liabilities current	425	–	15	163	30
Other financial liabilities non-current	161	–	41	237	22
Financial liabilities current	–	25	–	–	–
Fair value changes[3]	-1,021	1	-18	122	-41

1 Includes the following instrument types: currency forwards, currency options, currency swaps, commodity forwards.
2 Includes the following instrument types: interest rate swaps, cross currency interest rate swaps.
3 Gains and losses from hedging instruments used for recognizing hedge ineffectiveness.

Information on derivative financial instruments

Use of derivatives

The Group uses derivative financial instruments exclusively for hedging financial risks that arise from its operating or financing activities. These are mainly interest rate risks, currency risks and commodity price risks, which were defined as risk categories according to IFRS 9. For these hedging purposes, the Group mainly uses currency forward transactions, cross currency interest rate swaps, interest rate swaps, options and commodity forwards.

Table ↗ **F.85** shows the amounts for the transactions designated as hedging instruments at December 31, 2018 according to IFRS 9.

Table ↗ **F.86** shows the fair values of hedging instruments at December 31, 2017 according to IAS 39.

Fair value hedges

The Group uses fair value hedges primarily for hedging interest rate risks.

The amounts of the items hedged with fair value hedges at December 31, 2018 according to IFRS 9 are included in table ↗ **F.87**.

F.86
Fair values of hedging instruments (according to IAS 39)

	At December 31, 2017
In millions of euros	
Fair value hedges	-68
Cash flow hedges	1.751
Hedges of net investments in foreign operations	-180

F.87
Fair value hedges (according to IFRS 9)

	2018 Interest rate risk
In millions of euros	
Carrying amounts of the hedged items	
Financing liabilities current	14,217
Financing liabilities non-current	29,086
thereof hedge adjustments	
Financing liabilities current	-72
Financing liabilities non-current	100
Fair value changes of the hedged items[1]	-121
Accumulated amount of hedge adjustments from inactive hedges remaining in the statement of financial position	23

1 Fair value changes of the hedged items used for recognizing hedge ineffectiveness.

F.88

Ineffectiveness of fair value hedges (according to IFRS 9)

	2018 Interest rate risk
In millions of euros	
Cost of sales	–
Interest expense	2

F.89

Net gains/losses from fair value hedges (according to IAS 39)

	2017
In millions of euros	
Net gains/losses from hedging instruments	-329
Net gains/losses from underlying transactions	349

The amounts relating to hedge ineffectiveness for items designated as fair value hedges at December 31, 2018 according to IFRS 9 are shown in table ↗ F.88.

Net gains and losses on these hedging instruments and the changes in the value of the underlying transactions at December 31, 2017 according to IAS 39 are shown in table ↗ F.89.

Cash flow hedges and hedges of net investments in foreign operations

The Group uses cash flow hedges for hedging currency risks, interest rate risks and commodity price risks.

Daimler also partially hedges the foreign currency risk of selected investments with the application of derivative or non-derivative financial instruments.

The amounts related to items designated as cash flow hedges and as hedges of net investments in foreign operations at December 31, 2018 according to IFRS 9 are shown in table ↗ F.90.

The gains and losses on items designated as cash flow hedges at December 31, 2018 according to IFRS 9 as well as the amounts relating to hedge ineffectiveness are included in table ↗ F.91.

Net profit at December 31, 2017 according to IAS 39 includes net losses (before income taxes) of €11 million attributable to the ineffectiveness of derivative financial instruments entered into for hedging purposes (hedge ineffectiveness).

F.90

Cash flow hedges and hedges of net investments in foreign operations (according to IFRS 9)

			2018
	Foreign currency risk	Interest rate risk	Commodity risk
In millions of euros			
Fair value changes of the hedged items[1]	1,024	83	39
Thereof hedges of net investments in foreign operations	-1		
Balance of the reserves for derivative financial instruments (before taxes)			
Continuing hedges	-91	-4	9
Thereof hedges of net investments in foreign operations	4		
Discontinued/terminated hedges	-311	-4	–
Thereof hedges of net investments in foreign operations	-270		

1 Fair value changes of the hedged items used for recognizing hedge ineffectiveness.

F.91

Gains and losses on cash flow hedges and hedges of net investments in foreign operations (according to IFRS 9)

						2018
			Foreign currency risk		Interest rate risk	Commodity risk
In millions of euros						
Gains and losses recognized in other comprehensive income[1]	-1,072	-31	82	-70	53	-40
Hedge ineffectiveness recognized in the Statement of Income	1	1	–	–	–	-1
Line item in the Statement of Income in which the hedge ineffectiveness is included	Revenues	Cost of sales	Other financial income/ expense, net	Cost of sales	Interest expense	Cost of sales
Reclassification of hedge effectiveness from other comprehensive income to the Statement of Income						
For hedges for which the hedged future cash flows are no longer expected to occur	-8	–	–	–	1	-1
For hedges that have been transferred because the hedged item has affected profit or loss[2]	-605	72	-91	55	-63	-73
Line item in the Statement of Income in which the reclassification is included	Revenues	Cost of sales	Other financial income/ expense, net	Cost of sales	Interest expense	Cost of sales

1 The amount in other financial income/expense, net includes €1 million for hedges of net investments in foreign operations.
2 The amount in other financial income/expense, net includes minus €10 million for hedges of net investments in foreign operations.

F.92

Reconciliation of reserves for derivative financial instruments (according to IFRS 9)

	2018
In millions of euros	
Balance at January 1, 2018	1,171
Changes in fair values (before taxes)	-1,081
Foreign currency risk	-1,023
Interest rate risk	-18
Commodity price risk - inventory purchases	-40
Reclassification to profit and loss (before taxes)	-641
Foreign currency risk	-634
Interest rate risk	-7
Reclassification to cost of acquisition of non-financial assets (before taxes)	-81
Foreign currency risk – procurement	-63
Commodity price risk – inventory purchases	-18
Other	–
Taxes on changes in fair values and reclassifications	537
Balance at December 31, 2018	-95

F.93

Reclassifications of pre-tax gains/losses from equity to the Statement of Income (according to IAS 39)

	2017
In millions of euros	
Revenue	-6
Cost of sales	34
Interest income	–
Interest expense	-1
	27

Table ↗ F.92 shows the reconciliation of the reserves for derivative instruments in 2018 according to IFRS 9.

The reserves for derivative instruments include reserves for hedge costs of minus €11 million at December 31, 2018 (minus €34 million at January 1, 2018).

Unrealized pre-tax gains/losses on the measurement of derivatives, which are recognized in other comprehensive income, amounted to €2,525 million at December 31, 2017 according to IAS 39.

Table ↗ F.93 provides an overview of the reclassifications of pre-tax gains/losses from equity to the Consolidated Statement of Income in 2017 according to IAS 39.

The maturities of the interest rate hedges and cross currency interest rate hedges as well as of the commodity hedges correspond with those of the underlying transactions. The realization of the underlying transactions of the cash flow hedges is expected to correspond with the maturities of the hedging transactions shown in table ↗ F.94 at December 31, 2018 according to IFRS 9 and in table ↗ F.95 at December 31, 2017 according to IAS 39.

At December 31, 2018, Daimler utilized derivative instruments with a maximum maturity of 34 months (2017: 39 months) as hedges for currency risks arising from future transactions.

Nominal values of derivative financial instruments

Table ↗ F.94 and table ↗ F.95 show the nominal values of derivative financial instruments at December 31, 2018 according to IFRS 9 and at December 31, 2017 according to IAS 39 entered into for the purpose of hedging currency risks, interest rate risks and commodity price risks that arise from the Group's operating and/or financing activities.

The average prices for derivative financial instruments classified by risk categories for the main risks at December 31, 2018 according to IFRS 9 are included in table ↗ F.96.

Hedging transactions for which the effects from the measurement of the hedging instrument and the underlying transaction to a large extent offset each other in the Consolidated Statement of Income mostly do not classify for hedge accounting.

Even if derivative financial instruments do not or no longer qualify for hedge accounting, these instruments are still hedging financial risks from the operating business. A hedging instrument is terminated when the hedged item no longer exists or is no longer expected to occur.

Explanations of the hedging of exchange rate risks, interest rate risks and commodity price risks can be found in Note 33 in the sub-item finance market risk.

F.94

Nominal values of derivative financial instruments (according to IFRS 9)

	At December 31, 2018 Maturity of nominal amounts			
	<1 year	1 year up to 5 years	>5 years	Total
In millions of euros				
Foreign currency risk	29,063	9,935	–	38,998
Interest rate risk	15,926	36,602	12,055	64,583
Fair value hedges	6,173	24,763	12,055	42,991
Cash flow hedges	9,753	11,839	–	21,592
Commodity risk	285	215	–	500

F.95

Nominal values of derivative financial instruments (according to IAS 39)

	At December 31, 2017		
	Nominal values	Maturity ≤1 year	Maturity >1 year
In millions of euros			
Hedging of currency risks from receivables/liabilities			
Forward exchange contracts	6,267	6,259	8
thereof cash flow hedges	3,380	3,380	–
Cross currency interest rate swaps	5,811	2,153	3,658
thereof cash flow hedges	3,238	1,559	1,679
thereof fair value hedges	1,676	361	1,315
Hedging of currency risks from forecasted transactions			
Forward exchange contracts and currency options	45,996	30,506	15,490
thereof cash flow hedges	45,542	30,061	15,481
Hedging of currency risks of net investments in foreign operations			
Currency swaps	–	–	–
thereof hedging of net investments in foreign operations	–	–	–
Hedging of interest rate risks from receivables/liabilities			
Interest rate swaps	49,934	2,395	47,539
thereof cash flow hedges	9,694	1,485	8,209
thereof fair value hedges	35,731	572	35,159
Hedging of commodity price risks from forecasted transactions			
Forward commodity contracts	742	495	247
thereof cash flow hedges	649	403	246
Total nominal values of derivative financial instruments	108,750	41,808	66,942
thereof cash flow hedges	62,503	36,888	25,615
thereof fair value hedges	37,407	933	36,474

F.96

Average prices of hedging instruments for the major risks (according to IFRS 9)

	At December 31, 2018
Foreign currency risk	
USD per €	1.18
CNY per €	8.37
GBP per €	0.88
Interest rate risk	
Fair value hedges	
Average rate – €	-0.82%
Average rate – USD	0.46%
Cash flow hedges	
Average rate – €	-0.59%
Average rate – USD	-0.07%
Commodity risk	
Platinum (in € per troy ounce)	819
Aluminum (in € per ton)	1,606
Palladium (in € per troy ounce)	688

33. Management of financial risks

General information on financial risks

As a result of its businesses and the global nature of its operations, Daimler is exposed in particular to market risks from changes in foreign currency exchange rates and interest rates, while commodity price risks arise from procurement. An equity price risk results from investments in listed companies. In addition, the Group is exposed to credit risks from its leasing and financing activities and from its operating business (trade receivables). Furthermore, the Group is exposed to liquidity and country risks relating to its credit and market risks or a deterioration of its operating business or financial market disturbances. If these financial risks materialize, they could adversely affect Daimler's profitability, liquidity and capital resources and financial position.

Daimler has established internal guidelines for risk controlling procedures and for the use of financial instruments, including a clear segregation of duties with regard to financial activities, settlement, accounting and the related controlling. The guidelines upon which the Group's risk management processes for financial risks are based are designed to identify and analyze these risks throughout the Group, to set appropriate risk limits and controls and to monitor the risks by means of reliable and up-to-date administrative and information systems. The guidelines and systems are regularly reviewed and adjusted to changes in markets and products.

The Group manages and monitors these risks primarily through its operating and financing activities and, if required, through the use of derivative financial instruments. Daimler uses derivative financial instruments exclusively for hedging financial risks that arise from its operating business or refinancing activities. Without these derivative financial instruments, the Group would be exposed to higher financial risks (additional information on financial instruments and especially on the volumes of the derivative financial instruments used is included in Note 32). Daimler regularly evaluates its financial risks with due consideration of changes in key economic indicators and up-to-date market information.

Any market sensitive instruments including equity and debt securities that the plan assets hold to finance pension and other post-employment healthcare benefits are not included in the following quantitative and qualitative analysis. See Note 22 for additional information on Daimler's pension and other post-employment benefits.

Credit risk

Credit risk is the risk of economic loss arising from counterparty's failure to repay or service debt in accordance with the contractual terms. Credit risk encompasses both the direct risk of default and the risk of a deterioration of creditworthiness as well as concentration risks.

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts (without consideration of collateral, if available). There is also a risk of default from irrevocable loan commitments which had not been utilized as of that date, as well as from financial guarantees. The maximum risk position in these cases is equal to the expected future cash outflows. Table ↗ **F.97** shows the maximum risk positions.

Liquid assets

Liquid assets consist of cash and cash equivalents and marketable debt securities and similar investments. With the investment of liquid assets, banks and issuers of securities are selected very carefully and diversified in accordance with a limit system. Liquid assets are mainly held at financial institutions within and outside Europe with high creditworthiness, as bonds issued by German federal states and as money market funds. In connection with investment decisions, priority is placed on the borrower's very high creditworthiness and on balanced risk diversification. The limits and their utilizations are reassessed continuously. In this assessment, Daimler also considers the credit risk assessment of its counterparties by the capital markets. In line with the Group's risk policy, most liquid assets are held in investments with an external rating of "A" or better. Liquid assets are thus not subject to a material credit risk and are allocated to stage 1 of the impairment model (see Note 1).

Receivables from financial services

Daimler's financing and leasing activities are primarily focused on supporting the sales of the Group's automotive products. As a consequence of these activities, the Group is exposed to credit risk, which is monitored and managed based on defined standards, guidelines and procedures. Daimler manages its credit risk irrespective of whether it is related to a financing contract or to an operating lease or a finance lease contract. For this reason, statements concerning the credit risk of Daimler Financial Services refer to the entire financing and leasing business, unless specified otherwise.

Exposure to credit risk from financing and lease activities is monitored based on the portfolio subject to credit risk. The portfolio subject to credit risk is an internal control quantity that consists of wholesale and retail receivables from financial services and the portion of the operating lease portfolio that is subject to credit risk. Receivables from financial services comprise claims arising from finance lease contracts and repayment claims from financing loans. The operating lease portfolio is reported under equipment on operating leases in the Group's Consolidated Financial Statements. Overdue lease payments from operating lease contracts are recognized in receivables from financial services.

The Daimler Financial Services segment has guidelines setting the framework for effective risk management at a global as well as at a local level. In particular, these rules deal with minimum requirements for all risk-relevant credit processes, the definition of financing products offered, the evaluation of customer quality, requests for collateral as well as the treatment of unsecured loans and non-performing claims. The limitation of concentration risks is implemented primarily by means of global limits, which refer to single customer exposures. As of December 31, 2018, exposure to the biggest 15 customers did not exceed 3.8% (2017: 4.0%) of the total portfolio.

With respect to its financing and lease activities, the Group holds collateral for customer transactions. The value of collateral generally depends on the amount of the financed assets. The financed vehicles usually serve as collateral. Furthermore, Daimler Financial Services mitigates the credit risk from financing and lease activities, for example through advance payments from customers.

Scoring systems are applied for the assessment of the default risk of retail and small business customers. Corporate customers are evaluated using internal rating instruments. Both evaluation processes use external credit bureau data if available. The scoring and rating results as well as the availability of security and other risk mitigation instruments, such as advance payments, guarantees and, to a lower extent, residual debt insurances, are essential elements for credit decisions.

Following the impairment model expected credit losses from receivables from financial services (see Note 1) are calculated with a statistical model using three major risk parameters: probability of default, loss given default and exposure at default.

F.97

Maximum risk positions of financial assets, irrevocable loan commitments and financial guarantees

In millions of euros	see also Note	Maximum risk position 2018	Maximum risk position 2017
Liquid assets		**25,430**	22,135
Receivables from financial services	14	**96,740**	86,054
Trade receivables	19	**12,586**	11,995
Derivative financial instruments used in hedge accounting (assets only)	16	**1,033**	2,379
Derivative financial instruments not used in hedge accounting (assets only)	16	**109**	82
Other receivables and financial assets	16	**3,177**	3,172
Irrevocable loan commitments		**2,051**	1,894
Financial guarantees		**672**	667

In determining expected credit losses, existing collateral is generally given due consideration. The actual credit risk is limited by the fair value of collateral (e.g. financed vehicles).

If, in connection with contracts, a worsening of payment behavior or other causes of a credit risk are recognized, collection procedures are initiated by claims management to obtain the overdue payments of the customer, to take possession of the asset financed or leased or, alternatively, to renegotiate the impaired contract. Restructuring policies and practices are based on the indicators or criteria which, in the judgment of local management, indicate that repayment will probably continue and that the total proceeds expected to be derived from the renegotiated contract exceed the expected proceeds to be derived from repossession and remarketing. For receivables from financial services, significant modifications of financial assets only occurred in rare cases and immaterial volume.

The allowance ratio slightly increased compared to the low level of the previous year.

Further details of receivables from financial services and the balance of the recorded impairments are provided in Note 14.

