

DAIMLER



MOVE  
PERFORM  
TRANSFORM

Annual Report 2019

# Key Figures

## Daimler Group

	2019	2018	19/18
€ amounts in millions			% change
Revenue	<b>172,745</b>	167,362	+3 <sup>1</sup>
Investment in property, plant and equipment	<b>7,199</b>	7,534	-4
Research and development expenditure	<b>9,662</b>	9,107	+6
Free cash flow of the industrial business	<b>1,368</b>	2,898	-53
EBIT	<b>4,329</b>	11,132	-61
Net profit	<b>2,709</b>	7,582	-64
Earnings per share (in €)	<b>2.22</b>	6.78	-67
Dividend per share (in €)	<b>0.90</b>	3.25	-72
Employees (December 31)	<b>298,655</b>	298,683	-0

<sup>1</sup> Adjusted for the effects of currency translation, revenue increased by 2%.



### Cover photo

VISION EQS provides a preview of future large electric luxury sedans. With this vehicle, Mercedes-Benz is making a clear statement for the continued appeal of high-quality vehicles and self-determined driving. We are convinced that perfect craftsmanship, emotive design, luxurious materials and individual driving pleasure will remain desirable in the future. Because the idea of luxury – today and in the future – stands above all for personal freedom. With the VISION EQS technology carrier, Mercedes-Benz is focusing on a completely new, fully variable battery-electric drive platform. It is scalable in many respects and can be used across many models. Thanks to the modular system, wheelbase and track width as well as all other system components, especially the batteries, are variable and thus suitable for a broad range of vehicle concepts.

# The Divisions and Brands

	2019	2018	2017	19/18
€ amounts in millions				% change
<b>Mercedes-Benz Cars</b>				
Revenue	93,877	93,103	94,351 <sup>1</sup>	+1
EBIT	3,359	7,216	8,843 <sup>1</sup>	-53
Return on sales (in %)	3.6	7.8	9.4 <sup>1</sup>	.
Investment in property, plant and equipment	5,629	5,684	4,843	-1
Research and development expenditure thereof capitalized	7,518 2,904	6,962 2,269	6,642 2,388	+8 +28
Unit sales	2,385,432	2,382,791	2,373,527	+0
Employees (December 31)	152,048	151,316 <sup>2</sup>	142,666	+0
<b>Daimler Trucks</b>				
Revenue	40,235	38,273	35,755 <sup>1</sup>	+5
EBIT	2,463	2,753	2,383 <sup>1</sup>	-11
Return on sales (in %)	6.1	7.2	6.7	.
Investment in property, plant and equipment	971	1,105	1,028	-12
Research and development expenditure thereof capitalized	1,490 53	1,295 40	1,322 45	+15 +33
Unit sales	488,521	517,335	470,705	-6
Employees (December 31)	83,437	82,676 <sup>2</sup>	79,483	+1
<b>Mercedes-Benz Vans</b>				
Revenue	14,801	13,626	13,161 <sup>1</sup>	+9
EBIT	-3,085	312	1,147 <sup>1</sup>	.
Return on sales (in %)	-20.8	2.3	8.7 <sup>1</sup>	.
Investment in property, plant and equipment	240	468	710	-49
Research and development expenditure thereof capitalized	543 96	666 176	565 310	-18 -45
Unit sales	438,386	421,401	401,025	+4
Employees (December 31)	21,346	21,810 <sup>2</sup>	25,255	-2
<b>Daimler Buses</b>				
Revenue	4,733	4,529	4,524 <sup>1</sup>	+5
EBIT	283	265	281 <sup>1</sup>	+7
Return on sales (in %)	6.0	5.9	6.2 <sup>1</sup>	.
Investment in property, plant and equipment	134	144	94	-7
Research and development expenditure thereof capitalized	203 23	199 41	194 30	+2 -44
Unit sales	32,612	30,888	28,676	+6
Employees (December 31)	17,960	17,729 <sup>2</sup>	18,292	+1
<b>Daimler Mobility</b>				
Revenue	28,646	26,269	24,530 <sup>1,3</sup>	+9
EBIT	2,140	1,384	1,970	+55
Return on equity (in %)	15.3	11.1	17.7	.
New business	74,377	71,927	70,721	+3
Contract volume	162,843	154,072	139,907	+6
Investment in property, plant and equipment	87	64	43	+36
Employees (December 31)	12,680	14,070	13,012	-10

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 Adjustment of the number of employees in 2018 due to changes in the Group's internal allocation of employees.

3 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.

# Our Brands

Daimler AG is one of the world's most successful automotive companies. With its Mercedes-Benz Cars & Vans, Daimler Trucks & Buses and Daimler Mobility divisions, the Group is one of the leading global suppliers of premium cars and one of the world's largest manufacturer of commercial vehicles. Daimler Mobility offers financing, leasing, fleet management, investments, credit card and insurance brokerage, as well as innovative mobility services. For more information: [daimler.com](http://daimler.com)

		MAYBACH
	Mercedes <i>me</i>	
	 FUSO	 WESTERN STAR
	 BHARATBENZ	
Mercedes-Benz Bank	Mercedes-Benz Financial Services	
		





**MOVE  
PERFORM  
TRANSFORM**



# Daimler is on the move.

We are moving so that in the future we can continue to move the world as a leading provider of sustainable mobility.

In everything we do, we focus on our customers' wishes.

- Through a sustainable business strategy that is based on integrity and compliance and focuses on people and the conservation of our natural resources.
- Through profitable growth that safeguards our investments in the future of mobility.
- Through a new corporate structure that makes us more flexible and brings our business operations closer to our customers.
- And through a corporate culture that creates free space for creative ideas and reinforces our company's innovative strength.

That's the foundation of our success. And that's why we offer outstanding prospects to our investors, partners, and employees as well.





# SUSTAIN

Our strategy  
for the future

Sustainable mobility products and services, CO<sub>2</sub> reduction, and cutbacks in our use of resources are highly topical social policy demands – and at Daimler they are key elements of our new sustainable business strategy. We accept responsibility for the economic, environmental, and social effects of our business operations, with the goal of creating value over the long term for all of our stakeholders.



An aerial, high-angle photograph of a silver car driving across a concrete bridge. The bridge spans a wide, turbulent river with white-water rapids. The surrounding landscape is rocky and green. The word 'SUSTAINABLE' is overlaid in large, white, sans-serif capital letters at the bottom of the image.

# SUSTAINABLE

That's why Daimler is pressing ahead with sustainable solutions for individual mobility and the transportation of tomorrow. We're taking this course so that we can stay on track for success in the future as well. Accordingly, six sustainability-related themes complement our traditional strategy areas. The spectrum ranges from climate protection and maintaining air quality to resource conservation, livable cities and traffic safety, the responsible use of data, and the promotion of human rights along the value chain.





# ELECTR

Our electric  
drives in  
all segments

CO<sub>2</sub>-neutral mobility is our commitment and our challenge. To supplement its combustion engine vehicles, today Daimler already offers an extensive portfolio of electrically powered cars, vans, trucks, and buses, as well as complementary mobility services. We are massively expanding this range of products and services and making it even more attractive, with increased profitability, comfort, and driving pleasure, longer ranges, and an optimized charging infrastructure.





# IFIED

The path to emission-free mobility is clearly defined in all of our business divisions. After the production launch of our EQ technology brand, we want to continue expanding our range of battery-electric cars and hybrid vehicles, as well as our battery production, step by step. Our van unit is also systematically electrifying its model range. And we are forging ahead with the comprehensive electrification of our truck and bus brands. The fuel cell also continues to be part of our Group-wide drive system strategy.

# INDIVIDUAL



Our exclusive  
mobility has  
potential

Building the world's best vehicles and thrilling customers with sustainable luxury – that's what energizes us. We believe that our customers, especially those in the premium segment, still want to own private vehicles. That's why individual mobility will remain a central principle of Daimler's business operations in the foreseeable future. In parallel, we will fulfill the growing need for flexible mobility on demand by offering innovative usage models.



# QUAL



That's why we are expanding our range of premium cars. This market will continue to grow in the medium and long terms, with the luxury segment expected to expand faster than the other segments. China and the rest of Asia will primarily lead this growth, but the increasing prosperity of Europe and the United States will also play a role. We intend to take full advantage of this potential through our fascinating premium vehicles of the Mercedes-Benz brand, the performance brand Mercedes-AMG, and the Mercedes-Maybach luxury brand.



# AUTONOMIC

Our pioneering work on automated trucks

Automated vehicles offer wide-ranging opportunities for society and business. For example, in the future highly automated trucks (SAE Level 4) can enhance traffic safety, efficiency, and productivity. This technological leap will enable Hub2Hub operations, primarily on US highways. The fully automated connection between logistics centers is a promising business model for US freight companies – and for Daimler Trucks.





# OMMOUS

That's why we're intensifying our efforts in the area of automated driving. In the Daimler Trucks Autonomous Technology Group we consolidate global expertise and activities related to autonomous trucks as we steadily approach series production. For this purpose we have acquired a majority interest in Torc Robotics, a pioneering company in the field of autonomous driving systems. Together, we are already developing and testing this Level 4 technology on highways in the United States.



# DIGITAL



Our claim to  
leadership in the  
digital world

At our company, intelligently networked products and processes are the levers ensuring continued customer orientation, profitability, and efficiency. Digital platforms and virtual assistants are increasingly becoming part of work environments and daily lives – including those of our customers. Digital products and services are therefore a central interface with our customers. Daimler will continue to intensively press forward with digitalization, with the goal of maintaining our position as a leading vehicle manufacturer.



Through its digital services, Daimler is creating tangible value added for its customers in all of its business divisions. In the process, Daimler's own offers can be seamlessly integrated with external services. Our own operating systems give us optimal access to customers. We intend to use this access to make sure that customer and vehicle data is handled responsibly.



A woman with long brown hair, wearing a blue long-sleeved dress, is seen from the side, looking towards the front of a dark-colored car. The car's headlight and grille are visible in the foreground. The background consists of diagonal lines in shades of blue and grey, creating a sense of depth and movement.

# FASCINATING

Our focus is on  
our customers

With the sustainable modern luxury of our premium cars, we aim to thrill and win over customers – all over the world. In the latest “Best Global Brands 2019” ranking of the Interbrand consulting firm, Mercedes-Benz is the world’s Number One premium brand in the automobile sector and one of the world’s most valuable brands. In order to keep Daimler in the lead, we are particularly strengthening the emotional connection with our customers and aligning ourselves even more closely with their wishes – by offering a fascinating, future-oriented portfolio of cars, vans, trucks, buses, and mobility services.



# ATING

We address our customers' varied needs and possibilities by offering them customized products and services. Outstanding customer experiences and customer utility are always our top priorities. We offer special Mercedes-Benz moments and technologies that spark emotions in our private car drivers and support the success of our commercial customers. Our customer focus is also reinforced by our organization in three independent units – Mercedes-Benz AG, Daimler Truck AG, and Daimler Mobility AG.

# PROFITABILITY



Our goal:  
boosting our  
performance

Profitability is the key to long-term success. And individual mobility and transportation will continue to be Daimler's growth drivers over the long term. At the same time, we are positioning ourselves with a clear-cut strategy for the transformation of the automotive industry: through investments in electric mobility, digital platforms, autonomous driving, and new services. This is necessary, but it will initially put pressure on our financial results.





Nonetheless, we're focusing on our goal and we want to continue being profitable in the future. That's why we're counteracting the pressure by means of comprehensive cost reduction and efficiency-enhancing measures in all areas of the company. This is the only way that Daimler can once again earn attractive returns in the medium term and fulfill the high expectations of its investors, business partners, and employees.

# GROWTH



Our presence  
in important  
markets

Daimler is pursuing the aim of reinforcing and expanding its leading positions in all of its business divisions. Through sales of our premium cars, we want to participate in the continuously growing luxury segment in Asia as well as the United States and Europe. China is not only the world's biggest car market but also a significant market for new technologies and an important purchasing market. We plan to continue growing in China together with our local partners and to intensify our cooperation with them.





In all other segments as well, Daimler is setting its course for further regional growth. The van unit plans to grow in North America in particular, and Daimler Trucks aims to expand in Europe, NAFTA, Japan, and Latin America. As the market leader in our most important traditional core markets for buses with a gross vehicle weight over eight tons, we want to safeguard the market position and develop our business in the NAFTA region. Our leasing, financing, and insurance services support these growth strategies by promoting our customers' loyalty and their connection with Daimler.





# COOPER

Maximizing  
our power

Throughout the Group, we are creating pioneering solutions that will shape the individual mobility and transportation of tomorrow. In the future, additional crucial factors for developing the best products will be optimal access to new technologies, global expertise, and the efficient use of capital. In some situations, cooperation with partners will be a key factor for Daimler and for the entire automotive industry – enabling faster market launches and the profitable application of technically complex innovations.





For example, Daimler and BMW are pooling valuable know-how and resources in the development of driving assistance systems, automated driving functions on highways, and automated parking functions of the next technology generation, as well as in the YOUR NOW joint venture for mobility services. Together with our Chinese joint venture partner Geely, we are developing our smart cars into an all-electric fleet. And in our joint venture IONITY, we are expanding the comfortable and digitally payable high-power charging network for electric vehicles on European highways.



# CULTURE



We are driving  
the new era of  
mobility

Daimler relies on the strong motivation of its workforce and promotes its diversity and integrity. That's because tolerance, openness, trust, and fairness make globally operating work teams strong. Integrity is a fundamental value of our corporate culture, not only in dynamically changing times. It's a compass for all of our employees. In addition, our compliance systems for data and technologies offer support and orientation as we develop innovative products and services.



To speed up its pace of innovation, Daimler is implementing new leadership principles and working methods through the Leadership 20X program. And with initiatives such as Lab1886 and the Startup Autobahn we can put new business models into practice even faster than before. We are also enabling our employees to use the options offered by digitalization and implement digital solutions faster. Our state-of-the-art office environments support their agile cooperation through connectivity, communication, and collaboration.



# A




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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

# INTERV

## Ten Questions for the CEO and CFO

Ola Källenius and Harald Wilhelm  
on the 2019 financial year and Daimler's  
sustainable business strategy

“2019 was a challenging  
year in many ways.  
But it was also a year in  
which we set our course  
for a sustainable future.”

**Ola Källenius**

Chairman of the Board of Management (CEO),  
Chairman of the Board of Management  
of Mercedes-Benz AG  
(on the right)

**Harald Wilhelm**

Finance & Controlling (CFO),  
Daimler Mobility  
(on the left)









### How would you summarize the 2019 financial year?

**Ola Källenius:** Last year shows us that the transformation is in full swing at Daimler. We have set the course for the decade – and taken the first important steps. Overall, 2019 was marked by material adjustments and a stable core business. We were able to maintain the Group's unit sales at the strong prior-year level. But 2019 was challenging for Daimler in financial terms.

**Harald Wilhelm:** We cannot be satisfied with the development of EBIT and free cash flow in the past year, even though they include a number of special items. The transformation that the Group and the entire automotive industry are going through is also reflected in our figures. The transition to CO<sub>2</sub>-neutral mobility involves high investments and initially higher product costs. But the changes ahead of us also open up many opportunities, and we intend to make the most of them. We have clearly defined a roadmap to ensure the required financial strength.

### What were your highlights last year?

**Ola Källenius:** For me, first of all the products. At Mercedes-Benz, we set standards with new compact cars and SUVs. In addition, the market launch of the EQC, the launch of numerous new plug-in hybrids and our presence at the Frankfurt Motor Show: Our way forward is sustainable modern luxury. We also made progress with the electrification of our trucks, vans and buses. The latest example of that is the start of series production of the eSprinter. Electrification is a key element of our sustainable business strategy, which we formulated in 2019. It promises sustainable action in a wide range of areas – from CO<sub>2</sub> reductions and compliance with environmental regulations to data protection and respect for human rights.

**Harald Wilhelm:** In addition to these business highlights, it was above all exciting to get to know the company after I started at Daimler last year. I gained a positive impression: We not only have strong products, we also have a very committed team. That's why I'm convinced that we will achieve what we have set out to do.

### What does that mean for Mercedes-Benz in terms of climate protection?

**Ola Källenius:** We have defined those goals under the heading of "Ambition 2039." In ten years' time, we aim to achieve more than half of our car unit sales with plug-in hybrids or all-electric vehicles. By 2039, our new car fleet is to be CO<sub>2</sub>-neutral. In the coming years, the focus will be on battery electric drive. But it's not possible today to predict with certainty the technology that will best serve the customer needs of tomorrow and the day after. We therefore remain open for all types of drive systems. Our production is also gradually

becoming CO<sub>2</sub>-neutral. Our holistic approach also includes the recycling of raw materials, so we are evolving from the value chain and towards a value cycle. In addition, we are promoting sustainability among our business partners and suppliers, for example through new contract-award criteria.

**Commercial vehicles constitute an important part of Daimler's business. What does our path to sustainable transportation look like?**

**Ola Källenius:** We are already a pioneer for electric mobility with our trucks, vans and buses. In less than two years, we will have battery-electric modes in our portfolio in all our core regions. They will be followed by series-produced vehicles with hydrogen drive by the end of the 2020s. And by 2039, we intend to offer CO<sub>2</sub>-neutral new vehicles in all segments in our major markets. Our goal is CO<sub>2</sub>-neutral transportation by 2050. But even in many years' time, electric trucks and buses will still cost more than diesel models. A supportive framework is needed to make electric mobility more lucrative also for commercial customers.

**Looking ahead, what are the biggest challenges for Daimler?**

**Ola Källenius:** In the medium to long term, we anticipate a positive growth trend in the automotive markets. At the same time, we experience high volatility in the geopolitical and macro-political environment on a daily basis. So we have to be able to react quickly and in the best possible way. But we are in a good position to help shape a lot of these developments. We have worked out a systematic product plan to comply with CO<sub>2</sub> regulations in Europe. For future technologies and business models, the customer requirement will remain a core aspect. And we have introduced measures to safeguard our profitability during the transition to climate-neutral mobility.

**How exactly is efficiency to be increased at Daimler?**

**Harald Wilhelm:** Our cost structure has to be improved sustainably. That's why everything is being put to the test. We want to reduce material costs significantly. Personnel costs are to be reduced by 1.4 billion euros by 2022. And we are also going to make savings in administrative costs. At the same time, we are systematically prioritizing our investments. In the longer term, for example, we are reducing the complexity of our vehicle architectures, reviewing our product portfolio and focusing on the most profitable technologies. The key factor here is speed. We want to achieve tangible effects as soon as possible.









**What does the future of mobility look like for Daimler?**

**Ola Källenius:** Our business model will be based on vehicles that enable individual mobility in a sustainable way. Making one's own Mercedes even more attractive with a whole range of services. Digitization and connectivity will open up many opportunities for us. China is a key seismograph for new trends also in this area.

**Harald Wilhelm:** We are making customers' access to our vehicles even easier and more convenient, from digital purchasing to flexible use, offering mobility "from years to minutes" for example. Our mobility services are one component of all this. In this area, we joined forces with BMW last year. Now it's a matter of continuing our growth and making our business sustainably profitable, and we will prioritize our resources for this purpose.

**And what do the next steps for autonomous driving look like?**

**Ola Källenius:** It's important to deliver applications that are attractive for our customers and profitable for us. With cars, the focus is initially on automated driving for certain distances on highways. We are therefore joining forces with partners, which will enable us to share costs and accelerate innovation. With fully automated driving, we see the most promising applications first for trucks – to be followed by cars.

**Which attitude is needed to implement all of these targets successfully?**

**Ola Källenius:** We need courage and determination, openness and enthusiasm. All our colleagues are involved in determining how we work together. We have significantly developed our corporate culture in recent years, and we want to build on that.

**What plans do you have for the coming years?**

**Harald Wilhelm:** To justify the trust that our shareholders place in us. We will do everything in our power to deliver what we have promised: high financial strength through sustainable efficiency.

**Ola Källenius:** There are many good reasons to look ahead with confidence. Demand for mobility is increasing. We will continue utilizing this growth potential. We have everything it takes – strong brands and products, the best minds and the right strategy.



# BOARD OF M



**Hubertus Troska | 59**  
Greater China,  
appointed until December 2025

**Wilfried Porth | 61**  
Human Resources and Director  
of Labor Relations,  
Mercedes-Benz Vans,  
appointed until April 2022

**Britta Seeger | 50**  
Mercedes-Benz Cars Marketing  
and Sales,  
appointed until December 2024

**Martin Daum | 60**  
Daimler Trucks & Buses,  
Chairman of the Board of  
Management of Daimler Truck AG,  
appointed until February 2022

We aim to achieve  
CO<sub>2</sub>-neutral, flexible and digitized  
production at all our plants.



# MANAGEMENT



**Renata Jungo Brüngger | 58**  
Integrity and Legal Affairs,  
appointed until December 2023

**Ola Källenius | 50**  
Chairman of the Board of Management,  
Chairman of the Board of Management of Mercedes-Benz AG,  
appointed until May 2024

**Harald Wilhelm | 53**  
Finance & Controlling,  
Daimler Mobility,  
appointed until March 2022

**Markus Schäfer | 54**  
Group Research &  
Mercedes-Benz Cars Development,  
appointed until May 2024

Factory 56 is one of the world's most advanced automobile production facilities. The new assembly hall at the Mercedes-Benz plant in Sindelfingen uses energy from renewable sources and was planned to be CO<sub>2</sub>-neutral right from the start. This car factory of the future applies innovative technologies and processes in the production of our vehicles and creates a modern working environment that takes individual needs into account.

# Report of the Supervisory Board

Dear Shareholders, Mobility and the automotive industry are changing fundamentally. The three main technological areas of activity – electrification, automation and connectivity – are accompanied by new mobility services, regulations for decarbonization and traffic reduction, and global trade conflicts. Daimler aims to shape this transformation in a sustainable manner and to assume social, economic and environmental responsibility. With a consistent commitment to CO<sub>2</sub>-neutral mobility, the company is setting the course for a successful future.

## **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 2019.

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, 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 the finance and investment planning, this also included cooperation plans, 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, such as the measures for implementation of the new, sustainable business strategy including "Ambition 2039," in which the Group expresses its commitment to CO<sub>2</sub>-neutral mobility. Finally, the Board of Management regularly reported to the Supervisory Board on the current status of implementation of "Project Future" for the further development of the corporate structure at Daimler.

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, and the economic and political environment, as well as on the cur-

rent status and 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.

## **Working culture and areas of Supervisory Board activity**

In the year 2019, the Supervisory Board convened for eight 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 aid 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 also intensively supported by its committees. In the meetings of the Supervisory Board, its members discussed the measures and business matters to be decided upon in detail with the Board of Management. Executive sessions were regularly arranged for the meetings so that topics could be discussed also in the absence of the Board of Management.

Outside the regular meetings, the Supervisory Board was informed about special events. In addition, the members of the Supervisory Board and of the Board of Management came together for bilateral exchanges of opinions. The Board of Man-





**Dr. Manfred Bischoff, Chairman of the Supervisory Board**

agement informed the Supervisory Board also with written reports about the most important indicators of business development and existing risks.

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 February 5, 2019, 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 2018 and the dividend proposal to be made at the 2019 Annual Shareholders' Meeting. The Supervisory Board determined that no objections were to be raised to their publication. The preliminary key figures for the year 2018 and the proposal on the appropriation of profit were announced at the Annual Press Conference on February 6, 2019.

In the Supervisory Board meeting held on February 13, 2019, the Supervisory Board decided to appoint Harald Wilhelm as a member of the Board of Management of Daimler AG for a period of three years as of April 1, 2019. Bodo Uebber stepped down from the Board of Management of Daimler AG with effect as of the end of the 2019 Annual Shareholders' Meeting. At that time, Harald Wilhelm took over Board of Management responsibility for "Finance & Controlling/Daimler Financial Services," which is now called "Finance & Controlling/Daimler Mobility" in line with the renaming of "Daimler Financial Services" as "Daimler Mobility." Furthermore, the Supervisory

Board decided to reappoint Britta Seeger as a member of the Board of Management of Daimler AG with responsibility for "Mercedes-Benz Cars Marketing and Sales for a further five years as of January 1, 2020. 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 2018, 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 nonfinancial 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 had been 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 2018. 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.

Also in its meeting on February 13, 2019, the Supervisory Board discussed the results of the efficiency review carried out in 2018, which once again 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 implemented. The Supervisory Board also 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 of other boards and further external secondary activities of the members of the Board of Management that were presented in the meeting. In addition, the Supervisory Board discussed the status of the spin-off documentation required to strengthen the divisional structure by forming legally independent entities in the context of "Project Future." Finally, the Supervisory Board received detailed reports on current legal issues, among other things with regard to the antitrust proceedings of the European Commission against three German car manufacturers concerning possible restrictions of competition with exhaust-gas cleaning technologies, as well as with regard to requests for information, inquiries, investigations, administrative orders and proceedings relating to diesel exhaust emissions.

In its meeting on March 22, 2019, the Supervisory Board approved a number of measures for which its consent was required. These included in particular a cooperation project between Zhejiang Geely Holding Group (Geely Holding) and Daimler to further develop smart as a leading brand for electric mobility, as well as the acquisition of a majority interest in the US company Torc Robotics, a pioneer in the field of autonomous driving. Furthermore, the Supervisory Board again dealt in detail with the spin-off documentation for "Project Future" that was to be submitted to the Annual Shareholders' Meeting and was informed about the further development of the Group-wide code of conduct in the context of an integrity update. Finally, the Supervisory Board approved its proposed resolutions on the items of the agenda for the 2019 Annual Shareholders' Meeting.

The Supervisory Board convened for another meeting in late April 2019. One focus of this meeting was dealing with the sustainable business strategy, in particular "Ambition 2039", which was presented by the Board of Management. The Supervisory Board was also informed about the status of the HERE cooperation and the battery-cell strategy. Finally, the Supervisory Board also dealt with current legal issues and with compliance measures in this context, especially relating to the requests for information, inquiries, investigations, administrative orders and proceedings relating to diesel exhaust emissions. In addition, the Supervisory Board was informed about the statement of objections from the European Commission concerning possible restrictions of competition with exhaust-gas cleaning technologies and the results of the ongoing investigation of this case by an independent law firm. It also dealt with the question of whether, in connection with the concluded 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.

At the Annual Shareholders' Meeting held on May 22, 2019, the candidates proposed by the Supervisory Board, Joe Kaeser and Dr. Bernd Pischetsrieder, were reelected as members of the Supervisory Board representing the shareholders. In the Supervisory Board meeting held straight after the Annual Shareholders' Meeting, the members of the Supervisory Board representing the shareholders reelected Joe Kaeser as a member of the Audit Committee. Furthermore, the Supervisory Board decided to have a voluntary review conducted of the contents of the 2019 non-financial report by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, within the framework of a limited assurance engagement.

In a meeting in late July 2019, the Supervisory Board approved a series of capital measures at Group companies and resolved to amend its rules of procedure for the start of the new corporate structure at the beginning of November 2019. In addition, the Supervisory Board discussed in detail with the Board of Management the course of business and the results of the first half of the year, in which there had been two adjustments of the earnings guidance for the full year. The Supervisory Board also received detailed reports on current legal issues, including requests for information, inquiries, investigations, administrative orders and proceedings relating to diesel exhaust emissions, including the proceedings of the Stuttgart District Attorney's Office. Against the backdrop of the complexity of the emissions- and antitrust related proceedings and with regard to the efficient organization of the Supervisory Board's work, the Supervisory Board resolved to establish a Supervisory Board Committee for Legal Affairs until further notice. This committee coordinates the exercise of the rights and duties of the Supervisory Board with regard to the aforementioned legal issues, prepares the resolutions of the Supervisory Board and makes appropriate recommendations for resolutions. The committee consists of six members elected by the members of the Supervisory Board by a majority of the votes cast and is composed on a parity basis. The members of the committee elect a committee chairman and a deputy committee chairman from among their number. The chairman of the committee is Dr. Clemens Börsig and its deputy chairman is Michael Brecht. Other members of the committee are Dr. Manfred Bischoff and Marie Wieck as shareholder representatives and Michael Häberle and Sibylle Wankel as employee representatives.

In a subsequent joint meeting of the Supervisory Board and the Advisory Board for Integrity and Corporate Responsibility, the participants discussed the integration of sustainability and integrity into Daimler Group strategy and the day-to-day business.

#### **Strategy meeting of the Supervisory Board**

On the first day of the two-day strategy workshop in Sindelfingen at the end of September, after careful and intensive discussion of the relevant aspects and considering the relevant reasons and taking into account the best interests of the Company, and after receiving a positive recommendation for a resolution from the Supervisory Board Committee for Legal Affairs, the Supervisory Board approved the decision of the Board of Management not to appeal against the fine imposed by the Stuttgart District Attorney's Office on September 24, 2019 for negligent violation of supervisory duties during vehicle certification in connection with deviations from regulatory requirements for certain Mercedes-Benz vehicles. In preparing its decision, the Supervisory Board had obtained an expert opin-



ion from an independent law firm. Both the Supervisory Board and the Management Board are of the opinion that the conclusion of the fine proceedings was in the interest of the Company. In this meeting, the Supervisory Board also approved a capital contribution at the Chinese joint-venture company Beijing Benz Automotive Co, Ltd. for the realization of two vehicle projects.

The focus of the strategy workshop was on the strategies for the period until 2030 of Mercedes-Benz AG, Daimler Truck AG and Daimler Mobility AG, and in particular on the “Move Programs” as a holistic approach for the required transformation, and on the “Move Performance Programs” for the improvement of cost structures. The Supervisory Board discussed in detail the goals and the strategic areas for action of the individual divisions. The Supervisory Board dealt with the electrification of vehicle fleets, the further development of fuel-cell technology and autonomous driving. Various vehicle exhibits were also presented. With the involvement of the executives responsible for the topics presented, the members of the Supervisory Board and the Board of Management discussed in a constructive and open dialog how Daimler will prepare for new challenges and which further developments lie ahead. The changing competitive environment was also discussed. The Supervisory Board also discussed the key financial figures and the targets for the Group and the divisions.

#### **Meeting on operational planning 2020/2021**

In the meeting held on December 12, 2019, the Supervisory Board discussed business activities in China, in particular the political and economic aspects of expanding the Group’s presence in China and the significant Chinese investments in our Company. It also dealt with the report of the Board of Management on the development of current acquisitions and cooperations. During the further course of the meeting, on the basis of comprehensive documentation, the Supervisory Board discussed and approved the operational planning for the years 2020 and 2021, and in this context discussed existing opportunities and risks.

Furthermore, the Supervisory Board was informed about current legal issues, also with regard to the requests for information, inquiries, investigations, administrative orders and proceedings relating to diesel exhaust emissions. Once again, it also dealt with the question of whether any claims for compensation were to be made against former or present members of the Board of Management in connection with the concluded antitrust proceedings against truck manufacturers by the European Commission. In addition, the Supervisory Board dealt with the results of the ongoing investigations in connection with the European Commission’s antitrust proceedings concerning possible restrictions of competition with exhaust-gas cleaning technologies. The Supervisory Board decided to discuss the further procedure on the antitrust matters again in February 2020, with due consideration of further developments.

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 fulfillment of the qualification profiles for the Board of Management and the Supervisory Board. Furthermore, the Supervisory Board looked ahead to the main topics for the 2020 financial year. Finally, it dealt in this meeting with the further development of the Board of Management remuneration system, on the basis of preparations by the Presidential Committee.

Details of the system of Board of Management remuneration and changes to the annual bonus are presented in the remuneration report on [pages 108 ff](#) of this Annual Report.

#### **Corporate governance and declaration of compliance**

During the year 2019, the Supervisory Board was continually occupied with standards of good corporate governance.

In September 2019, the Supervisory Board resolved to update the declaration of compliance with the German Corporate Governance Code due to one of its members taking on another supervisory board position at Mercedes-Benz AG and the resulting exceeding of the maximum number of three supervisory board positions recommended by the Code for members of the boards of management of listed companies. For the purpose of regulating its rules of procedure, which reflect the Code’s recommendation regarding the maximum number of supervisory positions held by members of the boards of management of listed companies, the Supervisory Board has decided, until further notice, not to consider dual positions of members of the Supervisory Board of Daimler AG in other supervisory boards within the Daimler Group. In its meeting in December 2019, the Supervisory Board approved the 2019 declaration of compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG). With the exceptions explained there, all recommendations of the Code have been 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 2019. 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 2019. Dr. Bernd Pischetsrieder and Dr. Jürgen Hambrecht left the room during several 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.

#### **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, 2019, 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 February 19, 2020, the Supervisory Board discussed the specific proposals for the candidate to be elected at the 2019 Annual Shareholders' Meeting and decided, upon the recommendation of the Nomination Committee, to propose at the 2020 Annual Shareholders' Meeting that, Timotheus Höttges, Chairman of the Board of Management of Deutsche Telekom AG, be elected to the Supervisory Board. If the proposed candidate is 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. As of December 31, 2019, two women are members of the Board of Management: Renata Jungo Brüngger and Britta Seeger; the proportion of women is therefore 25% as of that date.