Trade receivables
Trade receivables are mostly receivables from worldwide sales activities of vehicles and spare parts. The credit risk from trade receivables encompasses the default risk of customers, e.g. dealers and general distribution companies, as well as other corporate and private customers. In order to identify credit risks, Daimler assesses the creditworthiness of the customers. Daimler manages its credit risk from trade receivables using appropriate IT applications and databases on the basis of internal guidelines which have to be followed globally.

A significant part of the trade receivables from each country's domestic business is secured by various country-specific types of collateral. This collateral includes conditional sales, guarantees and sureties as well as mortgages and advance payments from customers.

For trade receivables from export business, Daimler also evaluates each general distribution company's creditworthiness by means of an internal rating process and its country risk. In this context, the year-end financial statements and other relevant information on the general distribution companies such as payment history are used and assessed.

Depending on the creditworthiness of the general distribution companies, Daimler usually establishes credit limits and limits credit risks with the following types of collateral:

- credit insurances,
- first-class bank guarantees and
- letters of credit.

These procedures are defined in the export credit guidelines, which have Group-wide validity.

In line with the impairment model (see Note 1), the simplified approach is applied for impairments of trade receivables, whereby expected credit losses until maturity for these trade receivables are recognized with the initial recognition.

Further information on trade receivables and the status of impairments recognized is provided in Note 19.

Derivative financial instruments
The Group uses derivative financial instruments exclusively for hedging financial risks that arise from its operational business or refinancing activities. Daimler manages its credit risk exposure in connection with derivative financial instruments through a limit system, which is based on the review of each counterparty's financial strength. This system limits and diversifies the credit risk. As a result, Daimler is exposed to credit risk only to a small extent with respect to its derivative financial instruments. In accordance with the Group's risk policy, most derivatives are contracted with counterparties which have an external rating of "A" or better.

Other receivables and financial assets
With respect to other receivables and financial assets included in other financial assets in 2018 and 2017, Daimler is exposed to credit risk only to a small extent.

Irrevocable loan commitments
The Daimler Financial Services segment in particular is exposed to credit risk from irrevocable loan commitments to retailers and end customers. At December 31, 2018, irrevocable loan commitments amounted to €2,051 million (2017: €1,894 million). These loan commitments had a maturity of less than one year and are not subject to a material credit risk.

Financial guarantees
The maximum potential obligation resulting from financial guarantees amounts to €672 million at December 31, 2018 (2017: €667 million) and includes liabilities recognized at December 31, 2018 in the amount of €124 million (2017: €141 million). Financial guarantees principally represent contractual arrangements. These guarantees generally provide that in the event of default or non-payment by the primary debtor, the Group will be required to settle such financial obligations.

Liquidity risk
Liquidity risk comprises the risk that a company cannot meet its financial obligations in full.

Daimler manages its liquidity by holding adequate volumes of liquid assets and by maintaining syndicated credit facilities in addition to the cash inflows generated by its operating business. Additionally, the possibility to securitize receivables of financial services business (ABS transactions) also reduces the Group's liquidity risk. Liquid assets comprise cash and cash equivalents and marketable debt securities and similar investments. The Group can dispose of these liquid assets at short notice.

In general, Daimler makes use of a broad spectrum of financial instruments to cover its funding requirements. Depending on funding requirements and market conditions, Daimler issues commercial paper, bonds and financial instruments secured by receivables in various currencies. Bank credit facilities are also used to cover financing requirements. Potential downgrades of Daimler's credit ratings could have a negative impact on the Group's financing. In July 2018, Daimler successfully concluded negotiations with a consortium of international banks for a new syndicated credit facility with a volume raised from €9 billion to €11 billion. With a term of five years, it grants Daimler additional financial flexibility until 2023. The term can be extended to 2025. Daimler does not intend to utilize the credit facility.

In addition, customer deposits at Mercedes-Benz Bank are used as a further source of refinancing.

The funds raised are used to finance working capital and capital expenditure as well as the cash needs of the lease and financing business and unexpected liquidity needs. In accordance with internal guidelines, the refunding of the lease and financing business is generally carried out with matching maturities so that financing liabilities have the same maturity profile as the leased assets and the receivables from financial services.

At December 31, 2018, liquidity amounted to €25.4 billion (2017: €22.1 billion). In 2018, significant cash inflows resulted from the operations of the industrial business. One cash inflow of €1.3 billion resulted from the dividend distributed by Beijing Benz Automotive Co. Ltd. Cash outflows resulted in particular from the portfolio growth of the leasing and sales finance activities at Daimler Financial Services, from the intensified investment offensive as well as from income taxes paid. Cash inflows and outflows in connection with the cash flow of the financing activities were also effective.

From an operating point of view, the management of the Group's liquidity exposures is centralized by a daily cash pooling process. This process enables Daimler to manage its liquidity surplus and liquidity requirements according to the actual needs of the Group and each subsidiary. The Group's short-term and mid-term liquidity management takes into account the maturities of financial assets and financial liabilities and estimates of cash flows from the operating business.

Table ↗ **F.98** provides an overview of how the future liquidity situation of the Group can be affected by the cash flows from liabilities, financial guarantees and irrevocable loan commitments as of December 31, 2018.

Information on the Group's financing liabilities is also provided in Note 24.

Country risk

Country risk is the risk of economic loss arising from changes of political, economic, legal or social conditions in the respective country, e.g. resulting from sovereign measures such as expropriation or interdiction of foreign currency transfers.

Daimler is exposed to country risk mainly resulting from cross-border funding or collateralization of Group companies and customers, from investments in subsidiaries, associated companies, joint ventures and joint operations as well as from cross-border trade receivables. Country risks also arise from cross-border cash deposits at financial institutions.

Daimler manages these risks via country exposure limits (e.g. for export credits or for hard currency portfolios of financial services entities) and via insurance of equity investments in high-risk countries. An internal rating system serves as a basis for Daimler's risk-oriented country exposure management; it assigns all countries to risk classes, with consideration of external ratings and capital market indications of country risks.

F.98

Liquidity runoff for liabilities and financial guarantees[1]

	Total	2019	2020	2021	2022	2023	≥ 2024
In millions of euros							
Financing liabilities[2]	154,155	59,451	35,991	24,616	8,585	5,578	19,934
Derivative financial instruments[3]	575	540	62	-47	-50	9	61
Trade payables[4]	14,185	14,169	14	1	1	–	–
Miscellaneous other financial liabilities excluding accrued interest and liabilities from financial guarantees	7,653	5,744	923	394	242	122	228
Irrevocable loan commitments of the Daimler Financial Services segment and of Daimler AG[5]	2,051	2,051	–	–	–	–	–
Financial guarantees[6]	672	672	–	–	–	–	–
	179,291	82,627	36,990	24,964	8,778	5,709	20,223

1 The amounts were calculated as follows:
(a) If the counterparty can request payment at different dates, the liability is included on the basis of the earliest date on which Daimler can be required to pay. The customer deposits of Mercedes-Benz Bank are mostly considered in this analysis to mature within the first year.
(b) The cash flows of floating interest financial instruments are estimated on the basis of forward rates.
2 The stated cash flows of financing liabilities consist of their undiscounted principal and interest payments.
3 The undiscounted sum of the net cash outflows of the derivative financial instruments is shown for the respective year. For individual periods, this may also include negative cash flows from derivatives with an overall positive fair value.
4 The cash outflows of trade payables are undiscounted.
5 The maximum available amounts are stated.
6 The maximum potential obligations under the issued guarantees are stated. It is assumed that the amounts are due within the first year.

Finance market risks

The global nature of its businesses exposes Daimler to significant market risks resulting from fluctuations in foreign currency exchange rates and interest rates. In addition, the Group is exposed to market risks in terms of commodity price risk associated with its business operations, which the Group hedges for certain metals partially through derivative financial instruments. The Group is also exposed to equity price risk in connection with its investments in listed companies.

Daimler manages market risks to minimize the impact of fluctuations in foreign exchange rates, interest rates and commodity prices on the results of the Group and its segments. The Group calculates its overall exposure to these market risks to provide the basis for hedging decisions, which include the selection of hedging instruments and the determination of hedging volumes and the corresponding periods. Starting in 2019, exposure to currency risks will be determined for each segment. The hedging strategy is specified at the Group level and uniformly implemented in the segments. Decisions regarding the management of market risks resulting from fluctuations in foreign exchange rates, interest rates (asset-/liability management) and commodity prices are regularly made by the relevant Daimler risk management committees. Exposures are the basis of the hedging strategies and are updated regularly.

As part of its risk management system, Daimler employs value at risk analyses. In performing these analyses, Daimler quantifies its market risk due to changes in foreign currency exchange rates and interest rates and certain commodity prices on a regular basis by predicting the potential loss over a target time horizon (holding period) and confidence level.

The value at risk calculations employed:

- express potential losses in fair values, and
- assume a 99% confidence level and a holding period of five days.

Daimler calculates the value at risk for exchange rate and interest rate risk according to the variance-covariance approach. The value at risk calculation method for commodity hedging instruments is based on a Monte Carlo simulation.

When calculating the value at risk by using the variance-covariance approach, Daimler first computes the current market value of the Group's financial instruments portfolio. Then the sensitivity of the portfolio value to changes in the relevant market risk factors, such as particular foreign currency exchange rates or interest rates of specific maturities, is quantified. Based on volatilities and correlations of these market risk factors, which are obtained from the RiskMetrics™ dataset, a statistical distribution of potential changes in the portfolio value at the end of the holding period is computed. The loss which is reached or exceeded with a probability of only 1% can be derived from this calculation and represents the value at risk.

The Monte Carlo simulation uses random numbers to generate possible changes in market risk factors consistent with current market volatilities. The changes in market risk factors allow the calculation of a possible change in the portfolio value over the holding period. Running multiple iterations of this simulation leads to a distribution of portfolio value changes. The value at risk can be determined based on this distribution as the portfolio value loss which is reached or exceeded with a probability of 1%.

Oriented towards the risk management standards of the international banking industry, Daimler maintains its financial controlling unit independent of operating Corporate Treasury and with a separate reporting line.

Exchange rate risk

Transaction risk and currency risk management. The global nature of Daimler's businesses exposes cash flows and earnings to risks arising from fluctuations in exchange rates. These risks primarily relate to fluctuations between the euro and the US dollar, the Chinese renminbi, the British pound and other currencies such as currencies of growth markets. In the operating vehicle business, the Group's exchange rate risk primarily arises when revenue is generated in a currency that is different from the currency in which the costs of generating the revenue are incurred (transaction risk). When the revenue is converted into the currency in which the costs are incurred, it may be inadequate to cover the costs if the value of the currency in which the revenue is generated declined in the interim relative to the value of the currency in which the costs were incurred. This risk exposure primarily affects the Mercedes-Benz Cars segment, which generates a major portion of its revenue in foreign currencies and incurs manufacturing costs primarily in euros. The Daimler Trucks segment is also subject to transaction risk, but to a lesser extent because of its global production network. The Mercedes-Benz Vans and Daimler Buses segments are also directly exposed to transaction risk, but also only to a minor degree compared to the Mercedes-Benz Cars segment. In addition, the Group is indirectly exposed to transaction risk from its equity-method investments.

The Group's currency exposure is reduced by natural hedging to the extent that currency exposures of the operating businesses of individual segments offset each other partially at Group level, thereby reducing overall currency exposure. These natural hedges eliminate the need for hedging to the extent of the matched exposures. To provide an additional natural hedge against any remaining transaction risk exposure, Daimler generally strives to increase cash outflows in the same currencies in which the Group has a net excess inflow.

In order to mitigate the impact of currency exchange rate fluctuations for the operating business (future transactions), Daimler continually assesses its exposure to exchange rate risks and hedges a portion of those risks by using derivative financial instruments. Daimler's Foreign Exchange Committee (FXCo) manages the Group's exchange rate risk and its hedging transactions through currency derivatives. The FXCo consists of representatives of the relevant segments and central functions. The Corporate Treasury department aggregates foreign currency exposures from Daimler's subsidiaries and operative units and implements the FXCo's decisions concerning foreign currency hedging through transactions with international financial institutions. Any over-hedge caused by changes in exposure is generally reversed by taking suitable measures without delay.

Risk Controlling regularly informs the Board of Management of the actions taken by Corporate Treasury based on the FXCo's decisions.

F.99

Value at risk for exchange rate risk, interest rate risk and commodity price risk

				2018				2017
	Period-end	High	Low	Average	Period-end	High	Low	Average
In millions of euros								
Exchange rate risk (from derivative financial instruments)	**568**	**695**	**568**	**633**	779	877	779	815
Interest rate risk	**26**	**45**	**26**	**36**	43	48	43	46
Commodity price risk (from derivative financial instruments)	**14**	**23**	**14**	**18**	14	25	14	17

The Group's targeted hedge ratios for forecasted operating cash flows in foreign currency are indicated by a reference model. On the one hand, the hedging horizon is naturally limited by uncertainty related to cash flows that lie far in the future; on the other hand, it may also be limited by the fact that appropriate currency contracts are not available. This reference model aims to limit risks for the Group from unfavorable movements in exchange rates while preserving some flexibility to participate in favorable developments. Based on this reference model and depending on the market outlook, the FXCo determines the hedging horizon, which usually varies from one to five years, as well as the average hedge ratios. Reflecting the character of the underlying risks, the hedge ratios decrease with increasing maturities. At year-end 2018, foreign exchange management showed an unhedged position in the automotive business for the underlying forecasted cash flows in US dollars in calendar year 2019 of 29%, for the underlying forecasted cash flows in Chinese renminbi in calendar year 2019 of 30%, as well as for the underlying forecasted cash flows in British pounds in calendar year 2019 of 33%.

The hedged position of the operating vehicle businesses is influenced by the amount of derivative currency contracts held. The derivative financial instruments used to cover foreign currency exposure are primarily forward foreign exchange contracts and currency options. Daimler's guidelines call for a mixture of these instruments depending on the assessment of market conditions. Value at risk is used to measure the exchange rate risk inherent in these derivative financial instruments.

Table ↗ **F.99** shows the period-end, high, low and average value at risk figures of the exchange rate risk for the 2018 and 2017 portfolios of derivative financial instruments, which were entered into primarily in connection with the operative vehicle businesses. Average exposure has been computed on an end-of-quarter basis. The offsetting transactions underlying the derivative financial instruments are not included in the following value at risk presentation. See also table ↗ **F.94** at December 31, 2018 according to IFRS 9 and table ↗ **F.95** at December 31, 2017 according to IAS 39 for the nominal volumes on the balance sheet date of derivative currency instruments entered into to hedge the currency risk from forecasted transactions.

Hedge accounting. When designating derivative financial instruments, a hedge ratio of 1 is applied. In addition, the respective volume and currency of the hedge and the underlying transaction as well as maturity dates are matched. The Group ensures an economic relationship between the underlying transaction and the hedging transaction by ensuring consistency of currency, volume and maturity. In the case of options for currency hedging, the option premium is not designated into the hedge relationship, but the hedging costs are deferred in other comprehensive income and recognized in profit or loss at the due date of the underlying transaction. The effectiveness of the hedge is assessed at the beginning and during the economic relationship. Possible sources of ineffectiveness of the hedge relationship are:

- Effects of the credit risk on the fair value of the used derivative instrument which is not reflected in the change of the hedged currency risk.

- Changes in the timing of the hedged transactions.

In the course of focusing on the divisional perspective the designation of hedge relationships primarily for foreign currency risk from future vehicle sales will be subject to a further differentiation by Mercedes-Benz Cars/Mercedes-Benz Vans as well as Daimler Trucks/Daimler Buses starting with 2019. Until year-end 2018, the designation of these hedge relationships for a specific currency and maturity has no further differentiation in respect of the entire volume of expected vehicle sales by segments. Accordingly, as of January 1, 2019, the documentation required under IFRS with regards to this further differentiation of expected cash flows (i.e. the risk management objectives) will also be revised for the major part of the already designated hedge relationships for foreign currency risk although there is no change in the overall Group risk management strategy. This results in a formal discontinuation of existing hedge relationships as described in the methods applied in preparation of the financial statements and immediate redesignation of new hedge relationships according to the revised differentiation. The accumulated hedging gains/losses in equity as of December 31, 2018, subject to redesignation remain in the other reserves for derivative financial instruments because the hedged future cash flows are still expected to occur. Daimler does not expect any material impacts on the Group's profitability, liquidity and capital resources or financial position.

In 2018, the development of the value at risk from foreign currency hedging was mainly driven by decreases in foreign currency rate volatilities and hedge volumes.

The Group's investments in liquid assets or refinancing activities generally are not allowed to result in currency risk. Transaction risks arising from liquid assets or payables in foreign currencies that result from the Group's investment or refinancing on money and capital markets are generally hedged against currency risks at the time of investing or refinancing in accordance with Daimler's internal guidelines. The Group uses appropriate derivative financial instruments (e.g. cross currency interest rate swaps) to hedge against currency risk.

Since currency risks arising from the Group's investment or refinancing in foreign currencies and the respective hedging transactions principally offset each other, these financial instruments are not included in the value at risk calculation presented.