Corporate governance at Daimler is described in detail in the declaration on corporate governance combined with the corporate governance report on [pages 185 ff](#) and in the remuneration report on [pages 108 ff](#) of this Annual Report.

#### The work of the committees

The **Presidential Committee** convened in the past financial year for eight meetings, which were partially held in the form of conference calls. It dealt in particular with personnel matters and succession planning for the composition of the Board of Management. In addition, the Presidential Committee dealt with the acceptance by members of the Board of Management of board positions at other companies and institutions, with corporate governance topics and with matters of remuneration. Details of the remuneration of the Board of Management are presented in the remuneration report on [pages 108 ff](#)

The **Audit Committee** met six times in 2019. Details of those meetings are provided in a separate report of that committee on [pages 182 ff](#)

The **Committee for Legal Affairs** held five meetings in 2019, including its inaugural meeting. At these meetings, it received detailed information on legal matters concerning emissions and antitrust law, as well as the related further development of the compliance system, and discussed those matters in the presence of the Supervisory Board's legal advisors. The Committee regularly reports to the Supervisory Board on its work and in two cases, after discussing and considering the relevant aspects and taking into account the best interests of the Company, made recommendations to the Supervisory Board for resolutions. This concerned, on the one hand, the resolution of the Supervisory Board of September 24, 2019 to approve the decision of the Board of Management not to appeal against the fine imposed by the Stuttgart District Attorney's Office. On the other hand, it concerned the resolution of the Supervisory Board of December 12, 2019 regarding legal matters relating to antitrust law.

The **Nomination Committee** convened for one meeting in 2019. The Committee dealt in particular with the recommendation for the Supervisory Board's proposal to be made at the Annual Shareholders' Meeting in 2020 on the candidate for election to the Supervisory Board. Among other things, and taking into consideration all circumstances of each individual case, the proposal is oriented towards the Daimler Group's interests and aims to fulfill the overall qualification profile for the entire Supervisory Board, including expertise profile and diversity concept.

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

#### Changes in the Supervisory Board and the Board of Management

Following the proposal of the Supervisory Board, the Annual Shareholders' Meeting on May 22, 2019 reelected Joe Kaeser und Dr. Bernd Pischetsrieder 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 2023.

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 resigned from the Board of Management of Daimler AG with effect as of the end of the Annual Meeting 2019. At the same time, Harald Wilhelm took over the responsibility for "Finance & Controlling/Daimler Financial Services," which is now called "Finance & Controlling/Daimler Mobility." 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.

In accordance with the resolution of the Supervisory Board of September 2018, Ola Källenius was reappointed as the Chairman of the Board of Management, responsible for Mercedes-Benz Cars, for a new period of office of five years starting at the end of the Annual Shareholders' Meeting on May 22, 2019, after Dr. Dieter Zetsche had resigned as a member of the Board of Management of Daimler AG and Head of Mercedes-Benz Cars in consultation with the Supervisory Board effective at the same time. Also by resolution of the Supervisory Board of September 2018, Markus Schäfer was appointed as successor to Ola Källenius as a member of the Board of Management of Daimler AG with responsibility for "Group Research and Mercedes-Benz Cars Development" starting at the end of the Annual Shareholders' Meeting on May 22, 2019.

In the Supervisory Board meeting on February 19, 2020, Hubertus Troska was appointed as a member of the Board of Management of Daimler AG with responsibility for "Greater China" for a period of a further five years effective as of January 1st, 2021. In addition, the members of the Supervisory Board representing the shareholders decided, on the basis of a recommendation by the Nomination Committee, to propose the election to the Supervisory Board of Timotheus Höttges at the Annual Shareholders' Meeting in 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 2019 were duly audited by KPMG AG, Wirtschaftsprüfungsgesellschaft, Berlin, and were given an unqualified audit opinion. The same applies to the consolidated financial statements for 2019 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 2019 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 10, 2020 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 2019 and the proposal on the appropriation of profit to be made at the 2020 Annual Shareholders' Meeting. The Supervisory Board determined that no objections were to be made to their publication. The preliminary key figures for the year 2019 as well as the proposal on the appropriation of profit were announced at the Annual Press Conference on February 11, 2020.

In the meeting held on February 19, 2020, 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, 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, as well as on 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 2019 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, as well as its proposed resolutions on the items of the agenda for the 2020 Annual Shareholders' Meeting.

### 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 2019.

The Supervisory Board also thanks Dr. Dieter Zetsche and Bodo Uebber for their committed work in the Company's Board of Management.

Stuttgart, February 2020

The Supervisory Board



Dr. Manfred Bischoff  
Chairman

# The Supervisory Board

## Dr. Manfred Bischoff

elected until 2021

Chairman of the Supervisory Board of Daimler AG

**Other supervisory board memberships/directorships:**

Mercedes-Benz AG – Chairman (since September 24, 2019)\*\*

SMS Holding GmbH (until December 31, 2019)

## Michael Brecht\*

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

**Other supervisory board memberships/directorships:**

Mercedes-Benz AG (since September 24, 2019)\*\*

Daimler Truck AG (since September 24, 2019)\*\*

## Dr. Paul Achleitner

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

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:**

Daimler Truck AG (since November 1, 2019)\*\*

Kuwait Investment Authority

Kuwait Fund for Arab Economic Development

BlackRock Inc. (since May 23, 2019)

## Sari Baldauf

elected until 2023

Former Executive Vice President and General Manager of the Networks Business Group of Nokia Corporation

**Other supervisory board memberships/directorships:**

Daimler Truck AG (since September 24, 2019)\*\*

Vexve Armatury Group – Chairwoman

Nokia Oyj

## Michael Bettag\*

elected until 2023

Chairman of the Works Council of the Nuremberg Dealership, Daimler AG

## Dr. Clemens Börsig

elected until 2022

Former Chairman of the Supervisory Board of Deutsche Bank AG

**Other supervisory board memberships/directorships:**

Daimler Truck AG (since September 24, 2019)\*\*

Linde AG (until April 8, 2019)

Linde Intermediate Holding AG (until August 7, 2019)

Linde plc

Emerson Electric Co

## Raymond Curry\*

elected until 2023

Secretary-Treasurer United Auto Workers (UAW)

## Dr. Jürgen Hambrecht

elected until 2023

Chairman of the Supervisory Board of BASF SE

**Other supervisory board memberships/directorships:**

Daimler Truck AG (since September 24, 2019)\*\*

BASF SE – Chairman

Fuchs Petrolub SE – Chairman (until May 7, 2019)

Trumpf GmbH + Co. KG – Chairman

## Michael Häberle\*

elected until 2023

Chairman of the Works Council, Untertürkheim Plant, Daimler AG

**Other supervisory board memberships/directorships:**

Mercedes-Benz AG (since September 24, 2019)\*\*

## Petraea Heynike

elected until 2021

Former Executive Vice President of the Executive Board of Nestlé S. A.

**Other supervisory board memberships/directorships:**

Mercedes-Benz AG (since September 24, 2019)\*\*

## Joe Kaeser

elected until 2024

Chairman of the Board of Management of Siemens AG

**Other supervisory board memberships/directorships:**

Mercedes-Benz AG (since September 24, 2019)\*\*

Allianz Deutschland AG

NXP Semiconductors N. V.



**Ergun Lümali\***

elected until 2023

Deputy Chairman of the General Works Council, Daimler Group;  
Deputy Chairman of the General Works Council of Daimler AG;  
Chairman of the Works Council, Sindelfingen Plant

**Other supervisory board memberships/directorships:**

Mercedes-Benz AG (since September 24, 2019)\*\*

Daimler Truck AG (since September 24, 2019)\*\*

**Dr. Bernd Pischetsrieder**

elected until 2024

Former Chairman of the Supervisory Board of Münchener  
Rückversicherungs-Gesellschaft Aktiengesellschaft in Munich

**Other supervisory board memberships/directorships:**

Mercedes-Benz AG (since September 24, 2019)\*\*

Münchener Rückversicherungs-Gesellschaft

Aktiengesellschaft in Munich – Chairman (until April 30, 2019)

Tetra Laval Group

**Elke Tönjes-Werner\***

elected until 2023

Deputy Chairwoman of the Works Council, Bremen Plant,  
Daimler AG

**Sibylle Wankel\***

elected until 2023

General Legal Counsel of the German Metalworkers' Union  
(IG Metall)

**Other supervisory board memberships/directorships:**

Mercedes-Benz AG (since November 1, 2019)\*\*

**Dr. Frank Weber\***

elected until 2023

Centre manager BodyTEC, Mercedes-Benz AG;  
Chairman of the Management Representatives Committee,  
Daimler Group

**Other supervisory board memberships/directorships:**

Mercedes-Benz AG (since November 1, 2019)\*\*

**Marie Wieck**

elected until 2023

General Manager of IBM Blockchain (until December 31, 2019)

**Other supervisory board memberships/directorships:**

Mercedes-Benz AG (since November 1, 2019)\*\*

**Dr. Sabine Zimmer\***

elected until 2023

Manager Vocational Training Policies, Germany, Daimler AG

**Roman Zitzelsberger\***

elected until 2023

German Metalworkers' Union (IG Metall) District Manager  
Baden-Württemberg

**Other supervisory board memberships/directorships:**

Daimler Truck AG (since September 24, 2019)\*\*

ZF Friedrichshafen AG (since November 21, 2019)

MTU Friedrichshafen GmbH (until January 31, 2020)

Rolls-Royce Power Systems AG (until January 31, 2020)

**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

**Legal Affairs Committee**

Dr. Clemens Börsig – Chairman

Dr. Manfred Bischoff

Michael Brecht\*

Michael Häberle\*

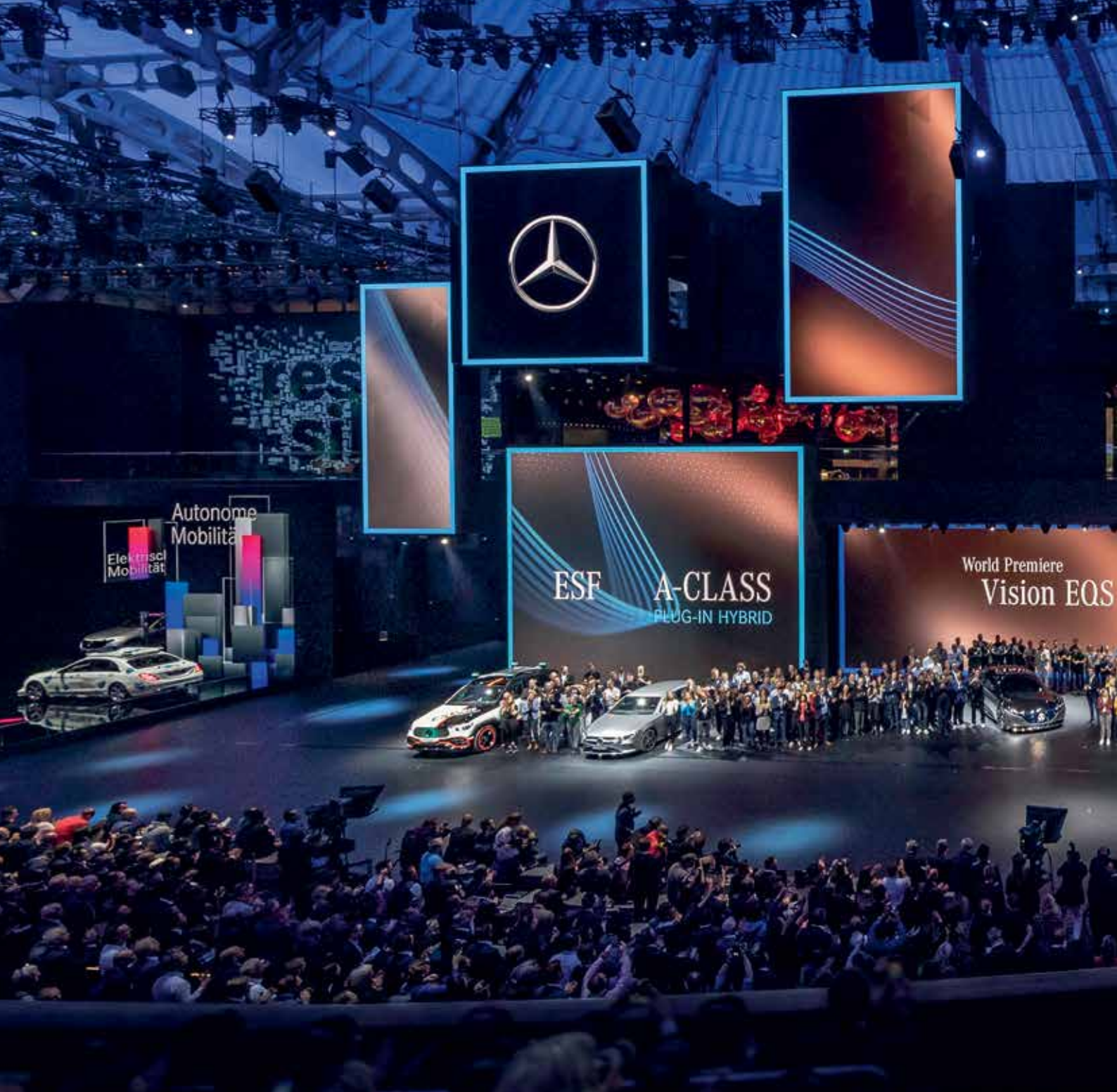
Sibylle Wankel\*

Marie Wieck

\* Representative of the employees

\*\*Group Mandate

# HIGHLIGHT



Mercedes-Benz's presence at the Frankfurt Motor Show from September 10 to 22, 2019 focused on sustainable solutions for the future of mobility, which are reflected in the products as well as in the business strategy. At the same time, Mercedes-Benz continued to position itself as a manufacturer of luxury automobiles. The Mercedes-Benz VISION EQS show car had its world premiere as an example of our pursuit of



# HIGHLIGHTS



sustainable luxury. The company also presented nineteen other vehicles to the global public for the first time. An additional highlight of our presence at the Frankfurt Motor Show was the completely revised exhibition stand, which featured digital communication more prominently.



#### **Mercedes-Benz Cars to build a battery factory in Poland**

On January 22, we announce that as part of its electric offensive, Mercedes-Benz Cars will build a battery factory in Jawor, Poland, thus expanding the global battery production network to nine factories. The battery factory in Jawor is the second major investment at this new Mercedes-Benz site. A state-of-the-art engine factory is already being built there to supply the Mercedes-Benz Cars plants worldwide.

#### **Mercedes-Benz eCitaro electrifies European transport companies**

The first battery-powered Mercedes-Benz eCitaro series-production buses are in regular use in public transport in Berlin and Heidelberg. Further electric buses are to follow in Germany and the first orders have also been received from neighboring European countries. The eCitaro is now in series production at the Daimler Buses plant in Mannheim and is being delivered to customers.

#### **The first eVito from series production and the first eSprinter is handed over to Hermes**

In the context of the opening of the Hermes Logistics Center in Hamburg, the first 20 eVito vans from series production and the first eSprinter pilot vehicles from Mercedes-Benz Vans are handed over to Hermes Germany. The eVito vans are to take over delivery on the last mile in the urban environment. The vans are also the visible part of a strategic partnership between Mercedes-Benz Vans and Hermes Germany for the development of technologies and services for the vehicle fleet of the retail and logistics service provider.

#### **BMW Group and Daimler AG invest in joint mobility-services provider**

The BMW Group and Daimler AG are combining their mobility services in the YOUR NOW joint ventures with the goal of creating a new global player that will introduce sustainable urban mobility consistently for the benefit of customers. The two groups are investing more than €1 billion to further expand and intermesh their existing services in the areas of ride hailing, multimodal platforms, car sharing, parking and charging. The mobility services have been consolidated into three pillars since January 1, 2020: FREE NOW & REACH NOW, SHARE NOW, PARK NOW & CHARGE NOW.

#### **Daimler and Geely Holding establish global joint venture to further develop smart**

Daimler AG and Zhejiang Geely Holding Group announce that they are establishing a global 50:50 joint venture. The objective is to further develop smart, a pioneer of urban mobility, into a leading brand for electric mobility. According to the joint-venture agreement, the next generation of electric smart models will be produced in a new, specially built electric-car factory in China. Global sales are scheduled to begin in 2022.

#### **Daimler Trucks strengthens its technology leadership for automated driving**

Daimler Trucks and Torc Robotics, a pioneer in the field of autonomous driving, enter into a partnership to market highly automated trucks (SAE Level 4) in the United States. The companies agree that Daimler Trucks will acquire a majority stake in Torc Robotics. Torc is one of the world's most experienced companies in the field of automated vehicles. Torc offers advanced, road-going technology and years of experience with heavy-duty commercial vehicles.





Mercedes-Benz EQC (combined electricity consumption: 20.8 – 19.7 kWh/100 km; combined CO<sub>2</sub> emissions: 0 g/km)<sup>1</sup>

#### **Daimler shareholders vote in favor of new Group structure**

At the Annual Meeting in Berlin on May 22, 2019, the shareholders of Daimler AG vote by a large majority in favor of restructuring the Daimler Group. This prepares the way for the Group to transfer the car and van business as well as the truck and bus business to two legally independent entities by means of a spin-off. The new structure, which is to take effect on November 1, will give the company more scope for action in a dynamically growing competitive environment.

#### **Mercedes-Benz Cars opens car plant in Russia**

Mercedes-Benz Cars starts production at the new Moscovia car plant with the Mercedes-Benz E-Class sedan for the local market. The E-Class will be followed by SUV models. The Mercedes-Benz Moscovia plant features flexible and sustainable production and applies modern industry 4.0 technologies.

#### **First Mercedes-Benz model of the EQ brand**

The EQC, the first Mercedes-Benz vehicle of the EQ product and technology brand (combined electricity consumption: 20.8 – 19.7 kWh/100 km; combined CO<sub>2</sub> emissions: 0 g/km)<sup>1</sup>, is on the road in mid-2019. With its seamless, clear design and brand-typical color accents, it is a pioneer of avantgarde electrical aesthetics. In terms of quality, safety and comfort, the EQC is the Mercedes-Benz among electric vehicles and is convincing in the sum of its features.

#### **Lab 1886 at Europe's biggest digital conference**

Lab1886, the innovation hub of Daimler AG, is again the main partner of re:publica 19. With an audience of approximately 20,000 visitors in Berlin, Daimler presents forward-looking projects, creates knowledge transfer and presents itself as a potential employer to international talents from the digital scene.

#### **Ambition 2039: Daimler puts sustainable business strategy into concrete form**

Daimler is pressing ahead with the transformation to emission-free mobility. Sustainability is a key element of Daimler's corporate strategy and at the same time a benchmark for corporate success. By 2039, the new-car fleet of Mercedes-Benz Cars is to become CO<sub>2</sub>-neutral and the company aims to achieve more than 50% of its car sales with plug-in hybrids or all-electric vehicles. Production operations at all European Mercedes-Benz car plants are expected to be CO<sub>2</sub>-neutral as soon as 2022.

#### **Daimler AG and BMW Group join forces for automated driving**

Daimler and the BMW Group start their cooperation in the field of automated driving. The two companies have signed an agreement on long-term strategic cooperation in this field. Daimler and the BMW Group intend to jointly develop the next technology generation for driver-assistance systems, automated driving on highways and automated parking functions (up to SAE Level 4 in each case). In addition, the partners aim to hold talks on extending the scope of cooperation to higher levels of automation in urban environments. One objective of the cooperation is to achieve the rapid market launch of the technology.

#### **Daimler adjusts earnings expectations**

Daimler reassesses its earnings expectations for financial year 2019 and the second quarter of 2019. The main reasons for the initial reassessment are an increase in expected expenses in connection with various ongoing governmental proceedings and measures relating to Mercedes-Benz diesel vehicles. A further adjustment is necessary primarily due to special items which add up to a total amount of €4.2 billion in the second quarter.

<sup>1</sup> Electricity consumption and range were determined on the basis of Regulation 692/2008/EC. Electricity consumption and range depend on vehicle configuration.



Mercedes-Benz EQV (combined electricity consumption: 27.0 kWh/100 km; combined CO<sub>2</sub> emissions: 0 g/km, preliminary figures)<sup>1</sup>

#### **Daimler welcomes acquisition of shares by BAIC Group**

The Beijing Automotive Group Co. Ltd. (BAIC Group) acquires a five percent equity interest in Daimler AG through an indirect subsidiary. Daimler and BAIC are linked by a long-standing strategic partnership that has existed since 2003. Since then, the two companies have been cooperating on the production, research and development, and sale of cars, vans and trucks. Daimler acquired a stake in BAIC Motor, a listed subsidiary of BAIC, in 2013 and currently holds 9.55 percent of its shares.

#### **Daimler Financial Services AG becomes Daimler Mobility AG**

Daimler Financial Services AG now operates under the name Daimler Mobility AG and provides financing, leasing, insurance and fleet-management services for the entire Daimler Group. Daimler Mobility AG is also a strategic investor in mobility services such as FREE NOW, SHARE NOW and Blacklane. The mobility ecosystem is completed by flexible service offerings such as Mercedes-Benz Rent (car rentals) or Mercedes me Flexperience (car-on-demand solutions).

#### **Daimler Trucks puts first highly automated truck (SAE Level 4) on the road**

Daimler Trucks and Torc Robotics start with the development and testing of highly automated trucks (SAE Level 4) on defined public roads. The operation initially takes place in Virginia, where Torc Robotics has its headquarters. This follows months of testing on closed roads.

#### **Daimler Trucks & Buses and CATL agree on global supply of battery modules for electric trucks**

Daimler Trucks & Buses and battery manufacturer Contemporary Amperex Technology Co. Limited (CATL) agree to supply battery modules for series-produced electric trucks worldwide. CATL will supply lithium-ion battery modules for several electric trucks in the global portfolio of Daimler Trucks & Buses that are scheduled to go into series production in 2021.

#### **Mercedes-Benz EQV: premiere for premium multipurpose vehicle with electric drive**

Mercedes-Benz Vans presented the Concept EQV as a study vehicle at the Geneva Motor Show in March 2019. The production version in August has its premiere as the Mercedes-Benz EQV (combined electricity consumption: 27.0 kWh/100 km; combined CO<sub>2</sub> emissions: 0 g/km, preliminary figures)<sup>1</sup>. As a member of the Mercedes EQ family, the first battery-powered premium MPV from Mercedes-Benz combines locally emission-free mobility with convincing performance, high functionality and aesthetic design.

#### **Administrative offence proceedings against Daimler AG are fully concluded**

The public prosecutor's office in Stuttgart issues a fine notice against Daimler AG due to the negligent violation of supervisory duties in the area of vehicle certification in connection with deviations from regulatory requirements for certain Mercedes-Benz vehicles. The negligent breach of supervisory duty was found to have occurred at the level of department head. Daimler refrains from taking a legal remedy against the fine notice. The fine proceedings of the public prosecutor's office against Daimler AG are thus fully concluded.

#### **Development partnership for second-life batteries**

Mercedes-Benz AG through its wholly-owned subsidiary Mercedes-Benz Energy GmbH and Beijing Electric Vehicle Co. (BJEV), a subsidiary of the BAIC Group, have entered into a development partnership to develop second life energy-storage systems in China. With a view to the value chain of automotive battery systems, the partner companies are pooling their expertise and resources and laying the foundation for the development of a sustainable, renewable-energy industry.

<sup>1</sup> Data on electricity consumption and range are provisional and have been determined by the technical service for the certification procedure according to UN/ECE Regulation No 101. EC type approval and a certificate of conformity with official values are not yet available. This data may deviate from the official values.





### **Daimler launches new corporate structure**

As planned, the Daimler Group launches its new corporate structure on November 1, 2019. The hive-down of the car and van businesses on the one hand and the truck and bus businesses on the other to two new subsidiaries took effect on October 31 with the entry for Daimler AG in the commercial register. Under the umbrella of Daimler AG, the Group's operating activities will be managed in the new corporate structure in three divisions instead of five. Mercedes-Benz AG is responsible for the business of Mercedes-Benz Cars & Vans. Daimler Truck AG combines the activities of Daimler Trucks & Buses. Daimler Financial Services, which has been legally independent for many years, was renamed as Daimler Mobility AG in July. With these three subsidiaries, Daimler is strengthening its customer focus and increasing the Group's agility.

### **Daimler cuts costs and sets its course for the future**

Daimler presents a new, sustainable business strategy at its Capital Markets Days in London and New York. With a consistent commitment to CO<sub>2</sub>-neutral mobility, the company is setting its course for a successful future. Daimler is positioning itself for the transformation with a clear strategy for the future. The costs to be incurred in order to achieve the CO<sub>2</sub> targets require comprehensive measures to increase efficiency in all areas of the company. This is likely to adversely affect our earnings in 2020 and 2021.

### **Comprehensive ecosystem for truck customers' entry into electric mobility**

The Daimler Trucks & Buses E-Mobility Group, a cross-divisional organization within Daimler Trucks & Buses, launches a full ecosystem for truck customers for the best possible entry into electric transport logistics. This includes a comprehensive range of consulting services and the development of a charging infrastructure suitable for electric trucks. In addition to personal and individual advice, the modular range of services also includes digital applications that make it easier to get started with e-mobility. The first step will focus on the markets of Europe, North America and Japan. The consulting is already being successfully implemented with the first customers.

### **Mercedes-Benz Actros is "Truck of the Year"**

Commercial-vehicle trade journalists from 24 European countries vote the Mercedes-Benz Actros as best truck of the year for the fifth time. The success story began with the first Actros in 1997 and the following generations also won the award. With nine titles, Mercedes-Benz is now the most successful brand in the battle for recognition for technological advancement, the key criterion in the selection process of the international Truck of the Year jury.

### **Daimler decides on key points for streamlining the company**

Daimler and the General Works Council agree on the key points to streamline the Group structure, thus increasing efficiency and flexibility. To this end, joint measures have been agreed to reduce costs and jobs in a socially responsible manner. Daimler will therefore make use of normal staff turnover to reduce the size of the workforce as jobs become vacant. In addition, possibilities for pre-retirement part-time working will be expanded and a severance program will be offered in Germany in order to reduce the number of management positions.

### **Daimler Mobility AG and Geely Technology Group launch StarRides premium limousine service**

Daimler Mobility AG and the Geely Technology Group, a subsidiary of the Zhejiang Geely Holding Group, launch StarRides, a premium limousine service in Hangzhou, China. The StarRides fleet starts with 100 vehicles and comprises models of the Mercedes-Benz S-Class, E-Class and V-Class series. The service is to be launched in further major cities in China in 2020.

# Q4

# Daimler and the Capital Market

Global stock markets tended to be significantly stronger in many regions in 2019. The Daimler share price rose by 8% throughout the year. In 2019, we continued to inform institutional investors, analysts, rating agencies and private investors by means of 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 a consistently solid rating. The Board of Management and the Supervisory Board will propose to the Annual Shareholders' Meeting that a dividend of €0.90 (2018: €3.25) per share be paid for 2019.

## A.01

### Development of Daimler's share price and of major indices

	End of 2019	End of 2018	19/18 % change
Daimler share price (in euros)	<b>49.37</b>	45.91	+8
DAX 30	<b>13,249</b>	10,559	+25
Euro STOXX 50	<b>3,745</b>	3,001	+25
Dow Jones Industrial Average	<b>28,538</b>	23,327	+22
Nikkei	<b>23,657</b>	20,015	+18
STOXX Europe Auto Index	<b>509</b>	439	+16

## A.02

### Key figures per share

	2019	2018	19/18 % change
Amounts in euros			
Net profit	<b>2.22</b>	6.78	-67
Dividend	<b>0.90</b>	3.25	-72
Equity (December 31)	<b>57.34</b>	60.45	-5
Xetra price at year end <sup>1</sup>	<b>49.37</b>	45.91	+8
Highest <sup>1</sup>	<b>59.31</b>	75.69	-22
Lowest <sup>1</sup>	<b>40.53</b>	45.27	-10

<sup>1</sup> Closing prices

### Global stock markets significantly stronger

Global stock markets developed very positively in the first four months of 2019. The favorable outlook regarding a possible settlement of the trade war between the United States and China in order to avoid punitive tariffs, as well as the announcement by the US Federal Reserve bank that it would not be raising interest rates any time in the near future, led to higher demand for stocks around the world. In May, however, stock-market sentiment deteriorated noticeably. Extensive uncertainty on the market was driven by the escalation of the trade war, concerns about economic growth in China, and the resignation of the British Prime Minister in the wake of the Brexit debate in the UK. Indications from central banks regarding the implementation of expansionary measures had a further positive effect on stock markets between June and the end of July. The markets then consolidated, however, with the mood overshadowed by declines in the Purchasing Managers Index and the Business Climate Index. Discussions relating to the possibility of a hard Brexit, as well as the ongoing trade war between the United States and China, also led to more reserved behavior on the part of investors in August. The second half of the third quarter was once again marked by renewed positive news relating to the trade war and Brexit, which led to gains on stock markets. Following a weak phase at the beginning of the fourth quarter, investors became more optimistic again. Global stock markets then picked up, with strong gains made more or less across the board throughout the rest of the quarter. Cyclical stocks and, in particular, shares in the automotive and supplier industries benefited from this development.

The index of the most important equities in the euro zone, the Euro STOXX 50 and the German benchmark index, the DAX, both rose by 25% in 2019. In Japan, the Nikkei index closed the year at 23,657, which was 18% higher than a year earlier. In the United States, the Dow Jones reached an all-time high of 28,645 in December and was 22% above the prior-year level at the end of 2019.

### Daimler share price rises 8% over the year

Over the first three months of 2019, automotive stocks also recovered significantly from the low share prices that had dominated the markets at the end of 2018. This development was mainly due to the continuation of trade negotiations between the United States and China, as well as positive signals from the Federal Reserve, which had significantly increased interest rates in the preceding years. The announcement of our collaboration with BMW in the areas of mobility services and automated driving, and with Geely on the further



development of the smart brand, generated additional momentum and led to a substantial increase in our share price until the end of March (+14%). On April 18, the Daimler share price reached €59.31, which was the highest price for the year.

A profit-taking phase then began on the German stock market, and this affected the Daimler share as well. Along with the global trade tensions, there were also increasing concerns about a possible further economic slowdown, which would 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. In this very weak stock-market environment, our shares reached their lowest point of the year 2019 at €40.53 on August 15. Stock prices then began rising significantly again in September (with a brief temporary interruption) as a result of positive news about the trade war and Brexit. Automotive shares particularly benefited from the decision made by the US Department of Commerce to refrain for the time being from imposing punitive tariffs on automobiles imported from Europe and Asia. In the second half of the fourth quarter, the Daimler share price lost some of the gains that had been made in the interim, with the Daimler share closing at €49.37 on December 30. At the end of the year, Daimler had a market capitalization of €52.8 billion (2018: €49.1 billion). With a total increase of 8% in 2019, the development of Daimler's share price was thus weaker than that of the DAX (+25%) and the STOXX Europe Auto Index (+16%).

#### Dividend of €0.90

The Board of Management and the Supervisory Board will recommend the payment of a dividend of €0.90 per share for financial year 2019 (2018: €3.25) at the Annual Shareholders' Meeting on April 1, 2020. The total dividend will thus amount to €963 million (2018: €3,477 million).

#### A broad shareholder structure and a new investor with a long-term focus

Daimler continues to have a broad shareholder base of approximately 1.0 million shareholders (2018: 1.0 million). 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. In July 2019, we were informed by the Chinese BAIC Group that it had acquired an interest in Daimler AG via its wholly owned subsidiary Investment Global Co. Ltd. With approximately 5% of Daimler's equity capital, the BAIC Group is now Daimler AG's third-largest single shareholder. The Renault-Nissan Alliance continues to hold 3.1% of Daimler's shares. In December 2019, Bank of America Corporation notified us that at 6.17%, its proportion of the voting rights remained above the 5.0% reporting limit on December 20, 2019. In October 2018, Harris Associates L.P., Wilmington, notified us that its proportion of the voting rights was 4.93% on October 16, 2018. BlackRock, Inc., Wilmington, also holds a stake above the 3% reporting limit pursuant to Germany's Securities Trading Act (WpHG). In December 2019, BlackRock notified us that its proportion of the voting rights was 4.47% on November 27, 2019.

The aforementioned and all other voting-rights notifications are published on the Internet at [daimler.com/investors/share/voting-rights](https://www.daimler.com/investors/share/voting-rights).