Effects of currency translation. For purposes of Daimler's Consolidated Financial Statements, the income and expenses and the assets and liabilities of subsidiaries located outside the euro zone are converted into euros. Therefore, period-to-period changes in average exchange rates may cause translation effects that have a significant impact on, for example, revenue, segment results (EBIT) and assets and liabilities of the Group. Unlike exchange rate transaction risk, exchange rate translation risk does not necessarily affect future cash flows. The Group's equity position reflects changes in book values caused by exchange rates. In general, Daimler does not hedge against exchange rate translation risk.

Interest rate risk

Daimler uses a variety of interest rate sensitive financial instruments to manage the liquidity needs of its day-to-day operations. A substantial volume of interest rate sensitive assets and liabilities results from the leasing and sales financing business operated by the Daimler Financial Services segment. The Daimler Financial Services companies enter into transactions with customers that primarily result in fixed-rate receivables. Daimler's general policy is to match funding in terms of maturities and interest rates wherever economically feasible. However, for a limited portion of the receivables portfolio in selected and developed markets, the Group does not match funding in terms of maturities in order to take advantage of market opportunities. As a result, Daimler is exposed to risks due to changes in interest rates.

An asset/liability committee consisting of members of the Daimler Financial Services segment and the Corporate Treasury department manages the interest rate risk relating to Daimler's leasing and financing activities by setting targets for the interest rate risk position. The Treasury Risk Management department and the local Daimler Financial Services companies are jointly responsible for achieving these targets. As separate functions, the Treasury Controlling and the Daimler Financial Services Controlling & Reporting department monitors target achievement on a monthly basis. In order to achieve the targeted interest rate risk positions in terms of maturities and interest rate fixing periods, Daimler also uses derivative financial instruments such as interest rate swaps. Daimler assesses its interest rate risk position by comparing assets and liabilities for corresponding maturities, including the impact of the relevant derivative financial instruments.

Derivative financial instruments are also used in conjunction with the refinancing related to the automotive segments. Daimler coordinates the funding activities of the automotive and financial services businesses at the Group level.

Table ↗ **F.99** shows the period-end, high, low and average value at risk figures of the interest rate risk for the 2018 and 2017 portfolios of interest rate sensitive financial instruments and derivative financial instruments of the Group, including the financial instruments of the leasing and sales financing business. In this respect, the table shows the interest rate risk regarding the unhedged position of interest rate sensitive financial instruments. The average values have been computed on an end-of-quarter basis.

In the course of 2018, changes on the value at risk of interest rate sensitive financial instruments were primarily determined by the development of interest rate volatilities.

Hedge accounting. When designating derivative financial instruments, a hedge ratio of 1 is generally applied. The respective volumes, interest curves and currencies of the hedged item and the hedging instrument as well as maturity dates are matched. In the case of combined derivative financial instruments for interest currency hedges, the cross currency basis spread is not designated into the hedge relationship, but deferred as a hedging cost in other comprehensive income and recognized in profit or loss pro rata over the hedge term. The Group ensures an economic relationship between the underlying transaction and the hedging instrument by ensuring consistency of interest rates, maturity terms and nominal amounts. The effectiveness of the hedge is assessed at the beginning and during the economic relationship using the hypothetical derivative method. Possible sources of ineffectiveness of the hedge relationship are:

- Effects of the credit risk on the fair value of the derivative instrument in use which are not reflected in the change in the hedged interest rate risk.

- Changes in the parameters of the underlying hedged transactions.

Commodity price risk
Daimler is exposed to the risk of changes in commodity prices in connection with procuring raw materials and manufacturing supplies used in production. A small portion of the raw material price risk, primarily relating to forecasted procurement of certain metals, is mitigated with the use of derivative financial instruments.

For precious metals, central commodity management shows an unhedged position of 39% of the forecasted commodity purchases at year-end 2018 for calendar year 2019. The corresponding figure at year-end 2017 was 38% for calendar year 2018.

Table ↗ **F.99** shows the period-end, high, low and average value at risk figures of the commodity price risk for the 2018 and 2017 portfolio of derivative financial instruments used to hedge raw material price risk. Average exposure has been computed on an end-of-quarter basis. The transactions underlying the derivative financial instruments are not included in the value at risk presentation. See also table ↗ **F.94** at December 31, 2018 according to IFRS 9 and table ↗ **F.95** at December 31, 2017 according to IAS 39 for the nominal values of derivative commodity price hedges at the balance sheet date.

In 2018, the value at risk of commodity derivatives was close to the previous year's level due to offsetting developments of volatilities and hedge volume.

Hedge accounting. When designating currency derivative financial instruments, Daimler generally applies a hedge ratio of 1. The respective volumes and parameters relevant for the valuation of the hedged item and the hedging instrument as well as maturity dates are matched. The Group ensures an economic relationship between the hedged item and the hedging instrument by ensuring consistency of volumes, parameters relevant for valuation and maturity terms. Effectiveness is assessed at initial designation and during the hedge term. Possible sources of ineffectiveness of the hedge relationship are:

- Effects of the credit risk on the fair value of the derivative instrument in use which are not reflected in the change in the hedged commodity price risk.

- Changes in the timing of the hedged transactions.

Equity price risk
Daimler predominantly holds investments in shares of companies which are classified as long-term investments, some of which are accounted for using the equity method, such as BAIC Motor. These investments are not included in a market risk assessment of the Group.

34. Segment reporting

Reportable segments
The reportable segments of the Group are Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans, Daimler Buses and Daimler Financial Services. The segments are largely organized and managed separately, according to nature of products and services provided, brands, distribution channels and profile of customers.

The vehicle segments develop and manufacture passenger cars, trucks, vans and buses. The Mercedes-Benz Cars segment comprises premium vehicles of the Mercedes-Benz brand including the brands Mercedes-AMG and Mercedes-Maybach, and small cars under the smart brand, as well as the brand Mercedes me. Electric products will be marketed under the EQ brand. Daimler Trucks distributes its trucks under the brand names Mercedes-Benz, Freightliner, Western Star, FUSO and BharatBenz. Furthermore, buses under the brands Thomas Built Buses and FUSO are included in the Daimler Trucks range of products. The vans of the Mercedes-Benz Vans segment are primarily sold under the brand name Mercedes-Benz and also under the Freightliner brand. Daimler Buses sells completely built-up buses under the brand names Mercedes-Benz and Setra. In addition, Daimler Buses produces and sells bus chassis. The vehicle segments also sell related spare parts and accessories.

The Daimler Financial Services segment supports the sales of the Group's vehicle segments worldwide. Its product portfolio primarily comprises tailored financing and leasing packages for end-customers and dealers, brokering of automotive insurance and banking services. The segment also provides services such as fleet management in Europe, which primarily takes place through the Athlon brand. Furthermore, Daimler Financial Services is active in the area of innovative mobility services.

Management and reporting system
The Group's management reporting and controlling systems principally use accounting policies that are the same as those described in Note 1 in the summary of significant accounting policies according to IFRS.

The Group's management reporting and controlling systems measure of segment profit or loss is referred to as "EBIT." EBIT comprises gross profit, selling and general administrative expenses, research and non-capitalized development costs, other operating income/expense, and our share of profit/loss on equity-method investments, net, as well as other financial income/expense, net. Although amortization of capitalized borrowing costs is included in cost of sales, it is not included in EBIT.

Intersegment revenue is generally recorded at values that approximate third-party selling prices.

Segment assets principally comprise all assets. The vehicle segments' assets exclude income tax assets, assets from defined benefit pension plans and other post-employment benefit plans, and certain financial assets (including liquidity). Segment liabilities principally comprise all liabilities. The vehicle segments' liabilities exclude income tax liabilities, liabilities from defined benefit pension plans and other post-employment benefit plans, and certain financial liabilities (including financing liabilities).

Daimler Financial Services' performance is measured on the basis of return on equity, which is the usual procedure in the banking business.

The residual value risks associated with the Group's operating leases and finance lease receivables are generally borne by the vehicle segments that manufactured the leased equipment. Risk sharing is based on agreements between the respective vehicle segments and Daimler Financial Services; the terms vary by vehicle segment and geographic region.

Non-current assets consist of intangible assets, property, plant and equipment and equipment on operating leases.

Capital expenditures for intangible assets and property, plant and equipment reflect the cash-effective additions to these intangible assets and property, plant and equipment as far as they do not relate to capitalized borrowing costs, goodwill or finance leases.

Depreciation and amortization may also include impairments insofar as they do not relate to goodwill impairment according to IAS 36.

Amortization of capitalized borrowing costs is not included in the amortization of intangible assets or depreciation of property, plant and equipment since it is not considered as part of EBIT.

Reconciliation

Reconciliation includes corporate items for which headquarters are responsible. Transactions between the segments are eliminated in the context of consolidation and the eliminated amounts are included in the reconciliation.

F.100

Segment information

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total Segments	Reconciliation	Daimler Group
In millions of euros								
2018								
External revenue	89,467	36,456	12,842	4,421	24,176	167,362	–	167,362
Intersegment revenue	3,636	1,817	784	108	2,093	8,438	-8,438	–
Total revenue	93,103	38,273	13,626	4,529	26,269	175,800	-8,438	167,362
Segment profit/loss (EBIT)	7,216	2,753	312	265	1,384	11,930	-798	11,132
thereof profit/loss on equity-method investments	1,108	43	44	1	-452	744	-88	656
thereof profit/loss from compounding and effects from changes in discount rates of provisions for other risks	-7	-9	-11	-2	-3	-32	1	-31
Segment assets	76,352	23,558	9,868	3,780	165,316	278,874	2,745	281,619
thereof carrying amounts of equity-method investments	2,928	512	241	8	209	3,898	962	4,860
Segment liabilities	48,047	15,069	6,330	2,502	152,506	224,454	-8,888	215,566
Additions to non-current assets	16,494	2,460	1,633	431	14,431	35,449	51	35,500
thereof investments in intangible assets	2,553	86	368	56	103	3,166	1	3,167
thereof investments in property, plant and equipment	5,684	1,105	468	144	64	7,465	69	7,534
Depreciation and amortization of non-current assets	6,105	1,622	599	235	6,236	14,797	90	14,887
thereof amortization of intangible assets	1,437	267	185	20	104	2,013	1	2,014
thereof depreciation of property, plant and equipment	3,138	798	255	75	24	4,290	1	4,291

The effects of certain legal proceedings and compliance issues are excluded from the operating results and liabilities of the segments if such items are not indicative of the segments' performance, since the related results of operations may be distorted by the amount and the irregular nature of such events.

Reconciliation also includes corporate projects, profits and losses on derivative financial transactions allocated to headquarters and equity interests not allocated to the segments.

Information related to geographic areas
With respect to information about geographical regions, revenue is allocated to countries based on the location of the customer; non-current assets are presented according to the physical location of these assets.

Table ↗ F.100 presents segment information as of and for the years ended December 31, 2018 and 2017.

Mercedes-Benz Cars
In the year 2018, the Mercedes-Benz Cars segment's earnings include positive effects from the remeasurement at fair value of €111 million of the investment in Aston Martin Lagonda Global Holdings plc (Aston Martin). On the other hand, expenses in connection with ongoing governmental proceedings and measures relating to diesel vehicles affected EBIT negatively. In addition, impairments of €133 million impacted EBIT negatively. In the year 2017, EBIT was boosted by income of €183 million in connection with a new investor in HERE. On the other hand, EBIT was reduced by expenses totaling €425 million for voluntary service activities for diesel vehicles and a specific vehicle recall. The optimization programs led to a cash inflow of €203 million in the year 2017.

Daimler Trucks
In the reporting year, there were in sum no significant non-cash issues at the Daimler Trucks segment. In 2017, the sale of real estate by Mitsubishi Fuso Truck and Bus Corporation in Japan increased earnings by €267 million. On the other hand, expenses of €172 million for fixed-cost optimizations affected EBIT negatively. The optimization programs led to a cash outflow of €120 million (2017: €17 million).

Mercedes-Benz Vans
In the reporting year, EBIT at the Mercedes-Benz Vans segment was reduced by expenses in connection with ongoing governmental proceedings and measures relating to diesel vehicles and by remeasurement of assets in connection with production capacities.

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services[2]	Total Segments	Reconciliation[2]	Daimler Group
2017 (adjusted)[1]								
External revenue	90,641	34,196	12,595	4,412	22,310	164,154	–	164,154
Intersegment revenue	3,710	1,559	566	112	2,220	8,167	-8,167	–
Total revenue	94,351	35,755	13,161	4,524	24,530	172,321	-8,167	164,154
Segment profit/loss (EBIT)	8,843	2,383	1,147	281	1,970	14,624	-276	14,348
thereof profit/loss on equity-method investments	1,198	-3	43	3	1	1,242	256	1,498
thereof profit/loss from compounding and effects from changes in discount rates of provisions for other risks	-33	-17	-5	-2	-4	-61	–	-61
Segment assets	69,978	21,758	8,744	3,563	149,989	254,032	1,313	255,345
thereof carrying amounts of equity-method investments	2,930	491	180	9	148	3,758	1,060	4,818
Segment liabilities	44,761	13,897	5,804	2,460	137,610	204,532	-14,346	190,186
Additions to non-current assets	15,815	2,308	2,000	299	14,896	35,318	23	35,341
thereof investments in intangible assets	2,668	97	525	33	90	3,413	1	3,414
thereof investments in property, plant and equipment	4,843	1,028	710	94	43	6,718	26	6,744
Depreciation and amortization of non-current assets	5,326	1,540	447	247	5,979	13,539	86	13,625
thereof amortization of intangible assets	1,230	291	84	18	131	1,754	1	1,755
thereof depreciation of property, plant and equipment	2,832	791	198	75	24	3,920	1	3,921

1 Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Consolidated Financial Statements.
2 In 2017 at the Daimler Financial Services segment, in addition to the adjustment of prior-year figures due to IFRS 15, the Group's internal revenue and cost of sales have been adjusted by the same amount. These adjustments have been fully eliminated in the reconciliation.

F.101
Reconciliation to Group figures

	2018	2017 (adjusted)[1]
In millions of euros		
Total of segments' profit (EBIT)	11,930	14,624
profit/loss on equity-method investments[2]	-88	256
Other corporate items	-669	-488
Eliminations	-41	-44
Group EBIT	11,132	14,348
Amortization of capitalized borrowing costs[3]	-15	-13
Interest income	271	214
Interest expense	-793	-582
Profit before income taxes	10,595	13,967
Total of segments' assets	278,874	254,032
Carrying amount of equity-method investments[4]	962	1,060
Income tax assets[5]	4,227	2,657
Unallocated financial assets (including liquidity) and assets from pensions and similar obligations[5]	21,563	20,133
Other corporate items and eliminations	-24,007	-22,537
Group assets	281,619	255,345
Total of segments' liabilities	224,454	204,532
Income tax liabilities[5]	2,556	891
Unallocated financial liabilities and liabilities from pensions and similar obligations[5]	12,041	6,556
Other corporate items and eliminations	-23,485	-21,793
Group liabilities	215,566	190,186

1 Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Consolidated Financial Statements.
2 In the year 2018, this mainly comprises the impairment of Daimler's equity investment in BAIC Motor of €150 million. In the year 2017, the reversal of the impairment of Daimler's equity investment in BAIC Motor of €240 million is included.
3 Amortization of capitalized borrowing costs is not considered in the internal performance measure "EBIT" but is included in cost of sales.
4 This mainly comprises the carrying amount of the investments in BAIC Motor and LSHAI.
5 Unless allocated to Daimler Financial Services.

Daimler Buses
In the reporting year, there were no significant non-cash issues at the Daimler Buses segment.

Daimler Financial Services
In the year 2018, the agreement reached to conclude the Toll Collect arbitration proceedings reduced earnings at the Daimler Financial Services segment by €418 million. The interest income and interest expense of Daimler Financial Services are included in revenue and cost of sales, and are presented in Notes 4 and 5.

Reconciliation
Reconciliation of the segment amounts to the respective items included in the Consolidated Financial Statements is shown in table ↗ F.101.

In 2018, the line item *Other corporate items* includes, amongst other things, higher expenses in connection with "Project Future".

Revenue and non-current assets by region
Revenue from external customers and non-current assets by region are shown in table ↗ F.102.

F.102
Revenue and non-current assets by region

	Revenue		Non-current assets	
	2018	2017 (adjusted)[1]	2018	2017 (adjusted)[1]
In millions of euros				
Europe	68,496	68,309	63,559	58,943
thereof Germany	24,802	24,311	45,281	42,547
NAFTA region	47,952	46,528	27,095	25,510
thereof United States	41,152	40,076	24,239	22,623
Asia	40,627	39,090	2,807	2,509
thereof China	19,790	18,774	219	166
Other markets	10,287	10,227	1,764	1,828
	167,362	164,154	95,225	88,790

1 Information on adjustments to prior-year figures is disclosed in Note 1 of the Notes to the Consolidated Financial Statements.

35. Capital management

“Net assets” and “value added” represent the basis for capital management at Daimler. The assets and liabilities of the segments in accordance with IFRS provide the basis for the determination of net assets at Group level. The vehicle segments are accountable for the operational net assets; all assets, liabilities and provisions which they are responsible for in day-to-day operations are therefore allocated to them. Performance measurement at Daimler Financial Services is on an equity basis, in line with the usual practice in the banking business. Net assets at Group level additionally include assets and liabilities from income taxes as well as other corporate items and eliminations.

The average annual net assets are calculated from the average quarterly net assets. The average quarterly net assets are calculated as an average of the net assets at the beginning and the end of the quarter and are shown in table ↗ F.103.

F.103
Average net assets

	2018	2017
In millions of euros		
Mercedes-Benz Cars	26,289	23,705
Daimler Trucks	8,240	8,417
Mercedes-Benz Vans	3,355	2,358
Daimler Buses	1,233	1,105
Daimler Financial Services[1]	12,466	11,165
Net assets of the segments	51,583	46,750
Equity-method investments[2]	1,066	941
Assets and liabilities from income taxes[3]	1,707	2,190
Other corporate items and eliminations[3]	-547	-1,435
Net assets Daimler Group	53,809	48,446

1 Equity.
2 Unless allocated to the segments.
3 Unless allocated to Daimler Financial Services.

The cost of capital of the Group’s average net assets is reflected in value added. Value added shows the extent to which the Group achieves or exceeds the minimum return requirements of the shareholders and creditors, thus creating additional value. The required rate of return on net assets, and thus the cost of capital, are derived from the minimum rates of return that investors expect on their invested capital. The Group’s cost of capital comprises the cost of equity as well as the costs of debt and pension obligations unless these are allocated to Daimler Financial Services; in addition, the expected returns on liquidity and on the plan assets of the pension funds which are not allocated to Daimler Financial Services are considered with the opposite sign. In the reporting period, the cost of capital used for our internal capital management amounted to 8% after taxes.

The objective of capital management is to increase value added, among other things, by optimizing the cost of capital. This is achieved on the one hand by the management of the net assets, for instance by optimizing working capital which is within the operational responsibility of the segments. In addition, taking into account legal regulations, Daimler strives to optimize the costs and risks of its capital structure and, consequently, the cost of capital, with due consideration of applicable law. Examples of this include a balanced relationship between equity and financial liabilities as well as an appropriate level of liquidity, oriented towards the operational requirements.

36. Earnings per share

The calculation of basic and diluted earnings per share is based on net profit attributable to shareholders of Daimler AG. Following the expiration of the stock option plan in 2014, dilutive effects no longer exist. The profit attributable to shareholders of Daimler AG (basic and diluted) amounts to €7,249 million (2017: €10,278 million). The weighted average number of shares outstanding (basic and diluted) amounts to 1,069.8 million (2017: 1,069.8 million).

37. Related party relationships

Related parties are deemed to be associated companies, joint ventures and unconsolidated subsidiaries, as well as persons who exercise a significant influence on the financial and business policy of the Daimler Group. The latter category includes all persons in key positions and their close family members. At the Daimler Group, those persons are the members of the Board of Management and of the Supervisory Board.

Most of the goods and services supplied within the ordinary course of business between the Group and related parties comprise transactions with associated companies and joint ventures and are shown in table ↗ F.104.

Associated companies
A large proportion of the Group's sales of goods and services with associated companies as well as of its receivables relates to business relations with LSH Auto International Limited (LSHAI) and with Beijing Benz Automotive Co., Ltd. (BBAC), both allocated to Mercedes-Benz Cars. In 2017, Daimler had acquired a 15% stake in LSHAI.

The purchases of goods and services shown in table ↗ F.104 were primarily from LSHAI as well as from MBtech Group GmbH & Co. KGaA (MBtech), which is allocated to Mercedes-Benz Cars. MBtech provides engineering and services for research and development, production of components, modules, components systems as well as consulting and planning along the development process in the automotive sector. In September 2018, Daimler sold the remaining 35% stake in MBtech to the technology company AKKA Technologies SA.

Joint ventures
In business relationships with joint ventures, significant sales of goods and services took place with Fujian Benz Automotive Co., Ltd. (FBAC), which is allocated to Mercedes-Benz Vans, and with DAIMLER KAMAZ RUS OOO, a company established with the associated company Kamaz PAO, and allocated to Daimler Trucks.

Shenzhen DENZA New Energy Automotive Co. Ltd. (DENZA) is allocated to the Mercedes-Benz Cars segment. Daimler has provided guarantees in a total amount of RMB 1,115 million (approximately €142 million) to external banks which provided two loans to DENZA. At December 31, 2018, loans amounting to RMB 615 million (approximately €78 million) were utilized. In addition, Daimler has provided a shareholder loan of RMB 250 million (approximately €32 million) to DENZA, which is fully utilized. In the second half of 2018, Daimler contributed capital of RMB 400 million (approximately €50 million) in accordance with its shareholding ratio. In 2017, there was already a capital increase of RMB 500 million (approximately €63 million).

Note 13 provides details of the business operations of the significant associated companies and joint ventures, as well as significant transactions in the years 2018 and 2017.

Contributions to plan assets
In 2018 and 2017, the Group made contributions of €696 million and €3,692 million to its external funds to cover pension and other post-employment benefits. See also Note 22 for further information.

Board members
Throughout the world, the Group has business relationships with numerous entities that are customers and/or suppliers of the Group. Those customers and/or suppliers include companies that have a connection with some of the members of the Board of Management or of the Supervisory Board and close family members of those board members of Daimler AG or of its subsidiaries.

Board of Management and Supervisory Board members and close family members of those board members may also purchase goods and services from Daimler AG or its subsidiaries as customers. When such business relationships exist, transactions are concluded on the basis of customary market conditions.

See Note 38 for information on the remuneration of board members.

F.104
Transactions with related parties

	Sales of goods and services and other income		Purchase of goods and services and other expense		Receivables At December 31,[2]		Payables At December 31,[3]	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
In millions of euros								
Associated companies	**13,475**	9,507	**855**	703	**2,679**	2,827	**131**	253
thereof LSHAI[1]	**8,011**	5,177	**647**	298	**981**	1,075	**30**	127
thereof BBAC	**4,850**	3,933	**64**	80	**1,571**	1,673	**85**	65
Joint ventures	**997**	946	**100**	75	**208**	183	**444**	115

1 Since the equity interest in LSHAI was acquired in May 2017, business relations with LSHAI are reported from June 2017 onward.
2 After write-downs totaling €53 million (2017: €52 million).
3 Including liabilities from default risks from guarantees for related parties.

38. Remuneration of the members of the Board of Management and the Supervisory Board

Remuneration granted to the members of the Board of Management and the Supervisory Board who were active as of December 31, 2018, affected net profit for the year ended December 31 as shown in table ↗ **F.105**.

Expenses for variable remuneration of the Board of Management with a long-term incentive effect, as shown in table ↗ **F.105**, result from the ongoing measurement at fair value at each balance sheet date of all rights granted and not yet due under the Performance Phantom Share Plans (PPSP), i.e. for the plans of the years 2015-2018. In 2018, the active members of the Board of Management were granted 145,775 (2017: 151,157) phantom shares in connection with the PPSP; the fair value of these phantom shares at the grant date was €10.2 million (2017: €10.2 million). See Note 21 for additional information on share-based payment of the members of the Board of Management.

According to Section 314 Subsection 1 Number 6a of the German Commercial Code (HGB), the overall remuneration granted to the members of the Board of Management, excluding service cost resulting from entitlements to post-employment benefits, amounted to €24.7 million (2017: €35.0 million).

The members of the Supervisory Board are solely granted short-term fixed remuneration for their board and committee activities, the amounts of which depend on their functions in the Supervisory Board. With the exception of remuneration paid to the members representing the employees in accordance with their contracts of employment, no remuneration was paid in 2018 for services provided personally beyond board and committee activities, in particular for advisory or agency services.

No advance payments or loans were made or abated to members of the Board of Management or to the members of the Supervisory Board of Daimler AG in 2018.

The payments made in 2018 to former members of the Board of Management of Daimler AG and their survivors amounted to €16.2 million (2017: €19.0 million). The pension provisions for former members of the Board of Management and their survivors amounted to €270.2 million as of December 31, 2018 (2017: €270.5 million).

Information regarding the remuneration of the members of the Board of Management and of the Supervisory Board is disclosed on an individual basis in the Remuneration Report, which is part of the combined Management Report. Management Report from page 120

F.105

Remuneration of the members of the Board of Management and the Supervisory Board

	2018	2017[1]
In millions of euros		
Remuneration of the Board of Management		
Fixed remuneration (base salary)	**9.5**	9.5
Short-term variable remuneration (50% of annual bonus)	**2.5**	7.7
Mid-term variable remuneration (50% of annual bonus, “deferral”)	**1.9**	7.0
Variable remuneration with a long-term incentive effect (PPSP)	**1.6**	12.4
Post-employment benefits (service cost)	**2.4**	2.0
Termination benefits	**–**	–
	17.9	38.6
Remuneration of the Supervisory Board	**4.2**	4.2
	22.1	42.8

1 Including the Board of Management remuneration paid to Dr. Wolfgang Bernhard until February 10, 2017.

F.106
Auditor fees

	2018	2017
In millions of euros		
Audit services	46	44
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	23	21
Other attestation services	10	9
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	8	7
Tax services	2	1
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	1	1
Other services	8	6
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	6	5
	66	60

39. Auditor fees

The shareholders of Daimler AG elected KPMG AG Wirtschaftsprüfungsgesellschaft as the external auditor at the Annual Shareholders' Meeting held on April 5, 2018. Table ↗ **F.106** shows the fees for services provided by KPMG AG Wirtschaftsprüfungsgesellschaft and the companies of the worldwide KPMG network to Daimler AG and all subsidiaries as well as joint operations that are included in the Group's Consolidated Financial Statements for the respective reporting period.

Audit services relate to the audit of Daimler Group's Consolidated Financial Statements and the year-end financial statements, as well as to all services required for the audit including the reviews of interim financial statements, the accounting-related audit of the internal control system, and accounting-related reviews of the introduction of IT systems and processes.

Other attestation services comprise attestation services required by law or by contractual agreement, or voluntarily assigned services. In addition to reviews of non-accounting-related IT systems and processes, they also include audits in connection with compliance management systems, issuance of comfort letters, and non-financial disclosures and reports.

Tax services primarily relate to value-added tax advisory.

Other services were performed mainly for non-accounting-relevant processes and M&A activities.

40. Additional information

German Corporate Governance Code
The Board of Management and the Supervisory Board of Daimler AG have issued a declaration pursuant to Section 161 of the German Stock Corporation Act (AktG) and have made it permanently available to their shareholders on Daimler's website at https://www.daimler.com/documents/company/corporate-governance/declarations/daimler-declaration-en-12-2018.pdf.

Information on investments
The statement of investments of the Daimler Group pursuant to Section 313 Subsection 2 Nos. 1-6 of the German Commercial Code (HGB) is presented in table ↗ **F.107** In general cooperations without an equity interest are not reported. Information on equity and earnings and information on investments pursuant to Section 313 Subsection 2 No. 4 of the German Commercial Code is omitted insofar as, pursuant to Section 313 Subsection 3 Sentence 4 of the HGB, such information is of minor relevance for a fair presentation of the profitability, liquidity and capital resources or financial position of the Daimler Group. In addition, the statement of investments indicates which consolidated companies make use of the exemption pursuant to Section 264 Subsection 3 of the HGB and/or Section 264b of the HGB. The Consolidated Financial Statements of Daimler AG release those subsidiaries from the requirements that would otherwise apply.

F.107

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
I. Consolidated subsidiaries			
Athlon Beheer International B.V.	Almere, Netherlands	100.00	
Athlon Beheer Nederland B.V.	Almere, Netherlands	100.00	
Athlon Car Lease Belgium N.V.	Machelen, Belgium	100.00	
Athlon Car Lease International B.V.	Almere, Netherlands	100.00	
Athlon Car Lease Italy S.R.L.	Rome, Italy	100.00	
Athlon Car Lease Nederland B.V.	Almere, Netherlands	100.00	
Athlon Car Lease Polska Sp. z o.o.	Warsaw, Poland	100.00	
Athlon Car Lease Portugal, lda	Oeiras, Portugal	100.00	
Athlon Car Lease Rental Services B.V.	Almere, Netherlands	100.00	
Athlon Car Lease Rental Services Belgium N.V.	Machelen, Belgium	100.00	
Athlon Car Lease S.A.S.	Le Bourget, France	100.00	
Athlon Car Lease Spain, S.A.	Alcobendas, Spain	100.00	
Athlon Dealerlease B.V.	Almere, Netherlands	100.00	
Athlon France S.A.S.	Le Bourget, France	100.00	
Athlon Germany GmbH	Düsseldorf, Germany	100.00	
Athlon Mobility Consultancy B.V.	Amsterdam, Netherlands	100.00	
Athlon Mobility Consultancy N.V.	Machelen, Belgium	100.00	
Athlon Rental Germany GmbH	Düsseldorf, Germany	100.00	
Athlon Sweden AB	Malmö, Sweden	100.00	
Athlon Switzerland AG	Schlieren, Switzerland	100.00	
AutoGravity Corporation	Irvine, USA	80.00	
Banco Mercedes-Benz do Brasil S.A.	São Paulo, Brazil	100.00	
Brooklands Estates Management Limited	Milton Keynes, United Kingdom	100.00	
Campo Largo Comercio de Veículos e Peças Ltda.	Campinas, Brazil	100.00	
car2go Canada Ltd.	Vancouver, Canada	100.00	
car2go China Co., Ltd.	Beijing, China	100.00	
car2go Deutschland GmbH	Leinfelden-Echterdingen, Germany	100.00	
car2go Europe GmbH	Leinfelden-Echterdingen, Germany	100.00	
car2go Group GmbH	Leinfelden-Echterdingen, Germany	100.00	
car2go Iberia S.L.U.	Madrid, Spain	100.00	
car2go Italia S.R.L.	Milan, Italy	100.00	
car2go N.A. Holding Inc.	Wilmington, USA	100.00	
car2go N.A. LLC	Wilmington, USA	100.00	
car2go Nederland B.V.	Utrecht, Netherlands	100.00	
car2go Österreich GmbH	Vienna, Austria	100.00	
CARS Technik & Logistik GmbH	Wiedemar, Germany	100.00	5
CLIDET NO 1048 (Proprietary) Limited	Centurion, South Africa	100.00	
Conemaugh Hydroelectric Projects, Inc.	Wilmington, USA	100.00	
DA Investments Co. LLC	Wilmington, USA	100.00	
DAF Investments, Ltd.	Wilmington, USA	100.00	
Daimler Australia/Pacific Pty. Ltd.	Melbourne, Australia	100.00	
Daimler Brand & IP Management GmbH & Co. KG	Stuttgart, Germany	100.00	5, 7
Daimler Brand & IP Management Verwaltung GmbH	Stuttgart, Germany	100.00	5
Daimler Buses North America Inc.	Oriskany, USA	100.00	
Daimler Canada Finance Inc.	Montreal, Canada	100.00	
Daimler Canada Investments Company	Halifax, Canada	100.00	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
Daimler Capital Services LLC	Wilmington, USA	100.00	
Daimler Ceská republika Holding s.r.o.	Prague, Czech Republic	100.00	
Daimler Colombia S. A.	Bogota D.C., Colombia	100.00	
Daimler Commercial Vehicles South East Asia Pte. Ltd.	Singapore, Singapore	100.00	
Daimler Compra y Manufactura Mexico S. de R.L. de C.V.	Mexico City, Mexico	100.00	
Daimler Export and Trade Finance GmbH	Berlin, Germany	100.00	5
Daimler Finance North America LLC	Wilmington, USA	100.00	
Daimler Financial Services Africa & Asia Pacific Ltd.	Singapore, Singapore	100.00	
Daimler Financial Services AG	Stuttgart, Germany	100.00	5
Daimler Financial Services India Private Limited	Chennai, India	100.00	
Daimler Financial Services Investment Company LLC	Wilmington, USA	100.00	
Daimler Financial Services México, S. de R.L. de C.V.	Mexico City, Mexico	100.00	
Daimler Financial Services, S.A. de C.V., S.O.F.O.M., E.N.R.	Mexico City, Mexico	100.00	
Daimler Fleet Management GmbH	Stuttgart, Germany	100.00	5
Daimler Fleet Management Singapore Pte. Ltd.	Singapore, Singapore	100.00	
Daimler Fleet Management South Africa (Pty.) Ltd.	Centurion, South Africa	65.00	4
Daimler Fleet Management UK Limited	Milton Keynes, United Kingdom	100.00	
Daimler Fleet Services A.S.	Istanbul, Turkey	100.00	
Daimler FleetBoard GmbH	Stuttgart, Germany	100.00	5
Daimler Greater China Ltd.	Beijing, China	100.00	
Daimler Grund Services GmbH	Schönefeld, Germany	100.00	5
Daimler India Commercial Vehicles Private Limited	Chennai, India	100.00	
Daimler Insurance Agency LLC	Wilmington, USA	100.00	
Daimler Insurance Services GmbH	Stuttgart, Germany	100.00	5
Daimler Insurance Services Japan Co., Ltd.	Tokyo, Japan	100.00	
Daimler Insurance Services UK Limited	Milton Keynes, United Kingdom	100.00	
Daimler International Finance B.V.	Utrecht, Netherlands	100.00	
Daimler International Nederland B.V.	Utrecht, Netherlands	100.00	
Daimler Investments US Corporation	Wilmington, USA	100.00	
Daimler Manufactura, S. de R.L. de C.V.	Mexico City, Mexico	100.00	
Daimler Mexico, S.A. de C.V.	Mexico City, Mexico	100.00	
Daimler Mobility Services GmbH	Leinfelden-Echterdingen, Germany	100.00	5
Daimler Motors Investments LLC	Wilmington, USA	100.00	
Daimler Nederland B.V.	Utrecht, Netherlands	100.00	
Daimler Nederland Holding B.V.	Utrecht, Netherlands	100.00	
Daimler North America Corporation	Wilmington, USA	100.00	
Daimler North America Finance Corporation	Newark, USA	100.00	
Daimler Northeast Asia Parts Trading and Services Co., Ltd.	Beijing, China	100.00	
Daimler Parts Brand GmbH	Stuttgart, Germany	100.00	5
Daimler Re Brokers GmbH	Bremen, Germany	74.90	5
Daimler Re Insurance S.A. Luxembourg	Luxembourg, Luxembourg	100.00	
Daimler Real Estate GmbH	Berlin, Germany	100.00	5
Daimler Retail Receivables LLC	Farmington Hills, USA	100.00	
DAIMLER SERVICIOS CORPORATIVOS MEXICO S. DE R.L. DE C.V.	Mexico City, Mexico	100.00	
Daimler South East Asia Pte. Ltd.	Singapore, Singapore	100.00	
Daimler Truck AG	Stuttgart, Germany	100.00	5
Daimler Truck and Bus Australia Pacific Pty. Ltd.	Mulgrave, Australia	100.00	
Daimler Trucks & Buses US Holding Inc.	Wilmington, USA	100.00	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
Daimler Trucks and Buses (China) Ltd.	Beijing, China	100.00	
Daimler Trucks Canada Ltd.	Mississauga, Canada	100.00	
Daimler Trucks Korea Ltd.	Seoul, South Korea	100.00	
Daimler Trucks North America LLC	Wilmington, USA	100.00	
Daimler Trucks Remarketing Corporation	Portland, USA	100.00	
Daimler Trucks Retail Trust 2018-1	Wilmington, USA	0.00	3
Daimler Trust Holdings LLC	Farmington Hills, USA	100.00	
Daimler Trust Leasing Conduit LLC	Wilmington, USA	100.00	
Daimler Trust Leasing LLC	Farmington Hills, USA	100.00	
Daimler UK Limited	Milton Keynes, United Kingdom	100.00	
Daimler Vans Hong Kong Limited	Hong Kong, China	67.55	
Daimler Vans USA, LLC	Wilmington, USA	100.00	
Daimler Vehículos Comerciales Mexico S. de R.L. de C.V.	Mexico City, Mexico	100.00	
Daimler Verwaltungsgesellschaft für Grundbesitz mbH	Schönefeld, Germany	100.00	5
Daimler Vorsorge und Versicherungsdienst GmbH	Berlin, Germany	100.00	5
Daiprodco Mexico S. de R.L. de C.V.	Mexico City, Mexico	100.00	
Detroit Diesel Corporation	Detroit, USA	100.00	
Detroit Diesel Remanufacturing LLC	Detroit, USA	100.00	
Detroit Diesel Remanufacturing Mexicana, S. de R.L. de C.V.	Toluca, Mexico	100.00	
Detroit Diesel-Allison de Mexico, S. de R.L. de C.V.	San Juan Ixtacala, Mexico	100.00	
Deutsche Accumotive GmbH & Co. KG	Kirchheim unter Teck, Germany	100.00	5
EHG Elektroholding GmbH	Stuttgart, Germany	100.00	5
EvoBus (Schweiz) AG	Kloten, Switzerland	100.00	
EvoBus (U.K.) Ltd.	Coventry, United Kingdom	100.00	
EvoBus Austria GmbH	Wiener Neudorf, Austria	100.00	
EvoBus Belgium N.V.	Kobbegem-Asse, Belgium	100.00	
EvoBus Ceská republika s.r.o.	Prague, Czech Republic	100.00	
EvoBus Danmark A/S	Koege, Denmark	100.00	
EvoBus France S.A.S.U.	Sarcelles, France	100.00	
EvoBus GmbH	Stuttgart, Germany	100.00	5
EvoBus Ibérica, S.A.U.	Sámano, Spain	100.00	
EvoBus Italia S.p.A.	Bomporto, Italy	100.00	
EvoBus Nederland B.V.	Nijkerk, Netherlands	100.00	
EvoBus Polska Sp. z o.o.	Wolica, Poland	100.00	
EvoBus Portugal, S.A.	Mem Martins, Portugal	100.00	
EvoBus Sverige AB	Vetlanda, Sweden	100.00	
Freightliner Custom Chassis Corporation	Gaffney, USA	100.00	
Friesland Lease B.V.	Drachten, Netherlands	51.11	
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Alpha 1 OHG	Schönefeld, Germany	100.00	5, 7
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Alpha 2 OHG	Schönefeld, Germany	100.00	5, 7
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Alpha 3 OHG	Schönefeld, Germany	100.00	5, 7
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Alpha 4 OHG	Schönefeld, Germany	100.00	5, 7
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Alpha 5 OHG	Schönefeld, Germany	100.00	5, 7
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Alpha 6 OHG	Schönefeld, Germany	100.00	5, 7
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Alpha 7 OHG	Schönefeld, Germany	100.00	5, 7