Institutional investors hold a total of 54% of our equity capital, while private investors own 21%. Approximately 58% of our capital is in the hands of European investors and around 15% is held by US investors. Investors from Asia hold around 17% of our equity capital. [↗ A.07](#) [↗ A.08](#)

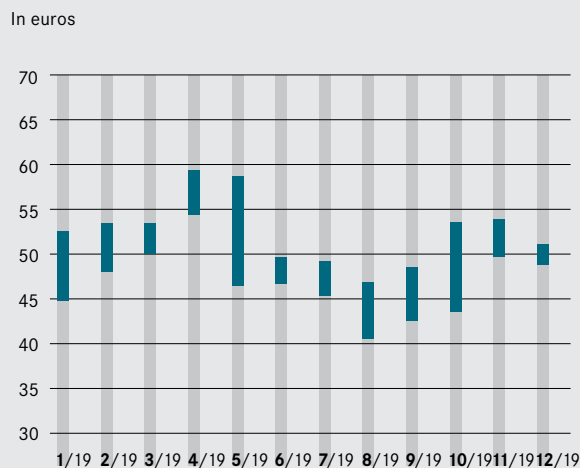
With a weighting of 3.95% (2018: 4.67%), Daimler was ranked ninth in the German share index DAX 30 at the end of 2019. In the Euro STOXX 50 index, our shares had a weighting of 1.55% (2018: 1.93%), which put Daimler in 29th place. Daimler shares are listed on the stock exchanges in Frankfurt and Stuttgart. A total volume of 1,108 million shares were traded in Germany in 2019 (2018: 1,093 million). A substantial number of Daimler shares are also now 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 2019. As was the case in the previous year, price-reduced shares as well as bonus shares were

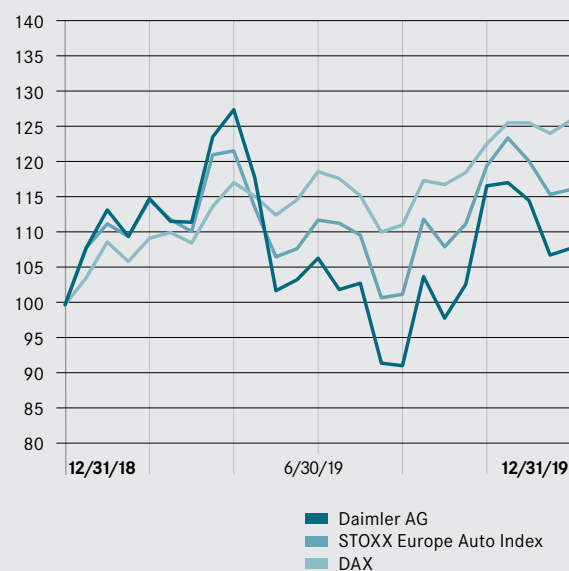
#### A.03

##### Daimler share price (high/low), 2019



#### A.04

##### Share price index



**A.05****Key figures for Daimler shares**

	End of 2019	End of 2018	19/18 % 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)	52.8	49.1	+8
Number of shareholders (in millions)	1.0	1.0	0
Weighting in share indices			
DAX 30	3.95%	4.67%	
Euro STOXX 50	1.55%	1.93%	
Long-term credit ratings			
S&P	A-	A	
Moody's	A3	A2	
Fitch	A-	A-	
Scope	A	A	
DBRS	A	A	

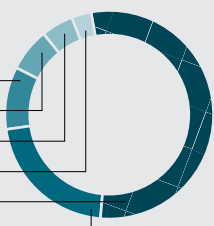
**A.06****Stock-exchange data for Daimler shares**

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, 2019**

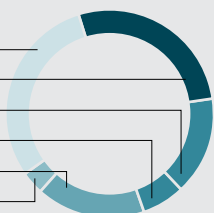
By type of shareholder

Tenaciou3 Prospect Investment Limited	9.7 %
Kuwait Investment Authority	6.8 %
BAIC Group	5.0 %
Renault-Nissan	3.1 %
Institutional investors	54.1 %
Retail investors	21.3 %

**A.08****Shareholder structure as of December 31, 2019**

By region

Germany	30.2 %
Europe, excluding Germany	27.3 %
USA	15.4 %
Kuwait	6.8 %
Asia	16.7 %
Rest of the world	3.6 %



offered. At 25.5%, the participation rate in the year under review was once again higher than in the previous years (2018: 23.5%). A total of 45,700 employees took part in the program (2018: 41,900), which is the highest number since 2008. The total number of shares purchased by employees also increased substantially once again, from 717,000 in 2018 to approximately 811,000, of which just under 73,200 were bonus shares (2018: 64,700) in the year under review. In connection with the attendance bonus program, approximately 15,600 shares were additionally purchased and transferred to the beneficiaries (2018: 15,000).

**Daimler Annual Shareholders' Meeting in Berlin**

Due to the preparations being made for the new Group structure, our 2019 Annual Shareholders' Meeting was held on May 22 at the Messe Berlin exhibition center. Some 5,000 shareholders (2018: 6,000) attended the meeting. A total of 52.91% (2018: 55.71%) 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 agenda points proposed by the company's management. For example, the Annual Shareholders' Meeting approved a dividend payout of €3.25 per share (2018: €3.65), which means the total dividend amounted to €3.5 billion. Important documents and information related to the Annual Shareholders' Meeting can be found on the Internet at [daimler.com/ir/am2019](https://www.daimler.com/ir/am2019).

Daimler shareholders voted in favor of the new Group structure by an overwhelming majority of 99.75%. This structure establishes Daimler AG as the parent company of the legally independent entities Mercedes-Benz AG (for the cars and vans business) and Daimler Truck AG (for business activities relating to trucks and buses). In addition, the Annual Shareholders' Meeting once again elected Joe Kaeser and Bernd Pischetsrieder to the Supervisory Board as shareholder representatives. Joe Kaeser is the CEO of Siemens AG and Bernd Pischetsrieder is a former CEO of BMW AG and VW AG. Both have been members of the Supervisory Board of Daimler AG since 2014. The terms for both reelected Supervisory Board members will end when the Annual Shareholders' Meeting is held in 2024.

After more than 13 years as Chairman of the Board of Management of Daimler AG and Head of Mercedes-Benz Cars, Dieter Zetsche stepped down from his position at the conclusion of the Annual Meeting 2019. At the conclusion of the 2019 Annual Shareholders' Meeting, Ola Källenius was named Chairman of the Board of Management of Daimler AG and Head of Mercedes-Benz Cars. Also at the conclusion of the 2019 Annual Shareholders' Meeting, Bodo Uebber stepped down as the Board of Management member responsible for Finance and Controlling and Daimler Financial Services, a position he had held since 2005. His successor is Harald Wilhelm, who has been a member of the Daimler AG Board of Management since April 1, 2019.

**Continuation of comprehensive investor relations activities**

In 2019, we once again provided institutional investors, analysts, rating agencies and private investors with timely information regarding the company's business development. We organized roadshows for institutional investors and analysts in the finance capitals of Europe, North America and Asia. We also held many one-on-one meetings at investor conferences. This was especially the case at the international motor shows in



Geneva and Frankfurt. We reported on our quarterly results in conference calls and webcasts. At the same time, we have further developed our methods in order to more specifically address long-term investors who may be interested in purchasing shares in Daimler. The presentations are available on our website at [daimler.com/investors/events/presentations](https://daimler.com/investors/events/presentations).

The talks with analysts and investors focused on the latest earnings expectations for 2019, 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 shift toward locally emission-free mobility, as well as the impact that research and development expenditure on new technologies is having on profitability. Daimler’s top management also held capital market events in London and New York at which they provided analysts and investors with an update on the Group’s strategy for all of its business units and a preview of the ROI roadmap for the coming years. The costs for the electrification of the complete model range and the impact connected with the transformation of the automobile sector overall will have a negative effect on the earnings situation. They will lead to additional product costs and higher depreciation for the currently very high investment volumes. We intend to counteract these impacts by means of comprehensive measures to reduce costs. The audio/video recordings and charts and illustrations from the event are available at [daimler.com/investors/events/capital-market-days](https://daimler.com/investors/events/capital-market-days).

#### **Awards once again for the Daimler Annual Report**

Our 2018 Annual Report and its online version with numerous additional features won prestigious international awards once again. [annualreport.daimler.com/2018](https://annualreport.daimler.com/2018)

The 2018 Annual Report received a Platinum Vision Award from the League of American Communications Professionals LLC (LACP). In addition, we were once again given a Silver Stevie Award for the online version of the 2018 Annual Report, which also captured Silver at the 2018 LACP Professionals Vision Awards.

#### **Website: attractive page design, improved user experience**

The Investor Relations site at [daimler.com/investors](https://daimler.com/investors) is the main source of information for the majority of our shareholders. With this in mind, we made further improvements to the site in 2019. For example, our improved page structure makes it easier for visitors to navigate the site and move more quickly to the sections they wish to view. We’ve also made the site easier to use with mobile terminals. Our news pages, for example, are always available in HTML format and automatically adapt to any mobile device display. Our IR media library is an additional service that offers the most important news, documents and videos at a glance. Our IR website had nearly one million visitors in 2019 and over two million page views, which corresponds to approximately 2,600 visitors and 5,800 page views per day. Our IR site also achieved an outstanding third-place ranking in a benchmark study by Net Federation GmbH, an agency for digital corporate communication, of the websites of the 70 German companies with the highest market capitalization.

#### **Number of online shareholders reaches over 200,000**

Our shareholders continue to make good use of our range of personalized electronic information and communication. In March 2019, we sent a notice to shareholders requesting their

consent to receive their invitation to the Daimler Annual Shareholders’ Meeting by e-mail rather than by post. Our goal here was to reduce as much as possible the consumption of paper and the costs associated with mailing paper documents, which in 2019 also included the very extensive and complex Hive-down and Acquisition Agreement between Daimler AG, Mercedes-Benz AG and Daimler Truck AG. We were very pleased by our shareholders’ positive reaction to the electronic invitation campaign. Due to this positive response, we were able to increase the number of e-mail invitations to the Daimler Annual Shareholders’ Meeting from 100,000 to 220,000 – and reduce CO<sub>2</sub> emissions by around 50 tons as a result. We would like to thank those shareholders for helping to protect the environment and cut costs. 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 consistently solid ratings**

The central banks’ monetary policy had a major effect on bond markets in 2019. 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 2019, 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 \$7.00 billion. In addition, Daimler AG and Daimler International Finance B. V. issued euro bonds in benchmark format with a total volume of €10.25 billion. In 2019, Daimler AG also issued bonds in China (so-called Panda bonds) worth a total of CNY 10.0 billion. Furthermore, many smaller bonds were issued by the Daimler Group in a variety of currencies and markets.

At the end of 2019, Daimler Group companies had issued bonds that were still outstanding in a volume of 85.6 billion (2018: €76.5 billion). Besides raising funds through the issuance of bonds, Daimler also issued a small volume of commercial paper in 2019.

During the year under review, Daimler issued asset-backed securities (ABS) in five countries. In the United States, the company generated a refinancing volume of \$8.7 billion through six transactions in 2019; in Canada, a volume of CAD 1.0 billion was generated in two transactions. Two transactions with a total volume of AUD 1.26 billion were executed in Australia in 2019. Such bonds were also successfully sold to investors in Italy for the first time, in the amount of €0.5 billion. In China, one ABS transaction was conducted successfully with a total volume of CNY 8.5 billion.

During the course of the year under review the rating agencies S&P and Moody’s reacted to the worsened earnings situation, initially with an adjustment of the outlook and, in December 2019, by downgrading the rating of Daimler AG by one notch. The agencies justified this mainly with the challenges posed by the electrification of the product portfolio, as well as the costs for the necessary reduction of CO<sub>2</sub> emissions and the expectation of a more difficult economic climate, which was also reflected in lower expected returns.

# Objectives and Strategy

For more than 130 years, we have been moving people and goods all over the world – safely, efficiently, comfortably and with innovative technologies that have always kept us a step ahead of the competition. Building outstanding and fascinating vehicles is what we do best. It’s what drives us, and it will continue to drive us forward into the future. The environment in which we operate is changing in a highly dynamic way. Sustainability and climate protection in particular are among the most urgent issues of our time. We accept this responsibility. Our goal is to set standards for sustainable mobility – now and in the future.

## Our strategy

We firmly believe that individual mobility will be a basic human need in the coming decade as well, and that the market for sustainable automobiles in the luxury segment will continue to grow. Demand for goods transport services remains a key pillar of the economy and our prosperity, and this demand can be expected to increase even further around the globe for years to come. The markets for financial services and the demand for fleet management services and digital mobility solutions are also likely to develop positively in the future. We are committed to the principles of sustainability and in particular of climate protection, and are therefore setting our course for CO<sub>2</sub>-neutral mobility.

## Purpose

The basis of our strategy is our purpose – the spirit and purpose that guide all of our decisions and actions. What is our DNA, what makes us who we are, why are we as a company active in the market?

We have answered these questions for all of our divisions. Mercedes-Benz Cars’ motto is “First Move the World.” Daimler Trucks & Buses is there “For All Who Keep the World Moving,” and Daimler Mobility makes it clear that “We Move You.” Daimler itself is the connecting element that holds these businesses together, as symbolized by the word “move.”

We have derived specific goals from our aspiration. We seek to make mobility and the transport of goods more sustainable, and we plan to continue growing in our core business. We are implementing electric drive systems at all of our divisions as a priority, and we continue to pursue automated and autonomous driving and mobility services that benefit customers and make us more profitable. We are moving forward with digitization measures and exploiting the potential they offer. All of these activities are geared toward ensuring that we achieve our financial targets.

## Sustainability and climate protection

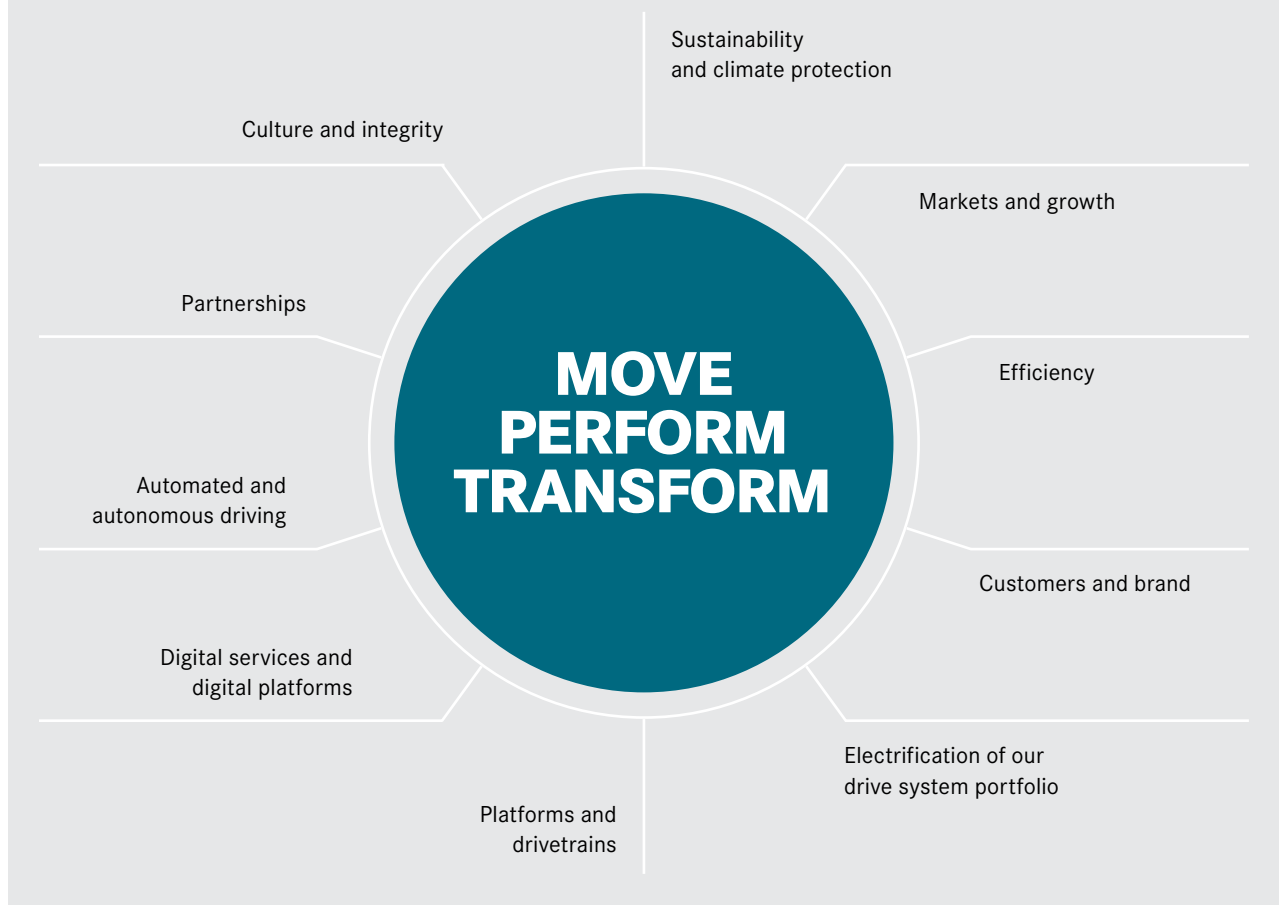
Sustainability is an integral part of our corporate strategy. The implementation of a sustainable corporate strategy is the only way we can ensure our continued success over the long term. In line with this approach, we plan to work towards offering CO<sub>2</sub>-neutral mobility over the next 20 years. We also intend to decouple resource consumption from growth in our business volumes, provide mobility and traffic management solutions that make cities more livable, implement measures that increase safety on the road, continue to utilize data responsibly, and assume responsibility for upholding human rights along the entire value chain. Achieving success in all these areas requires a clear commitment to a culture of integrity, as well as future-oriented cooperation with our workforce and our partners in industry, government and society at large. A central sustainability management system enables the effective planning of ambitious goals and the monitoring of their achievement.

In our view, climate protection will be the biggest challenge over the coming years. Our “Ambition 2039” strategy for Mercedes-Benz passenger cars clearly demonstrates our commitment to climate protection. Our goal here is to become CO<sub>2</sub>-neutral by 2039. More specifically, this means we plan to achieve Group-wide CO<sub>2</sub>-neutral production in Europe as of 2022, attain a sales structure in which plug-in hybrids and all-electric drive systems account for more than 50% of our portfolio by 2030, and – within less than three product lifecycles – offer a CO<sub>2</sub>-neutral new car fleet to our customers. The new Factory 56 assembly hall at the Mercedes-Benz plant in Sindelfingen was planned as a CO<sub>2</sub>-neutral facility from the very beginning. In addition, our new plant in Jawor, Poland, uses wind power for sustainable manufacturing operations. A holistic view of the CO<sub>2</sub>-reduction issue also needs to take the recycling of raw materials into account. Mercedes-Benz cars’ materials are 85% recyclable.



## A.09

Our Strategy: MOVE PERFORM TRANSFORM



Our goal at Mercedes-Benz Vans is that vans targeted at private customers are to be CO<sub>2</sub>-neutral over the entire lifecycle by the year 2039. With vans used by commercial customers, we intend only to offer new vehicles that are CO<sub>2</sub>-neutral in driving operation (tank-to-wheel) in the major markets Europe, Japan and the NAFTA region.

Daimler Trucks & Buses is also committed to climate protection. The main challenge we face in the truck and bus sector involves reconciling the higher costs of electric drive systems with the focus on costs that is prevalent in the transport industry. Daimler Trucks & Buses plans to become CO<sub>2</sub>-neutral with regard to driving operation (tank-to-wheel) by launching new trucks and buses in the major markets of Europe, Japan and the NAFTA region between now and 2039. Plans also call for all Daimler Trucks & Buses facilities in Europe to achieve CO<sub>2</sub>-neutral production by 2022, at which point all the energy they use should be generated from renewable sources. The planning and following up of targets at Daimler are ensured by a central sustainability management system.

## Markets and growth

Our goal is to safeguard and expand the leading positions that our divisions occupy in their respective segments. Individual and self-determined mobility is likely to remain our primary business model for the car segment over the coming decade. Although flexible forms of use will continue to spread, our experience at present shows that such use will augment rather than replace the use of privately owned passenger cars. Volumes in the premium and luxury segments in particular should increase further. Growth here is likely to be driven primarily by China and other Asian markets, although the more established markets in Europe and the United States will contribute to this growth as well. We plan to exploit this potential, in particular with our range of high-quality models such as the G-Class, as well as through our Mercedes-AMG and Mercedes-Maybach sub-brands.

China is now the world's biggest car market, but it is also an important market for new technologies and procurement. We plan to continue growing in China together with our partners, with whom we will also intensify our cooperation.

We expect to see further growth in the Vans segment as well. The ongoing increase in online retail sales in particular will likely serve as an important foundation for such growth. Mercedes-Benz Vans plans to further strengthen its position in specific customer segments and in North America.

With regard to Daimler Trucks & Buses, we plan to improve our market position in Europe with the help of the new Actros, and to expand our range of products in the NAFTA region through the launch of a new vocational truck. In Latin America, we seek to benefit from the market recovery and to expand our position in a highly profitable segment by launching a heavy-duty truck based on our global platform. As the market leader in our most important traditional core markets for buses over 8 tons gross vehicle weight, we plan to further safeguard this market position and develop our business in the NAFTA region and other markets.

Daimler Mobility offers mobility services under the motto "Mobility from years to minutes." With its leasing, financing and insurance packages, Daimler Mobility supports the growth of our automotive divisions and the solutions it offers also increase customer loyalty and identification with the company. Additional innovative services such as Flexperience, a flexible vehicle rental model, will further support sales at our automotive divisions. We also plan to continue growing in the fleet management sector and to increase the share of our vehicles used in various fleets. In the area of digital mobility solutions, we plan to safeguard our strong position in the market for premium driver services over the long term and, as a shareholder in the YOUR NOW group, we will work with BMW to establish a relevant new player in the segment for mobility services in Europe and Latin America.

## Efficiency

The financial challenges we now face are more extensive than ever before due to the measures we have to implement to help ensure a CO<sub>2</sub>-neutral future. Addressing these challenges will require extensive investment in electric mobility, which has higher production costs than with combustion engines, and a comprehensive restructuring plan. The attainment of our profitability targets and the maintenance of a solid cash flow have top priority here, as this is the only way to ensure that we will play a leading role in the transformation to a CO<sub>2</sub>-free society. Measures to improve efficiency have been defined at all divisions and for Daimler AG as a whole. These measures relate to our workforce, material-cost reductions, upper limits on investments, adjustments to our portfolio and vehicle models, the implementation of platform strategies, and across-the-board digitization of processes at Daimler Mobility. Plans also call for an increasing number of Group vehicles financed or leased by Daimler Mobility to be refinanced in a manner that does not impact our balance sheet. In addition, the allocation of financial resources at the parent-company level will be made transparent and be rigorously monitored.

## Customers and brand

We are intensifying our focus on the customer experience. The further development of our brand plays a key role in this process. According to the current "Best Global Brands 2019" ranking from Interbrand, Mercedes-Benz is the most valuable German brand and the world's most valuable premium automotive brand. We want to make our brand even more distinctive in the future, and make it more customer-focused as well. Maintaining emotional ties to our customers is more important than ever, especially in times of transformation. The brand emotions of LOVE and EASE complement the attributes that have always been an essential part of our Mercedes-Benz brand's DNA and will remain so in the future: RESPECT and TRUST. The core of our brand (THE BEST), and our existing brand values (EMOTIONAL and INTELLIGENT), remain unchanged. We create emotional Mercedes-Benz moments for every physical and digital interaction with the brand. We plan to increase customer satisfaction with new and flexible usage models and seamless integration of our products and services.

With regard to our commercial vehicles as well, our customers are at the focus of everything we do. We seek to supply products and services that make them successful. We develop technologies in order to be able to further reduce the total cost of transport and to offer safe and efficient solutions for the goods transport and distribution of the future.



## Electrification of our drive system portfolio

As we continue along the road to emission-free mobility, we intend to forge ahead with the electrification of drivetrains in Mercedes-Benz passenger cars using 48-volt technology. We will also gradually increase the number of hybrid and battery-electric models that we offer. Our goal here is to attain a sales structure in 2030 in which plug-in hybrids and all-electric vehicles account for more than 50% of all the new cars we sell.

Mercedes-Benz Vans already offers the eVito; the eSprinter and our battery-electric full-size MPV is to follow in 2020. Mercedes-Benz Vans has also announced an electric variant of the successor model of the Citan. By 2022, Daimler Trucks plans to have electric vehicles ready for series production in all of its key regions and segments. The focus here will be on battery-electric models. The range of vehicles will subsequently be extended by the inclusion of fuel-cell/hydrogen-based systems for trucks. Daimler Buses presented the all-electric eCitaro back in mid-2018. Plans call for the range of bus products to be expanded to include buses equipped with fuel-cell systems. The E-Mobility Group Trucks & Buses is implementing the electric strategies for all truck and bus brands and establishing a globally standardized electric-vehicle architecture.

## Platforms and drivetrains

Over the medium to long term, we plan to reduce the high degree of complexity of our passenger car models and engines, as well as the number of platforms we use for passenger cars. Because we believe that new vehicles with combustion engines will continue to play a role in the market for new cars and vans over the medium term, we are further developing our conventional engines in line with the next stage of EU certification. We plan to complete this process over the next few years, after which we expect to see a significant decrease in development work and expenditure on combustion engines. We will compensate for the currently higher costs associated with electric drive by developing a flexible architecture for such drive systems and combustion engines in which the integration of electric-drive components will be given absolute priority. Our plans for the next few years also call for the customer-oriented optimization of both the number of different truck models and the number of drive types and regional platforms.

## Digital services and digital platforms

Mercedes me and our digital services are designed to generate added value for the customer. Activities relating to digital services for Mercedes-Benz cars are therefore based on the development of an open software architecture that offers controlled access and interfaces that enable customers also to utilize third-party services. We are convinced that as a vehicle manufacturer, we should also have our own operating system and be able to understand, monitor and control it. This approach gives us direct access to the customer and enables us to ensure that customer and vehicle data is handled in a responsible manner. With MBUX (Mercedes-Benz User Experience), we have set a new standard for intuitive multimedia systems that manage communication between the driver and the vehicle and its surroundings, and which are capable of adapting and learning. With trucks, the focus has also increasingly shifted to the development of software and electronic systems in recent years. The Truck Data Center launched by Daimler Trucks is the brain that allows connectivity between trucks of different brands. It continuously monitors the status of vehicle systems and sends and receives data in real time. Digital services such as Fleetboard, Mercedes Uptime, Detroit Connect, Virtual Technician and Truckconnect are all based on this connectivity module and thus help to increase the efficiency of transport operations. With its digital cockpit, the Mercedes-Benz Actros allows for simple and intuitive operation and makes it possible for drivers to perform numerous tasks from the cockpit. Daimler Buses offers its digital services via the OMNIplus ON platform, while Mercedes PRO is the digital services brand at Mercedes-Benz Vans. Daimler Mobility is now looking to completely digitalize its processes and the customer journey all the way through to the payment process.

## Autonomous and automated driving

As we continue to develop automated and autonomous driving, we are focusing on driver assistance systems on the one hand and highly automated (SAE Level 4) and fully automated urban driving on the other.

In order to get automated systems to market more quickly, while simultaneously easing our cost burden, we have launched a long-term development partnership with BMW. This is just one of our cooperation projects in this area. We intend to work together with BMW to develop the next generation of technologies for driver assistance systems, automated driving on highways, and automated parking systems. Such systems will be made available in cars for private customers starting in 2024. The partnership with BMW is open to other automakers and technology partners. Furthermore, the results of the partnership will be offered to other vehicle manufacturers via licensing agreements.

In the area of automated driving Daimler Trucks initially aims to focusing on Hub2Hub transport in SAE Level 4 mode on highways in the United States. The possibility of not having to use a driver will lead to cost savings, which in turn will result in a viable business model. The Daimler Trucks Autonomous Technology Group, which brings together all of the expertise and activities in the field of automated truck operation, is consistently moving ahead toward series production of automated trucks. Torc Robotics, a company in which we acquired a majority interest in 2019, is now part of the Autonomous Technology Group. Daimler Trucks and Torc Robotics have now begun developing SAE Level 4 technologies for testing on roads in the United States.

## Partnerships

The competition for the best solutions in the automotive industry will continue to be decided by who has the best access to the latest technologies and the ability to provide sufficient capital and resources. As a result, partnerships will hold the key to leadership for all automakers. We have recently entered into a variety of partnerships. For example, we are developing autonomous driving systems with BMW and systems for automated trucks with Torc Robotics, and we are also cooperating with the battery material specialist Sila Nanotechnologies. In addition, we have teamed up with BMW and Geely to offer mobility services in China. Geely is a Daimler shareholder from China with whom we have established a 50:50 joint venture to further develop and operate the smart brand globally as a manufacturer of all-electric vehicles. In order to more firmly establish electric mobility on the market, we have teamed up with several other European manufacturers to create a joint venture known as IONITY. Through this company, we are moving forward with the creation of a full-coverage, high-power charging network for European highways.

## Culture and integrity

Especially in times of change and upheaval, we need to have values that offer us guidance. We also need to develop skills that make us faster and more agile and enable us to speed up our pace of innovation. The continuation of our “Leadership 2020” program as “Leadership 20x” ensures that we can promote the development of such skills. We rely on the high degree of motivation among our employees, with whom we want to actively drive forward the transformation of our industry. Daimler stands for diversity and promotes integrity. As a company that operates around the globe, we stand for tolerance, openness, trust and fairness. Integrity is one of our key corporate values and a central element of our corporate culture. New technologies and business models offer tremendous opportunities, but at the same time they pose questions – for example, with regard to ethical and legal topics. Our inner values and attitudes are put to the test when such issues arise. The further development of the Technical Compliance System and the compliance system for data is intended to ensure that we can provide support with regard to new topics from the beginning, provide the maximum possible clarity and avoid mistakes.

**The Group’s strategic approach can be summarized in three core statements:**

### MOVE – Reinvent the invention

As the inventor of the automobile, it is in our nature to repeatedly reinvent mobility. Our aspiration is to offer sustainable solutions for mobility and the transport of goods in the future. We want to inspire emotionally and convince rationally. We aim to bring sustainability and luxury into harmony. Our innovative and highly efficient commercial vehicles are designed to make our customers in the haulage and transportation sectors successful.

We are working systematically to achieve our “Ambition 2039” goal of CO<sub>2</sub>-neutral mobility. To do so, we are also utilizing the potential offered by automated driving and digital services.

### PERFORM – We create sustainable value

We aim to create value that is sustainable. Our business is grounded in what we do best – delighting our customers with fascinating vehicles. Here, the attainment of our profitability targets and the maintenance of a solid cash flow remain top priorities for the short and medium term. Together with our partners, we seek to develop new technologies and share the costs of development activities. We want to continue to grow profitably and expand our leading position in all the sectors in which we operate worldwide.

### TRANSFORM – Reinvent ourselves

Our transformation is a long-term process of adapting the implementation of our structures and processes in cooperation with our employees. We have a workforce that is agile and willing to learn, and this facilitates the development of the skills needed to face new requirements. Our corporate culture creates the foundation for the outstanding innovative capability displayed by our employees. We put diversity into practice, and integrity is our inner compass. The principle of integrity guides our actions and our relationships with our business partners.

**With our sustainable business strategy, we are shaping the transformation of the automotive industry from a position of leadership in a sustainable, customer-focused and innovative manner to safeguard our economic success.**



## Extensive investment in the Group's future

In order to utilize the opportunities offered by the international automotive markets and to help actively shape the coming transformation of mobility, we will continue to invest substantially in new products, innovative technologies and state-of-the-art production facilities in the coming years. One focus of our efforts will be on the future-oriented fields of digitization, autonomous driving and electric mobility. We plan to invest approximately €14 billion in property, plant and equipment in 2020 and 2021, as well as nearly €19 billion in research and development projects. We will therefore continue to maintain a high level of investment in order to safeguard the future of our company. The decrease in investment volume from the 2019 figure is in part because we will be making much more efficient use of our financial resources and will also focus more strongly on issues that are important for the future of the Group. During the year under review, we also entered into several partnerships in areas that will play a key role in the future of mobility. This will enable us to limit our own expenditure even as we ensure our access to new technologies. Over the medium and long term, we expect investment and expenditure on research and development to be reduced, step by step, to below the extraordinarily high levels of recent years. This should be achieved in part by reducing the number of vehicle architectures and platforms at Mercedes-Benz and a decrease in their complexity, in addition to lower investment in traditional drive systems. [↗ A.10](#) [↗ A.11](#)

Investment in property, plant and equipment will mainly be applied to prepare for the production of our new models. Other focal points will be the realignment of our manufacturing facilities in Germany, increased local production in the growth markets and the development of a global production network for electric vehicles and batteries.

Most of our expenditure for research and development will flow into new products. Key individual projects include the successor models of the C-Class and the S-Class and new vehicles from our EQ electric mobility brand. Other key areas at our automotive divisions include innovative drive-system and safety technologies, the connectivity of our products and the further development of automated and autonomous driving. Our plans also call for substantial funds to be invested in particular in our comprehensive electric mobility offensive at all of our automotive divisions.