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Beta OHG	Schönefeld, Germany	100.00	5, 7
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Delta OHG	Schönefeld, Germany	100.00	5, 7
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Epsilon OHG	Schönefeld, Germany	100.00	5, 7
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 1 OHG	Schönefeld, Germany	100.00	5, 7
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 2 OHG	Schönefeld, Germany	100.00	5, 7
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 3 OHG	Schönefeld, Germany	100.00	5, 7
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 4 OHG	Schönefeld, Germany	100.00	5, 7
Grundstücksverwaltungsgesellschaft EvoBus GmbH & Co. OHG	Schönefeld, Germany	100.00	5, 7
Hailo Network Iberia S.L.	Madrid, Spain	100.00	
Hailo Network IP Limited	London, United Kingdom	100.00	
Intelligent Apps GmbH	Hamburg, Germany	79.35	
Interleasing Luxembourg S.A.	Windhof, Luxembourg	100.00	
Invema Assessoria Empresarial Eireli	São Bernardo do Campo, Brazil	100.00	
Koppieview Property (Pty) Ltd	Zwartkop, South Africa	100.00	
LBBW AM – Daimler Re Insurance	Luxembourg, Luxembourg	0.00	3
LBBW AM – MBVEXW	Stuttgart, Germany	0.00	3
LEONIE CORP DVB GmbH	Stuttgart, Germany	100.00	5
LEONIE FS DVB GmbH	Stuttgart, Germany	100.00	5
LEONIE FSM DVB GmbH	Stuttgart, Germany	100.00	5
LEONIE PV DVB GmbH	Stuttgart, Germany	100.00	5
LEONIE TB DVB GmbH	Stuttgart, Germany	100.00	5
Li-Tec Battery GmbH	Kamenz, Germany	100.00	5
Mascot Truck Parts Canada Ltd (2017)	Mississauga, Canada	100.00	
Mascot Truck Parts USA LLC	Wilmington, USA	100.00	
MBarc Credit Canada Inc.	Mississauga, Canada	100.00	
MDC Power GmbH	Kölleda, Germany	100.00	5
MDC Technology GmbH	Arnstadt, Germany	100.00	5
Mercedes AMG High Performance Powertrains Ltd	Brixworth, United Kingdom	100.00	
Mercedes pay AG	Zug, Switzerland	100.00	
Mercedes pay S.A.	Luxembourg, Luxembourg	100.00	
Mercedes-AMG GmbH	Affalterbach, Germany	100.00	5
Mercedes-Benz – Aluguer de Veículos, Unipessoal Lda.	Mem Martins, Portugal	100.00	
Mercedes-Benz (China) Ltd.	Beijing, China	75.00	
Mercedes-Benz (Thailand) Limited	Bangkok, Thailand	100.00	
Mercedes-Benz (Yangzhou) Parts Distribution Co., Ltd.	Yangzhou, China	100.00	
Mercedes-Benz Accessories GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz AG	Stuttgart, Germany	100.00	5
Mercedes-Benz Antwerpen N.V.	Antwerp, Belgium	100.00	
Mercedes-Benz Argentina S.A.	Buenos Aires, Argentina	100.00	
Mercedes-Benz Asia GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Assuradeuren B.V.	Utrecht, Netherlands	100.00	
Mercedes-Benz Australia/Pacific Pty Ltd	Melbourne, Australia	100.00	
Mercedes-Benz Auto Finance Ltd.	Beijing, China	100.00	
Mercedes-Benz Auto Lease Trust 2016-2	Wilmington, USA	0.00	3
Mercedes-Benz Auto Lease Trust 2016-B	Wilmington, USA	0.00	3

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
Mercedes-Benz Auto Lease Trust 2017-A	Wilmington, USA	0.00	3
Mercedes-Benz Auto Lease Trust 2018-A	Wilmington, USA	0.00	3
Mercedes-Benz Auto Lease Trust 2018-B	Wilmington, USA	0.00	3
Mercedes-Benz Auto Receivables Trust 2015-1	Wilmington, USA	0.00	3
Mercedes-Benz Auto Receivables Trust 2016-1	Wilmington, USA	0.00	3
Mercedes-Benz Auto Retail Trust 2018-1	Wilmington, USA	0.00	3
Mercedes-Benz Bank AG	Stuttgart, Germany	100.00	
Mercedes-Benz Bank GmbH	Salzburg, Austria	100.00	
Mercedes-Benz Bank Polska S.A.	Warsaw, Poland	100.00	
Mercedes-Benz Bank Rus OOO	Moscow, Russian Federation	100.00	
Mercedes-Benz Bank Service Center GmbH	Berlin, Germany	100.00	5
Mercedes-Benz Banking Service GmbH	Saarbrücken, Germany	100.00	5
Mercedes-Benz Belgium Luxembourg S.A.	Brussels, Belgium	100.00	
Mercedes-Benz Bordeaux S.A.S.	Begles, France	100.00	
Mercedes-Benz Broker Biztositási Alkusz Hungary Kft.	Budapest, Hungary	100.00	
Mercedes-Benz Brooklands Limited	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Canada Inc.	Toronto, Canada	100.00	
Mercedes-Benz Capital Rus OOO	Moscow, Russian Federation	100.00	
Mercedes-Benz Cars Ceská republika s.r.o.	Prague, Czech Republic	100.00	
Mercedes-Benz Cars Nederland B.V.	Utrecht, Netherlands	100.00	
Mercedes-Benz Cars UK Limited	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz CharterWay S.A.S.	Montigny-le-Bretonneux, France	100.00	
Mercedes-Benz CharterWay S.r.l.	Trent, Italy	100.00	
Mercedes-Benz Compañía Financiera Argentina S.A.	Buenos Aires, Argentina	100.00	
Mercedes-Benz Connectivity Services GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Corretora de Seguros Ltda	São Paulo, Brazil	99.98	
Mercedes-Benz CPH A/S	Horsholm, Denmark	100.00	
Mercedes-Benz Credit Pénzügyi Szolgáltató Hungary Zrt.	Budapest, Hungary	100.00	
Mercedes-Benz Danmark A/S	Copenhagen, Denmark	100.00	
Mercedes-Benz Dealer Bedrijven B.V.	The Hague, Netherlands	100.00	
Mercedes-Benz do Brasil Assessoria Comercial Ltda.	São Paulo, Brazil	100.00	
Mercedes-Benz do Brasil Ltda.	São Bernardo do Campo, Brazil	100.00	
Mercedes-Benz Drogenbos N.V.	Drogenbos, Belgium	100.00	
Mercedes-Benz Espana, S.A.U.	Alcobendas, Spain	100.00	
Mercedes-Benz Finance Co., Ltd.	Tokyo, Japan	95.01	
Mercedes-Benz Financial Services Australia Pty. Ltd.	Melbourne, Australia	100.00	
Mercedes-Benz Financial Services Austria GmbH	Salzburg, Austria	100.00	
Mercedes-Benz Financial Services BeLux NV	Brussels, Belgium	100.00	
Mercedes-Benz Financial Services Canada Corporation	Mississauga, Canada	100.00	
Mercedes-Benz Financial Services Ceská republika s.r.o.	Prague, Czech Republic	100.00	
Mercedes-Benz Financial Services España, E.F.C., S.A.	Alcobendas, Spain	100.00	
Mercedes-Benz Financial Services France S.A.	Montigny-le-Bretonneux, France	100.00	
Mercedes-Benz Financial Services Hong Kong Ltd.	Hong Kong, China	80.00	
Mercedes-Benz Financial Services Italia SpA	Rome, Italy	100.00	
Mercedes-Benz Financial Services Korea Ltd.	Seoul, South Korea	80.00	
Mercedes-Benz Financial Services Nederland B.V.	Utrecht, Netherlands	100.00	
Mercedes-Benz Financial Services New Zealand Ltd	Auckland, New Zealand	100.00	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
Mercedes-Benz Financial Services Portugal – Sociedade Financeira de Crédito S.A.	Mem Martins, Portugal	100.00	
Mercedes-Benz Financial Services Rus OOO	Moscow, Russian Federation	100.00	
Mercedes-Benz Financial Services Schweiz AG	Schlieren, Switzerland	100.00	
Mercedes-Benz Financial Services Slovakia s.r.o.	Bratislava, Slovakia	75.00	
Mercedes-Benz Financial Services South Africa (Pty) Ltd	Centurion, South Africa	100.00	
Mercedes-Benz Financial Services Taiwan Ltd.	Taipei, Taiwan	100.00	
Mercedes-Benz Financial Services UK Limited	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Financial Services USA LLC	Wilmington, USA	100.00	
Mercedes-Benz Finans Danmark A/S	Copenhagen, Denmark	100.00	
Mercedes-Benz Finans Sverige AB	Malmö, Sweden	100.00	
Mercedes-Benz Finansal Kiralama Türk A.S.	Istanbul, Turkey	100.00	
Mercedes-Benz Finansman Türk A.S.	Istanbul, Turkey	100.00	
Mercedes-Benz Försäljnings AB	Malmö, Sweden	100.00	
Mercedes-Benz France S.A.S.	Montigny-le-Bretonneux, France	100.00	
Mercedes-Benz Fuel Cell GmbH	Kirchheim unter Teck, Germany	100.00	
Mercedes-Benz Grand Prix Ltd.	Brackley, United Kingdom	60.00	
Mercedes-Benz Hellas S.A.	Kifissia, Greece	100.00	
Mercedes-Benz Hong Kong Limited	Hong Kong, China	100.00	
Mercedes-Benz India Private Limited	Pune, India	100.00	
Mercedes-Benz Insurance Broker S.R.L.	Voluntari, Romania	100.00	
Mercedes-Benz Insurance Services Nederland B.V.	Utrecht, Netherlands	100.00	
Mercedes-Benz Insurance Services Taiwan Ltd.	Taipei, Taiwan	100.00	
Mercedes-Benz Investment Company LLC	Wilmington, USA	100.00	
Mercedes-Benz Italia S.p.A.	Rome, Italy	100.00	
Mercedes-Benz Japan Co., Ltd.	Tokyo, Japan	100.00	
Mercedes-Benz Korea Limited	Seoul, South Korea	51.00	
Mercedes-Benz Leasing (Thailand) Co., Ltd.	Bangkok, Thailand	100.00	
Mercedes-Benz Leasing Co., Ltd.	Beijing, China	65.00	
Mercedes-Benz Leasing do Brasil Arrendamento Mercantil S.A.	Barueri, Brazil	100.00	
Mercedes-Benz Leasing GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Leasing Hrvatska d.o.o.	Zagreb, Croatia	100.00	
Mercedes-Benz Leasing IFN S.A.	Bucharest, Romania	100.00	
Mercedes-Benz Leasing Kft.	Budapest, Hungary	100.00	
Mercedes-Benz Leasing Polska Sp. z o.o.	Warsaw, Poland	100.00	
Mercedes-Benz Leasing Taiwan Ltd.	Taipei, Taiwan	100.00	
Mercedes-Benz Leasing Treuhand GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Ludwigsfelde GmbH	Ludwigsfelde, Germany	100.00	5
Mercedes-Benz Malaysia Sdn. Bhd.	Puchong, Malaysia	51.00	
Mercedes-Benz Manhattan, Inc.	Wilmington, USA	100.00	
Mercedes-Benz Manufacturing (Thailand) Limited	Bangkok, Thailand	100.00	
Mercedes-Benz Manufacturing Hungary Kft.	Kecskemét, Hungary	100.00	
Mercedes-Benz Manufacturing Poland Sp. z o.o.	Liegnitz, Poland	100.00	
Mercedes-Benz Master Owner Trust	Wilmington, USA	0.00	3
Mercedes-Benz Mechelen N.V.	Mechelen, Belgium	100.00	
Mercedes-Benz Mexico, S. de R.L. de C.V.	Mexico City, Mexico	100.00	
Mercedes-Benz Minibus GmbH	Dortmund, Germany	100.00	5
Mercedes-Benz Mitarbeiter-Fahrzeuge Leasing GmbH	Stuttgart, Germany	100.00	5

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
Mercedes-Benz New Zealand Ltd	Auckland, New Zealand	100.00	
Mercedes-Benz Österreich GmbH	Salzburg, Austria	100.00	
Mercedes-Benz Paris SAS	Port-Marly, France	100.00	
Mercedes-Benz Parts Logistics Eastern Europe s.r.o.	Prague, Czech Republic	100.00	
Mercedes-Benz Parts Logistics Ibérica, S.L.U.	Azuqueca de Henares, Spain	100.00	
Mercedes-Benz Parts Logistics UK Limited	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Parts Manufacturing & Services Ltd.	Shanghai, China	100.00	
Mercedes-Benz Polska Sp. z o.o.	Warsaw, Poland	100.00	
Mercedes-Benz Portugal, S.A.	Mem Martins, Portugal	100.00	
Mercedes-Benz PRAHA s.r.o.	Prague, Czech Republic	100.00	
Mercedes-Benz Renting, S.A.	Alcobendas, Spain	100.00	
Mercedes-Benz Research & Development North America, Inc.	Wilmington, USA	100.00	
Mercedes-Benz Retail Group UK Limited	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Retail, S.A.	Madrid, Spain	100.00	
Mercedes-Benz Retail, Unipessoal Lda.	Mem Martins, Portugal	100.00	
Mercedes-Benz Risk Solutions South Africa (Pty.) Ltd.	Centurion, South Africa	100.00	
Mercedes-Benz Roma S.p.A.	Rome, Italy	100.00	
Mercedes-Benz Romania S.R.L.	Bucharest, Romania	100.00	
Mercedes-Benz Russia AO	Moscow, Russian Federation	100.00	
Mercedes-Benz Schweiz AG	Schlieren, Switzerland	100.00	
Mercedes-Benz Service Leasing S.R.L.	Bucharest, Romania	100.00	
Mercedes-Benz Services Correduria de Seguros, S.A.	Alcobendas, Spain	100.00	
Mercedes-Benz Services Malaysia Sdn Bhd	Petaling Jaya, Malaysia	100.00	
Mercedes-Benz Sigorta Aracilik Hizmetleri A.S.	Istanbul, Turkey	100.00	
Mercedes-Benz Sosnowiec Sp. z o.o.	Sosnowiec, Poland	100.00	
Mercedes-Benz South Africa Ltd	Pretoria, South Africa	100.00	
Mercedes-Benz Sverige AB	Malmö, Sweden	100.00	
Mercedes-Benz Taiwan Ltd.	Taipei, Taiwan	51.00	
Mercedes-Benz Trucks Ceská republika s.r.o.	Prague, Czech Republic	100.00	
Mercedes-Benz Trucks España S.L.U.	Alcobendas, Spain	100.00	
Mercedes-Benz Trucks Molsheim	Molsheim, France	100.00	
Mercedes-Benz Trucks Nederland B.V.	Utrecht, Netherlands	100.00	
Mercedes-Benz Trucks UK Limited	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Türk A.S.	Istanbul, Turkey	66.91	
Mercedes-Benz U.S. International, Inc.	Vance, USA	100.00	
Mercedes-Benz Ubezpieczenia Sp. z o.o.	Warsaw, Poland	100.00	
Mercedes-Benz USA, LLC	Wilmington, USA	100.00	
Mercedes-Benz V.I. Lyon SAS	Genas, France	100.00	
Mercedes-Benz V.I. Paris Ile de France SAS	Wissous, France	100.00	
Mercedes-Benz Vans Australia Pacific Pty. Ltd.	Mulgrave, Australia	100.00	
Mercedes-Benz Vans Ceská republika s.r.o	Prague, Czech Republic	100.00	
Mercedes-Benz Vans España, S.L.U.	Madrid, Spain	100.00	
Mercedes-Benz Vans Mobility GmbH	Berlin, Germany	100.00	5
Mercedes-Benz Vans Nederland B.V.	Utrecht, Netherlands	100.00	
Mercedes-Benz Vans UK Limited	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Vans, LLC	Wilmington, USA	100.00	
Mercedes-Benz Versicherung AG	Stuttgart, Germany	100.00	5
Mercedes-Benz Vertrieb NFZ GmbH	Stuttgart, Germany	100.00	5

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
Mercedes-Benz Vertrieb PKW GmbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Vietnam Ltd.	Ho Chi Minh City, Vietnam	70.00	
Mercedes-Benz Warszawa Sp. z o.o.	Warsaw, Poland	100.00	
Mercedes-Benz Waterloo S.A.	Braine-L'Alleud, Belgium	100.00	
Mercedes-Benz Wavre S.A.	Wavre, Belgium	100.00	
Mercedes-Benz Wemmel N.V.	Wemmel, Belgium	100.00	
Mercedes-Benz Wholesale Receivables LLC	Wilmington, USA	100.00	
MFTA Canada, Inc.	Toronto, Canada	100.00	
Mitsubishi Fuso Truck and Bus Corporation	Kawasaki, Japan	89.29	
MITSUBISHI FUSO TRUCK EUROPE – Sociedade Europeia de Automóveis, S.A.	Tramagal, Portugal	100.00	
Mitsubishi Fuso Truck of America, Inc.	Logan Township, USA	100.00	
moovel Group GmbH	Stuttgart, Germany	100.00	
moovel North America Inc.	Wilmington, USA	100.00	
moovel North America, LLC	Wilmington, USA	100.00	
Multifleet G.I.E	Le Bourget, France	50.10	7
myTaxi Iberia SL	Barcelona, Spain	100.00	
mytaxi Network Ireland Ltd.	Dublin, Ireland	100.00	
mytaxi Network Ltd.	London, United Kingdom	100.00	
P.T. Mercedes-Benz Indonesia	Bogor, Indonesia	100.00	
PT Daimler Commercial Vehicles Indonesia	Jakarta, Indonesia	100.00	
PT Mercedes-Benz Distribution Indonesia	Jakarta, Indonesia	100.00	
Renting del Pacífico S.A.C.	Lima, Peru	100.00	
Sandown Motor Holdings (Pty) Ltd	Bryanston, South Africa	62.62	
SelecTrucks of America LLC	Portland, USA	100.00	
SelecTrucks of Toronto, Inc.	Mississauga, Canada	100.00	
Setra of North America, Inc.	Oriskany, USA	100.00	
Silver Arrow Australia Trust 2017-1	Melbourne, Australia	0.00	3
Silver Arrow Canada GP Inc.	Mississauga, Canada	100.00	
Silver Arrow Canada LP	Mississauga, Canada	100.00	
SILVER ARROW CHINA 2017-2 RETAIL AUTO LOAN ASSET BACKED NOTES TRUST c/o CITIC TRUST CO., LTD.	Beijing, China	0.00	3
SILVER ARROW CHINA 2018-1 RETAIL AUTO LOAN ASSET BACKED NOTES TRUST c/o FOTIC: China Foreign Economy and Trade Trust Co., LTD.	Beijing, China	0.00	3
SILVER ARROW CHINA 2018-2 RETAIL AUTO LOAN ASSET BACKED NOTES TRUST c/o FOTIC: China Foreign Economy and Trade Trust Co., LTD.	Beijing, China	0.00	3
Silver Arrow Lease Facility Trust	Wilmington, USA	0.00	3
Silver Arrow S.A.	Luxembourg, Luxembourg	0.00	3
smart France S.A.S.	Hambach, France	100.00	
smart Vertriebs gmbh	Berlin, Germany	100.00	5
Special Lease Systems (SLS) B.V	Almere, Netherlands	100.00	
Star Assembly SRL	Sebes, Romania	100.00	
Starexport Trading S.A.	São Bernardo do Campo, Brazil	100.00	
Sterling Truck Corporation	Portland, USA	100.00	
Sumperská správa majetku k.s.	Prague, Czech Republic	100.00	7
Thomas Built Buses of Canada Limited	Calgary, Canada	100.00	
Thomas Built Buses, Inc.	High Point, USA	100.00	
Transcovo SAS	Paris, France	66.84	
Transopco France SAS	Paris, France	100.00	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
Trona Cogeneration Corporation	Wilmington, USA	100.00	
Ucafleet S.A.S	Le Bourget, France	65.00	
Vierzehnte Vermögensverwaltungsgesellschaft DVB mbH	Stuttgart, Germany	100.00	5
Western Star Trucks Sales, Inc	Portland, USA	100.00	
Zuidlease B.V.	Sittard, Netherlands	51.00	
II. Unconsolidated subsidiaries[2]			
Achtzehnte Vermögensverwaltungsgesellschaft DVB mbH	Stuttgart, Germany	100.00	
AEG Olympia Office GmbH	Stuttgart, Germany	100.00	
Anota Fahrzeug Service- und Vertriebsgesellschaft mbH	Berlin, Germany	100.00	
Beat Chile SpA	Santiago, Chile	100.00	
Beat Ride App Colombia Ltda.	Bogota D. C., Colombia	100.00	
Beat Ride App S.A.	Mexico City, Mexico	100.00	
car2go Belgium SPRL	Brussels, Belgium	100.00	
car2go Danmark A/S	Copenhagen, Denmark	100.00	
car2go Sverige AB	Stockholm, Sweden	100.00	
Circulo Cerrado S.A. de Ahorro para Fines Determinados	Buenos Aires, Argentina	72.85	
Clever Tech S.R.L.	Bucharest, Romania	100.00	
Clever Tech Sud S.R.L.	Bucharest, Romania	100.00	
Cúspide GmbH	Stuttgart, Germany	100.00	
Daimler AG & Co. Anlagenverwaltung OHG	Schönefeld, Germany	100.00	7
Daimler Automotive de Venezuela C.A.	Valencia, Venezuela	100.00	
Daimler Commercial Vehicles (Thailand) Ltd.	Bangkok, Thailand	100.00	
Daimler Commercial Vehicles Africa Ltd.	Nairobi, Kenya	100.00	
Daimler Commercial Vehicles MENA FZE	Dubai, United Arab Emirates	100.00	
DAIMLER FINANCIAL SERVICES AUSTRALIA PTY LTD	Melbourne, Australia	100.00	
Daimler Financial Services UK Trustees Ltd.	Milton Keynes, United Kingdom	100.00	
Daimler Gastronomie GmbH	Esslingen am Neckar, Germany	100.00	
Daimler Group Services Berlin GmbH	Berlin, Germany	100.00	
Daimler Group Services Madrid, S.A.U.	San Sebastián de los Reyes, Spain	100.00	
Daimler Innovation Technology (China) Co., Ltd.	Beijing, China	100.00	
Daimler International Assignment Services USA, LLC	Wilmington, USA	100.00	
Daimler Ladungsträger GmbH	Sindelfingen, Germany	100.00	
Daimler Mitarbeiter Wohnfinanz GmbH	Stuttgart, Germany	100.00	
Daimler Parts Logistics Australia Pty. Ltd.	Mulgrave, Australia	100.00	
Daimler Pensionsfonds AG	Stuttgart, Germany	100.00	6
Daimler Protics GmbH	Leinfelden-Echterdingen, Germany	100.00	
Daimler Purchasing Coordination Corp.	Wilmington, USA	100.00	
DAIMLER TRUCK AND BUS HOLDING AUSTRALIA PACIFIC PTY LTD	Melbourne, Australia	100.00	
Daimler Trucks and Buses Southern Africa (Pty) Ltd	Zwartkop, South Africa	100.00	
Daimler Trucks Asia Taiwan Ltd.	Taipei, Taiwan	51.00	
Daimler TSS GmbH	Ulm, Germany	100.00	
Daimler UK Share Trustee Ltd.	Milton Keynes, United Kingdom	100.00	
Daimler UK Trustees Limited	Milton Keynes, United Kingdom	100.00	
Daimler Unterstützungskasse GmbH	Stuttgart, Germany	100.00	
Deutsche Accumotive Verwaltungs-GmbH	Kirchheim unter Teck, Germany	100.00	
Dreizehnte Vermögensverwaltungsgesellschaft DVB mbH	Stuttgart, Germany	100.00	
DTB Tech & Data Hub, Unipessoal Lda	Tramagal, Portugal	100.00	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
EvoBus Reunion S. A.	Le Port, France	96.00	
EvoBus Russland OOO	Moscow, Russian Federation	100.00	
Familonet GmbH	Hamburg, Germany	100.00	
FLINC GmbH	Darmstadt, Germany	100.00	
Fünfte Vermögensverwaltungsgesellschaft Zeus mbH	Stuttgart, Germany	100.00	
LAB1886 GmbH	Stuttgart, Germany	100.00	
Lab1886 USA LLC	Wilmington, USA	100.00	
Lapland Car Test Aktiebolag	Arvidsjaur, Sweden	100.00	
Legend Investments Ltd.	Milton Keynes, United Kingdom	100.00	
LEONIE DMS DVB GmbH	Stuttgart, Germany	100.00	
MB GTC GmbH Mercedes-Benz Gebrauchtteile Center	Neuhausen auf den Fildern, Germany	100.00	
MBition GmbH	Berlin, Germany	100.00	
Mercedes-Benz Adm. Consorcios Ltda.	São Bernardo do Campo, Brazil	100.00	
Mercedes-Benz CarMesh GmbH	Berlin, Germany	100.00	
Mercedes-Benz Cars & Vans Brasil – Indústria e Comércio De Veículos Ltda.	São Bernardo do Campo, Brazil	100.00	
Mercedes-Benz Cars Middle East FZE	Dubai, United Arab Emirates	100.00	
Mercedes-Benz Consulting GmbH	Leinfelden-Echterdingen, Germany	100.00	
Mercedes-Benz Customer Assistance Center Maastricht N.V.	Maastricht, Netherlands	100.00	
Mercedes-Benz Egypt S.A.E.	New Cairo, Egypt	100.00	
Mercedes-Benz Energy Americas LLC	Wilmington, USA	100.00	
Mercedes-Benz Energy GmbH	Kamenz, Germany	100.00	
Mercedes-Benz Europa NV/SA	Woluwe-Saint-Lambert, Belgium	100.00	
Mercedes-Benz ExTra LLC	Wilmington, USA	100.00	
Mercedes-Benz Formula E Limited	Brackley, United Kingdom	100.00	
Mercedes-Benz G GmbH	Raaba, Austria	100.00	
Mercedes-Benz Group Services Phils., Inc.	Cebu City, Philippines	100.00	
Mercedes-Benz Hungária Kft.	Budapest, Hungary	100.00	
Mercedes-Benz IDC Europe S.A.S.	Valbonne, France	100.00	
Mercedes-Benz Manufacturing Rus Ltd	Moscow, Russian Federation	80.00	
Mercedes-Benz Museum GmbH	Stuttgart, Germany	100.00	
Mercedes-Benz Project Consult GmbH	Stuttgart, Germany	100.00	
Mercedes-Benz Research & Development Tel Aviv Ltd.	Tel Aviv, Israel	100.00	
Mercedes-Benz Research and Development India Private Limited	Bangalore, India	100.00	
Mercedes-Benz Retail Belgium NV/SA	Woluwe-Saint-Lambert, Belgium	100.00	
Mercedes-Benz Slovakia s.r.o.	Bratislava, Slovakia	100.00	
Mercedes-Benz Solihull Ltd.	Milton Keynes, United Kingdom	100.00	
Mercedes-Benz Srbija i Crna Gora d.o.o.u likvidaciji	Novi Beograd, Serbia	100.00	4
Mercedes-Benz Subscription Services USA LLC	Wilmington, USA	100.00	
Mercedes-Benz Trucks Belgium Luxembourg NV/SA	Brussels, Belgium	100.00	
Mercedes-Benz Trucks Center Sint-Pieters-Leeuw NV/SA	Sint-Peters-Leeuw, Belgium	100.00	
Mercedes-Benz Trucks France S.A.S.U	Montigny-le-Bretonneux, France	100.00	
Mercedes-Benz Trucks Italia S.r.l.	Rome, Italy	100.00	
Mercedes-Benz Trucks MENA Holding GmbH	Stuttgart, Germany	100.00	
MERCEDES-BENZ TRUCKS POLSKA SPÓŁKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	Warsaw, Poland	100.00	
Mercedes-Benz Trucks Schweiz AG	Schlieren, Switzerland	100.00	
Mercedes-Benz Vans Mobility S.L.	Alcobendas, Spain	100.00	
Mercedes-Benz Vehículos Comerciales Argentina SAU	Buenos Aires, Argentina	100.00	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
Mercedes-Benz Venezuela S.A.	Valencia, Venezuela	100.00	
Mercedes-Benz.io GmbH	Stuttgart, Germany	100.00	
Mercedes-Benz.io Portugal Unipessoal Lda.	Lisbon, Portugal	100.00	
MercedesService Card Beteiligungsgesellschaft mbH	Kleinostheim, Germany	51.00	
Mitsubishi Fuso Bus Manufacturing Co., Ltd.	Toyama, Japan	100.00	
Monarch Cars (Tamworth) Ltd.	Milton Keynes, United Kingdom	100.00	
Montajes y Estampaciones Metálicas, S.L.	Esparraguera, Spain	51.00	
mytaxi Austria GmbH	Vienna, Austria	100.00	
MYTAXI ITALIA S.R.L.	Milan, Italy	100.00	
MYTAXI POLSKA SPÓLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	Warsaw, Poland	100.00	
mytaxi Portugal Unipessoal LDA	Lisbon, Portugal	100.00	
mytaxi Sweden AB	Stockholm, Sweden	100.00	
myTaxi UG	Hamburg, Germany	100.00	
myTaxi UK Ltd.	London, United Kingdom	100.00	
myTaxi USA Inc.	New York, USA	100.00	
NAG Nationale Automobil-Gesellschaft Aktiengesellschaft	Stuttgart, Germany	100.00	
ogotrac S.A.S.	Paris, France	100.00	
PABCO Co., Ltd.	Ebina, Japan	100.00	
Porcher & Meffert Grundstücksgesellschaft mbH & Co. Stuttgart OHG	Schönefeld, Germany	100.00	7
R.T.C. Management Company Limited	Banbury, United Kingdom	88.89	
RepairSmith, Inc.	Manhattan Beach, USA	100.00	
Reva SAS	Cunac, France	100.00	
Ring Garage AG Chur	Chur, Switzerland	100.00	
Sechste Vermögensverwaltungsgesellschaft Zeus mbH	Stuttgart, Germany	100.00	
SelecTrucks Comércio de Veículos Ltda	Mauá, Brazil	100.00	
SportChassis LLC	Clinton, USA	0.00	3
Star Egypt For Import LLC	New Cairo, Egypt	99.50	
Star Transmission srl	Cugir, Romania	100.00	
STARKOM d.o.o.	Maribor, Slovenia	100.00	
T.O.C (Schweiz) AG	Schlieren, Switzerland	51.00	
Taxibeat Ltd. UK	London, United Kingdom	100.00	
Taxibeat Peru S.A.	Lima, Peru	100.00	
Taxibeat Teknoloji Hizmetleri A.S.	Istanbul, Turkey	100.00	
Transopco GmbH	Zug, Switzerland	100.00	
Transopco Portugal Unipessoal Lda.	Lisbon, Portugal	100.00	
Transopco UK Ltd.	London, United Kingdom	100.00	
trapoFit GmbH	Chemnitz, Germany	100.00	
Zweite Vermögensverwaltungsgesellschaft Zeus mbH	Stuttgart, Germany	100.00	
III. Joint operations accounted for using proportionate consolidation			
Cooperation Manufacturing Plant Aguascalientes, S.A.P.I de C.V.	Aguascalientes, Mexico	54.01	
IV. Joint operations accounted for using the equity method			
AFCC Automotive Fuel Cell Cooperation Corp.	Burnaby, Canada	50.10	
EM-motive GmbH	Hildesheim, Germany	50.00	
North America Fuel Systems Remanufacturing LLC	Kentwood, USA	50.00	