### A.10

#### Investments in property, plant and equipment

	2018	2019	2020 – 2021
Amounts in billions of euros			
Daimler Group	7.5	7.2	13.8
Mercedes-Benz Cars & Vans	6.2	5.9	11.3
Daimler Trucks & Buses	1.2	1.1	2.3
Daimler Mobility	0.06	0.09	0.1
Corporate	0.1	0.1	0.1

### A.11

#### Research and development expenditure

	2018	2019	2020 – 2021
Amounts in billions of euros			
Daimler Group	9.1	9.7	18.8
Mercedes-Benz Cars & Vans	7.6	8.1	15.5
Daimler Trucks & Buses	1.5	1.7	3.3

# B

# Management Report

Daimler once again achieved high levels of unit sales and revenue in 2019 in a challenging environment. Our numerous new products and innovative services contributed to this. At the same time, however, earnings and the free cash flow decreased significantly. Within the framework of our sustainable corporate strategy, we are vigorously pushing forward with the transformation of our businesses for a CO<sub>2</sub>-neutral future. To achieve this, the application of substantial funds is required, reducing our earnings in the year under review and also in the future. Against this background, we have taken comprehensive measures to strengthen our financial position again.



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# Corporate Profile

## Business model

Daimler can look back on a tradition covering more than 130 years – a tradition that goes back to Gottlieb Daimler and Carl Benz, the inventors of the automobile, and features pioneering achievements in automotive engineering. Today, the Daimler Group is a globally leading vehicle manufacturer with an outstanding range of premium cars, trucks, vans and buses. Its product portfolio is rounded out by a range of customized financial services and mobility services. Daimler's goal is to continue playing a leading role in the development of products and services for the future of mobility. The automotive industry is in the process of a fundamental transformation, and we intend to play a major role in actively shaping that change. Daimler AG is the parent company of the Daimler Group and its headquarters are in Stuttgart. With the new corporate structure, effective as of January 1, 2020, the Group's business operations under the umbrella of Daimler AG are no longer managed in five divisions, but in three. Mercedes-Benz AG is responsible for the business of Mercedes-Benz Cars & Vans and Daimler Truck AG combines the activities of Daimler Trucks & Buses. Daimler Financial Services, which had already been legally independent for many years, was renamed as Daimler Mobility AG in July.

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

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

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

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

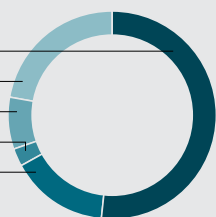
In 2019, Daimler increased its revenue by 3% to €172.7 billion. The Group's five divisions contributed to this total as follows: Mercedes-Benz Cars 52%, Daimler Trucks 22%, Mercedes-Benz Vans 8%, Daimler Buses 3% and Daimler Mobility 15%. At the end of 2019, Daimler employed a total workforce of more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

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

### B.01

#### Group revenue by division

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





As the world’s largest manufacturer of trucks above 6 metric tons gross vehicle weight, **Daimler Trucks** develops and produces vehicles in a global network under the brands Mercedes-Benz, Freightliner, Western Star, FUSO and BharatBenz. The division’s 30 production facilities are located in the NAFTA region (17), Europe (7), Asia (4) and South America (2). In China, Beijing Foton Daimler Automotive Co., Ltd. (BFDA), a joint venture with our Chinese partner Beiqi Foton Motor Co., Ltd., has been producing trucks under the Auman brand name since 2012. Daimler Trucks’ product range includes light-, medium- and heavy-duty trucks for long-distance, distribution and construction-site haulage, as well as special vehicles that are used mainly in municipal applications. Due to close links in terms of production technology, the division’s product range also includes buses of the Thomas Built Buses and FUSO brands. The activities related to electric mobility have been combined at the E-Mobility Group since 2018. The division offers and tests locally emission-free electric drive systems across its entire product range. Daimler Trucks’ most important sales markets in 2019 were the NAFTA region with 41% of unit sales, Asia with 28% and the EU30 region (European Union, Switzerland and Norway) with 16%.

**Mercedes-Benz Vans** is a global supplier of a complete portfolio of vans and related services. The division’s products range from the Citan small van with a gross vehicle weight of 1.8 metric tons to the Sprinter large van with a gross vehicle weight of up to 5.5 metric tons. The models offered in the commercial segment comprises the Sprinter large van, the Vito mid-size van (marketed as the “Metris” in the United States) and the Citan urban delivery van. In the segment for private customers, Mercedes-Benz Vans offers the V-Class multipurpose vehicle, the Marco Polo travel vans and recreational vehicles, and the X-Class mid-size pickup. As a result of the review and prioritization of the product portfolio, production of the X-Class

is to be discontinued at the end of May 2020. Our eDrive activities demonstrate how systematically we are progressing with the development of alternative drive systems in all model series. The Mercedes-Benz Vans division has manufacturing facilities in Germany, Spain, the United States, Argentina, China and Russia. The division is active in the Chinese market through the joint venture Fujian Benz Automotive Ltd. Production of the Citan is part of the strategic alliance with Renault-Nissan-Mitsubishi. The most important markets for vans are the EU30 region, which accounted for 68% of unit sales in the year under review, the NAFTA region (13%) and Asia (9%).

The **Daimler Buses** division with its Mercedes-Benz and Setra brands is the industry leader for buses above 8 metric tons in its most important traditional core markets: the EU30 region, Brazil, Argentina and Mexico. The division’s product range comprises city and intercity buses, touring coaches and bus chassis. The largest of the division’s 14 production plants are located in Germany, France, Spain, Turkey, Argentina, Brazil, Mexico and India. In 2019, Daimler Buses generated 68% of its revenue in the EU30 region and 15% in Latin America (excluding Mexico). Whereas we mainly sell complete buses in Europe, our business in Latin America, Mexico, Africa and Asia focuses on the production and distribution of bus chassis.


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

**B.02**

**Daimler Group structure until 31.12.2019**

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

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

Daimler is active in the global automotive industry and related sectors through a broad network of subsidiaries, associated companies and partnerships. The statement of investments of Daimler AG in accordance with Section 313 of the German Commercial Code (HGB) can be found in  [Note 41](#) of the Notes to the Consolidated Financial Statements.

## Portfolio changes and strategic partnerships

By means of targeted investments and future-oriented partnerships, we strengthened our core business and made use of additional growth potential in 2019. The most important projects are briefly described below.

### **Daimler and BMW Group are investing more than €1 billion in a joint mobility-services provider**

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

### **Daimler and Geely Holding establish a global joint venture for the further development of smart**

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

### **Daimler Trucks acquires a majority interest in Torc Robotics**

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

### **Daimler AG and BMW Group launch a long-term development partnership for automated driving**

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

## Important events

### A large majority of the Daimler shareholders vote for the new corporate structure with Daimler AG as the parent company

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

### Changes in the Board of Management

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

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

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

## Performance measurement system

### Value-based management

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

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

#### ➤ B.03

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

#### ➤ B.04

The quantitative development of value added and the related financial performance measures is explained in the "Profitability" chapter. [👁 pages 75 f](#)

### B.03

#### Calculation of value added

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



## Financial performance measures

### Profit measure

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

### Return on sales

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

### Net assets

All assets, liabilities and provisions for which the automotive divisions are responsible in day-to-day operations are allocated to those divisions. Performance measurement at Daimler Mobility is implemented on an equity basis. Net assets at the Group level include the net operating assets of the automotive divisions and the equity of Daimler Mobility, as well as assets and liabilities from income taxes and other reconciliation items which cannot be allocated to the divisions. Average annual net assets are calculated on the basis of average quarterly net assets. [👁 page 76](#)

### Cash flow

A change in net assets – for example as a result of investments – generally leads to the application or release of liquid funds. Along with earnings, net assets thus also have a direct effect on the cash flow. Of outstanding importance for the financial strength of the Daimler Group is the free cash flow of the indus-

trial business, which comprises the cash flows at the automotive divisions and the cash flows from interest, taxes and other reconciliation items that cannot be allocated to the divisions. The operating cash flow before interest and taxes (CFBIT) for the automotive divisions is derived from EBIT and the change in net assets. The cash conversion rate (CCR) is the ratio of CFBIT to EBIT over a period of time and is an important measure for cash-flow management. In order to provide a more transparent presentation of our ongoing business, we will additionally calculate and report the adjusted free cash flow of the industrial business and the adjusted CFBIT of the automotive divisions from financial year 2020 onwards. The adjustments include individual items if they lead to material effects in a reporting period. These individual items relate in particular to legal proceedings and related measures, restructuring measures and M&A matters. On the basis of adjusted CFBIT and adjusted EBIT, we will report an adjusted cash conversion rate (adjusted CCR) for the automotive divisions from financial year 2020 onwards.

### Key performance indicators

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

In addition to the financial indicators, we also use various non-financial indicators to help us manage the Group. Of particular importance in this respect are the unit sales of our automotive divisions, which we use as the basis for our capacity and human resources planning. The importance of the absolute number of employees as a performance indicator has been reduced, particularly in view of the increasing cooperation with partners in the form of partnerships and joint ventures. For this reason, the number of employees is no longer considered to be a key performance indicator.

Details of the development of non-financial performance indicators can be found in the chapters "Economic Conditions and Business Development" and "Non-Financial Report."

[👁 pages 65 ff and pages 196 ff](#)

## Corporate governance statement

The Declaration on Corporate Governance pursuant to Section 289f and Section 315d of the German Commercial Code (HGB), combined with the Corporate Governance Report, can be found in this Annual Report on [👁 pages 180 ff](#) and can also be viewed on the Internet at [🌐 daimler.com/corpgov/en](http://daimler.com/corpgov/en). Pursuant to Section 317 Subsection 2 Sentence 6 of the German Commercial Code (HGB), the purpose of the audit of the statements pursuant to Section 289f Subsections 2 and 5 and Section 315d of the HGB is limited to determining whether such statements have actually been provided.

### B.04

#### Cost of capital

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

# Economic Conditions and Business Development

## The world economy

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

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

China's economic growth continued to lose momentum last year as a result of a weakening of both domestic and export demand. At just 6.1%, growth for the year as a whole was noticeably lower than in 2018. As expected, the other economies in Asia were unable to disconnect themselves from the slowdown in world trade and the weakening of China's economic growth. As a result, these economies grew much more slowly than in the previous year. The slowdown was especially pronounced in India, where economic growth dropped to around 5% and thus to the lowest level in ten years. South America's hopes for a noticeable economic rebound were not fulfilled. The ongoing and deep-seated crisis in Argentina and

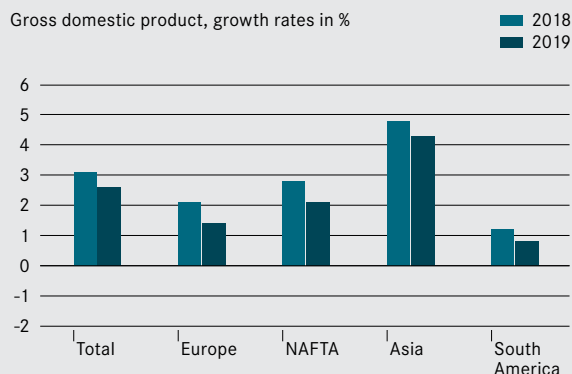
the continued rather disappointing development in Brazil have slowed down economic growth in the entire region. Growth was also lower than in the prior year in Central and Eastern Europe. This was mainly due to the severe economic crisis in Turkey as well as the substantial decline in the growth of the Russian economy. The much lower average price of oil over the year compared to the prior year ensured that economic growth continued to be rather weak in the Middle East as well. All in all, the growth of about 4% that was recorded in the emerging markets was significantly below the prior-year rate.

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

### B.05

#### Economic growth

Gross domestic product, growth rates in %



Source: IHS Markit, own calculations

## Automotive markets

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

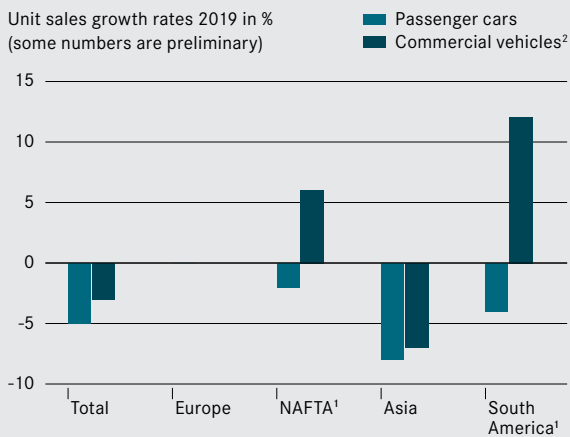
All in all, car sales were relatively stable in Europe. Within Western Europe, the German market expanded slightly by about 5%. The small increase of just under 2% that was recorded in France meant that sales there remained at about the prior-year level. Demand was rather weak in the UK, however, with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

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

### B.06

#### Global automotive markets

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



<sup>1</sup> Cars segment includes light trucks

<sup>2</sup> Medium- and heavy-duty trucks

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

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

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

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

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

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



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

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

## Business development

### Unit sales

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

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

The A-Class and B-Class models were particularly successful in the year under review. Unit sales of these models, including the CLA and the CLA Shooting Brake, increased by 29% to a total of 527,000 vehicles. Sales of C-Class models decreased by 8% to 439,600 sedans, wagons, coupes and convertibles. The E-Class continued to perform very well on the market. At 418,100 vehicles, total unit sales of the E-Class did not, however, achieve the high level of the previous year. With sales of 71,300 units, the S-Class sedan continues to be the world's best-selling luxury sedan. In total, we sold 75,400 vehicles in

this market segment in 2019 (2018: 83,800). Our unit sales in the SUV segment were impacted by the model changes for the GLE and the GLS. Demand for the new models was much higher than the actual number of vehicles available. Unit sales, however, were at the very high level of 789,800 (2018: 829,200) vehicles. Sales of our sports cars rose by 48% to 28,400 units; this increase was largely due to the market success of our Mercedes-AMG GT models. ➔ **B.07**

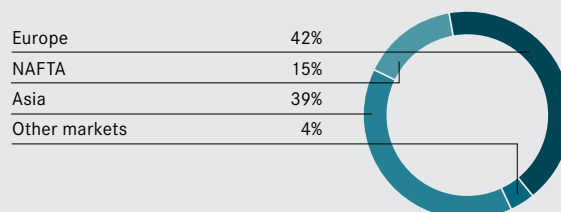
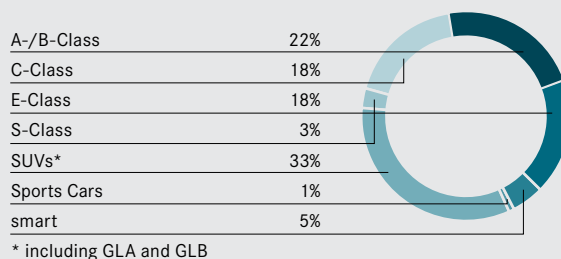
Mercedes-Benz Cars sold a total of 992,200 vehicles in Europe in 2019 (2018: 982,700). Sales growth in Germany (+4%) was accompanied by decreases in Italy (-1%) and Spain (-5%). Unit sales in the volume markets of the United Kingdom and France remained at the levels of the previous year. The Mercedes-Benz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

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

 [pages 158 ff](#)

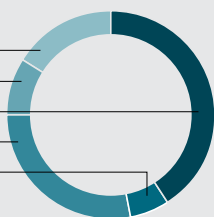
### B.07

#### Unit sales structure of Mercedes-Benz Cars



**B.08****Unit sales structure of Daimler Trucks**

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



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

**B.09****Market share<sup>1</sup>**

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

<sup>1</sup> Based on estimates in certain markets.

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

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

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

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

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

Business at **Daimler Mobility** continued to develop positively in the year under review. As we had forecast in Annual Report 2018, worldwide contract volume continued to grow, reaching the new record level of €162.8 billion in 2019 (+6%). At €74.4 billion, new business was also slightly higher than in 2018, which is what we had anticipated at the beginning of the year. Whereas new business grew in Europe (+3%), the Americas (+9%) and Africa & Asia-Pacific (+2%, excluding China), it decreased slightly in China (-4%). In the insurance business, we brokered approximately 2.4 million policies in the year under review, which corresponds with an increase of 5% compared with the previous year. In total, 588 million transactions were conducted through the mobility services of the YOUR NOW joint-venture group in 2019. Daimler Mobility had 425,000 contracts on its books with its Athlon and Daimler Fleet Management brands (+8%). Total contract volume amounted to €7.0 billion at the end of 2019. [pages 177 ff](#)

#### Order situation

The Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans and Daimler Buses divisions produce vehicles predominantly to order, in accordance with customers' specifications. While doing so, we flexibly adjust the production capacities for individual models to changing levels of demand. Due in particular to continued strong demand in China and the European markets, the number of orders placed with Mercedes-Benz Cars during the year under review remained at a high level despite a slight decrease. This was driven on the product side primarily by the A-Class and B-Class models and the E-Class, as well as by the continued strong success of our SUVs. With an unchanged high level of production, the order backlog at the end of the year was below the prior-year level. At Daimler Trucks, both orders received and the order backlog at year-end were significantly lower than a year earlier. This was mainly due to the significant weakening of demand in the second half of the year in the NAFTA region and also the EU30 region.



# Profitability

## B.10

### Revenue by segment and region

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

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

## Revenue and EBIT

### Revenue

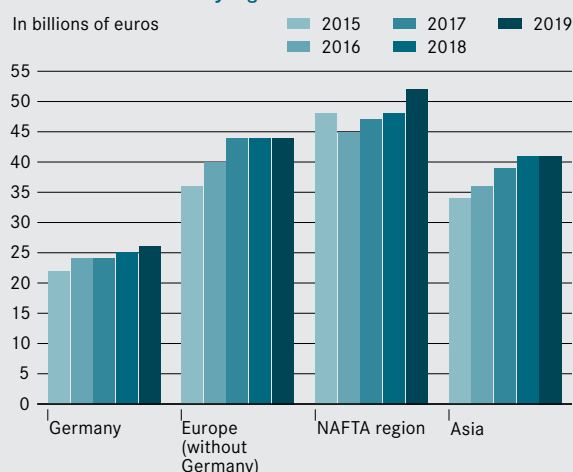
In the year 2019, the **Daimler Group's** revenue of €172.7 billion (2018: €167.4 billion) was slightly above the prior-year level. Also, adjusted for positive exchange-rate effects, revenue was slightly higher than in the previous year. ↗ **B.10**

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

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

## B.11

### Consolidated revenue by region



## EBIT

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

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

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

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

## B.12

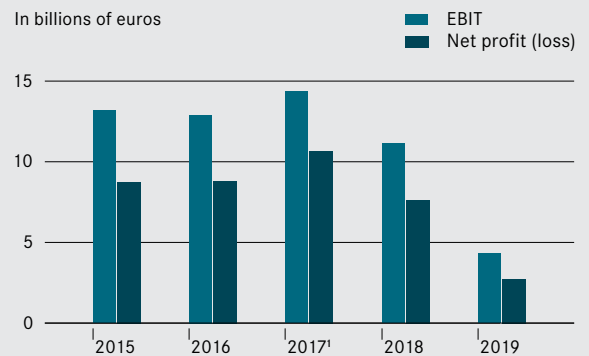
### EBIT by segment

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

<sup>1</sup> 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

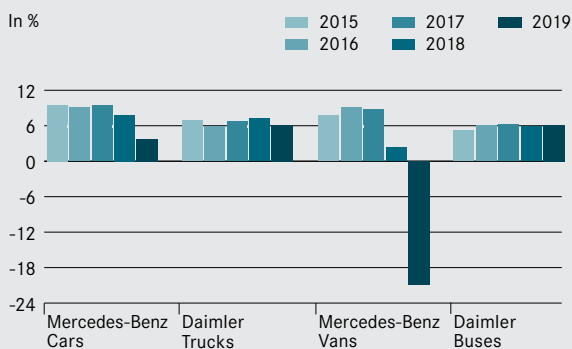
### Development of earnings



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

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

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

**B.14****Return on Sales**

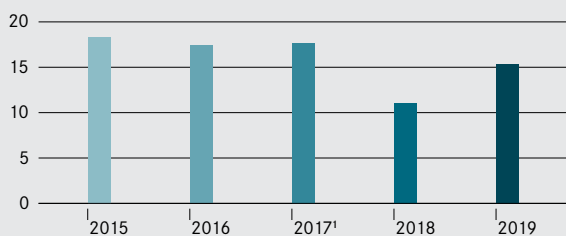
EBIT was affected by a reassessment of risks relating to ongoing governmental and legal proceedings and measures taken with regard to Mercedes-Benz diesel vehicles in various regions and markets (€2,200 million). EBIT was also reduced by expenses in connection with the review and prioritization of the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

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

**B.15****Return on Equity**

Daimler Mobility

In %



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

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

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

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

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

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

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

The **reconciliation** of the divisions' EBIT to Group EBIT comprises gains and/or losses at the corporate level and the effects on earnings of eliminating intra-Group transactions between the divisions.

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

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



The reconciliation of Group EBIT to profit before income taxes is shown in table [7 B.16](#).

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

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

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

Table [7 B.17](#) shows the reconciliation from EBIT as booked to adjusted EBIT for both the Daimler Group and the segments for the financial year 2019.

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

### B.16

#### Reconciliation of Group EBIT to profit before income taxes

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

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

### B.17

#### Reconciliation EBIT to adjusted EBIT

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

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

## Statement of income

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

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

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

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

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

**Research and non-capitalized development costs** of €6.6 billion in 2019 remained at the prior-year level. They were mainly related to the development of new models, advance expenditure for the renewal of existing models, and the further development of fuel-efficient and environmentally friendly drive systems as well as safety technologies, automated and autonomous driving and the digital connectivity of our products. As a proportion of revenue, research and non-capitalized development costs decreased from 3.9% to 3.8%. Further information on the Group's research and development costs is provided in the Research and Development section of the Sustainability chapter of this Combined Management Report. [↗ B.18](#)

**Other operating income** of €2.8 billion (2018: €2.3 billion) was above the level of the previous year. In 2019, it included income of €0.7 billion from the merger of the business units for mobility services of Daimler Group and BMW Group. In 2018, income from insurance compensation of €0.2 billion was included. **Other operating expense** increased to €4.5 billion (2018: €1.5 billion). Compared with the prior year, it included higher expenses in connection with ongoing governmental and legal proceedings and measures in the segments Mercedes-Benz Cars and Mercedes-Benz Vans relating to Mercedes-Benz diesel vehicles in various regions and markets. Further information on the composition of other operating income and expense is provided in [👁 Note 6](#) of the Notes to the Consolidated Financial Statements. [↗ B.18](#)

### B.18

#### Statement of income

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

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

➔ **B.18**

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

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

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

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

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

## Dividend

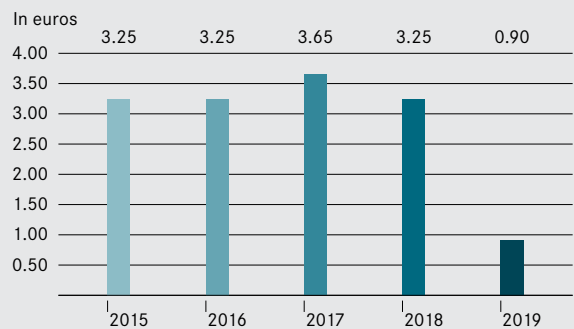
In line with a sustainable dividend policy, Daimler sets the dividend based on a distribution ratio of 40% of the net profit attributable to Daimler shareholders. We also take into consideration the free cash flow from the industrial business when setting the dividend. The Board of Management and the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

## Net operating profit

Table **➔ B.20** shows the reconciliation of the EBIT of the divisions to net operating profit. In addition to the EBIT of the divisions, net operating profit also includes earnings effects for which the divisions are not accountable, such as income taxes and other reconciliation items.

### B.19

#### Dividend per share



### B.20

#### Reconciliation to net operating profit

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

<sup>1</sup> Adjusted for tax effects on interest income/expense and amortization of capitalized borrowing costs.

## Value Added

As described in the Performance Measurement System section of the Corporate Profile chapter in chart **➔ B.03**, the cost of capital is the product of net assets and cost of capital expressed as a percentage, which is subtracted from earnings in order to calculate value added. Tables **➔ B.21** and **➔ B.22** show value added and net assets for the Group and for the individual divisions. Table **➔ B.23** shows how net assets are derived from the consolidated statement of financial position.

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



**B.21****Value added**

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

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

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

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

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

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

**B.22****Net assets (average)**

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

1 Total equity.

2 To the extent not allocated to the segments.

3 To the extent not allocated to Daimler Mobility.

**B.23****Net assets of the Daimler Group at year-end**

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

1 To the extent not allocated to Daimler Mobility.

# Liquidity and Capital Resources

## Principles and objectives of financial management

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

**Capital structure management** designs the capital structure for the Group and its subsidiaries. Decisions regarding the capitalization of Daimler's mobility, production, sales or financing companies are based on the principles of cost-optimized and risk-optimized liquidity and capital resources.

The purpose of **liquidity management** is to enable the Group to meet its payment obligations at any time. For this purpose, the Group records the cash flows from operating and financial activities in a rolling plan. The resulting financial requirements are covered by the use of appropriate instruments for liquidity management (e.g. bank credit, commercial paper and notes); liquidity surpluses are invested in the money market or the capital market taking into account risk and return expectations. Our goal is to ensure the level of liquidity regarded as necessary at optimal costs. Besides operational liquidity, the Daimler Group maintains additional liquidity reserves which are available in the short term. Those additional financial resources include a pool of receivables from the financial services business which are available for securitization in the capital market, as well as a contractually confirmed syndicated credit facility.


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

**Management of market-price risks** aims to minimize the impact of fluctuations in foreign exchange rates, interest rates and commodity prices on the earnings of the divisions and the Group. The Group's overall exposure to these market-price risks is determined to provide a basis for hedging decisions, which include the definition of hedging volumes and corresponding periods, as well as the selection of hedging instruments. The hedging strategy is specified at the Group level and uniformly implemented in the segments. Decisions regarding the management of risks resulting from fluctuations in foreign exchange rates and commodity prices, as well as decisions on asset/liability management (liquidity and interest rates), are regularly made by the relevant internal committees.


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

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


**Financial country risk management** includes various aspects: the risk from investments in subsidiaries and joint ventures, the risk from the cross-border financing of Group companies in risk countries, and the risk from direct sales to customers in those countries. The Daimler Group has an internal rating system that assigns all countries in which it operates to risk categories. With equity-capital transactions of considerable magnitude in risk countries, the Group generally hedges against political risks with the use of investment protection insurance such as the German government's investment guarantees. Risks from cross-border receivables are partially protected with the use of export credit insurance, letters of credit and bank guarantees in favor of Daimler AG. In addition, an internal committee sets and restricts the level of hard-currency credits granted to Daimler Mobility companies in risk countries.


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

## Cash flows

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

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

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

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

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



## B.24

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

The parameter used by Daimler to measure the financial capability of the Group's industrial business is the **free cash flow of the industrial business** [↗ B.25](#), which is derived from the reported cash flows from operating and investing activities. The cash flows from the acquisition and sale of marketable debt securities and similar investments included in cash flows from investing activities are deducted, as those securities are allocated to liquidity and changes in them are thus not a part of the free cash flow of the industrial business. In contrast, the recognition and measurement of right-of-use assets, which result from the change in lessee accounting and are largely non-cash items, are included in the free cash flow of the industrial business.

## B.25

## Free cash flow of the industrial business

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

**B.26****Reconciliation from CFBIT to the free cash flow of the industrial business**

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

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

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

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

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

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

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

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

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

**B.27****Reconciliation CFBIT to adjusted CFBIT of the automotive segments**

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

<sup>1</sup> Cash conversion rate adjusted is the relationship of CFBIT adjusted to EBIT adjusted.

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

In 2019, the **free cash flow of the Daimler Group** led to a cash outflow of €4.8 billion (2018: €10.2 billion). Besides the effects of the free cash flow of the industrial business, the free cash flow of the Daimler Group is mainly affected by the leasing and sales-financing business of Daimler Mobility. Additional effects resulted from the cash outflows (net) relating to the merger of the mobility services of Daimler Group and BMW Group.

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

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

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

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

## B.28

### Net liquidity of the industrial business

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

## B.29

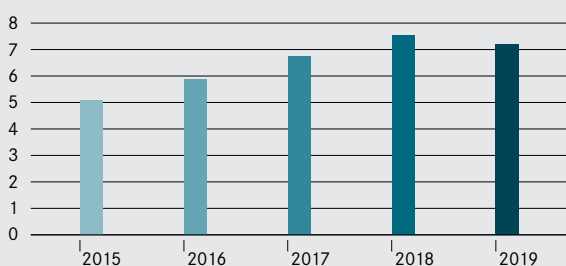
### Net debt of the Daimler Group

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



**B.30****Investment in property, plant and equipment**

In billions of euros

**B.31****Investment in property, plant and equipment by division**

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

**Contingent liabilities and other financial obligations**

At December 31, 2019, the best estimate for potential obligations from contingent liabilities is €1.6 billion (2018: €0.8 billion).

In the context of its ordinary business operations, the Group has also entered into **other financial obligations** in addition to the liabilities shown in the consolidated statement of financial position at December 31, 2019. These financial obligations result from contractual commitments to acquire intangible assets, property, plant and equipment and leased property, and irrevocable loan commitments.

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

**Investments**

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

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

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

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

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

## Refinancing

The funds raised by Daimler in the year 2019 primarily served to refinance the leasing and sales-financing business. For that purpose, Daimler made use of a broad spectrum of various financing instruments in various currencies and markets. They include bank loans, commercial paper in the money market, bonds with medium and long maturities, promissory-note loans, customer deposits at Mercedes-Benz Bank, and the securitization of receivables from customers in the financial services business (asset-backed securities).

Various issuance programs are available for raising longer-term funds in the capital market. They include the Euro Medium Term Note program (EMTN) with a total volume of €70 billion, under which Daimler AG and several subsidiaries can issue **bonds** in various currencies. Other local capital-market programs exist, which are significantly smaller than the EMTN program. Capital-market programs allow flexible, repeated access to the capital markets.

The monetary policy of the central banks also affected the situation in the bond markets significantly in the reporting period. The high volumes of available liquidity meant that risk premiums for companies with investment-grade credit ratings largely remained moderate.

In the year under review, the Group covered its refinancing requirements mainly through the issuance of bonds. A large proportion of those bonds were placed in the form of so-called benchmark issuances (bonds with high nominal volumes) in the US dollar and euro markets. [➔ B.33](#)

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

### B.32

#### Refinancing instruments

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

### B.33

#### Benchmark issuances

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

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

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

**Bank credit** was another important source of refinancing in 2019. Loans were provided by globally active banks as well as by nationally operating banks. The lenders also included supra-national banks such as the European Investment Bank and the Brazilian Development Bank.

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

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

The carrying values of the main refinancing instruments and the weighted average interest rates are shown in table [7 B.32](#). At December 31, 2019, they are mainly denominated in the following currencies: 42% in euros, 27% in US dollars, 8% in Chinese renminbi, 4% in British pounds, 3% in Canadian dollars and 3% in Japanese yen.

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

Detailed information on the amounts and terms of the main items of financing liabilities is provided in [Notes 24 and 33](#) of the Notes to the Consolidated Financial Statements.

[Note 33](#) also provides information on the maturities of the other financial liabilities.



## Credit ratings

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

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

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

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

### B.34

#### Credit ratings

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

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

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

# Financial Position

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

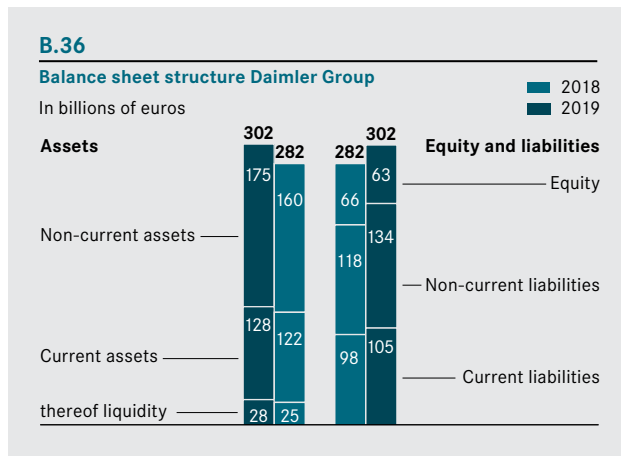
The increase in total assets primarily reflects the higher volume of the financial services business as well as increased

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

## B.35

### Condensed statement of financial position

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



Current assets account for 42% of the balance sheet total, which is below the prior-year level (2018: 43%). Current liabilities amount to 35% of total equity and liabilities, which is at the prior-year level. Table [7 B.36](#) shows the structure of the balance sheet by maturity.