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
V. Joint ventures accounted for using the equity method			
Beijing Foton Daimler Automotive Co., Ltd	Beijing, China	50.00	
Daimler Kamaz Trucks Holding GmbH	Vienna, Austria	50.00	
Enbase Power GmbH	Munich, Germany	25.10	
Fujian Benz Automotive Co., Ltd.	Fuzhou, China	50.00	
IONITY Holding GmbH & Co. KG	Munich, Germany	25.00	
MB Service Japan Co., Ltd.	Hitachi, Japan	33.40	
Polomex, S.A. de C.V.	Garcia, Mexico	26.00	
SelecTrucks of Atlanta LLC	McDonough, USA	50.00	
SelecTrucks of Houston LLC	Houston, USA	50.00	
SelecTrucks of Houston Wholesale LLC	Houston, USA	50.00	
SelecTrucks of Omaha LLC	Council Bluffs, USA	50.00	
Shenzhen DENZA New Energy Automotive Co. Ltd.	Shenzhen, China	50.00	
TASIAP GmbH	Stuttgart, Germany	60.00	
Toll Collect GbR	Berlin, Germany	45.00	7
ViaVan Technologies B.V.	Amsterdam, Netherlands	50.00	
Wagenplan B.V.	Almere, Netherlands	50.00	
VI. Associated companies accounted for using the equity method			
BAIC Motor Corporation Ltd.	Beijing, China	9.55	
Beijing Benz Automotive Co., Ltd.	Beijing, China	49.00	
BlackLane GmbH	Berlin, Germany	29.64	
FlixMobility GmbH	Munich, Germany	5.62	
FUSO LAND TRANSPORT & Co. Ltd.	Kawasaki, Japan	21.67	
KAMAZ PAO	Naberezhnye Chelny, Russian Federation	15.00	
Kanagawa Mitsubishi Fuso Truck & Bus Sales Co., Ltd.	Yokohama, Japan	43.83	
LSH Auto International Limited	Hong Kong, China	15.00	
Okayama Mitsubishi Fuso Truck & Bus Sales Co., Ltd.	Okayamashi, Japan	50.00	
P.T. Krama Yudha Tiga Berlian Motors	Jakarta, Indonesia	30.00	
P.T. Mitsubishi Krama Yudha Motors and Manufacturing	Jakarta, Indonesia	32.28	
Taxify OÜ	Tallinn, Estonia	9.69	
There Holding B.V.	Rijswijk, Netherlands	29.56	
Toll4Europe GmbH	Berlin, Germany	15.00	
Verimi GmbH	Frankfurt am Main, Germany	15.15	
Via Transportation Inc.	New York, USA	12.28	
VII. Joint operations, joint ventures, associated companies and substantial other investments accounted for at (amortized) cost[2]			
Abgaszentrum der Automobilindustrie GbR	Weissach, Germany	25.00	4, 7
BDF IP Holdings Ltd.	Burnaby, Canada	33.00	
Beijing Mercedes-Benz Sales Service Co., Ltd.	Beijing, China	51.00	
ChargePoint Inc.	Campbell, USA	5.55	
COBUS Industries GmbH	Wiesbaden, Germany	40.82	
Esslinger Wohnungsbau GmbH	Esslingen am Neckar, Germany	26.57	
European Center for Information and Communication Technologies – EICT GmbH	Berlin, Germany	25.00	
EvoBus Hungária Kereskedelmi Kft.	Budapest, Hungary	33.33	
Gottapark, Inc.	San Francisco, USA	18.09	
Grundstücksgesellschaft Schlossplatz 1 mbH & Co. KG	Berlin, Germany	18.37	7

Name of the Company	Domicile, Country	Capital share in %[1]	Footnote
H2 Mobility Deutschland GmbH & Co. KG	Berlin, Germany	2.90	
hap2U SAS	Pontcharra, France	34.59	
inpro Innovationsgesellschaft für fortgeschrittene Produktionssysteme in der Fahrzeugindustrie mbH	Berlin, Germany	20.00	
Laureus World Sports Awards Limited	London, United Kingdom	50.00	
MercedesService Card GmbH & Co. KG	Kleinostheim, Germany	51.00	
MFTB Taiwan Co., Ltd.	Taipei, Taiwan	33.40	
Momenta Global Limited	Grand Cayman, Cayman Islands	5.10	
National Automobile Industry Company Ltd.	Jeddah, Saudi Arabia	26.00	
Omuta Unso Co., Ltd.	Ohmuta, Japan	33.51	
PDB – Partnership for Dummy Technology and Biomechanics GbR	Ingolstadt, Germany	20.00	7
Proterra Inc.	Burlingame, USA	5.12	
Rally Bus Corp.	New York, USA	12.33	
REV Coach LLC	Wilmington, USA	20.00	
smart-BRABUS GmbH	Bottrop, Germany	50.00	
STARCAM s.r.o.	Most, Czech Republic	51.00	
tiramizoo GmbH	Munich, Germany	20.84	
Toyo Kotsu Co., Ltd.	Sannoseki, Japan	28.20	
Turo Inc.	San Francisco, USA	5.17	
VfB Stuttgart 1893 AG	Stuttgart, Germany	11.75	
Volocopter GmbH	Bruchsal, Germany	10.17	
what3words Ltd.	Hinxworth, United Kingdom	12.23	
Zonar Systems, Inc.	Seattle, USA	19.42	

1 Shareholding pursuant to Section 16 of the German Stock Corporation Act (AktG).
2 For the accounting of unconsolidated subsidiaries, joint operations, joint ventures and associated companies we refer to Note 1.
3 Control due to economic circumstances.
4 In liquidation.
5 Qualification for exemption pursuant to Section 264 Subsection 3 and Section 264b of the German Commercial Code (HGB).
6 Control over the investment of the assets. No consolidation of the assets due to the contractual situation.
7 Daimler AG or one respectively several consolidated subsidiares are the partners with unlimited liability.

Furthermore, Daimler AG or one respectively several consolidated subsidiares are the partners with unlimited liability in MOST Cooperation GbR, Karlsruhe (Germany).

Further Information

G | Further information

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the financial position, cash flows and profit or loss of the Group, and the Group management report, which has been combined with the management report for Daimler AG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Stuttgart, February 13, 2019

Dieter Zetsche

Martin Daum

Renata Jungo Brüngger

Ola Källenius

Wilfried Porth

Britta Seeger

Hubertus Troska

Bodo Uebber

Independent Auditor's Report

To: Daimler AG, Stuttgart

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Audit opinions
We have audited the consolidated financial statements of Daimler AG, Stuttgart, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2018, and the consolidated statement of income, consolidated statement of comprehensive income/loss, consolidated statement of changes in equity and consolidated statement of cashflows for the financial year from January 1 to December 31, 2018, as well as notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of Daimler AG for the financial year from January 1 to December 31, 2018.

In our opinion, on the basis of the knowledge obtained in the audit

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e paragraph 1 HGB (Handelsgesetzbuch: German Commercial Code) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2018, and of its financial performance for the financial year from January 1 to December 31, 2018, and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 paragraph 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions
We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 paragraph 2 letter f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 paragraph 1 of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Impairment Risk on Operating Leases

Please refer with regard to the accounting policies and methods applied to the notes to the consolidated financial statements Note 1 "Significant accounting policies" and Note 2 "Accounting estimates and management judgments". Further information on the operating leases can be found in the notes to the consolidated financial statements in Note 12 "Equipment on operating leases" and in the comments in the combined management report in the section entitled "Industry and business risks and opportunities".

The Risk for the Consolidated Financial Statements
The balance sheet caption "Equipment on operating leases" (€49,476 million) comprises motor vehicles on operating leases. The impairment risk with regard to these vehicles is primarily dependent on the residual value achievable at the end of the lease. These future residual values depend on the situation in the used-vehicle markets prevailing when the vehicles are returned. The future-oriented valuation is based on a number of discretionary assumptions. The risk for the financial statements is that any impairment losses will not be recognized or that the amounts recognized will be inadequate.

Our Audit Approach
We audited the recoverability of the balance sheet caption "Equipment on operating leases" based on Daimler's internal portfolio allocation. The main focus of our risk-oriented audit approach was addressed to those vehicles with an enhanced impairment risk. We investigated and assessed the indications assumed by the group for a possible requirement for the recognition of an impairment loss and checked the calculation of the write-downs determined by Daimler. We appraised Daimler's assessment with regard to the residual values that can be achieved at the end of the term of the leases. We also included vehicles with diesel technology in this appraisal. In this connection, we in particular critically reviewed the main influencing factors, such as the expected number of returns from leasing, the current marketing results in order to assess the accuracy of the estimates and future vehicle model changes. For significant markets we furthermore also audited the consistency of the assumptions made by Daimler with residual value forecasts by independent expect third parties.

Our Observations
The assumptions and assessments providing the basis for the assessment of the recoverability of the statement of financial position caption "equipment on operating leases" and the recorded impairment losses are appropriate.

Loss Allowances on Receivables from Financial Services

Please refer with regard to the accounting policies and methods applied to the notes to the consolidated financial statements Note 2 "Accounting estimates and management judgements". Further information on allowances on receivables from financial services can be found in the notes to the consolidated financial statements in Note 1 "Significant Accounting Policies", in Note 14 "Receivables from financial services ", in Note 33 "Management of financial risks" and in the comments in the combined management report in the section entitled "Industry and business risks and opportunities".

The Risk for the Consolidated Financial Statements
The receivables from financial services (€96,740 million) resulting from the financing and leasing activities of the Group include receivables from sales financing with customers, receivables from sales financing with dealers and receivables from finance lease contracts. The allowances on these receivables amounted at the balance sheet date to € 1,086 million.

The calculation of the loss allowances is based since the financial year 2018 on expected credit losses and therefore also includes expectations regarding the future. Recognition of the expected credit losses is carried out by means of a three-parameter procedure for the determination of loss allowances. Hereby, the following is among other things taken into account: various factors determining the value, such as the determination of statistical default probabilities and loss rates, the possible receivable amount on default, the parameter transfer criteria that are related to a significant change in the default risk of borrowers, and the calculation of future cashflows. Furthermore, macroeconomic scenarios flow into the calculation, the identification of which to a high degree includes discretionary judgments and uncertainties.

The risk for the financial statements is that the creditworthiness of customers and future cashflows is misjudged or that the calculation of the risk provision parameter is incorrect so that allowances are not recognized or are insufficient.

Our Audit Approach
We obtained a comprehensive understanding of the development of the portfolios, the 'associated counterparty default risks and the processes for identifying, managing, monitoring and measuring credit risks by inspecting analyses and risk reports, interrogations, review of guidelines and working instructions, checking the defined methods and their implementation and checking and walking through the validation process and the validation reports based on samples.

We audited the appropriateness and effectiveness of the internal control system with regard to the risk classification process and risk models and the identification of the factors determining the value and the loss allowances, also by rechecking the calculations. To this end, we also evaluated the relevant IT systems and internal procedures. In addition to the audit by our IT specialists of the propriety of the IT systems affected and related interfaces to ensure the completeness and correctness of the data, the audit also included the audit of automatic controls for data entry and data processing. The main focus of our audit was the evaluation of the methodical approach in the determination of risk categories, default probabilities and loss rates that are derived from historical data. We obtained an understanding of this based on a risk-oriented selection of credit portfolios. We satisfied ourselves with regard to the appropriateness of significant risk parameters based on the results of a validation performed by Daimler Financial Services and evaluated the adjustments of the parameters to the current market situation. In this connection, we furthermore audited the data supporting the validations on the basis of samples. In addition, we satisfied ourselves in conjunction with a conscious sample of audits of individual cases that the risk classification is correct and that the amount of the calculated specific allowance is appropriate.

Our Observations
The methodical approach, the procedures and the processes to calculate the impairment losses and the assumptions and risk parameters flowing into the measurement are appropriate to identify the credit risks in good time and to determine the recognition of adequate impairment losses.

Measurement of the Provision for Product Warranties

Please refer with regard to the accounting policies and methods applied to the notes to the consolidated financial statements in Note 2 "Accounting estimates and management judgements". Further information on the guarantees and product warranties can be found in the notes to the consolidated financial statements Note 23 "Provisions for other risks" and in the comments in the combined management report in the section entitled "Company-specific risks and opportunities – Warranty and goodwill cases".

The Risk for the Consolidated Financial Statements
The provision for product warranties amounts to €7,043 million and is included in the provisions for other risks.

Daimler faces various claims under product guarantees, or grants various kinds of product warranties, which are entered into for the error-free functioning of a Daimler product sold or service rendered over a defined period of time. In order to confirm or reassess future guarantee, warranty and goodwill expenses, continuously updated information on the nature and volume and the remedying of faults that have occurred is recorded and analyzed at the level of the business unit, model series, damage key and sales year.

Significant uncertainty for the calculation of the provision arises with regard to the future loss event. The risk for the consolidated financial statements is that the provision is not properly measured.

Our Audit Approach
Our audit procedures included among other things the evaluation of the process to calculate the provision for product warranties and the evaluation of the relevant assumptions and their derivation for the measurement of the provision. These include primarily assumptions on expected susceptibility to and the course of damage, and in addition the monetary value of the damage per vehicle based on actual warranty, guarantee and goodwill losses. Based on historical analyses, we assessed the accuracy of the forecasts of past warranty, guarantee and goodwill costs. We also checked that updated assessments of the future repair costs and procedures were taken into account. We obtained an understanding for the underlying numbers of vehicles through the actual unit sales.

Our Observations
The calculation methods and the assumptions made are appropriate.

Accounting Treatment of Legal Proceedings

Please refer with regard to the accounting policies and methods applied to the notes to the consolidated financial statements in Note 2 "Accounting estimates and management judgements". Further information on the legal proceedings can be found in the notes to the consolidated financial statements Note 23 "Provision for other risks" and Note 30 "Legal proceedings" and in the comments in the combined management report in the section entitled "Risks from guarantees, legal and tax risks – legal risks"

The Risk for the Consolidated Financial Statements
Daimler is confronted by various legal proceedings, claims and governmental investigations and directives (legal proceedings) on a wide range of topics, including for example vehicle safety, emissions, fuel economy, financial services, dealer, supplier and other contractual relationships, intellectual property rights, product warranties, environmental matters, antitrust matters (including actions for damages) and shareholder matters. Legal proceedings relating to products deal with claims on account of alleged vehicle defects. Some of these claims are asserted by way of class action suits. If the outcome of such legal proceedings is detrimental to Daimler AG, the Company may be required to pay substantial compensatory and punitive damages or to undertake service actions, recall campaigns, monetary penalties or other costly actions.