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

**Property, plant and equipment** increased to €37.1 billion (2018: €30.9 billion). Due to the application of single lessee accounting according to IFRS 16 as of January 1, 2019, right-of-use assets of €4.2 billion are included in property, plant and equipment. In 2019, €7.2 billion was invested worldwide (2018: €7.5 billion), in particular at our production and assembly sites for new products and technologies and for the expansion and modernization of production facilities. The sites in Germany accounted for €4.4 billion of the capital expenditure (2018: €4.4 billion).

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

Further information on the assets presented in the statement of financial position and on the Group's equity and liabilities is provided in the Consolidated Statement of Financial Position [➤ F.03](#), the Consolidated Statement of Changes in Equity [➤ F.05](#) and the related notes in the Notes to the Consolidated Financial Statements.

# Daimler AG

Condensed version according to the German Commercial Code (HGB)

In addition to reporting on the Daimler Group, the development of Daimler AG is also described in this section.

Daimler AG is the parent company of the Daimler Group and its headquarters are in Stuttgart.

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

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

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

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

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

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

## Profitability

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

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

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

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

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

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

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

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

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

The **economic situation** of Daimler AG in its management holding-company function depends mainly on the development of its subsidiaries. Daimler AG participates in the operating results of its subsidiaries through dividend distributions and profit-and-loss transfers. The economic situation of Daimler AG is therefore fundamentally the same as that of the Daimler Group, which is described in the chapter Overall Assessment of the Economic Situation.

### B.37

#### Condensed income statement of Daimler AG

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

## Financial position, liquidity and capital resources

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

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

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

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



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

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

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

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

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

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

## B.38

### Balance sheet structure of Daimler AG

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

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

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

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

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

## Risks and opportunities

The business development of Daimler AG as the operational management holding company mainly depends on the development of its worldwide subsidiaries and is therefore – through the profit and loss contributions from subsidiaries and associated companies – fundamentally subject to the same risks and opportunities as the Daimler Group. Daimler AG generally participates in the risks of its subsidiaries and associated companies in line with the percentage of its respective equity interest. The risks and opportunities are described in the Risk and Opportunity Report. Risks may additionally arise from relations with subsidiaries and associated companies in connection with statutory or contractual obligations (in particular with regard to financing), as well as from the impairment of investments in subsidiaries and associated companies.

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

## Outlook

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

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

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

# Sustainability and Integrity

## Sustainability at Daimler

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

Additional information on “Sustainability at Daimler” can be found in the “Non-Financial Report” section of this Annual Report [pages 202 ff.](#) The “Non-Financial Report” is also available on the Internet at [daimler.com/nonfinancial-report](https://www.daimler.com/nonfinancial-report). The new Daimler Sustainability Report for financial year 2019 will be available on the Group’s website at the beginning of April 2020. [daimler.com/sustainability](https://www.daimler.com/sustainability)

## Research and development

### Research and development as key success factors

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

The expertise, creativity and drive of our employees in research and development are key factors behind our vehicles’ market success. At the end of 2019, Daimler employed 24,300 men and women at its research and development units around the world (2018: 25,600). A total of 16,200 of those employees

(2018: 17,700) worked at Group Research & Mercedes-Benz Cars Development, 5,600 (2018: 5,300) at Daimler Trucks, 1,200 (2018: 1,300) at Mercedes-Benz Vans and 1,300 (2018: 1,300) at Daimler Buses. Around 5,100 researchers and development engineers (2018: 5,800) worked outside Germany.

### Global research and development network

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

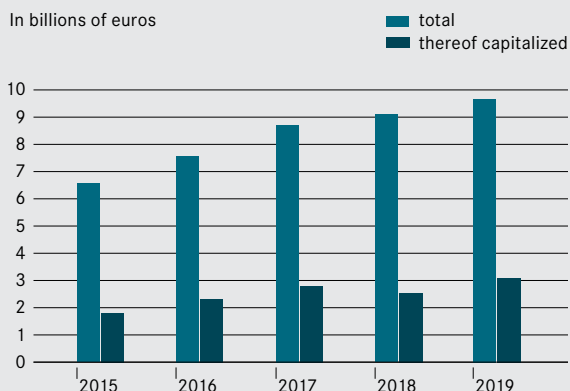
Along with our internal activities, we also maintain close contacts with external research institutions. For example, we work together with various renowned research institutes around the world and participate in international exchange programs for next-generation scientists.

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



**B.39****Research and development expenditure**

In billions of euros

**B.40****Research and development expenditure by division**

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

**Targeted involvement of the supplier network**

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

**Protecting our brands and patents**

Without the protection and management of its patents, brands and designs, Daimler could never have become as successful as it is today. That is why we seek to effectively protect and manage the Group's intellectual property and the innovations that inspire our customers around the globe. In this manner, we also intend to ensure the successful continuation of our tradition that goes back more than 130 years. We upheld this tradition in 2019 by registering more than 2,100 new ideas for patents (2018: 1,900), with an increasing focus on the future-oriented fields of connectivity, automated and autonomous driving, and electric drive systems. In addition to industrial property rights, which safeguard our innovations for future

mobility over the long term, the unique visual aspects of our products are protected with more than 7,500 registered designs (2018: 7,500). Our portfolio of more than 34,500 trademark rights worldwide (2018: 36,300) also serves to protect the Mercedes-Benz brand, our new EQ brand for electric mobility, and all of our other product brands in the relevant markets. In order to safeguard this intellectual property, we established an IP competence center for all brands and technologies last year under the name Daimler Brand & IP Management GmbH & Co. KG. This company registers and manages Daimler's portfolio of patents, brands, trademarks, designs and domains, handling everything from the process of invention disclosure to the granting or registration of the intellectual property right. In the event of disputes regarding improper use of Daimler's intellectual property, the team takes over its defense before the authorities and the courts.

**€9.7 billion for research and development**

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

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

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

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

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

## Innovation and safety

### **New mobility is taking shape and is becoming a reality**

The automotive industry is undergoing a profound transformation. As the inventor of the automobile and a provider of personal mobility solutions ranging from smart vehicles to the broad range of Mercedes-Benz cars and Mercedes-Benz vans, we seek to shape and lead this extensive transformation. Technical challenges still exist with regard to linking the four key fields that are decisive for the future of mobility – connectivity (Connected), automated and autonomous driving (Autonomous), flexible use and services (Shared & Services) and electric drive systems (Electric). In the meantime, our electric mobility offensive in the field of cars is being consolidated under our EQ technology and product brand, which represents an important component on the road to emission-free driving and an effective instrument for achieving ever more ambitious global CO<sub>2</sub> reduction targets.

### **Connected: MBUX and Mercedes me**

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

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

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

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

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

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

### **New forms of automated driving**

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

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

### **Shared & Services: a joint venture with the BMW Group**

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

### **Electric mobility offensive – new products and highlights at IAA 2019**

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

We have also set other goals within the framework of our “Ambition 2039” strategy. For example, plans call for the Mercedes-Benz Cars business division to offer a completely CO<sub>2</sub>-neutral new vehicle fleet by 2039. In addition, we want more than half of our vehicle sales in 2030 to consist of vehicles with electric drive systems, i.e. all-electric and plug-in

hybrid vehicles. By 2030, nearly all of our production sites in Germany will use electricity generated exclusively from renewable sources. We are also looking to achieve CO<sub>2</sub>-neutral production throughout Europe as of 2022, while our long-term plans call for the value chain to be transformed into a value cycle that will incorporate the entire supplier chain. As we move ahead here, electric mobility will become our core business, and future vehicle architectures will be designed for electric mobility from the very beginning.

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

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

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

With the A 250 e (fuel consumption combined: 1.6 – 1.4 l/100 km; CO<sub>2</sub> emissions combined: 36 – 32 g/km; power consumption combined: 15.3 – 14.6 kWh/100 km)<sup>1</sup>, the A 250 e sedan (fuel consumption combined: 1.5 – 1.3 l/100 km; CO<sub>2</sub> emissions combined: 35 – 31 g/km; power consumption combined: 15.2 – 14.5 kWh/100 km)<sup>1</sup> and the B 250 e (fuel consumption combined: 1.6 – 1.4 l/100 km; CO<sub>2</sub> emissions combined: 36 – 32 g/km; power consumption combined: 15.4 – 14.7 kWh/100 km)<sup>1</sup>, three compact-family models equipped with the third-generation hybrid system were unveiled for the first time.

The electric mobility offensive is also being systematically implemented in the SUV segment. The new GLE 350 de 4MATIC (fuel consumption combined: 1.3 – 1.1 l/100 km; CO<sub>2</sub> emissions combined: 34 – 29 g/km; power consumption combined: 28.7 – 25.4 kWh/100 km)<sup>1</sup> has a battery with a capacity of 31.2 kWh, which gives it an all-electric range of more than 100 kilometers, assuming an appropriate driving style.

The GLC also enters its new model year with an even more striking design, the MBUX infotainment system and the latest driving assistance systems. As an all-wheel drive SUV, the GLC 300 e 4MATIC (fuel consumption combined: 2.5 – 2.2 l/100 km; CO<sub>2</sub> emissions combined: 58 – 51 g/km; power consumption combined: 18.3 – 16.5 kWh/100 km)<sup>1</sup> is also an ideal towing vehicle.

### Solutions for the electric charging infrastructure

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

### Modern combustion engines remain indispensable

Combustion engines should continue to form the backbone of global personal mobility for many years to come. This makes it all the more important to further improve the efficiency and environmental compatibility of combustion engines. As planned, we continued and expanded our engine offensive at Mercedes-Benz in the year under review. Our new highly efficient four and six-cylinder engines are already available in diesel or gasoline versions in numerous models. We are convinced that diesel will continue to be a firm element of the drive-system mix in the future, not least due to the low CO<sub>2</sub> emissions of diesel engines.

Significantly reduced NO<sub>x</sub> emissions are a characteristic feature of vehicles that are certified in accordance with the Euro 6d-TEMP standard. All Mercedes-Benz passenger cars that can be ordered as new vehicles now comply with this standard.

### 2019: a year of safety anniversaries

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

<sup>1</sup> The stated figures are the measured "NEDC CO<sub>2</sub> figures" within the meaning of Art. 2 No. 1 Commission Implementing Regulation (EU) 2017/1153. The fuel consumption figures were calculated on the basis of these figures. The range and the electrical consumption were determined on the basis of Commission Regulation (EC) No. 692/2008. A different value is applied in accordance with the German Electric Mobility Act (EmoG). A higher figure may apply as the basis for calculating the motor vehicle tax. Further information on official fuel consumption figures and the official specific CO<sub>2</sub> emissions can be found in the guide "Information on the fuel consumption, CO<sub>2</sub> emissions and electric power consumption of new cars," which is available free of charge at all sales dealerships and from Deutsche Automobil Treuhand GmbH at [www.dat.de](http://www.dat.de).



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

#### **STARTUP AUTOBAHN begins its seventh program round**

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

In the summer of 2019, STARTUP AUTOBAHN launched its seventh program under the motto "THE NEXT GREEN THING" – with a clear focus on sustainability. During the round's scouting phase, Daimler examined ideas from more than 500 startups worldwide in the areas of climate protection and air quality, conservation of resources and livable cities. Around 30 of these ideas were then analyzed in detail by numerous experts, after which a few were selected for further development in specific collaboration projects. The range of topics is varied, providing an indication of the wealth of ideas available in the startup scene. One startup, for example, extracts CO<sub>2</sub> from the air and uses it to produce polymers that can then be utilized as either soft or hard foam materials in car seats.

#### **Daimler Trucks & Buses: moving the world – sustainably**

Transport is the backbone of our economy and our modern way of life. Without trucks and buses, factories could not manufacture anything, supermarkets couldn't sell anything and people's mobility would be severely restricted. In other words, the world would come to a standstill. Our customers move the world – and our goal at Daimler Trucks & Buses is to offer our customers the products and services that increase their busi-

ness success. In the future, we will focus in particular on the CO<sub>2</sub>-neutral transport of goods and people in driving operation (tank to wheel) and on accident-free driving. Both of these fields are part of the sustainable corporate strategy pursued at Daimler Trucks & Buses, which is one of the world's leading manufacturers of commercial vehicles. Within the framework of this strategy, the company is developing vehicles and services that move our society forward efficiently and electrically, automatically, in a reliable network of connected vehicles and infrastructure.

#### **Daimler Trucks: efficient and electric**

Daimler Trucks & Buses aims to offer only new vehicles that are CO<sub>2</sub>-neutral in driving operation ("tank-to-wheel") in the major markets of Europe, Japan and the NAFTA region by 2039. As early as 2022, the company plans to have a vehicle portfolio comprising series-produced vehicles with battery-electric drive systems in the main sales regions of Europe, the United States and Japan. Plans also call for all Daimler Trucks & Buses plants in Europe to be CO<sub>2</sub>-neutral by 2022. All of the company's other production facilities will then follow. Light-, medium- and heavy-duty trucks equipped with battery-electric drive are already being tested extensively by customers: the light-duty FUSO eCanter in large cities around the world, the heavy-duty Mercedes-Benz eActros in Germany and Switzerland, and the medium-duty Freightliner eM2 and heavy-duty Freightliner eCascadia in the United States.

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

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

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

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

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

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

#### **Automated Daimler Trucks: aiming for more safety**

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

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

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

#### **Developing and testing highly automated trucks (SAE Level 4)**

In the transportation industry, SAE Level 4 is the next logical step after Level 2 to increase efficiency and productivity for customers and significantly reduce costs per kilometer. Daimler Trucks is thus skipping the intermediate step of conditional automation (SAE Level 3). Level 3 does not offer truck customers any significant advantage over the current situation,

as the higher costs of the technologies required for it are not matched by corresponding benefits in practice.

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

#### **Daimler Trucks: reliable and connected**

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

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

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

#### **Mercedes-Benz Vans: vans with electric drive**

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

#### **Well connected: making transport safer and more efficient**

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

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

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

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

#### **Efficient passenger transport**

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

#### **On the move with environmentally friendly public transport**

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

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

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



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

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

#### **Safety at Daimler Buses: the vision of accident-free driving**

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

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

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

## Environmental Protection


### **A comprehensive approach to environmental protection**

The transition to CO<sub>2</sub>-neutral mobility is vital if the impact of climate change is to be limited. We at Daimler are working hard to make this vision reality. Mercedes-Benz AG has had its climate protection measures scientifically confirmed by the Science Based Targets Initiative (SBTI). By means of these targets, the company would like to make a contribution to environmental protection in line with the Paris agreement on global climate change.


Furthermore, in our sustainable business strategy, we have set ourselves the goal of making our fleet of new cars CO<sub>2</sub>-neutral for the vehicles' entire lifecycle by 2039. Daimler Trucks & Buses aims to offer only new vehicles that are CO<sub>2</sub>-neutral in driving operation (tank-to-wheel) in the major markets of Europe, Japan and the NAFTA region by 2039. Mercedes-Benz Vans is currently striving to achieve similar reductions in CO<sub>2</sub> emissions.

The environmental and energy-related guidelines approved by the Board of Management define the environmental and energy-related policy of the Daimler Group. This expresses our commitment to integrated environmental protection that begins with the underlying factors that have an impact on the environment, assesses the environmental effects of production processes and products in advance, and takes these findings into account in corporate decision-making.

A vehicle's environmental impact is largely determined during the first phases of its development. The earlier we integrate environmentally responsible product development (design for the environment, DfE) into the development process, the more efficiently we can reduce the impact on the environment.

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### **CO<sub>2</sub> emissions from our car fleet**

In the year under review, the average CO<sub>2</sub> emissions of our car fleet in Europe (EU28 plus Iceland and Norway) probably increased to 137 g/km (NEDC, including vans registered as passenger cars (M1)) (Mercedes-Benz Cars 135 g/km). This means that we were unable to reduce our CO<sub>2</sub> emissions from the prior-year level. There were several reasons for this development. First, the shift of sales from vehicles with diesel engines to those powered by gasoline engines. In addition, the certification changeover became fully effective in 2019 with the roll-out of WLTP. We intend to achieve our objective of reducing our CO<sub>2</sub> emissions for 2020, thus continuing to comply with the valid EU limit values by means of a planned expansion of our portfolio to include further electric models and assuming corresponding customer demand. More detailed information can be found in the Non-Financial Report section of this Annual Report.  [pages 197 ff](#)

### **Inner-city air quality**

In addition to climate protection, the improvement of inner-city air quality is an important environmental consideration for us. That's because road traffic still accounts for a considerable share of nitrogen dioxide pollution (NO<sub>2</sub>) near roads.

Plans call for our new vehicle fleet to no longer have any relevant impact on NO<sub>2</sub> emissions in urban areas by 2025. Another of our aims is to increase transparency with regard to vehicle-related particulate emissions and forge ahead with the research and development of measures for reducing such emissions.

A reduction in NO<sub>x</sub> emissions is made possible by an innovative overall package consisting of the engine and the exhaust treatment system. This package is being continuously enhanced and has been comprehensively launched on the market in the new engine generation encompassing the OM 654, 656 and 608.

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

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

#### **Conserving resources: consistently high recyclability**

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


In order to evaluate the environmental compatibility of a vehicle, we analyze the use of resources throughout its entire life cycle. The production of vehicles naturally requires great quantities of materials. Therefore, one of the focal points of our development tasks is to keep the demand for natural resources as low as possible. During vehicle development, we also prepare a recycling concept for every one of our Mercedes-Benz car models. This concept includes an analysis of the suitability of all components and materials for the various stages of the recycling process. As a result, all Mercedes-Benz car models are 85% recyclable and 95% recoverable. The key aspects of our activities in this area are:

- the resale of tested and certified used parts through the Mercedes-Benz Used Parts Center (GTC),
- the remanufacturing of used parts, and
- the workshop waste disposal system MeRSy (Mercedes-Benz Recycling System).

#### **Environmental protection in production**

Beginning in 2022, we plan to achieve CO<sub>2</sub>-neutral production in all of our Mercedes-Benz car plants in Europe. New plants are already being planned with this in mind. Factory 56 is showing the way. This new factory building in the Mercedes-Benz Sindelfingen plant will already be supplied with CO<sub>2</sub>-neutral energy when it goes into operation. The plant in Hambach, France, already covers all of its electricity requirements with energy from renewable sources (green electricity, biogas). Its production operations are CO<sub>2</sub>-neutral. Production at the Mercedes-Benz plant in Jawor, Poland, will also be CO<sub>2</sub>-neutral as of the plant’s commissioning. The new plant will be completely supplied with electricity from renewable resources by a wind farm. Heating will be provided by a heating plant directly adjacent to the plant site. This will provide energy from renewable resources.

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

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

## The workforce

### Number of employees at prior-year level

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

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

Around the world, we have combined in-house services, such as those for financial processes, human resources (HR), IT and development tasks, sales functions and certain location-specific services, into shared service centers. Some of the shared service centers are not consolidated because they have a negligible affect on our financial position, cash flow or profitability; those companies employed approximately 13,400 men and women at the end of 2019.

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

### Human resources strategy

The key aims of our human resources strategy are to further increase our appeal as an employer and to safeguard and further extend the competitiveness of our workforce. Because our executives should motivate their employees to achieve top performance and assume more personal responsibility, it is crucial that we further develop our management culture and establish outstanding leadership capabilities in our management. In addition, we want to take on social responsibility and let diversity flourish in our global company.

### High attractiveness as an employer

Our activities and measures for enhancing our attractiveness as an employer are designed to enable us to recruit and retain specialized employees and qualified managers. In this regard, we also make use of external communication channels such as our Careers website [daimler.com/career](https://daimler.com/career) and social media sites (e.g. Instagram and Facebook). We also develop target group-specific marketing campaigns. The most recent example of such a campaign is the “Next Big Thing,” an international campaign designed to make IT and artificial intelligence experts more aware of what Daimler has to offer as an attractive employer. Our primary objectives for such measures are to ensure attractive and fair compensation and to establish and

maintain a work culture that promotes outstanding performance and a high level of motivation and satisfaction among our employees and management staff.

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

### Diversity and inclusion

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

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

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

In order to fulfill the requirements of legislation in Germany regarding the equal participation of women and men in management positions, the Board of Management has set targets for the proportion of women at the two management levels below the Board of Management and a deadline for achieving those targets. In setting all targets, we have taken industry-specific circumstances into consideration.

Further details are provided in the “Declaration on Corporate Governance, Corporate Governance Report” section on [pages 185 ff](#) of this Annual Report.



**Securing young talent**

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

**Employee qualification**

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

**Health management and occupational safety**

Healthy and motivated employees are important for our competitiveness. We therefore promote the health and safety of our employees through numerous programs that focus on work safety concepts and standards, ergonomics, the provision of medical care, nutritional advice, individual exercise, measures to promote mental health and personal resilience, and much more. Our Health & Safety unit defines, coordinates and monitors measures that promote and ensure occupational health and safety at the company. The implementation of such measures at our plants is managed by corresponding experts.

Further information on employee matters can be found in the Non-Financial Report on [pages 203 ff.](#)

**Social responsibility**

**The goals associated with our social commitment**

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

**B.41**

**Employees by division**

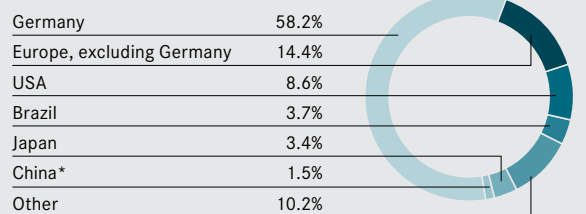
	2019	2018	19/18
Employees (December 31)			% change
Daimler Group	298,655	298,683	-0
Mercedes-Benz Cars <sup>1</sup>	152,048	151,316	+0
Daimler Trucks <sup>1</sup>	83,437	82,676	+1
Mercedes-Benz Vans <sup>1</sup>	21,346	21,810	-2
Daimler Buses <sup>1</sup>	17,960	17,729	+1
Daimler Mobility	12,680	14,070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

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

**B.42**

**Employees at 12/31/2019**

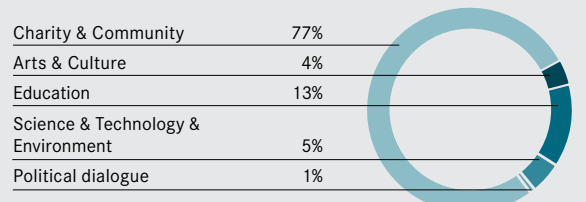
By region



\* excluding non-consolidated associated companies and joint ventures

**B.43**

**Donations and sponsoring in 2019**



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

**With our employees**

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

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

#### For our locations

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

#### Worldwide

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

#### Funding through foundations

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

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

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

More information on the projects promoted by the Group and the activities related to our social commitment can be found in the Daimler Sustainability Report and on our website under “Sustainability.” [🌐 daimler.com/sustainability](https://www.daimler.com/sustainability)

Further information on social matters can be found in the Non-Financial Report of this Annual Report. [👁️ pages 208 ff](#)

## Integrity, compliance and legal affairs

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

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

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

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

Further information can be found in the Non-Financial Report. [pages 211 ff](#)

### Compliance and legal responsibility

Value-based compliance is an indispensable part of our daily business activities at Daimler. For us, compliance means acting in accordance with laws and regulations. Our objective here is to ensure that all of our employees worldwide are always able to carry out their work in a manner that is in compliance with applicable laws, regulations, agreements with workers' representative bodies, voluntary commitments and our values, as set out in binding form in our Integrity Code. Our compliance activities focus on complying with anti-corruption regulations, the maintenance and promotion of fair competition, the compliance of our products with technical and regulatory stipulations, respect for and the protection of human rights, adherence to data protection laws, compliance with sanctions and the prevention of money laundering. Our compliance and legal organizations are designed to ensure that they can advise and support all of our corporate units worldwide with regard to their business operations, processes and services in order to minimize legal and business risks.

### Our Compliance Management System (CMS) serves as the foundation

Our Compliance Management System (CMS), which has its basis in our culture of integrity, is designed to support the observation of laws and policies in the company and by its employees and to prevent misconduct. The measures needed for this are defined by our compliance and legal affairs organizations in a process that also takes business requirements into account as appropriate. Our CMS consists of basic principles and measures for the promotion of compliant behavior throughout the Group. The CMS is based on national and international standards and is applied on a global scale at Daimler AG and all Group companies. The systematic minimization of compliance risks is extremely important here, and for this reason we analyze and assess the compliance risks of our Group companies every year. These analyses are based on centrally compiled information on the Group companies; specific additional details are taken into account if necessary. The results of the analyses form the basis of our risk management.

More detailed information on the Daimler Compliance Management System can be found in the Non-Financial Report section of this Annual Report. [pages 212 ff](#)

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



# Overall Assessment of the Economic Situation

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

- We have presented a new sustainable business strategy, which is designed to lead us into a CO<sub>2</sub>-neutral future.
- After receiving the approval of the Annual Shareholders' Meeting, we launched a new corporate structure effective November 1, 2019, which makes us more flexible and focuses our businesses more closely on our customers.
- We are on the threshold of a far-reaching transformation process that will change the Daimler Group and the automotive industry as a whole to an unprecedented extent in the coming years.
- An additional factor is an environment featuring trade conflicts, extremely demanding targets for CO<sub>2</sub> reductions, and economic and political uncertainties.

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

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

Daimler is pushing ahead with the electrification of the automobile. The entire Mercedes-Benz car portfolio is to be electrified by 2022. This means that various electrified alternatives will be offered in each segment – from compact cars to large SUVs. By 2025, we expect all-electric vehicles to account for

up to 25%. To this end, we plan to launch more than ten all-electric automobiles. Mercedes-Benz Vans already offers the eVito, the eSprinter and our battery-powered multipurpose vehicle is to follow in 2020. And Mercedes-Benz Vans has also announced an electric version of the successor model to the Citan. By 2022, Daimler Trucks will make electric vehicles ready for series production in all major regions and segments, with a focus on battery-powered trucks. The range will be supplemented in the second half of this decade by fuel-cell and hydrogen-based systems for trucks. Daimler Buses already presented the all-electric eCitaro in mid-2018. Buses equipped with fuel-cell systems are to supplement the product range.

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

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


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

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

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

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

High expenses for the transition to a CO<sub>2</sub>-neutral future will continue to reduce our earnings in the coming years. It is therefore important that we now take the measures that will enable us to generate adequate returns and cash flows again in the medium term, even under less favorable conditions. For that reason, we are initiating comprehensive measures to increase profitability at all our divisions and at Daimler AG. They include personnel measures, material-cost savings, prioritization of investments, portfolio and model adjustments, the implementation of platform strategies and the thorough digitization of processes at Daimler Mobility.

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

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

In order to achieve our goals, we are systematically implementing our sustainable business strategy. Our starting position on the road to a profitable and at the same time CO<sub>2</sub>-neutral future is significantly better than current earnings figures suggest. There is still a lot to do, but we laid down the decisive markers in 2019. In doing so, we took into account that the transformation of the automotive industry not only involves risks, but also offers considerable opportunities, which we intend to utilize systematically. For example, the VISION EQS concept car, which we presented in September 2019, sets the direction: With such vehicles, we can completely redefine the automotive luxury segment. But CO<sub>2</sub>-neutral and automated driving opens up new market potential also for commercial vehicles, as the success of our eCitaro electric city bus shows.

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

## Events after the Reporting Period

### **Personnel measures in production-related and administrative areas in the years 2020 to 2022**

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

### **Establishment of joint venture smart Automobile Co., Ltd.**

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

### **Sale of 30% of the shares in HERE**

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

# Remuneration Report

## Principles of Board of Management remuneration

### Goals

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

### Practical implementation

For each upcoming financial year, the Presidential Committee at first prepares a review by the Supervisory Board of the system and level of remuneration on the basis of a comparison with competitors. The main focus is on checking for appropriateness, based on a horizontal and a vertical comparison.

In the horizontal comparison, the following aspects are given particular attention in relation to a group of comparable companies in Germany:

- the effects of the individual fixed and variable components, that is, the methods behind them and their performance parameters;
- the relative weighting of the components, that is, the relationship between the fixed base salary and the short, medium and long-term variable components;
- and the amount of the target remuneration consisting of a fixed base remuneration, an annual bonus as a short and medium-term variable component, and a long-term variable remuneration, also with consideration of entitlement to a retirement pension and fringe benefits.

The vertical comparison focuses on the ratio of Board of Management remuneration to the remuneration of the senior executives and the entire workforce of Daimler AG in Germany, also in terms of development over time. The Supervisory Board has defined the group of senior executives for this purpose. It consists of the Executive Vice Presidents and the management level 1 of Daimler AG in Germany.

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

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

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

On the basis of the approved remuneration system, the Supervisory Board decides at the beginning of the year on the base and target remuneration for the individual members of the Board of Management as well as on total remuneration limits. It also decides on the relevant performance parameters and the respective targets that are to be used in the bonus calculations (the short and medium-term variable remuneration components) for the upcoming financial year. Furthermore, sustainability-based non-financial targets are drawn up for the Board of Management as a whole, as are transformation targets oriented toward the implementation of future-focused measures for the Group's technological and sustainable realignment. Since the 2019 financial year, the annual bonus for the Board of Management and for managers has been calculated according to uniform goals/criteria and a uniform system.



For the long-term variable component of remuneration, which is referred to as the Performance Phantom Share Plan (PPSP), the Supervisory Board sets an amount to be granted for the upcoming financial year in the form of an absolute amount in euros and sets the respective performance targets. The uniform approach for the targets/criteria and the PPSP system has been in force for the Board of Management and for managers since it was introduced in 2005.


After the end of each financial year, the amount of the annual bonus is determined by measuring the achievement of the financial, non-financial and transformation targets by the Board of Management as a whole. The Presidential Committee then calculates the annual bonus and submits its proposal to the Supervisory Board for its approval.

The amount to be paid out for the long-term variable remuneration component (PPSP) is determined at the end of the four-year plan period and approved for payment after the Presidential Committee and the Supervisory Board have been informed.

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

**The system of Board of Management remuneration in 2019**

The fixed base salary and the annual bonus each comprise approximately 30% of the target remuneration, while the variable component of remuneration with a long-term incentive effect (PPSP) makes up approximately 40% of the target remuneration. ➔ B.44

As before, only 50% of the annual bonus is paid out in the March of the following financial year. The other 50% is paid out a year later (deferral) with the application of a bonus-malus rule, depending on the development of the Daimler share price compared with an automotive index (STOXX Europe Auto Index)  page 48 ff, which Daimler AG uses as a benchmark for the relative share-price development. Both the delayed payout of the portion of the annual bonus (with the use of the bonus-malus rule) and the variable component of remuneration from the PPSP with its link to additional, ambitious comparative parameters and to the share price reflect the recommendations of the German Corporate Governance Code as amended on February 7, 2017 and give due consideration to both positive and negative business developments.

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

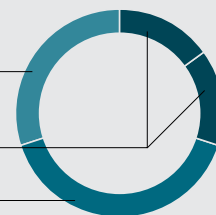
As in the prior year, the maximum amounts of remuneration (cash payments) of the members of the Board of Management were set for financial year 2019 at 1.9 times the target remuneration for its members. It was 1.5 times the target remuneration for its Chairman, who was in office until the end of the Annual Meeting 2019, and is 1.7 times the target remuneration for the new Board of Management Chairman. The target remuneration consists of the base salary, the target annual bonus and the grant value of the PPSP, excluding fringe benefits and retirement benefit commitments. With the inclusion of fringe benefits and retirement benefit commitments from the respective financial year, the maximum limit of total remuneration increases by these amounts. The possible cap on the amount exceeding the maximum limit takes place with the pay-

**B.44**

**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.45**

**Maximum limit of total remuneration<sup>1</sup> 2019 (cash payments)**

<b>Chairman of the Board of Management</b>	1.7 times the target remuneration <sup>1</sup>
<b>Other members of the Board of Management</b>	1.9 times the target remuneration <sup>1</sup>

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

**Target remuneration<sup>1</sup> 2019**

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

**Total remuneration<sup>1</sup> in 2019**

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

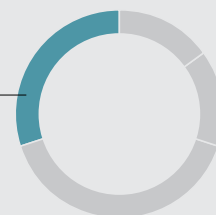
<sup>1</sup> Excluding fringe benefits and retirement benefit commitments in all cases.