Whether the recognition of a provision and, if so, in what amount it is necessary on account of legal proceedings is dependent to a high degree on discretionary estimates and assumptions by the legal representatives. In view of this and the monetary amounts involved with regard to the risks, the following legal proceedings of Daimler are in our opinion of particular importance.

a) Diesel emission behavior – administrative proceedings
Several state and federal authorities and further institutions worldwide have made inquiries and/or have carried out investigations and/or proceedings and/or have issued directives. The inquiries and investigations cover test results, the emission control systems in Mercedes-Benz diesel vehicles and/or the interaction of the Company with the relevant state and federal authorities as well as related legal issues and implications, including, but not limited to, those under applicable environmental, securities and criminal and antitrust laws.

b) Diesel emission behavior – class action and other suits in USA and Canada
The use of devices that impermissibly impair the effectiveness of emission control systems in reducing nitrogen-oxide (NO_x) emissions and which are supposed to cause excessive emissions from vehicles with diesel engines is alleged in consumer class action suits in the USA and Canada and in a suit of the State of Arizona. In addition, the plaintiffs claim that consumers were deliberately misled in connection with the advertising for Mercedes-Benz diesel vehicles. Furthermore, it is alleged in one of these class action suits that Daimler had conspired with a component supplier in order to deceive U.S. supervisory authorities and consumers.

c) Antitrust proceedings (including damage suits)
Following the imposition of a fine by the European Commission against Daimler AG and other truck manufacturers in July 2016, truck customers have raised damage claims against Daimler AG.

Since July 25, 2017, several class action suits have been filed in the USA and in Canada against Daimler AG and other automobile manufacturers and several of their North American subsidiaries. The plaintiffs claim to have suffered losses because it is alleged that the defendants have engaged since the nineteen-nineties in anticompetitive behavior with regard to motor vehicle technology, costs, suppliers, markets and other anticompetitive matters, including diesel exhaust cleansing technology. On October 4, 2017, all pending U.S. class actions were centralized in one proceeding. On March 15, 2018, the plaintiffs in the U.S. class action suits expanded and consolidated their claims in two briefs, one of which was in the name of the consumers and the other in the name of the dealers.

Daimler AG already filed an application for immunity ("leniency application") some time ago with the European Commission in this connection. In the third quarter of 2018, the European Commission instituted a formal investigation into possible collusion regarding emission reduction systems.

The recognition and measurement of the provisions set up for the legal proceedings are based on discretionary assessments and assumptions by the legal representatives.

The risk for the consolidated financial statements is that provisions for legal proceedings are not set up or are inadequate.

Our Audit Approach
Our audit procedures comprised firstly an evaluation of the process established by the Company to ensure the recording, the estimation of the outcome of the proceedings and the reflection in the annual financial statements of the legal proceedings. Secondly, we held discussions with the internal legal department and with further departments familiar with the matters under dispute and the Company's external advisors and attorneys, in order to obtain explanations on the developments and the reasons that had led to the respective estimations. In addition, we reviewed the underlying documents and minutes. As of the reporting date, assessments were available from external attorneys, which support the assessment of the risks by the legal representatives.

Finally, we evaluated the appropriateness of the description of the aforementioned legal proceedings in the notes to the consolidated financial statements.

Our Observations
The discretionary assessments and assumptions are appropriate.

Other Information
The legal representatives are responsible for the other information. The other information comprises:

- the separate non-financial report included in the annual report and the corporate governance statement, and

- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

As instructed, we have performed a separate business management review of the separate non-financial statement. Please refer with regard to the nature, scope and results of this business management review to our audit opinion dated February 13, 2019.

Responsibilities of the Legal Representatives and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report
The legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e paragraph 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the legal representatives are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- conclude on the appropriateness of the use by the legal representatives of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e paragraph 1 HGB.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with (German) law, and the view of the Group's position it provides.

- perform audit procedures on the prospective information presented by the legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless laws or other legal regulations preclude public disclosure of the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on April 5, 2018. We were engaged by the supervisory board on April 26, 2018. We have been the group auditor of the Daimler AG without interruption since the financial year 1998.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Dr. Axel Thümler.

Stuttgart, February 13, 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft

Becker Wirtschaftsprüfer	Dr. Thümler Wirtschaftsprüfer

Ten-Year Summary

G.01

	2009	2010	2011	2012	2013	2014	2015	2016	2017[4]	2018
€ amounts in millions										
From the statements of income										
Revenue	78,924	97,761	106,540	114,297	117,982	129,872	149,467	153,261	164,154	**167,362**
Personnel expenses[1]	13,928	16,454	17,424	18,002	18,753	19,607	20,949	21,141	22,186	**22,432**
Research and development expenditure[2]	4,181	4,849	5,634	5,644	5,489	5,680	6,564	7,572	8,711	**9,107**
thereof capitalized	1,285	1,373	1,460	1,465	1,284	1,148	1,804	2,315	2,773	**2,526**
EBIT[1]	-1,513	7,274	8,755	8,820	10,815	10,752	13,186	12,902	14,348	**11,132**
Operating margin (%)[1]	-1.9	7.4	8.2	7.7	9.2	8.3	8.8	8.4	8.7	**6.7**
Profit (loss) before income taxes[1]	-2,298	6,628	8,449	8,116	10,139	10,173	12,744	12,574	13,967	**10,595**
Net operating profit (loss)[1]	-2,102	5,120	6,240	7,302	9,173	7,678	9,007	9,007	10,880	**7,963**
as % of net assets (RONA)[1, 3]	-6.6	17.5	19.9	19.6	22.6	18.8	20.1	19.1	22.5	**14.8**
Net profit (loss)[1]	-2,644	4,674	6,029	6,830	8,720	7,290	8,711	8,784	10,617	**7,582**
Net profit (loss) per share (€)[1]	-2.63	4.28	5.32	6.02	6.40	6.51	7.87	7.97	9.61	**6.78**
Diluted net profit (loss) per share (€)[1]	-2.63	4.28	5.31	6.02	6.40	6.51	7.87	7.97	9.61	**6.78**
Total dividend	0	1,971	2,346	2,349	2,407	2,621	3,477	3,477	3,905	**3,477**
Dividend per share (€)	0.00	1.85	2.20	2.20	2.25	2.45	3.25	3.25	3.65	**3.25**
From the statements of financial position										
Property, plant and equipment	15,965	17,593	19,180	20,599	21,779	23,182	24,322	26,381	27,981	**30,948**
Leased equipment	18,532	19,925	22,811	26,058	28,160	33,050	38,942	46,942	47,074	**49,476**
Other non-current assets[1]	40,044	41,309	45,023	48,947	48,138	56,258	62,055	67,613	73,394	**79,582**
Inventories	12,845	14,544	17,081	17,720	17,349	20,864	23,760	25,384	25,686	**29,489**
Liquid assets	9,800	10,903	9,576	10,996	11,053	9,667	9,936	10,981	12,072	**15,853**
Other current assets	31,635	31,556	34,461	38,742	42,039	46,614	58,151	65,687	69,138	**76,271**
Total assets[1]	128,821	135,830	148,132	163,062	168,518	189,635	217,166	242,988	255,345	**281,619**
Shareholders' equity[1]	31,827	37,953	41,337	39,330	43,363	44,584	54,624	59,133	65,159	**66,053**
thereof share capital	3,045	3,058	3,060	3,063	3,069	3,070	3,070	3,070	3,070	**3,070**
Equity ratio Group (%)[1]	24.7	26.5	26.3	22.7	24.3	22.1	23.6	22.9	24.0	**22.2**
Equity ratio industrial business (%)[1]	42.6	45.8	46.4	39.8	43.4	40.8	44.2	44.7	46.4	**42.8**
Non-current liabilities[1]	49,456	44,738	51,940	65,016	66,047	78,077	85,461	99,398	102,562	**117,614**
Current liabilities[1]	47,538	53,139	54,855	58,716	59,108	66,974	77,081	84,457	87,624	**97,952**
Net liquidity industrial business	7,285	11,938	11,981	11,508	13,834	16,953	18,580	19,737	16,597	**16,288**
Net assets (average)[1, 3]	31,778	29,338	31,426	37,521	40,648	40,779	44,796	47,054	48,446	**53,809**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
€ amounts in millions										
From the statements of cash flows										
Investments in property, plant and equipment	2,423	3,653	4,158	4,827	4,975	4,844	5,075	5,889	6,744	**7,534**
Depreciation and amortization	3,264	3,364	3,575	4,067	4,368	4,999	5,384	5,478	5,676	**6,305**
Cash provided by (used for) operating activities	10,961	8,544	-696	-1,100	3,285	-1,274	222	3,711	-1,652	**343**
Cash provided by (used for) investing activities	-8,950	-313	-6,537	-8,864	-6,829	-2,709	-9,722	-14,666	-9,518	**-9,921**
Cash provided by (used for) financing activities	1,057	-7,551	5,842	11,506	3,855	2,274	9,631	12,009	13,129	**13,226**
Free cash flow of the industrial business	2,706	5,432	989	1,452	4,842	5,479	3,960	3,874	2,005	**2,898**
From the stock exchanges										
Share price at year-end (€)	37.23	50.73	33.92	41.32	62.90	68.97	77.58	70.72	70.80	**45.91**
Average shares outstanding (in millions)	1,003.8	1,050.8	1,066.0	1,066.8	1,068.8	1,069.8	1,069.8	1,069.8	1,069.8	**1,069.8**
Average diluted shares outstanding (in millions)	1,003.8	1,051.5	1,067.1	1,067.1	1,069.1	1,069.8	1,069.8	1,069.8	1,069.8	**1,069.8**
Ratings										
Credit rating, long-term										
S&P	BBB+	BBB+	BBB+	A-	A-	A-	A-	A	A	**A**
Moody's	A3	A3	A3	A3	A3	A3	A3	A3	A2	**A2**
Fitch	BBB+	BBB+	A-	A-	A-	A-	A-	A-	A-	**A-**
DBRS	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)	A	**A**
Scope	–	–	–	–	–	–	–	–	A	**A**
Average annual number of employees	258,628	258,120	267,274	274,605	275,384	279,857	284,562	284,957	289,530	**298,465**

1 The figures for the year 2012 have been adjusted, primarily due to effects arising from application of the amended version of IAS 19.
2 The figure for the year 2013 has been adjusted due to reclassifications within functional costs.
3 In the context of fine tuning the performance measurement system, the definition of net assets has been adjusted with retroactive effect as of 2015.
4 Several figures for the year 2017 have been adjusted due to the effects of first-time adoption of IFRS 15 and IFRS 9.

Glossary

CASE
Four strategic fields for the future of mobility: connectivity (Connected), automated and autonomous driving (Autonomous), flexible use and services (Shared & Services), and electric drive systems (Electric).

Compliance
By the term compliance, we understand adherence to all laws, rules, regulations and voluntary commitments, as well as the related internal guidelines and policies in connection with all activities of the Daimler Group.

Consolidated Group
The consolidated Group is the total of all those companies that are included in the consolidated financial statements.

Corporate governance
The term corporate governance applies to the proper management and supervision of a company. The structure of corporate governance at Daimler AG is determined by Germany's Stock Corporation Act (AktG), Codetermination Act (MitbestG) and capital-market legislation.

Cost of capital
The cost of capital is the product of the average amount of capital employed and the cost-of-capital rate. The cost-of-capital rate is derived from the investors' required rate of return. page 78

CSR – corporate social responsibility
A collective term for the social responsibility assumed by companies, including economic, environmental and social aspects.

EBIT
Earnings before interest and taxes are the measure of operating profit before taxes. pages 85 ff

Equity method
Accounting and valuation method for shareholdings in associated companies and joint ventures.

EU30
The region EU30 includes the 28 member states of the European Union plus Norway and Switzerland.

Fair value
The amount for which an asset or liability could be exchanged in an arm's length transaction between knowledgeable and willing parties who are independent of each other.

Goodwill
Goodwill represents the excess of the cost of an acquired business over the fair values assigned to the separately identifiable assets acquired and liabilities assumed.

Hybrid drive
Hybrid drive systems combine internal-combustion engines with electric motors, which can be operated separately or together depending on the type of vehicle and driving situation.

IFRS – International Financial Reporting Standards
The IFRS are a set of standards and interpretations for companies' external accounting and financial reporting developed by an independent private-sector committee, the International Accounting Standards Board (IASB).

Integrity Code
The "Integrity Code" has been in effect since November 2012. It defines the principles of behavior and guidelines for everyday conduct that are applicable at Daimler. Fairness, responsibility and compliance with legislation are key principles in this context.

INTELLIGENT DRIVE
With this new technology from Mercedes-Benz, thanks to improved environment sensors, intelligent assistance systems analyze complex situations and recognize potential dangers in road traffic even better.

Lithium-ion batteries
They are at the heart of the current gneration of electric vehicles.Compared with conventional batteries, lithium-ion batteries are considerably smaller and feature significantly higher power density, short charging times and long lives.

NEDC – New European Driving Cycle
A measuring method used in Europe for the objective assessment of vehicles' fuel consumption, which is gradually being replaced by WLTP since September 2017.

Rating
An assessment of a company's creditworthiness issued by a rating agency.

RDE
Since September 2017, emissions of particulate matter, nitrogen oxides and other pollutants have had to be measured using mobile equipment and the Real Driving Emissions (RDE) test.
page 207

Ride hailing
The app-based provision of rides in cars driven by taxi drivers, licensed rental car drivers or private drivers.

ROE – return on equity
The profitability of Daimler Financial Services is measured by return on equity. ROE is defined as the quotient of EBIT and shareholders' equity.

ROS – return on sales
The profitability of the industrial divisions is measured by return on sales. ROS is defined as the quotient of EBIT and revenue.

Truck weight classes
Europe: up to 6 tons (light-duty)
over 6 tons (medium- and heavy-duty)
NAFTA: classes 6 and 7; 8.9-15 tons (medium-duty)
class 8; over 15 tons (heavy-duty)

Value added
Value added indicates the extent to which operating profit exceeds the cost of capital. When value added is positive, return on net assets is higher than the cost of capital.
pages 89 f

Value at risk
This measures the potential future loss (related to market value) for a given portfolio in a certain period and for which there is a certain probability that it will not be exceeded.

WLTP – Worldwide Harmonized Light Vehicles Test Procedure
A test method which, compared to the previous NEDC, considers additional factors such as higher average and top speed, more dynamic driving behavior etc. Overall, this method leads to more realistic but also higher figures for fuel consumption.

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Daimler Worldwide

G.02

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Sales Organization Automotive Businesses	Daimler Financial Services
Europe						
Production locations	16	8	3	7	–	–
Sales outlets	–	–	–	–	3,830	51
Revenue (in millions of euros)	39,239	11,435	9,922	3,268	–	11,595
Employees	126,488	36,020	22,312	16,028	–	9,365
NAFTA region						
Production locations	2	14	1	1	–	–
Sales outlets	–	–	–	–	1,433	4
Revenue (in millions of euros)	19,014	16,634	1,711	256	–	11,548
Employees	10,293	23,588	1,527	518	–	2,099
Latin America (excluding Mexico)						
Production locations	1	2	1	3	–	–
Sales outlets	–	–	–	–	661	2
Revenue (in millions of euros)	917	1,964	514	652	–	256
Employees	792	8,234	2,091	1,644	–	333
Africa						
Production locations	1	–	–	1	–	–
Sales outlets	–	–	–	–	354	1
Revenue (in millions of euros)	1,358	984	272	71	–	367
Employees	3,948	392	124	57	–	162
Asia						
Production locations	2	4	–	2	–	–
Sales outlets	–	–	–	–	2,444	10
Revenue (in millions of euros)	30,845	6,522	845	227	–	2,211
Employees	3,664	14,398	47	488	–	1,884
Australia/Oceania						
Production locations	–	–	–	–	–	–
Sales outlets	–	–	–	–	252	2
Revenue (in millions of euros)	1,593	746	355	58	–	292
Employees	251	321	109	35	–	227

Note: Unconsolidated revenue of each division (segment revenue).

Internet, Information, Financial Calendar

Information on the Internet
Specific information on our shares and earnings development can be found on our website daimler.com in the "Investors" section. The Group's annual and interim reports and the company financial statements of Daimler AG can be accessed there. You can also find topical reports, presentations, an overview of various key figures, information on our share price and other services.
daimler.com/investors

Publications for our shareholders:

Annual Report
(German, English)

Interim Reports for the 1st, 2nd and 3rd quarters
(German, English)

The aforementioned publications can be requested from:
Daimler AG,
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order.print@daimler.com

daimler.com/ir/reports
daimler.com/downloads/en

Financial Calendar 2019:

Interim Report Q1 2019
April 26, 2019

Annual Shareholders' Meeting 2019
May 22, 2019

Interim Report Q2 2019
July 24, 2019

Interim Report Q3 2019
October 24, 2019

As changes to the above dates cannot be ruled out, it is advisable to check on our website a short time in advance.
daimler.com/ir/calendar

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