**B.46**

**Base salary – fixed**  page 109

base salary – fixed – oriented towards the area of responsibility

base salary (non-performance-related) paid out in twelve monthly installments	approx. 30%
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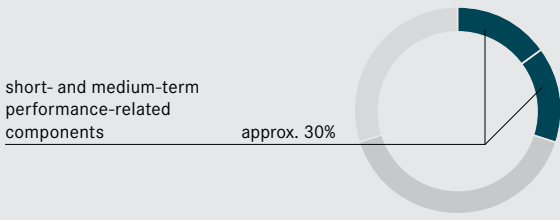
ment of the PPSP issued in the relevant financial year, i.e. for the year 2019, with payment of the PPSP 2019 in 2023. ➔ B.45

The individual components of the remuneration system are as follows:

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

**B.47**

**Annual bonus – short- and medium-term performance-related remuneration** [page 110](#)



$$\text{annual bonus 2019} = \text{target bonus} \times \text{overall target achievement}$$

target bonus = 100% of base salary 2019	×	overall target achievement target achievement EBIT +/- target achievement for the non-financial targets +/- target achievement for the transformation targets
<b>overall target achievement</b>		

**time of payment of annual bonus 2019**  
 50% of annual bonus = in March of the year after the reporting year (2020)  
 50% of annual bonus (deferral) = in March of the second year after the reporting year (2021)

**amount paid out deferral** = 50% of annual bonus × “relative share performance”<sup>1</sup>

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

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

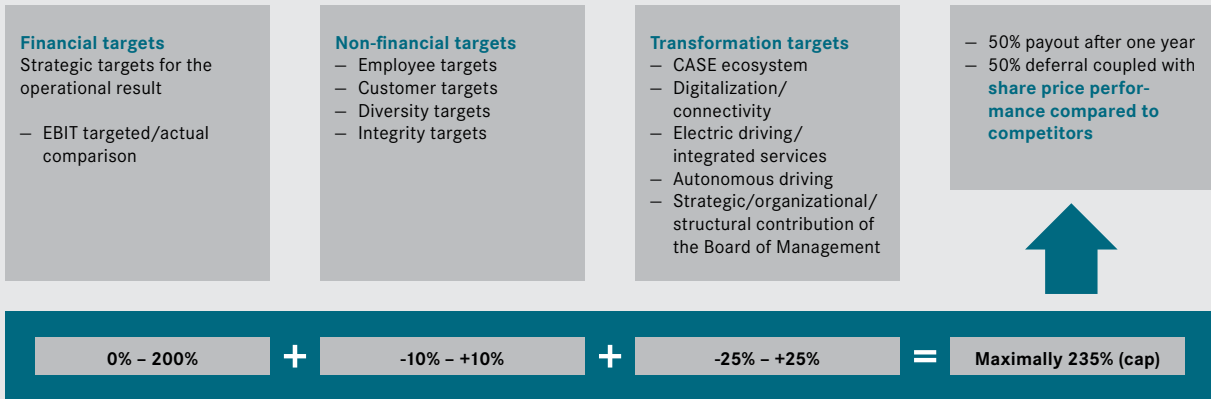
The annual bonus is also impacted by the transformation targets set by the Supervisory Board as well as by the sustainability-oriented non-financial targets for the Board of Management as a whole. These factors can raise or lower the annual bonus by up to +/-25% and +/-10%, respectively.

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

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

**B.48**

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



### Range of possible target achievement:

#### Financial target

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

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

#### Transformation targets

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

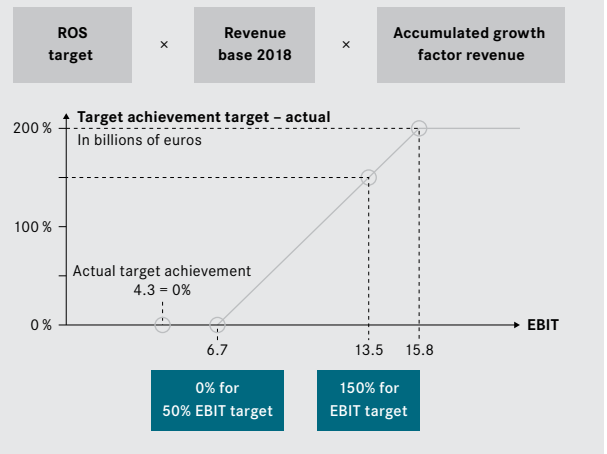
In order to take into account the implementation of the future-oriented measures for the technological and sustainable realignment of the Group, the divisions defined key performance indicators and target values at the beginning of financial year 2019 for the future-oriented CASE fields – Connected,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

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

### B.49

#### Financial target

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



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



**B.50****Integrity**

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

**B.51****Quality**

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

**B.52****Employee engagement**

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

**B.53****Diversity**

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

**Non-financial targets**

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

Specifically:

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

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

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

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

**B.54****Performance Phantom Share Plan (PPSP) – long-term performance-related remuneration** [page 113](#)

long-term performance-related remuneration approx. 40%



**amount when granted in euros** [page 113](#) = **preliminary number of phantom shares (virtual shares)** × **price of Daimler shares when issued** × **three-year dividend entitlement**

**after expiry of third plan year**  
preliminary number of phantom shares × performance factor = **final number of phantom shares**, dividend entitlement in fourth year

**after expiry of fourth plan year**  
final number of phantom shares × Daimler share price at end of plan = **amount paid out**

**Time of payment** of Performance Phantom Share Plan 2019 in February of the year 2023

**B.55****PPSP 2019**

dependent upon

**Development of the performance factor**

- 50% relates to the “return on sales” achieved in a three-year comparison with the defined group of competitors [page 114](#)  
Bandwidth of possible target achievement: 0% – 200%<sup>1</sup>
- 50% relates to “relative share performance,” i.e. the performance of Daimler’s share in a three-year comparison with the performance of the defined group of competitors (index).  
Bandwidth of possible target achievement: 0% – 200%

**Development of the Daimler share price** Price when issued and price at the end of the plan period  
Bandwidth of possible price development: maximum of 2.5 times the issue price

**Maximum performance development (total cap):** 2.5 times the amount granted (including dividend equivalent payments throughout the plan period)

**Stock ownership guidelines**

Share purchase obligation of up to 25% of the gross remuneration until the defined number of shares (between 20,000 and 75,000) has been purchased (shares to be held until the end of the term of service)

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

**Compliance**

Agreements have been reached with all the members of the Board of Management allowing for the partial reduction or complete elimination of the annual bonus for any member who violates the duties of Section 93 of the German Stock Corporation Act (AktG) or in particular the principles laid down in the Company’s Integrity Code. If it is not possible to reduce a future bonus payment or a payment that has yet to be made, the Board of Management member in question will be required to pay back the amount of the bonus reduction. The Supervisory Board has the final decision on all such bonus reductions.

**Limit for the annual bonus**

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

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

Also at the beginning of the plan, performance targets are set for a period of three years (performance period). Depending on the achievement of these performance targets with a possible range of 0% to 200%, after three years the phantom shares allocated at the beginning of the plan are converted into the final number of phantom shares allocated. After another plan year has elapsed (retention period), the amount to be paid out is calculated from this final number of phantom shares and the applicable share price at that time. The share price relevant for the payout under this plan is also relevant for allocating the preliminary number of phantom shares for the plan newly issued in the respective year. [B.54](#) [B.55](#)

**Performance parameters for Plan 2019:**

- 50% relates to the Group's return on sales in a three-year comparison with a group of competitors comprising listed vehicle manufacturers with an automotive component of more than 70% by revenue and an investment-grade credit rating (BMW, Ford, GM, Honda, Hyundai, Isuzu, Kia, Mazda, Nissan, Paccar, Subaru, Suzuki, Toyota, Volvo and Volkswagen). For the measurement of success, the competitors' average return on sales is calculated over a period of three years. Target achievement occurs to the extent to which Daimler's return on sales deviates by a maximum of +/- 2 percentage points from 105% of the calculated average of the competitors.
- Target achievement of 100% only occurs when the average return on sales of the Daimler Group reaches 105% of the revenue-weighted average return on sales of the group of competitors. Maximum target achievement of 200% occurs if Daimler's return on sales exceeds 105% of the revenue-weighted average of the competitors by 2 percentage points or more. An additional limitation was implemented starting with PPSP 2015: If a target achievement of between 195% and 200% occurs, the maximum target achievement calculated from the performance parameter of return on sales compared to the group of competitors will only be deemed to be 200% if the actual return on sales for Daimler's automotive business reaches at least the strategic target for return on sales in the third year of the performance period. Otherwise, target achievement will be limited to 195%.
- Target achievement of 0% occurs if Daimler's return on sales is 2 percentage points or more lower. In the deviation range of +/- 2 percentage points, target achievement varies in proportion to the deviation.
- 50% relates to "relative share performance," i.e. the performance of Daimler's share in a three-year comparison with the performance of the defined group of competitors (index). If the performance of Daimler's share (in percent) is the same as that of the index (in percent), target achievement is deemed to be 100%. If the performance of Daimler's share price (in percent) is 50 percentage points or more below (above) the performance of the index, target achievement is deemed to be 0% (200%). In the deviation range of +/- 50 percentage points, target achievement varies in proportion to the deviation.

**Range of possible target achievement:**

0 to 200%, that is, the plan has an upper limit. It may also be zero.

**Value upon allocation:**

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

**Value of the phantom shares on payout:**

During the four-year period between the allocation of the preliminary phantom shares and the payout of the plan proceeds, the phantom shares earn a dividend equivalent in the amount of the actual dividend paid on ordinary Daimler shares.

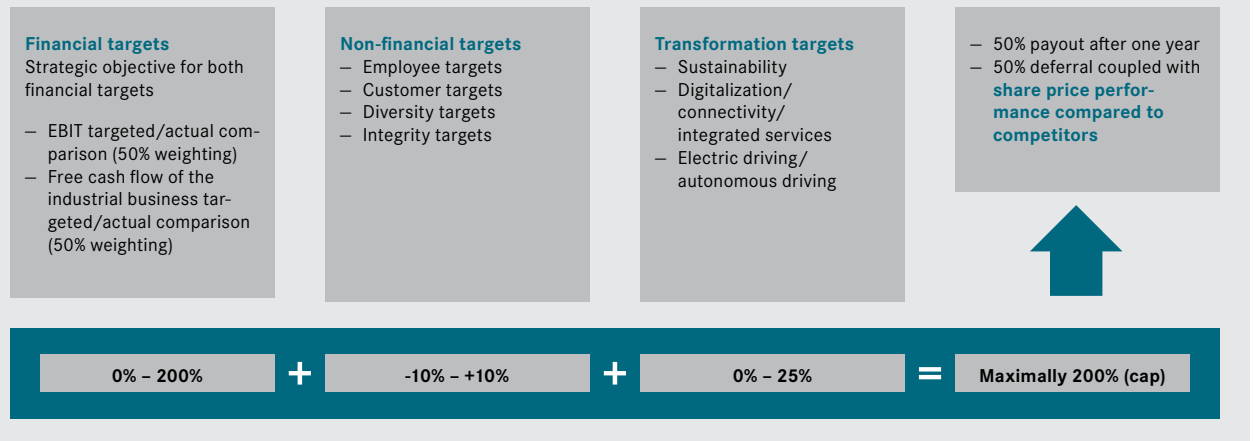
The value of the phantom shares to be paid out after the conclusion of the plan period depends on target achievement measured according to the criteria described above and on the share price relevant for the payout. This share price is limited to 2.5 times the share price at the beginning of the plan.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

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

**Policies for share ownership**

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



**B.56****Overview of the determination of the annual bonus from January 1, 2020****Further refinement of the remuneration system with effect from January 1, 2020****Change to the annual bonus as a short-term and medium-term component of the remuneration**

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

At the beginning of 2020, the Act on the Implementation of the Second Shareholders' Rights Directive (Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie/ARUG II) went into effect. Subject to the implementation periods specified therein, it will extensively change the requirements regarding Board of Management remuneration. The new German Corporate Governance Code (DCGK), which is expected to come into effect in the first quarter of 2020, will also contain new recommendations regarding the remuneration of members of the Board of Management. The Supervisory Board took this opportunity to reassess the Board of Management remuneration system.

In its meeting in December 2019, the Supervisory Board decided to further refine the Board of Management remuneration system as of January 1, 2020. This decision was made on the basis of the latest conditions, Daimler's in-house corporate strategy, and the expectations of our shareholders. The changes only affect the organization of the annual bonus and are explained below.

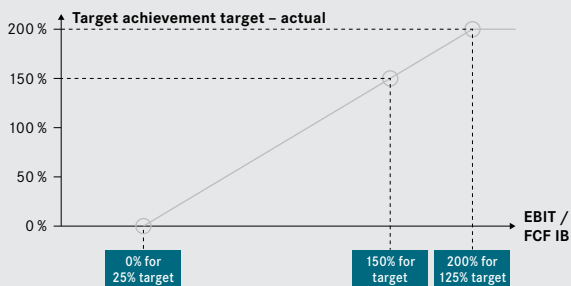
Because the Supervisory Board and the Board of Management continue to consider it important to have a uniform incentive system, the Board of Management has also decided to make a corresponding adjustment to the annual bonus for all the other management levels.

**Additional financial target**

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

**B.57****Financial targets:****EBIT and free cash flow of the industrial business (FCF IB)**

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



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

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

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

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

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

**Non-financial targets**

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

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

### Transformation targets

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

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

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

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

### No change in the other components of the remuneration system

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

### B.58

#### Integrity

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

### B.59

#### Quality

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

### B.60

#### Employee engagement

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

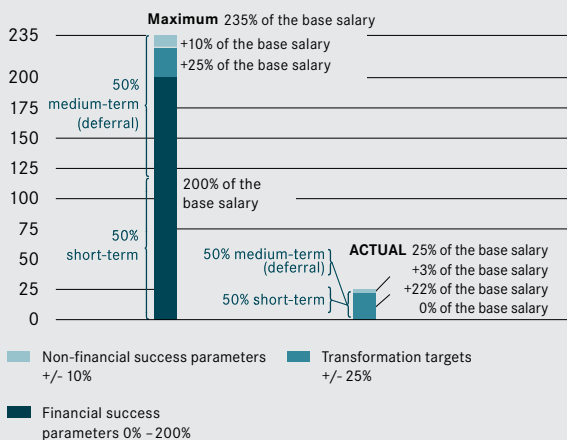
### B.61

#### Diversity

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

**B.62**

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



**Board of Management remuneration in financial year 2019**

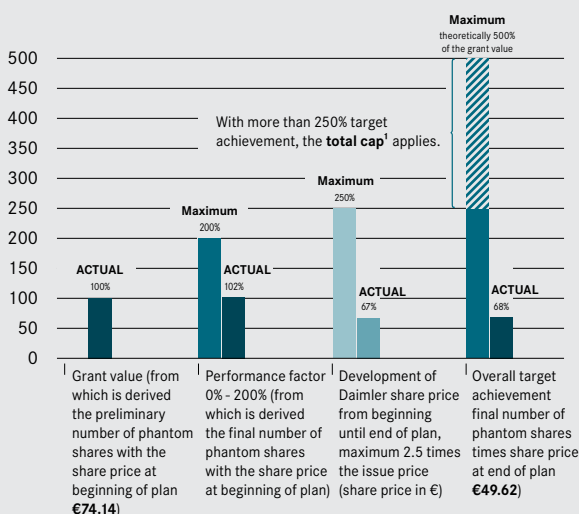
**Board of Management remuneration in 2019 pursuant to Section 314 Subsection 1 No. 6 of the German Commercial Code (HGB)**

The total remuneration granted by Group companies (excluding retirement benefit commitments) to the members of the Board of Management of Daimler AG is calculated as the total of the amounts of

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

**B.63**

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



For both of the share-based components – the second 50% of the annual bonus and the PPSP with a long-term orientation – the amounts actually paid out can deviate significantly from the values described depending on the development of the Daimler share price and on the achievement of the relevant target parameters. Upward deviation is possible only as far as the maximum limits described above. Both components can also be zero.

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

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

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



**B.64****Board of Management remuneration in 2019**

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

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

2 Board of Management remuneration paid from May 22, 2019.

3 Board of Management remuneration paid from April 1, 2019.

4 Board of Management remuneration paid until May 22, 2019.

**B.65****Taxable non-cash benefits and other fringe benefits**

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

1 Board of Management remuneration paid as a member until May 21, 2019; as the Chairman from May 22, 2019 (2018: including an anniversary bonus of €69,456.50).

2 Board of Management remuneration paid from May 22, 2019.

3 For the fulfillment of disclosure obligations pursuant to Section 285 No. 9a of the German Commercial Code (HGB), this amount is reduced by €149,366 for the financial year 2019 (2018: €182,254). The corresponding fringe benefits were granted and borne by a subsidiary and are thus not included in the remuneration to be disclosed in the annual financial statements of the parent company, Daimler AG.

4 Board of Management remuneration paid from April 1, 2019.

5 Board of Management remuneration paid until May 22, 2019.

**Details of Board of Management remuneration in 2019 pursuant to the requirements of the German Corporate Governance Code**

The following tables show for each individual member of the Board of Management on the one hand the benefits granted for the financial year and on the other hand the payments made in or for the reporting year and the retirement pension expense in or for the year under review in accordance with the recommendations of Clause 4.2.5 paragraph 3 of the German Corporate Governance Code as amended on February 7, 2017.

The total of “benefits granted” for financial year 2018 is calculated from

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

The total of “benefits granted” for financial year 2019 is calculated from

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

The total of “payments made” for financial year 2018 is calculated from

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

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

The total of “payments made” for financial year 2019 is calculated from

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

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

**B.66****Benefits granted**

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

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

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

**Benefits granted**

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

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



## Benefits granted

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

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

## Benefits granted

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

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

## Benefits granted

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

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

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## Payments made

	Ola Källenius <sup>1</sup> Chairman of the Board of Management, Chairman of the Board of Management of Mercedes-Benz AG		Martin Daum <sup>2</sup> Chairman of the Board of Management of Daimler Truck AG	
	Jan. 1 – Dec. 31 2018	Jan. 1 – Dec. 31 2019	Jan. 1 – Dec. 31 2018	Jan. 1 – Dec. 31 2019
In thousands of euros				
Base salary	832	1,340	832	832
Taxable non-cash benefits and other fringe benefits	161	90	121	120
<b>Total</b>	993	1,430	953	952
Annual variable remuneration (50% of annual bonus, short-term)	260	168	260	104
Deferral (50% of annual bonus, medium-term)	525	728	-	607
<b>Long-term variable remuneration</b>				
Payment of PPSP 2014	402	-	510	-
Payment of PPSP 2015	-	751	-	277
Dividend equivalent PPSP 2015	55	-	20	-
Dividend equivalent PPSP 2016	60	40	22	16
Dividend equivalent PPSP 2017	56	50	56	50
Dividend equivalent PPSP 2018	54	48	54	48
Dividend equivalent PPSP 2019	-	120	-	72
<b>Total</b>	1,412	1,905	922	1,174
Retirement pension expense (service costs)	257	261	244	250
<b>Total remuneration<sup>3</sup></b>	2,662	3,596	2,119	2,376
	2,784	3,337	2,161	2,162

1 Payments as a Board of Management member made up to May 21, 2019; as the Chairman from May 22, 2019.

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

3 Amount actually paid during the financial year: (The difference pertains to the annual variable remuneration paid at the beginning of the following year compared to the non-cash benefits in kind that were not paid out and the retirement pension expense).

## Payments made

	Renata Jungo Brüngger <sup>1</sup> Integrity & Legal Affairs		Wilfried Porth HR and Labor Relations Director & Mercedes-Benz Vans	
	Jan. 1 – Dec. 31 2018	Jan. 1 – Dec. 31 2019	Jan. 1 – Dec. 31 2018	Jan. 1 – Dec. 31 2019
In thousands of euros				
Base salary	832	832	832	832
Taxable non-cash benefits and other fringe benefits	93	95	88	87
<b>Total</b>	925	927	920	919
Annual variable remuneration (50% of annual bonus, short-term)	260	104	260	104
Deferral (50% of annual bonus, medium-term)	525	728	525	728
<b>Long-term variable remuneration</b>				
Payment of PPSP 2014	208	–	1,448	–
Payment of PPSP 2015	–	120	–	785
Dividend equivalent PPSP 2015	9	–	58	–
Dividend equivalent PPSP 2016	60	40	62	42
Dividend equivalent PPSP 2017	56	50	59	52
Dividend equivalent PPSP 2018	54	48	57	51
Dividend equivalent PPSP 2019	–	72	–	75
<b>Total</b>	1,172	1,162	2,469	1,837
Retirement pension expense (service costs)	251	254	292	–
<b>Total remuneration<sup>2</sup></b>	2,348	2,343	3,681	2,756
1 Payments from the long-term variable remuneration also include amounts granted before the Board of Management membership.				
2 Amount actually paid out during the financial year: (The difference pertains to the annual variable remuneration paid at the beginning of the following year compared to the non-cash benefits in kind that were not paid out and the retirement pension expense).	2,544	2,150	3,841	2,825

## Payments made

	Markus Schäfer <sup>1</sup> Group Research & Mercedes-Benz Cars Development		Britta Seeger <sup>1</sup> Mercedes-Benz Cars Marketing & Sales	
	Jan. 1 – Dec. 31 2018	May 22 – Dec. 31 2019	Jan. 1 – Dec. 31 2018	Jan. 1 – Dec. 31 2019
In thousands of euros				
Base salary	–	508	832	832
Taxable non-cash benefits and other fringe benefits	–	57	164	94
<b>Total</b>	–	565	996	926
Annual variable remuneration (50% of annual bonus, short-term)	–	64	260	104
Deferral (50% of annual bonus, medium-term)	–	–	–	728
<b>Long-term variable remuneration</b>				
Payment of PPSP 2014	–	–	56	–
Payment of PPSP 2015	–	–	–	37
Dividend equivalent PPSP 2015	–	–	3	–
Dividend equivalent PPSP 2016	–	13	6	4
Dividend equivalent PPSP 2017	–	17	56	50
Dividend equivalent PPSP 2018	–	19	54	48
Dividend equivalent PPSP 2019	–	58	–	72
<b>Total</b>	–	171	435	1,043
Retirement pension expense (service costs)	–	155	248	254
<b>Total remuneration<sup>2</sup></b>	–	891	1,679	2,223
1 Payments from the long-term variable remuneration also include amounts granted before the Board of Management membership.				
2 Amount actually paid out during the financial year: (The difference pertains to the annual variable remuneration paid at the beginning of the following year compared to the non-cash benefits in kind that were not paid out and the retirement pension expense).	–	615	1,807	2,031



## Payments made

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

## Payments made

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

## Commitments upon termination of service

### Retirement provision

In 2012, Daimler introduced a new company retirement benefit plan for new entrants and new appointments for employees paid according to collective bargaining wage tariffs as well as for executives: the "Daimler Pensions Plan." This retirement benefit system features the payment of annual contributions by Daimler and is oriented toward the capital market. Daimler makes a commitment to guarantee the total of contributions paid, which are invested in the capital market according to a precautionary investment concept.

The Supervisory Board of Daimler AG has approved the application of this system for all members of the Board of Management newly appointed since 2012. The amount of the annual contributions results from a fixed percentage of the base salary and the total annual bonus for the respective financial year calculated as of the balance sheet date. This percentage is 15%. This calculation takes into consideration the maximum level of retirement provision for each Board of Management member – also according to the period of membership – and the resulting annual and long-term expense for the Company. The contributions to the retirement provision are granted until the age of 62. The benefit from the pension plan is payable to surviving Board of Management members at the earliest at the age of 62, irrespective of their age upon retirement. If a member of the Board of Management retires due to disability, the benefit is paid as a disability pension, even before the age of 62.

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

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

Payments under the Pension Capital system and the Daimler Pensions Plan can be made in three ways:

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

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

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

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

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

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

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

### Early termination of service

The durations of the contracts of service of the members of the Board of Management correspond to their terms of appointment. [🔍 page 32 f](#)

In the case of unilateral early termination without an important reason, Board of Management service contracts include commitments to payment of the base salary and provision of a company car until the end of the original service period at a maximum. Such persons are only entitled to payment of the annual bonus pro rata for the period until the end of the contract of service or of the Board of Management membership takes effect. Entitlement to payment of the performance-related components of remuneration with a long-term incentive effect (PPSP) that has already been allocated is defined by the conditions of the respective plans. To the extent that the payments described above are subject to the provisions of the severance cap of the German Corporate Governance Code as amended on February 7, 2017, their total including fringe benefits is limited to double the annual remuneration and may not exceed the total remuneration for the remaining period of the service contract.

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

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

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

		Annual pension (as regulated until 2005) as of age 60	Service cost (for pension, pension capital and Daimler Pensions Plan)	Present value <sup>1</sup> of obligations (for pension, pension capital and Daimler Pensions Plan)
In thousands of euros				
Ola Källenius	2019	-	261	4,062
	2018	-	257	2,971
Martin Daum	2019	-	250	3,738
	2018	-	244	3,261
Renata Jungo Brüngger	2019	-	254	1,655
	2018	-	251	1,290
Wilfried Porth	2019	156	-	12,130
	2018	156	292	11,270
Markus Schäfer <sup>2</sup>	2019	-	155	3,114
	2018	-	-	-
Britta Seeger	2019	-	254	1,995
	2018	-	248	1,467
Hubertus Troska	2019	-	250	6,028
	2018	-	244	5,285
Harald Wilhelm <sup>3</sup>	2019	-	218	134
	2018	-	-	-
Bodo Uebber <sup>4</sup>	2019	-	362	-
	2018	275	886	18,387
Dr. Dieter Zetsche	2019	-	-	-
	2018	1,050	-	42,023
<b>Total</b>	<b>2019</b>	<b>156</b>	<b>2,004</b>	<b>32,856</b>
	<b>2018</b>	<b>1,481</b>	<b>2,422</b>	<b>85,954</b>

<sup>1</sup> The amounts of the present values are primarily due to the low level of the relevant discount rate.

<sup>2</sup> Mr. Schäfer pro rata from May 22, 2019.

<sup>3</sup> Mr. Wilhelm pro rata from April 1, 2019.

<sup>4</sup> Mr Uebber pro rata until May 22, 2019.

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

#### **Sideline activities of Board of Management members**

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

#### **Loans to members of the Board of Management**

In 2019, no advances or loans were made or abated to members of the Board of Management of Daimler AG.

#### **Payments made to former members of the Board of Management of Daimler AG and their survivors**

Payments made in 2019 to former members of the Board of Management of Daimler AG and their survivors amounted to €19.5 million (2018: €16.2 million). Pension provisions according to IFRS for former members of the Board of Management and their survivors amounted to €355.8 million as of December 31, 2019 (2018: €270.2 million).

## Remuneration of the Supervisory Board

#### **Supervisory Board remuneration in 2019**

The remuneration of the Supervisory Board is determined by the Annual Shareholders' Meeting of Daimler AG and is governed by the Company's Articles of Incorporation. The new regulations for Supervisory Board remuneration approved by the Annual Shareholders' Meeting in March 2017 and effective for the financial year beginning on January 1, 2017 specify that the members of the Supervisory Board receive, in addition to the refund of their expenses and the cost of any value-added tax incurred by them in performance of their office, fixed remuneration of €144,000 after the conclusion of the financial year. The Chairman of the Supervisory Board receives an additional €288,000 and the Deputy Chairman of the Supervisory Board receives an additional €144,000. The members of the Audit

Committee are paid an additional €72,000, the members of the Presidential Committee are paid an additional €57,600 and the members of the other committees of the Supervisory Board (such as the Legal Affairs Committee formed in 2019) are paid an additional €28,800; an exception is the Chairman of the Audit Committee, who is paid an additional €144,000. Additional payments are made for activities in a maximum of three committees; any persons who are members of more than three such committees receive additional payments for the three most highly paid functions. Members of a Supervisory Board committee are only entitled to remuneration for such membership in a financial year if the committee has actually convened to fulfill its duties in this period.

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

In connection with the remuneration adjustment in 2017, all members of the Supervisory Board have made a self-commitment to purchase Company shares in the amount of 20% of their gross annual salary (excluding committee remuneration and the meeting fee) every year and to hold these shares until the end of one year after they have left the Company's Supervisory Board (voluntary obligation in accordance with the "comply or explain" principle).

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

In financial year 2019, no remuneration was paid for services provided personally beyond the aforementioned board and committee activities, in particular for advisory or agency services, except for the remuneration paid to the members of the Supervisory Board representing the employees in accordance with their contracts of employment.

The individual remuneration of the members of the Supervisory Board is shown in the following table. [↗ B.69](#)

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

#### **Loans to members of the Supervisory Board**

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



**B.69****Supervisory Board remuneration**

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

1 Including remuneration as a member of the Supervisory Board of Daimler Truck AG and/or Mercedes-Benz AG.

2 The employee representatives have stated that their board remuneration is to be transferred to the Hans-Böckler Foundation, in accordance with the guidelines of the German Trade Union Federation.

3 Mr. Curry has directed that he receive no remuneration whatsoever and that his corresponding board remuneration is to be paid to the Hans-Böckler Foundation.

# Takeover-Relevant Information and Explanation

(Report pursuant to Section 315a Subsection 1 and Section 289a Subsection 1 of the German Commercial Code (HGB))

## Composition of share capital

The share capital of Daimler AG amounted to approximately €3,070 million at December 31, 2019. It is divided into 1,069,837,447 registered shares, each of which accounts for approximately €2.87 of equity capital. Pursuant to Section 67 Subsection 2 of the German Stock Corporation Act (AktG) in the version of December 31, 2019, only those persons registered as shareholders in the register of shareholders are considered to be shareholders of the Company. With the exception of treasury shares, from which the Company does not have any rights, all shares confer equal rights to their holders. Each share confers the right to one vote and, with the possible exception of any new shares that are not yet entitled to a dividend, to an equal share of the profits in accordance with the dividend payout approved by the Annual Shareholders' Meeting. The rights and obligations arising from the shares are derived from the provisions of applicable law, in particular Sections 12, 53a ff, 118 ff and 186 of the German Stock Corporation Act. There were no treasury shares at December 31, 2019.

## Restrictions on voting rights and on the transfer of shares

The Company does not have any rights from treasury shares. In the cases described in Section 136 of the German Stock Corporation Act (AktG), the voting rights of treasury shares are nullified by law.

Shares acquired by employees within the context of the employee share program may not be disposed of until the end of the following year. Eligible participants in the Performance Phantom Share Plans (PPSPs) of Executive Level 1 and eligible members of the Board of Management are obliged by the Plans' terms and conditions and by the Stock Ownership Guidelines to acquire Daimler shares with a part of their Plan income or out of their own funds up to a defined target volume and to hold them for the duration of their employment at the Daimler Group. For the other persons eligible for PPSPs, this obligation no longer applies since payment of PPSP 2013 in February/March 2017.

## Provisions of applicable law and of the Articles of Incorporation concerning the appointment and dismissal of members of the Board of Management and amendments to the Articles of Incorporation

Members of the Board of Management are appointed and dismissed on the basis of Sections 84 and 85 of the German Stock Corporation Act (AktG) and Section 31 of the German Codetermination Act (MitbestG). In accordance with Section 84 of the German Stock Corporation Act, the members of the Board of Management are appointed by the Supervisory Board for a maximum period of office of five years. However, the rules

of procedure of the Supervisory Board of Daimler AG stipulate that the initial appointment of members of the Board of Management should generally be limited to three years. Reappointment or the extension of a period of office is permissible, in each case for a maximum of five years.

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

In accordance with Article 5 of the Articles of Incorporation, the Board of Management has at least two members. The number of members is decided by the Supervisory Board. Pursuant to Section 84 Subsection 2 of the German Stock Corporation Act (AktG), the Supervisory Board can appoint a member of the Board of Management as its Chairperson. If a required member of the Board of Management is lacking, an affected party can apply in urgent cases for that member to be appointed by the court pursuant to Section 85 Subsection 1 of the German Stock Corporation Act (AktG). Pursuant to Section 84 Subsection 3 of the German Stock Corporation Act (AktG), the Supervisory Board can revoke the appointment of a member of the Board of Management and of the Chairperson of the Board of Management if there is an important reason to do so. Pursuant to Section 179 of the German Stock Corporation Act (AktG), the Articles of Incorporation can only be amended by a resolution of an Annual Shareholders' Meeting. Unless otherwise required by applicable law, resolutions of the Annual Shareholders' Meeting – with the exception of elections – are passed pursuant to Section 133 of the German Stock Corporation Act (AktG) and Article 16 Subsection 1 of the Articles of Incorporation with a simple majority of the votes cast and if required with a simple majority of the share capital represented. Pursuant to Section 179 Subsection 2 of the German Stock Corporation Act (AktG), any amendment to the purpose of the Company requires a 75% majority of the share capital represented at the Shareholders' Meeting; no use is made in the Articles of Incorporation of the possibility to stipulate a larger majority of the share capital.

In accordance with Article 7 Subsection 2 of the Articles of Incorporation, amendments to the Articles of Incorporation that only affect the wording can be decided upon by the Supervisory Board. Pursuant to Section 181 Subsection 3 of the German Stock Corporation Act (AktG), amendments to the Articles of Incorporation take effect upon being entered in the Commercial Register.

#### **Authorization of the Board of Management to issue or buy back shares**

By resolution of the Annual Shareholders' Meeting of April 1, 2015, the Company was authorized to acquire its own shares during the period until March 31, 2020 for all legal purposes in a volume of up to 10% of the share capital at the time of the resolution of the Annual Shareholders' Meeting. The shares can be used, under the exclusion of shareholders' subscription rights, for, among other things, corporate mergers and acquisitions or can be sold for cash to third parties at a price that is not significantly below the market price at the time of the sale. The shares can also be used to service debt on convertible bonds and/or bonds with warrants, or can be issued to employees of the Company and employees and members of executive bodies of affiliated companies pursuant to Section 15 ff of the German Stock Corporation Act (AktG). The Company's own shares can also be canceled.

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

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

By resolution of the Annual Shareholders' Meeting of April 5 2018, the Board of Management was authorized with the consent of the Supervisory Board to increase the share capital of Daimler AG in the period until April 4, 2023, wholly or in partial amounts, on one or several occasions, by up to €1 billion by issuing new registered shares of no par value in exchange for cash or non-cash contributions, and with the consent of the Supervisory Board under certain conditions and within defined limits to exclude shareholders' subscription rights (Approved Capital 2018). Subscription rights can, under these defined conditions, be excluded in the event of a capital increase through non-cash contributions for the purpose of an acquisition, and in the case of a capital increase through cash contributions, if the issue price of new shares is not significantly below the market price at the time of issue.

No use has yet been made of Approved Capital 2018.

By resolution of the Annual Shareholders' Meeting held on April 1, 2015, the Board of Management, with the consent of the Supervisory Board, is authorized to issue during the period until March 31, 2020 convertible bonds and/or bonds with warrants or a combination of those instruments (commercial paper) in a total nominal amount of up to €10 billion with a maximum term

of ten years, and to grant the owners/lenders of those bonds conversion or option rights to new, registered shares of no par value in Daimler AG with a corresponding amount of the share capital of up to €500 million, in accordance with the terms and conditions of those convertible bonds or bonds with warrants. The bonds may be issued in exchange for consideration in cash, but also for consideration in kind, in particular for interests in other companies. The respective terms and conditions may also provide for mandatory conversion or an obligation to exercise the option rights. The bonds can be issued once or several times, wholly or in installments, or simultaneously in various tranches. They can also be issued by companies affiliated with Daimler AG pursuant to Section 15 ff of the German Stock Corporation Act (AktG).

Inter alia, the Board of Management was also authorized under certain circumstances, within certain limits and with the consent of the Supervisory Board, to exclude shareholders' subscription rights to the bonds. Subscription rights can, under these defined conditions, be excluded when bonds are issued in exchange for non-cash contributions, particularly within the framework of a merger or acquisition, and when bonds are issued in exchange for cash contributions, if the issue price is not significantly below the theoretical market price of the bonds at the time of the issue.

In order to service the debt of the convertible bonds and/or bonds with warrants issued as a result of the authorization, the Annual Shareholders' Meeting of April 1, 2015 also approved a conditional increase in the share capital of up to €500 million (Conditional Capital 2015).

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

#### **Material agreements taking effect in the event of a change of control**

Daimler AG has concluded various material agreements, as listed below, that include clauses regulating the possible event of a change of control, as can occur as a result of a takeover bid:

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

- poses of the credit agreements, a group acting jointly exists when a group acts jointly on the basis of formal or informal agreements or other arrangements. Control for the purposes of the credit agreements means (i) holding or controlling more than 50% of the voting rights in Daimler AG, (ii) the right to determine or appoint the majority of the members of a decision-making body of Daimler AG (e.g. the management, board of management, advisory board, supervisory board), (iii) the right to receive more than 50% of the distributable dividends of Daimler AG, or (iv) exercise of an otherwise comparable controlling influence on Daimler AG. Control can be exercised directly or indirectly through share ownership, contractual arrangement, fiduciary status, economic circumstances or otherwise, and through either a single person or a group acting together.
- A master cooperation agreement on wide-ranging strategic cooperation with Renault S.A., Renault-Nissan B.V. and Nissan Motor Co., Ltd. as well as with Mitsubishi Motors Corporation. In the case of a change of control of one of the parties to the agreement, each of the other parties has the right to terminate the agreement. A change of control as defined by the master cooperation agreement occurs if a third party or several third parties acting jointly acquire, legally or economically, directly or indirectly, at least 50% of the voting rights in the company in question or are authorized to appoint a majority of the members of its managing board. Under the master cooperation agreement, several cooperation agreements were concluded between Daimler AG on the one side and Renault and/or Nissan on the other, which provide for the right of termination for a party to the agreement in the case of a change of control of another party. These agreements primarily concern a new architecture for small cars, the shared use and development of fuel-efficient diesel and gasoline engines and transmissions, the development and supply of a small urban delivery van, the development, production and supply of pickups, the use of an existing architecture for compact cars, and the joint production of Infiniti/Nissan and Mercedes-Benz compact vehicles by a 50-50 joint venture in Mexico. A change of control is deemed to occur at a threshold of 50% of the voting rights of the company in question or upon authorization to appoint a majority of the members of its managing board. In the case of termination of cooperation in the area of the development of small cars due to a change of control in the early phase of the cooperation, the party affected by the change of control would be obliged to bear its share of the costs of the development of shared components even if the development were terminated for that party; the aforementioned cooperation agreements (with the exception of the Master Cooperation Agreement) have been transferred from Daimler AG to Mercedes-Benz AG.
  - An agreement with BAIC Motor Co., Ltd. related to a jointly held company for the production and distribution of cars of the Mercedes-Benz brand in China, by which BAIC Motor Co., Ltd. is given the right to terminate the agreement or exercise a put or call option in the case that a third party acquires one third or more of the voting rights in Daimler AG.
  - An agreement related to the establishment of a joint venture with Beiqi Foton Motor Co., Ltd. for the purpose of producing and distributing heavy-duty and medium-duty trucks of the Auman brand. This agreement gives Beiqi Foton Motor Co., Ltd. the right of termination in the case that one of its competitors acquires more than 25% of the equity or assets of Daimler AG or becomes able to influence the decisions of its Board of Management. This agreement has been transferred from Daimler AG to Daimler Truck AG in the context of the separation of the Trucks & Buses division.
  - An agreement between Daimler AG, BMW AG and Audi AG related to the acquisition of the companies of the HERE Group and the associated establishment of There Holding B.V. In the event of a change of control of one of the parties to the agreement, the agreement obligates the party in question to offer its shares in There Holding B.V. to the other parties to the agreement (shareholders). A change of control of Daimler AG occurs if one person gains control over Daimler AG, whereby control is defined as (i) having control of more than 50% of the voting rights, (ii) being able to control more than 50% of the voting rights eligible to vote at the shareholders' meetings on all or nearly all matters, or (iii) the right to determine the majority of the members of the Board of Management or of the Supervisory Board. A change of control also occurs if competitors of the HERE Group or certain possible competitors of the HERE Group in the technology industry acquire a shareholding of at least 25% of Daimler AG. If none of the other parties acquire these shares, the agreement gives them the right to dissolve There Holding B.V.
  - An agreement between Daimler AG and BMW AG, which contains basic provisions for six joint ventures between Daimler Mobility Services GmbH and group companies of BMW AG in the field of mobility services (car sharing, ride hailing, parking, charging, multimodal and a joint venture holding the common brand). A change of control is defined as the acquisition by a third party of more than 50% of the voting rights or shares, or the conclusion of a control agreement over Daimler AG by a third party. As a result of a change of control, the other party may initiate a shoot-out process, which is more precisely defined in the agreement.
  - An agreement between Daimler AG and BMW AG on the development of technologies for automated driving (Highway-Pilot) of the second generation (as of 2024). In the event of a change of control, either party can terminate this contract in written form at any time without further notice and with immediate effect. Change of control is defined as the indirect or direct acquisition by a third party of at least 30% of the voting rights in one of the parties. This agreement has been transferred by Daimler AG to Mercedes-Benz AG in the context of the separation of the Cars & Vans division.
  - An agreement between Daimler AG and Zhejiang Geely Holding Group Co., Ltd. for the development, production, sales and aftersales of smart-brand cars of the next generation. In the event of a change of control, the party for which no change of control has occurred can terminate this agreement after a maximum of three months of fruitless negotiations in written form and with immediate effect. Furthermore, the party for which no change of control has occurred has the possibility to exercise a call option or a put option vis-à-vis the other party. Change of control is defined as the indirect or direct acquisition by a third party of (i) more than 50% of the voting rights in one of the parties, (ii) the right to appoint a majority of the directors of a board or similar body of one of the parties, or (iii) the right, either contractual or otherwise, to manage one of the parties. This agreement has been transferred by Daimler AG to Mercedes-Benz AG in the context of the separation of the Cars & Vans division.



# Risk and Opportunity Report

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

In order to identify business risks and opportunities at an early stage and to assess and manage them consequently, effective management and control systems, which are clustered into a risk and opportunity management system, are applied. Risks and opportunities are not offset.

## B.70

### Assessment of probability of occurrence/possible impact

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

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

## Risk and opportunity management system

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

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

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

The reporting of risks and opportunities in the Management Report generally relates to a period of one year. Risk assessment takes place on the basis of probability of occurrence and possible impact according to the levels "Low," "Medium" and "High." These levels also apply to the possible impact of opportunities. An analysis of the probability of occurrence is not considered here. When assessing the impact of a risk or opportunity, its effect on EBIT is generally considered.

At Group level, risks and opportunities below €500 million are classified as “Low”, between €500 million and €1 billion as “Medium” and above €1 billion as “High”. For the quantification of each risk and opportunity category in the Management Report, the individual risks and opportunities are summarized for each category. The assessment of the dimensions, probability of occurrence and possible impact, is based on the levels shown in table [7 B.70](#) and is conducted before measures are planned. In addition to the quantifiable risks and opportunities, risk management also considers qualitative risks and opportunities. Qualitative risks include issues that can have a negative impact on the public’s perception and thus on the reputation of the Daimler Group. They primarily comprise those risks connected with aspects presented in the Non-Financial Report. Risks in connection with compliance violations are also considered in the context of risk management. In the context of describing the risk and opportunity categories, significant changes in comparison to the prior year are explained.

Risk management is based on the principle of completeness. This means that at the level of the individual entities, all identified risks enter the risk management process. The internal control system (ICS) is responsible for the monitoring of general uncertainties without any clear indication of a possible effect on earnings.

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

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

The **internal control system with regard to the accounting process** has the objective of ensuring the correctness and effectiveness of accounting and financial reporting. It is designed in line with the internationally recognized framework for internal control systems of the Committee of Sponsoring Organizations of the Treadway Commission (COSO Internal Control – Integrated Framework), is continually developed further, and is an integral part of the accounting and financial reporting processes in the relevant companies, organizational entities and corporate functions. The system includes principles and procedures as well as preventive and detective controls. Among other things, it is regularly checked, if

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

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

The **organizational embedding and monitoring of risk and opportunity management** takes place through the risk management organization established at the Group. In this context, the companies, organizational entities and corporate functions report on concrete risks and opportunities to the next-higher entity at regular intervals. Through the segments, this information is passed on to Group Risk Management, which processes it and provides it to the Board of Management and the Supervisory Board as well as to the Group Risk Management Committee (GRMC). The GRMC is responsible for the continual improvement of the risk management system and for assessing its efficiency and effectiveness. It is composed of representatives of Accounting & Financial Reporting, the Legal Department, Compliance and Technical Compliance, and the members responsible for finance of the Boards of Management of Mercedes-Benz AG, Daimler Truck AG and Daimler Mobility AG; it is chaired by the Board of Management members of Daimler AG responsible Finance & Controlling/Daimler Mobility and for Integrity and Legal Affairs. The Internal Auditing department contributes material findings on the internal control and risk management system.

Responsibility for operational risk management and for the risk management processes lies with the segments, corporate functions, organizational entities and companies.

Reports regarding the current risk situation and the effectiveness, functionality and appropriateness of the internal control and risk management system are regularly presented to the Board of Management and to the Audit Committee of the Supervisory Board of Daimler AG, as well as to the Boards of Management of Mercedes-Benz AG, Daimler Truck AG and Daimler Mobility AG. Furthermore, the risks and opportunities of business operations are regularly discussed by the responsible persons in the Board of Management of the relevant company.

The Audit Committee of the Supervisory Board of Daimler AG and the committees of the Supervisory Boards of Mercedes-Benz AG, Daimler Truck AG and Daimler Mobility AG are responsible for **monitoring the internal control and risk management system**. The internal auditing department monitors whether the statutory conditions and the Group's internal guidelines concerning the internal control and risk management system of the Group are adhered to. If required, measures are initiated in cooperation with the respective management. External auditors audit the system for the early identification of risks which is integrated in the risk management system for its general suitability to identify risks threatening the existence of the Group; in addition, they report to the Supervisory Board on any significant weaknesses that have been recognized in the internal control and risk management system.

## Risks and opportunities

The following section describes risks and opportunities that can have a significant influence on the profitability, cash flows and financial position of the Daimler Group. In general, the reporting of risks and opportunities takes place in relation to the individual segments. If no segment is explicitly mentioned, the risks and opportunities described relate to all the segments. Reporting on the risks and opportunities takes place in line with the new corporate structure. As of January 1, 2020, the business operations of the Group are managed in the segments Mercedes-Benz Cars, Mercedes-Benz Vans, Daimler Trucks & Buses and Daimler Mobility. These segments reflect the future internal reporting and organizational structure. The Mercedes-Benz Cars and Mercedes-Benz Vans segments are aggregated in the Mercedes-Benz Cars & Vans reportable segment in line with the type of products and services offered, their brands, sales channels and customer profiles.

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

## Industry and business risks and opportunities

The following section describes the industry and business risks and opportunities of the Daimler Group. A quantification of these risks and opportunities is shown in table [B.71](#).

### Economic risks and opportunities

Economic risks and opportunities constitute the framework for the risks and opportunities listed in the following categories and are integrated as premises into the quantification of these risks and opportunities. Overall economic conditions have a significant influence on vehicle sales markets and thus on the Group's success.

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

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

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

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

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

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

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

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

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

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

## B.71

### Industry and business risks and opportunities

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



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

### General market risks and opportunities

The risks and opportunities for the economic development of automotive markets are strongly affected by the cyclical situation of the global economy as described above. The assessment of market risks and opportunities is linked to assumptions and forecasts about the overall development of markets in the regions in which the Daimler Group is active. The possibility of markets developing better or worse than assumed in the planning, or of changing market conditions, generally exists for all segments of the Daimler Group.

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

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

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

The launch of new products by competitors, more aggressive pricing policies and poorer price enforcement in the aftersales business can lead to increasing **competitive and price pressure** in the automotive segments. Continuous monitoring of competitors is carried out in order to recognize these risks at an early stage. Depending on the situation, product-specific and possibly regionally different measures are taken to support weaker markets. Daimler also applies various programs to boost sales, which include financial incentives for customers.

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

In connection with leasing agreements, risks and opportunities arise if the market value of a leased vehicle at the end of the agreement term differs from the residual value originally calculated and forecasted at the time the agreement was concluded and used as a basis for the leasing installments. A residual-value risk arises if the expected market value of a vehicle at the end of the contract term is lower than the residual value calculated and forecasted when the contract was concluded. Particularly at Mercedes-Benz Cars & Vans and Daimler Mobility, risks therefore result from the development of the used car markets and thus from the **residual values of the vehicles produced**. Above all, the existing uncertainties in connection with diesel vehicles can have a negative impact on residual values. As part of the established residual-value management process, certain assumptions are made at local and corporate levels regarding the expected level of prices, based upon which the cars to be returned in the leasing business are evaluated. If changing market developments lead to a negative deviation from assumptions, there is a risk of lower residual values of used cars. This can adversely affect the proceeds from the sale of used cars. Appropriate measures are defined to counteract these risks. Depending on the region and the current market situation, the measures taken generally include continuous market monitoring as well as, if required, price-setting strategies or sales promotion measures designed to regulate vehicle inventories. The quality of market forecasts is verified by periodic comparisons of internal and external sources, and, if required, the determination of residual values is adjusted and further developed with regard to methods, processes and systems. On the other hand, opportunities can arise from a positive development of residual values caused by a favorable market environment for used vehicles as well as lower price reductions granted on new vehicles.

In addition, a **residual-value risk from non-Daimler vehicles** exists for the Daimler Mobility companies that operate commercial fleet management and leasing management, because most of those vehicles are not covered by manufacturers' residual-value guarantees. The negative development of sale prices for used cars on stock can adversely affect earnings. Residual-value risk is taken into account through a high level of diversification with regard to brands, regions, customers and lease periods. Used vehicle prices are continually monitored both locally and centrally, so that the residual-value risk from a drop in market prices can be forecasted in good time and suitable countermeasures may be initiated.

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

#### **Risks and opportunities related to the legal and political framework**

The automotive industry is subject to extensive governmental regulation worldwide. Risks and opportunities from the legal and political framework have a considerable impact on Daimler's future business success. Regulations concerning vehicles' emissions, fuel consumption, safety and certification, as well as tariff aspects, play a particularly important role. Complying with these varied and often diverging regulations all over the world requires strenuous efforts on the part of the automotive industry. In the future, Daimler expects to spend an even larger proportion of its research and development budget to ensure compliance with these regulations. The possible impact and probability of occurrence of risks from the legal and political framework is unchanged compared to the previous year. However, the assessment of the possible impact of the opportunities has increased from "Low" to "Medium".

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

**Mercedes-Benz Cars & Vans** faces risks with respect to regulations on mandatory targets for the average fleet fuel consumption and CO<sub>2</sub> emissions of new vehicles. Especially in the markets of China, Europe and the United States Daimler gives these targets due consideration in its product planning. The increasingly ambitious targets require significant proportions of actual unit sales of plug-in hybrids or cars with other types of electric drive. The ambitious statutory requirements will be difficult to fulfill in some countries. The market success of these drive systems is greatly influenced not only by customer acceptance but also by regional market conditions, like for example the battery-charging infrastructure and state support.

As the negative headlines on diesel engines and the implementation of driving bans on diesel vehicles unsettle customers, this can result in lasting shifts in the drive-system portfolio (fewer diesel and more gasoline engines). This would require additional cost-intensive development and production measures in order to meet the CO<sub>2</sub> fleet limits applicable as of 2020.

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

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

Strict regulations for the reduction of vehicles' emissions and fuel consumption also create potential risks for **Daimler Trucks & Buses**, because it will be difficult to fulfill the statutory requirements in some countries. Above all this applies to the markets of Japan, the United States, China and Europe. The European Commission has developed a method for determining the CO<sub>2</sub> emissions of heavy commercial vehicles, named VECTO, the application of which has been mandatory for the most important vehicle categories since January 1, 2019. The prescribed level of CO<sub>2</sub> reduction in Europe of 15% by 2025 and 30% by 2030, in each case compared to the new-vehicle fleet in the period of July 2019 to June 2020, cannot be achieved with conventional technology alone. Daimler Trucks & Buses will therefore have to apply the latest technologies in order to fulfill these requirements. Achieving the 2025 target will require significant shares of battery-electric trucks or other electrified drive systems in the actual market, which may only be achievable at higher costs.

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

The danger exists that individual countries will attempt to defend and improve their competitiveness in the world's markets by resorting to **interventionist and protectionist measures**. Furthermore, interruptions in the supply chain due to potential trade conflicts cannot be ruled out. **Industrial policy measures** are intended to attract investment into a country and increase local value added along the entire value chain. This can lead to increased costs if production facilities have to be established or expanded or local purchasing has to be increased. In addition, attempts are being made to limit growth in imports through barriers to market access such as by making certification processes more difficult, **delaying certification** and imposing other complicated **customs procedures**. These measures generally exacerbate uncertainties in the planning process; they can also lead to lower unit sales if importing is made more difficult.

In addition to the described emission and fuel-consumption regulations, **traffic-policy restrictions** for the reduction of traffic jams, noise and emissions are becoming increasingly important in cities and urban areas worldwide. This development can have a dampening effect on the development of unit sales, especially in growth markets. Pressure to reduce personal transport is increasingly being applied in European cities through discussions of bans on vehicles entering or driving in inner cities, especially those with diesel engines. These developments may dampen the development of unit sales, especially in the growth markets. In European cities, discussions about driving bans are increasingly intensifying the pressure to reduce individual transport, especially for vehicles with diesel engines. This may in turn lead to more demand for vehicles with alternative drive systems.

Daimler continuously monitors the development of statutory and political conditions and attempts to anticipate foreseeable requirements and long-term targets at an early stage in the process of product development. The great challenge of the coming years will be to offer an appropriate range of drive systems and the right product portfolio in each market.

### Procurement market risks and opportunities

Procurement market risks arise for the automotive divisions in particular from fluctuations in prices of raw materials and energy. There are also risks of financial bottlenecks of suppliers, and of capacity bottlenecks caused by supplier delivery failures or by insufficient utilization of production capacities at suppliers. Potential claims from suppliers due to the premature termination of development and production agreements by the Daimler Group may also lead to decreased earnings. This risk situation has not changed in terms of probability of occurrence and possible impact compared to the previous year. The impact of the opportunities is also unchanged.

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

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

Due to the planned electrification of new model series and a shift in customer demand from diesel to gasoline engines, Mercedes-Benz Cars & Vans in particular is faced with the risk that Daimler will require changed volumes of components from suppliers. This could result in **over- or under-utilization of production capacities** for certain suppliers. If suppliers cannot cover their fixed costs, there is the risk that they may demand compensation payments. Necessary capacity expansion at suppliers' plants could also require cost-effective participation.

## Company-specific risks and opportunities

The following section describes the company-specific risks and opportunities of the Daimler Group. A quantification of these risks and opportunities is shown in table [7 B.72](#).

### Production and technology risks and opportunities

Key success factors for achieving the desired level of prices for the products of the Daimler Group – and hence for the achievement of corporate targets – are brand image, design and quality, and thus the acceptance of products by customers, as well as technical features based on innovative research and development. Technical solutions, for example support accident-free driving or further improve the products' fuel consumption and emissions, such as hybrid or electric vehicles, are of key importance for safe and sustainable mobility. Innovations and technology opportunities for the progressive and future-oriented design of the product range are integrated in the strategic product planning of the automotive segments. As a result of increasing technical complexity, the continually rising extent of requirements in terms of emissions, fuel consumption and safety, as well as meeting and steadily raising the Daimler Group's quality standards, production and technology risks exist for product launches and manufacturing in the automotive segments.

In the context of product launches, the required parts and equipment components have to be available. To avoid restrictions in this context, the related processes are continuously evaluated and improved. In order to secure and enhance the long-term future viability of production facilities, modernization, expansion, construction and restructuring measures are carried out as required. The **execution of modernization activities and the launch of new products** are generally connected with high investments. For example, delays in the ramp-up phase of an innovation or during a product's lifecycle can lead to inefficiencies in the production process and as a consequence to a temporary reduction in production volumes. Late design changes in the development process, for example in connection with new regulatory requirements, as well as quality or availability problems of supplied vehicle components can have a negative impact on production ramp-ups. Furthermore, the planned increase in battery production due to the increasing electrification of the vehicle fleet means that initial problems during the production of the various battery types and possible technical limitations on battery lifecycles cannot be ruled out. Affected are those automotive segments which are currently launching a new product or have planned a related production ramp-up. In this context, it is also necessary to consider dependencies on contractual and cooperation partners, as well as possible changes in regional conditions, which have to be included in the local decision-making process.

In principle, there is a danger that reduced plant availability or the failure of **production equipment or production plants** may cause internal bottlenecks that would consequently generate costs. These risks mainly exist for Mercedes-Benz Cars & Vans. The production equipment is continuously maintained and modernized. As a precaution, spare parts are held available or, if required, redundant machines are purchased for the production plants that might be at risk.

Capacity restrictions in the production of batteries, interruptions in the supply chain and possible interruptions in supply by energy providers can lead to bottlenecks, especially at Mercedes-Benz Cars & Vans. Restrictions on certain equipment components in new vehicle models and the lack of availability of vehicle parts at the right time also mean that vehicles cannot be handed over to customers as planned. In order to avoid such **bottleneck situations**, importance is placed upon being able to compensate for capacity constraints through forward planning. In addition, supply chains and the availability and quality of products are continuously monitored within the context of managing the entire value chain. Supplier management is undertaken for the prevention of risks with the aim of ensuring the quantity and quality of the components required to manufacture the vehicles. The lack of availability and quality problems with certain vehicle parts can lead to production downtimes and cause costs.

**Warranty and goodwill cases** could arise in the Daimler Group if the quality of the products does not meet the requirements, regulations are not fully complied with, or support cannot be provided in the required form in connection with product problems and product care. Quality problems both with components in vehicles from external suppliers and in connection with technical innovations in vehicles may require adjustments that can lead to considerable expenses. Possible claims in connection with such risks are examined and, if necessary, the appropriate measures are initiated for the affected products. If the high technical quality standards of purchased components are not fulfilled, this can lead to Daimler asserting claims against the respective supplier.

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

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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	Medium	Personnel opportunities	-
Risks related to equity investments and cooperations	Low	Medium	Opportunities related to equity investments and cooperations	Low



### Information technology risks and opportunities

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

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

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

Due to growing requirements concerning the confidentiality, integrity and availability of data, Daimler has implemented various preventive and corrective measures so that the related risks are minimized and possible damage is limited. For example, the Group reduces potential interruptions of operating processes in data centers by means of mirrored data sets, decentralized data storage, outsourced data backups and IT systems designed for high availability. Emergency plans are developed and employees are trained and regularly sensitized in order to maintain operating capability. Specific threats are analyzed and countermeasures are coordinated at a globally active Cyber Intelligence & Response Center. The protection of products and services at the risk of by hacking and cybercrime is continually developed.

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

### Personnel risks and opportunities

Competition for highly qualified staff and management is still very intense in the industry and the regions in which Daimler operates. The future success of the Daimler Group also depends on the extent to which it succeeds over the long term in recruiting, integrating and retaining specialist employees. The established human resources instruments take such personnel risks

into consideration. One focus of human resources management is the targeted personnel development and further training of the workforce. Employees benefit for example from a range of courses offered by the Daimler Corporate Academy and from transparency in the context of performance management. In order to remain successful as a company, management culture and principles are being further developed in a Group-wide project.

Due to demographic developments, the Group has to cope with changes relating to an aging workforce and has to secure a sufficient number of qualified young persons with the potential to become the next generation of highly skilled specialists and executives. This is addressed by measures taken in the area of generation management that do justice to the scope of the issue.

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

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

### Risks and opportunities related to equity investments and cooperations

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

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

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

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

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

## Financial risks and opportunities

The following section deals with the financial risks and opportunities of the Daimler Group. Risks and opportunities can have negative or positive effects on the profitability, cash flows and financial position of the Daimler Group. The probability of occurrence and possible impact of these risks and opportunities is presented in table [7 B.73](#). The probability of occurrence and impact of the financial risks and opportunities are essentially unchanged from the previous year. Only the impact of country risks has increased from “Low” to “Medium” and the probability of occurrence of risks from changes in credit ratings has increased from “Low” to “Medium”.

In principle, the Group’s operating and financial risk exposures underlying its financial risks and opportunities can be divided into symmetrical and asymmetrical risk and opportunity profiles. With the symmetrical risk and opportunity profiles (e.g. currency exposures), risks and opportunities exist equally, while with the asymmetrical risk and opportunity profiles (e.g. credit and country exposures), the risks outweigh the opportunities.

Daimler is generally exposed to risks and opportunities from changes in market prices such as currency exchange rates, interest rates and commodity prices. Market price changes can have a negative or positive influence on the Group’s profitability, cash flows and financial position. Daimler systematically manages and monitors market price risks and opportunities primarily in the context of its operational business and financing activities, and applies derivative financial instruments for hedging purposes where needed, thus limiting both market price risks and opportunities.

In addition, the Group is exposed to credit-, country- and liquidity-related risks, risks of restricted access to capital markets, risks of early credit repayment requirements and risks from changes in credit ratings. As part of the risk management

process, Daimler regularly assesses these risks by considering changes in key economic indicators and market information. Pension plan assets to cover retirement and healthcare benefits (market-sensitive investments including equities and interest-bearing securities) are not included in the following analysis.

### Exchange rate risks and opportunities

The Daimler Group’s global orientation means that its business operations and financial transactions are connected with risks and opportunities related to fluctuations in currency exchange rates. This applies in particular to fluctuations of the euro against the US dollar, Chinese renminbi, British pound and other currencies such as those of growth markets. An exchange rate risk or opportunity arises in business operations primarily when revenue is generated in a currency different from that of the related costs (transaction risk). This applies in particular to Mercedes-Benz Cars & Vans. A major portion of its revenue is generated in foreign currencies while most of its production costs are denominated in euros. Daimler Trucks & Buses is also exposed to such transaction risks, but to a lesser degree because of its worldwide production network. Regularly updated currency risk exposures are successively hedged with suitable financial instruments (predominantly currency forwards and options) in accordance with exchange rate expectations, which are continually reviewed, whereby both risks and opportunities are limited. Any overcollateralization caused by changes in exposure is generally reversed by suitable measures without delay. Exchange rate risks and opportunities also exist in connection with the translation into euros of the net assets, revenues and expenses of the companies of the Group outside the euro zone (translation risk); these risks are not generally hedged.

### Interest rate risks and opportunities

Changes in interest rates can create risks and opportunities for business operations as well as for financial transactions. Daimler employs a variety of interest-rate sensitive financial instruments to manage the cash requirements of its business operations on a day-to-day basis. Most of these financial instruments are held in connection with the financial services business of Daimler Mobility. Interest rate risks and opportunities arise when fixed-interest periods are not congruent between the asset and liability sides of the balance sheet. By means of refinancing coordinated with the terms of the financing agreements, the risk of maturity mismatch is minimized from both an interest-rate and a liquidity perspective. Remaining interest-rate risks are managed with the use of derivative financial instruments. The funding activities of the industrial business

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### Financial risks and opportunities

Risk category	Probability of occurrence	Impact	Opportunity category	Impact
Exchange rate risks	Low	High	Exchange rate opportunities	High
Interest rate risks	Low	Low	Interest rate opportunities	Low
Commodity price risks	Low	Low	Commodity price opportunities	Low
Credit risks	Low	Low	Credit opportunities	-
Country risks	Low	Medium	Country opportunities	-
Risks of restricted capital-market access	Low	High	Opportunities of restricted capital-market access	-
Risks of credit repayment requirements	Low	Low	Opportunities of credit repayment requirements	-
Risks from changes in credit ratings	Medium	Low	Opportunities from changes in credit ratings	Low
Risks related to pension plans	Low	High	Opportunities relating to pension plans	High

and the financial services business are coordinated at Group level. Derivative interest rate instruments such as interest rate swaps are used to achieve the desired interest rate maturities and asset/liability structures (asset and liability management).

#### Commodity price risks and opportunities

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

#### Credit risks

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

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

Credit risks also arise from the Group’s liquid assets. Should defaults occur, this would adversely affect the Group’s financial position, cash flows and profitability. The limit methodology for liquid funds deposited with financial institutions has been continuously further developed in recent years. In connection with investment decisions, priority is placed on the borrowers’ very high creditworthiness and on balanced risk diversification. Most liquid assets are held in investments with an external rating of “A” or better.

#### Country risks

Country risk describes the risk of financial loss resulting from changes in political, economic, legal or social conditions in the respective country, for example due to sovereign measures such as expropriation or a ban on currency transfers. Daimler is exposed to country risks that primarily result from cross-border financing or collateralization for Group companies or customers, from investments in subsidiaries and joint ventures, and from cross-border trade receivables. Country risks also arise from cross-border cash deposits with financial institutions. The Group addresses these risks by setting country limits (e.g. for hard-currency portfolios of Daimler Mobility companies) and through investment-protection insurance against political risks in high-risk countries. Daimler also has an internal rating system that divides all countries in which it operates into risk categories. The possible impact of country risks has risen due to the increase in cross-border exposure and a changed risk situation in various countries.

#### Risks of restricted access to capital markets

Liquidity risks arise when a company is unable to fully meet its financial obligations. In the normal course of business, Daimler uses bonds, commercial paper and securitized transactions, as well as bank loans in various currencies, primarily with the aim of refinancing its leasing and sales-financing business. An increase in the cost of refinancing would have a negative impact on the competitiveness and profitability of our financial services business to the extent that the higher refinancing

costs cannot be passed on to customers; a limitation of the financial services business would also have negative consequences for the vehicle business. Access to capital markets in individual countries may be limited by government regulations or by a temporary lack of absorption capacity. In addition, pending legal proceedings as well as Daimler’s own business policy considerations and developments may temporarily prevent the company from covering any liquidity requirements by means of borrowing in the capital markets.

#### Risks of credit repayment requirements

Daimler may be required to make premature repayment of special-purpose loans in the case of adverse results of ongoing legal proceedings. It is to be expected that the resulting refinancing requirement will have to be concluded at a higher cost.

#### Risks and opportunities from changes in credit ratings

Risks and opportunities exist in connection with potential downgrades or upgrades to credit ratings by the rating agencies, and thus to Daimler’s creditworthiness. Downgrades could have a negative impact on the Group’s financing if such a downgrade leads to an increase in the costs for external financing or restricts the Group’s ability to obtain financing. A credit rating downgrade could also discourage investors from investing in Daimler AG.

#### Risks and opportunities relating to pension plans

Daimler has pension benefit obligations and, to a lesser degree, obligations relating to healthcare benefits, which are largely covered by plan assets. The balance of pension obligations less plan assets constitutes the carrying amount or funded status of those employee benefit plans. The measurement of pension obligations and the calculation of net pension expense are based on certain assumptions. Even small changes in those assumptions such as a change in the discount rate have a negative or positive effect on the funded status and Group equity in the current financial year, and lead to changes in the periodic net pension expense in the following financial year. The fair value of plan assets is determined to a large degree by developments in the capital markets. Unfavorable or favorable developments, especially relating to equity prices and fixed-interest securities, reduce or increase the carrying value of plan assets. A change in the composition of plan assets can also have a positive or negative impact on the fair value of plan assets. The broad diversification of investments, the selection of asset managers on the basis of quantitative and qualitative analyses, and the ongoing monitoring of returns and risks contribute to a reduction in the investment risk. The structure of pension obligations is taken into consideration with the determination of the investment strategy for the plan assets in order to reduce fluctuations of the funded status.

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

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

## Legal and tax risks

The Group continues to be exposed to legal and tax risks. Provisions are recognized for those risks if and insofar as they are likely to be utilized and the amounts of the obligations can be reasonably estimated.

### Legal risks

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

**Risks from legal proceedings in general.** Daimler AG and its subsidiaries are confronted with various legal proceedings, claims as well as government investigations and orders (legal proceedings) on a large number of topics, including vehicle safety, emissions, fuel economy, financial services, dealer, supplier and other contractual relationships, intellectual property rights, warranty claims, environmental matters, antitrust matters (including actions for damages) as well as shareholder litigation. Product-related litigation involves claims alleging faults in vehicles, some of which have been made as class actions. If the outcome of such legal proceedings is detrimental to Daimler, the Group may be required to pay substantial compensatory and punitive damages or to undertake service actions, recall campaigns, monetary penalties or other costly actions. Some of these proceedings may have an impact on the Group's reputation.

### Risks from legal proceedings in connection with diesel exhaust gas emissions – governmental proceedings.

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

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



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

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

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

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

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

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

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

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


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

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

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

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

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

Further information on legal proceedings is provided in  [Note 30](#) of the Notes to the Consolidated Financial Statements.

#### **Tax risks**

Daimler AG and its subsidiaries operate in many countries worldwide and are therefore subject to numerous different statutory provisions and tax audits. Any changes in legislation and jurisdiction, as well as different interpretations of the law by the fiscal authorities – especially in the field of cross-border transactions, may be subject to considerable uncertainty. It is therefore possible that the provisions recognized will not be sufficient, which could have negative effects on the Group’s net profit and cash flows.

Any changes or interventions by the fiscal authorities are continuously monitored by the tax department and measures are taken if required.

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

## Non-financial risks

As a company with worldwide activities, the Daimler Group is at the focus of public interest. The relevant stakeholders' perception is therefore of crucial importance and can affect the reputation of the entire Daimler Group [page 196](#) Non-Financial Report. A key role in the public's current perception is played by the company's approach to environmental, employee and social matters, fighting corruption and bribery, and respecting human rights, and may lead to non-financial risks.

Risks arise above all in connection with the public debate about diesel vehicles and the related fundamental reconsideration of methods for measuring emissions. Due to the replacement of the NEDC (New European Driving Cycle) with the new measuring method WLTP (Worldwide Harmonized Light Vehicles Test Procedure), the fleet CO<sub>2</sub> average has worsened. In the light of today's knowledge, this makes it more difficult to achieve the CO<sub>2</sub> 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<sub>2</sub> targets in the EU, because of NO<sub>x</sub> levels exceeding the limits at some measuring stations in cities. The current public focus on vehicle emissions as well as possible certifications stops and recalls jeopardize the reputation of the automotive industry and in particular of the diesel engine, and could result in damage to Daimler's reputation. With the development of a new generation of diesel engines and their systematic market launch, Daimler aims to achieve a reduction in NO<sub>x</sub> emissions in real driving conditions (RDE). In general, legal risks – for example in connection with antitrust investigations – as well as possible legal and social violations by partners and suppliers can have a negative impact on the reputation of the entire Daimler Group. As one of the fundamental principles of business activity, Daimler places particular priority – also in the selection of partners and suppliers – on adherence to applicable laws and ethical standards.

## Overall assessment of the risk and opportunity situation

The overall view of the Group's risk and opportunity situation is the sum of the described individual risks and opportunities of all risk and opportunity categories.

In addition to the risk categories described above, unforeseeable events can have a negative impact on the business operations and thus on the Daimler Group's profitability, cash flows, financial position and its reputation. In order to recognize risks and opportunities at an early stage and to deal successfully with the current risk and opportunity situation, the established risk and opportunity management system is continuously monitored and further developed.

The overall risk and opportunity situation of the Daimler Group remains essentially unchanged. No risks are recognizable – neither on the balance sheet date nor at the time of preparing the consolidated financial statements – that either alone or in combination with other risks could endanger the continued existence of the Group.

# Outlook

The statements made in the Outlook chapter are based on the operational planning of Daimler AG as approved by the Board of Management and the Supervisory Board. That planning is based on the premises we set regarding the economic situation and the development of automotive markets. It involves assessments made by Daimler, which are based on analyses by various renowned economic research institutes, international organizations and industry associations, as well as on the internal market analyses of our sales companies. The prospects for our future business development as presented here reflect the targets of our divisions as well as the opportunities and risks presented by the anticipated market conditions and the competitive situation during the planning period. Against this backdrop, we adjust our expectations for business development to reflect updated forecasts for the development of the various automotive markets. The statements made below are based on the facts known to us at the beginning of 2020.

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

## The world economy

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

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



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

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

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

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

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

## Automotive markets

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

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

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

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

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

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

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

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

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

## Unit sales

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

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

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

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

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

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

**Daimler Buses** assumes that it will be able to defend its market leadership in its most important traditional core markets for buses above 8 tons. We anticipate slight growth in total unit sales in 2020.

**Daimler Mobility** expects a slight decrease in new business and a contract volume at the prior-year level in 2020. We aim to utilize new market potential through more flexible leasing and rental products with the option of switching to new

vehicles at shorter intervals. And we intend to make use of additional market opportunities by expanding our online sales channels and with telematics-based products for insurance and fleet management. We continue to see good growth opportunities also in the mobility segment.

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

## Revenue and earnings

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

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

We are standardizing and modularizing our production processes throughout the Group. In this context, we are making intelligent use of vehicle platforms, allowing us to achieve further cost advantages. In parallel, we are pushing forward with digital connectivity in all divisions and at all stages of the value chain – from development to production to sales and service. In this way, we are opening up additional scope to become even faster, more flexible and more efficient – to the benefit of our customers. However, earnings will be reduced by the continuation of high expenditure: for innovative technologies (especially for reducing fuel consumption and for electrification), for the digitization of our products and processes, and for the expansion and modernization of our worldwide production capacities.

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

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

The individual divisions have the following expectations for adjusted returns in 2020:

Mercedes-Benz Cars & Vans: adjusted return on sales of 4 to 5%

Daimler Trucks & Buses: adjusted return on sales of 5%

Daimler Mobility: adjusted return on equity of 12%

At Mercedes-Benz Cars, positive effects will result from a more favorable sales structure for our cars. There should be supporting effects for both cars and vans from measures for efficiency improvements, especially significant material-cost savings and improved personnel costs. There will be negative effects, however, from the continuation of very high expenditure for new technologies and vehicles, especially the expenses incurred to meet the CO<sub>2</sub> targets.

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

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

## Free cash flow and liquidity

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

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

For the year 2020, we aim to have liquidity available in a volume appropriate to the general risk situation in the financial markets and to Daimler's risk profile. When measuring the level of liquidity, we give due consideration to possible refinancing risks caused for example by temporary distortions in the financial markets. We continue to assume, however, that we will have very good access to the capital markets and the bank market also in the year 2020. We aim to cover our funding needs in the planning period primarily by means of bonds, commercial paper, bank loans, customer deposits in the direct banking business and the securitization of receivables in the financial services business; the focus will be on bonds and loans from globally and locally active banks. In view of our ongoing strong creditworthiness and in a continuing environment of high liquidity in the international capital markets, we anticipate stable refinancing conditions. Furthermore, our goal is to continue to ensure a high degree of financial flexibility.

## Dividend

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

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

## Investment

In order to achieve our ambitious growth targets, we will make our product range even more attractive in the coming years and focus it even more on our customers' requirements. At the same time, we want to be able to play a leading role in the far-reaching technological transformation of the automotive industry. This applies in particular to the increasing electrification of our product portfolio and to the digital connectivity of our products and processes along the entire value chain. Against this backdrop, investment in property, plant and equipment is mainly directed at preparations for the production of our new models. Other main areas are the realignment of our production facilities in Germany, local production in growth markets and the establishment of a global production network for electric vehicles and batteries. Against the background of an even more targeted allocation of capital and prioritization of projects, we plan to invest in property, plant and equipment in 2020 at a level similar to that of 2019.

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

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

## Research and development

With our research and development activities, our goal is to further strengthen Daimler's competitive position against the backdrop of upcoming technological challenges. With new and attractive products, we want to inspire our customers and utilize the growth opportunities offered by worldwide automotive markets. We are focusing on the strategic areas for the future of connectivity, automated and autonomous driving, and in particular the development of electric drive systems. After

the continuous increase in recent years, the volume of research and development expenditure should have reached a plateau in 2019. Against the background of a focused and efficient application of funds, research and development expenditure in 2020 should therefore be in the magnitude of the previous year.

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

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

## Overall statement on future development

The conditions for our business at the beginning of 2020 are less favorable than in the previous year. Financial challenges are greater than ever due to the necessary transformation for a CO<sub>2</sub>-neutral future. This requires high levels of investment in electric mobility and wide-ranging structural adjustments. We are therefore systematically implementing our "Ambition 2039" for CO<sub>2</sub>-neutral mobility. In this context, we will utilize the potential offered by automated driving and digital services. The achievement of an appropriate return and a solid cash flow have absolute priority. This is the only way for us to play a leading role in the transformation for a CO<sub>2</sub>-neutral future. Comprehensive efficiency measures have therefore been defined at all divisions and at Daimler AG. The allocation of financial resources is managed transparently and stringently at the level of the parent company. Together with partners, we plan to



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

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

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

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

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

#### Forward-looking statements

This document contains forward-looking statements that reflect our current views about future events. The words "anticipate," "assume," "believe," "estimate," "expect," "intend," "may," "can," "could," "plan," "project," "should" and similar expressions are used to identify forward-looking statements. These statements are subject to many risks and uncertainties, including an adverse development of global economic conditions, in particular a decline of demand in our most important markets; a deterioration of our refinancing possibilities on the credit and financial markets; events of force majeure including natural disasters, pandemics, acts of terrorism, political unrest, armed conflicts, industrial accidents and their effects on our sales, purchasing, production or financial services activities; changes in currency exchange rates and tariff regulations; a shift in consumer preferences towards smaller, lower-margin vehicles; a possible lack of acceptance of our products or services which limits our ability to achieve prices and adequately utilize our production capacities; price increases for fuel or raw materials; disruption of production due to shortages of materials, labor strikes or supplier insolvencies; a decline in resale prices of used vehicles; the effective implementation of cost-reduction and efficiency-optimization measures; the business outlook for companies in which we hold a significant equity interest; the successful implementation of strategic cooperations and joint ventures; changes in laws, regulations and government policies, particularly those relating to vehicle emissions, fuel economy and safety; the resolution of pending government investigations or of investigations requested by governments and the conclusion of pending or threatened future legal proceedings; and other risks and uncertainties, some of which we describe under the heading "Risk and Opportunity Report" in this Annual Report. If any of these risks and uncertainties materializes or if the assumptions underlying any of our forward-looking statements prove to be incorrect, the actual results may be materially different from those we express or imply by such statements. We do not intend or assume any obligation to update these forward-looking statements since they are based solely on the circumstances at the date of publication.

#### References made in this management report

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

# C

# The Divisions

Daimler's divisions performed well in 2019 despite some difficult market conditions. This was significantly supported by numerous new products and innovative services. Mercedes-Benz Cars, Mercedes-Benz Vans and Daimler Buses all surpassed their prior-year unit sales, and Daimler Mobility increased its contract volume. In order to further improve our competitiveness, we entered into future-oriented partnerships in key areas such as autonomous driving, mobility services and the further development of the smart brand.

# C | The Divisions

## Mercedes-Benz Cars

158 – 165

- Ongoing high levels of unit sales and revenue
- Ninth consecutive record year for Mercedes-Benz Cars
- Sustainability at Frankfurt Motor Show 2019
- More than a dozen new and upgraded vehicles
- EQ technology brand offers comprehensive ecosystem for electric mobility
- Launch of first Mercedes-Benz EQ model
- Expanded range of plug-in hybrids
- VISION EQS: milestone on the way into the future
- Strengthened presence in China
- Joint venture with Geely for further development of smart
- Global production network further developed with smart production
- Presentation of Best Customer Experience 4.0
- Sixth consecutive world championship double in Formula 1
- EBIT of €3.4 billion (2018: €7.2 billion)

## Daimler Trucks

166 – 170

- Decrease in unit sales
- Heavy-duty trucks available in core markets with partially automated driving functions (SAE Level 2)
- Start of tests of highly automated trucks (SAE Level 4)
- Supply agreement with CATL for global battery modules
- Launch in North America of telematics-based financing option Dynamic Lease
- EBIT lower than in previous year at €2.5 billion (2018: €2.8 billion)

## Mercedes-Benz Vans

171 – 173

- Unit sales at record level
- Growth driven by the Sprinter
- Market launch of the new V-Class
- Decision on Citan successor
- Focus on eDrive@Vans
- Start of series production of eSprinter
- World premiere of our first battery-electric multi-purpose vehicle in the premium segment
- Digitization at full speed
- EBIT significantly below prior-year level at minus €3.1 billion (2018: €0.3 billion)

## Daimler Buses

174 – 176

- Slight growth in unit sales
- Market leadership defended in most important traditional core markets above eight tons gross vehicle weight
- Positive development of complete-bus business in Europe
- Online shop started for bus spare parts
- Mercedes-Benz eCitaro wins Sustainable Bus Award 2020
- Range extension targeted with fuel cells
- EBIT slightly above prior-year level at €283 million (2018: €265 million)

## Daimler Mobility

177 – 179

- Renewed growth in contract volume
- Further increase in number of automotive insurance policies brokered
- New name: Daimler Mobility AG
- Mobility “from years to minutes”
- Expansion of e-payment activities
- Launch of short-term insurance for more mobility
- New app for paperless conclusion of insurance contracts
- Launch of telematics-based financing option
- Expansion of product portfolio for telematics services
- Athlon adds e-bike option to leasing app
- Ongoing growth of mobility joint ventures
- Joint venture established for premium ride hailing in China
- EBIT significantly above prior-year level at €2.1 billion (2018: €1.4 billion)

# Mercedes-Benz Cars

Mercedes-Benz Cars performed well in the market during the year under review, despite difficult conditions. Unit sales and revenue were above the high levels of the previous year, and Mercedes-Benz continues to be the premium brand with the strongest unit sales in the automotive industry. However, EBIT declined significantly in 2019. During the year under review, we systematically forged ahead with our model offensive. In total, Mercedes-Benz launched more than a dozen new or upgraded models in 2019, including the new B-Class, the A-Class sedan and the new GLB. We also launched the EQC (combined electricity consumption: 20.8 – 19.7 kWh/100 km; combined CO<sub>2</sub> emissions: 0 g/km)<sup>1</sup>, the first vehicle of our EQ electric-mobility brand. Mercedes-Benz's stand at the Frankfurt Motor Show (IAA) was dominated by the presentation of sustainable solutions for the future of mobility. Our numerous world premieres at the event underscored our firm intention to continue designing and offering intelligent mobility solutions in the future.

## C.01

### Mercedes-Benz Cars

	2019	2018	19/18
€ amounts in millions			% change
Revenue	93,877	93,103	+1
EBIT	3,359	7,216	-53
Return on sales (in %)	3.6	7.8	-
Investment in property, plant and equipment	5,629	5,684	-1
Research and development expenditure	7,518	6,962	+8
thereof capitalized	2,904	2,269	+28
Production	2,397,673	2,398,270	-0
Unit sales	2,385,432	2,382,791	+0
Employees (December 31) <sup>1</sup>	152,048	151,316	+0

<sup>1</sup> Adjustment of the number of employees in 2018 due to changes in the Group's internal allocation of employees.

## Ongoing high levels of unit sales and revenue

The Mercedes-Benz Cars division sold a total of 2,385,400 vehicles in 2019 despite difficult overall conditions (2018: 2,382,800). The division thus surpassed the record level of unit sales set in the previous year. At €93.9 billion, revenue also exceeded the previous year's high level (+1%). [↗ C.01](#)

This development was in large part due to the extensive market success of our new compact-class models and continued strong demand for the E-Class and our SUVs. EBIT decreased significantly to €3.4 billion in the year under review as the result of various factors, which are described in detail in the Profitability chapter. [👁 page 71](#)

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

## Ninth consecutive record year for Mercedes-Benz Cars

At 2,278,300 vehicles, unit sales by the Mercedes-Benz brand surpassed the record level of the previous year by 1%. [↗ 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 South Korea, India, Australia, Canada and Japan. Furthermore, we are the number one in the premium segment also in China, with a new sales record in that country.

## C.02

### Unit sales Mercedes-Benz Cars

	2019	2018	19/18
in thousands			% change
Mercedes-Benz	2,278	2,253	+1
thereof A-/B-Class	527	409	+29
C-Class	440	478	-8
E-Class	418	434	-4
S-Class	75	84	-10
SUVs <sup>1</sup>	790	829	-5
Sports cars	28	19	+48
smart	107	130	-18
Mercedes-Benz Cars	2,385	2,383	+0
thereof Europe	992	983	+1
thereof Germany	335	324	+3
NAFTA	369	393	-6
thereof United States	313	327	-4
Asia	940	921	+2
thereof China	694	678	+2

<sup>1</sup> Including the GLA and the GLB

<sup>1</sup> Electricity consumption and range have been calculated on the basis of Commission Regulation (EC) No. 692/2008. Electricity consumption and range depend on vehicle configuration.





Mercedes-Benz EQC (combined electricity consumption: 20.8 – 19.7 kWh/100 km; combined CO<sub>2</sub> emissions: 0 g/km)<sup>1</sup>:  
The Mercedes-Benz among electric vehicles and a car that makes a convincing impression in terms of the sum of its attributes.

In total, Mercedes-Benz launched more than a dozen new or upgraded models in 2019. In particular our new compact models, including the new B-Class, the A-Class Sedan and the new GLB, played a major role in our sales growth in the year under review. However, our AMG models also generated significant sales momentum. 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 refining.

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

The sales development for the smart brand during the year under review was largely shaped by measures associated with the complete conversion of the smart to all-electric drive by 2020. Within the framework of this changeover, the number of vehicles with combustion engines offered by smart was gradually reduced throughout the year. All in all, the smart brand sold a total of 107,100 fortwo and forfour models in approximately 40 markets worldwide in 2019 (2018: 130,000).

#### **IAA 2019: on the road to an emission-free future**

Mercedes-Benz's appearance at the International Motor Show (IAA) in Frankfurt from September 10 to 22, 2019 was dominated by the presentation of sustainable solutions for the future of mobility. Numerous world premieres at the event underscored the intention of the inventor of the automobile to continue designing and offering intelligent mobility solutions. The new Vision EQS show car, which celebrated its world premiere at IAA 2019, embodies the flexible and customer-focused vision of sustainability that the Mercedes-Benz EQ product and technology brand stands for. Also on display for the first time were new plug-in hybrid derivatives from Mercedes-Benz and the first all-electric multipurpose vehicle from the EQ brand. The GLB also had its auto show premiere, while smart, a pioneer for urban mobility, presented model upgrades of its electric city cars for the first time in Frankfurt.

#### **The new Mercedes-Benz GLB – with up to seven seats**

The Mercedes-Benz GLB had its world premiere on June 10, 2019 in Utah in the United States. It was then presented for the first time at an auto show during the IAA in September 2019. The new Mercedes-Benz GLB is a versatile SUV that can also function as a spacious family car. The GLB's SUV attributes are underscored by powerful proportions with short

overhangs and an off-road-oriented design, as well as the optional 4MATIC all-wheel drive and a special off-road light that helps detect obstacles immediately in front of the vehicle at low speeds. The GLB is the first Mercedes-Benz in this segment available with seven seats as an option; the two seats in the third row can be used by people up to 1.68 meters tall.

#### **The new Mercedes-Benz GLA – the entry-level model in the SUV family**

The new Mercedes-Benz GLA made its world premiere in digital form on the Mercedes me media platform. With its powerful and efficient four-cylinder engines, the latest driving assistance systems with cooperative driver support, the intuitive MBUX (Mercedes-Benz User Experience) infotainment system and the comprehensive ENERGIZING comfort control system, the GLA boasts all the outstanding features of the latest generation of Mercedes-Benz compact vehicles. The model is also available with the optional 4MATIC permanent all-wheel drive system that features fully variable torque distribution.

#### **Launch of first Mercedes-Benz model of the EQ brand**

Mercedes-Benz first presented its new product and technology brand for electric mobility at the Paris Motor Show in 2016. In mid-2019, the EQC (combined electricity consumption: 20.8 – 19.7 kWh/100 km; combined CO<sub>2</sub> emissions: 0 g/km)<sup>1</sup> became 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, while 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 a 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 EQC enables an electric range of 445 to 471 km according to the NEDC<sup>1</sup>. With Mercedes me, the EQ brand offers comprehensive services and makes electric mobility comfortable and practical for everyone. At the same time, the EQC symbolizes the start of a new mobility era at Daimler.

Series production of the EQC began in May 2019 at the Mercedes-Benz plant in Bremen. The new EQC is being integrated into current production operations as an all-electric vehicle. The EQC is also now being produced for the Chinese market by the German-Chinese production joint venture, Beijing Benz Automotive Co. Ltd. (BBAC).

The EQC is part of a comprehensive electric offensive, as Daimler plans to offer more than ten all-electric models in the passenger car segment alone by 2022. In addition, the EQ brand offers a comprehensive electric mobility ecosystem of products, services, technologies and innovations.

#### **Broad range of third-generation plug-in hybrid vehicles**

Plug-in hybrids are a milestone on the road to zero-emission driving. Under the label EQ Power, Mercedes-Benz Cars is consistently forging ahead with the development of its plug-in hybrid vehicles. The hybrid drive systems in models with a

<sup>1</sup> Electricity consumption and range have been calculated on the basis of Commission Regulation (EC) No. 692/2008. Electricity consumption and range depend on vehicle configuration.

longitudinally installed engine – from the C-Class to the S-Class and from the GLC to the GLE – represent the third hybrid generation since the launch of the first hybrid vehicles in 2009. The current electric motor was redesigned for the 9G-TRONIC plug-in hybrid transmission and operates according to the principle of a permanently excited synchronous motor as an internal rotor. The combination with new and significantly improved power electronics here has led to a substantial increase in power and torque density. The intelligent, route-based operating-mode strategy employed with the hybrid systems utilizes the electric drive program that's best suited for a given route segment. This strategy takes into account factors including map data, topography, speed limits and traffic conditions for the entire planned route. In addition, the ECO Assistant system coaches the driver and helps conserve fuel. By the end of 2019, we had launched models from the compact-car family with the third-generation hybrid drive system for the first time. The EQ Power for the A-Class- and B-Class underscores the plug-in offensive launched by Mercedes-Benz. By the end of 2019, Mercedes-Benz already had more than ten plug-in hybrid models on offer – an attractive portfolio ranging from compacts to the Mercedes-Benz S-Class flagship model. Our goal here is to offer our customers well over 20 hybrid model variants by 2020.

#### **Technology brand EQ: a comprehensive electric mobility ecosystem**

One of the components of the EQ technology brand is a comprehensive electric mobility ecosystem, which includes a holistic range of consulting and other services and encompasses everything from vehicle functions (e.g. adapted navigation system) to the charging infrastructure. Mercedes me Charge offers customers access to one of the world's largest charging networks with around 300,000 charging points and over 300 different operators of public charging stations in Europe alone. Customers also benefit from an integrated payment function with simple billing features. Mercedes me Charge also allows customers to access the fast-charging stations operated by the pan-European IONITY network. The network's short charging times make for a pleasant journey, especially over long distances. IONITY plans to build and operate around 400 fast-charging stations along the main traffic arteries in Europe by the end of 2020. IONITY was established in November 2017 as a joint venture between the BMW Group, Daimler AG, Ford Motor Company and the Volkswagen Group with Audi and Porsche.

The Mercedes-Benz wallbox home unit with a charging capacity of 11 kW makes it possible to charge EQ models much faster than from a household socket. Mercedes-Benz also works with market-specific charger installation partners to offer easy and rapid installation of the Mercedes-Benz wallbox as well as professional advice on all aspects of electric mobility. DC charging via CCS (Combined Charging Systems) is even faster: CCS charging stations in Europe have a maximum charging capacity of 110 kW, which enables batteries to be charged from 10 to 80 percent SoC (State of Charge) in less than 45 minutes.

#### **VISION EQS: milestone on the road to the future**

At its presentation at the 2019 IAA International Motor Show, Mercedes-Benz focused on the topic of sustainability as a key component of its brand philosophy and an important element of its corporate strategy. The VISION EQS show car offers a preview of the large electric luxury sedans of the future. With the Vision EQS, Mercedes-Benz is making a clear

statement that perfect craftsmanship, emotional design, luxurious materials and individual driving pleasure will continue to be desirable attributes of automobiles in the future. With its innovative stretched "one bow" proportion, the VISION EQS takes the "Progressive Luxury" design philosophy of the EQ vehicles from Mercedes-Benz to a new level. The flowing yet powerful sculpture-like effect of the exterior design lends the show car the appearance of luxurious generosity and aerodynamic beauty united in perfect harmony.

#### **World's first electric vehicle with fuel cell and plug-in hybrid technology delivered to selected customers**

The Mercedes-Benz electric vehicle offensive also includes the GLC F-CELL (combined hydrogen consumption: 0.91 kg/100 km, combined CO<sub>2</sub> emissions: 0 g/km, combined electricity consumption: 18 kWh/100 km)<sup>2</sup>. 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. Since the spring of 2019, additional business and private customers have been able to experience the new fuel cell technology by renting GLC F-CELL vehicles from Mercedes-Benz Rent at one of the seven GLC F-CELL outlets located throughout Germany. The GLC F-CELL is now available for short-term and long-term rental from the premium rental service from Mercedes-Benz.

The establishment of a full-coverage charging infrastructure is crucial for the success of electric mobility in Germany. Whether at home, at work, on the road, when shopping or at high speed on the highway – a variety of ways already exist to supply electric vehicles with power. Things also continue to move ahead when it comes to hydrogen infrastructure. For example, Daimler has drawn up a plan of action for hydrogen in Germany together with its partners in the H2 Mobility joint venture. During the year 2020, the network of hydrogen filling stations will probably grow to about 100 stations. The partners' long-term goal is to establish a network consisting of as many as 400 hydrogen refueling stations. Similar infrastructure projects are being implemented in the rest of Europe, the United States and Japan.

#### **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 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. Due to the market success of our Mercedes-Maybach models, we plan to make the range even more attractive in the coming years.

<sup>2</sup> Figures for hydrogen consumption, CO<sub>2</sub> emissions and electricity consumption have been calculated on the basis of Commission Regulation (EC) No. 692/2008.



### Mercedes-AMG: the sports-car and high-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. With more than 70 models, the Mercedes-AMG sports-car brand enhances the fascination of Mercedes-Benz and especially attracts young and sporty customers to the brand with the three-pointed star. This is also reflected by the development of sales of Mercedes-AMG vehicles: In the year under review, Mercedes-AMG set a new sales record by delivering more than 132,000 vehicles to customers. This outstanding sales growth was primarily driven by 13 new compact-vehicle variants in various output classes. These vehicles have expanded the product range to include additional attractive entry-level models for the driving performance segment. An all-new 2.0-liter turbo engine – the world’s most powerful turbocharged four-cylinder engine for series production vehicles – is used in AMG’s most powerful compact models. The existing portfolio of vehicles has also been expanded to include updated models from the successful two-door AMG GT family and the GLC series. In addition, Mercedes-AMG now offers additional electric vehicles equipped with integrated EQ Boost technology. Here, a 16 kW (22 hp) starter-generator supplies power to the 48-volt on-board electrical system, and the unit’s boost effect supports the combustion engine at low revolutions. The starter-generator was presented for the first time in combination with the 4.0-liter V8 biturbo engine at the end of 2019.

### smart model upgrade: groundbreaking, digital, urban

In September 2019 at the IAA International Motor Show in Frankfurt smart celebrated the world premiere of its completely revamped fortwo and forfour models (smart EQ fortwo with 4.6 kW onboard charger or optional 22 kW onboard charger: combined electricity consumption: 16.5 – 14.0 kWh/100 km, combined CO<sub>2</sub> emissions: 0 g/km. smart EQ fortwo cabrio with 4.6 kW onboard charger or optional 22 kW onboard combined charger electricity consumption: 16.8 – 14.2 kWh/100 km, combined CO<sub>2</sub> emissions: 0 g/km. smart EQ forfour with 4.6 kW onboard charger or optional 22 kW onboard charger combined electricity consumption: 17.3 – 14.6 kWh/100 km, CO<sub>2</sub> emissions combined: 0 g/km)<sup>1</sup>. Here, progressive design meets intelligent connectivity and pure battery-electric drive systems. As a result, the new smart fortwo coupe, convertible and forfour models offer a sustainable and comprehensive mobility concept. For the first time, the smart fortwo and forfour have been given different exterior designs that create a visual distinction between the two model series. In addition, the future generation of the smart infotainment system will enable seamless smartphone integration and thus offer customers their familiar digital user environment in the vehicle.

smart has been offering an all-electric variant for each model-series generation since 2007. Now smart is switching systematically to locally emission-free, battery-electric drive-system technology. smart is the world’s first automobile brand to switch from combustion engines to electric drive systems across the board. The all-electric driving experience opens up a new dimension of driving enjoyment: instantly available torque, seamless acceleration – and nearly absolute silence as well. smart offers a comprehensive charging concept for its new electric models in order to make charging as easy as possible for drivers. If the optional 22 kW onboard charger with fast-charging capability is used, the new models can be recharged from 10% to 80% range in less than 40 minutes.



<sup>1</sup> Electricity consumption and range have been calculated on the basis of Commission Regulation (EC) No. 692/2008. Electricity consumption and range depend on vehicle configuration.



The smart EQ Control app and smart “ready to” services have also been further developed. In addition, an all-new user guidance makes operating the services child’s play and turns any smart into a true connected car. For example, customers can use the smart EQ Control app to check their vehicle’s status from any location via a smartphone or Apple Watch. The “ready to” app also includes the “ready to share” digital service, which offers private carsharing options and thus makes mobility in cities more sustainable in general.

**Joint venture with Geely: further development of the smart brand as a manufacturer of all-electric vehicles**

At the end of March 2019, Daimler and the Zhejiang Geely Holding Group reached an agreement to establish a 50-50 joint venture for the further development of the smart brand. Under this agreement, the two partners will jointly design and develop the next generation of smart electric models, which will be manufactured in China for the world market. Global sales are scheduled to begin in 2022. The joint venture will exploit global synergies and economies of scale in order to offer customers premium products of outstanding quality and thus strengthen the smart brand’s position as a supplier of electric vehicles.







### Expansion of activities in China

Sales of Mercedes-Benz brand cars in China totaled 694,200 units in the year under review (+2%), which means China was Mercedes-Benz Cars' largest single market for the fifth consecutive year in 2019. Around three fourths of the vehicles we sell there were manufactured locally at facilities operated by our Beijing Benz Automotive Co., Ltd (BBAC) joint venture with our local partner BAIC. In view of the further growth potential offered by the Chinese market, Daimler and BAIC announced back in 2018 that they would jointly invest more than RMB 11.9 billion (approximately €1.5 billion) in a second BBAC production facility in Beijing. The expansion of localization is to enable Daimler to respond even 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 portfolio that currently encompasses ten locally manufactured cars and vans. The all-electric Mercedes-Benz EQC off-road vehicle (power consumption combined: 20.8 –19.7 kWh/100 km; CO<sub>2</sub> emissions combined: 0 g/km<sup>1</sup>, has been manufactured in Beijing since the end of 2019.

### Global production network – smart manufacturing

The Mercedes-Benz Cars division is continuously developing its production network of more than 30 locations on four continents by implementing forward-looking smart manufacturing methods. Here, innovative state-of-the-art technologies are enhancing and safeguarding production quality, efficiency and

flexibility, while also offering effective support to workers at our plants. "Factory 56" at the Mercedes-Benz plant in Sindelfingen is an impressive example of this. The factory of the future is already a reality here. A completely new infrastructure is being implemented in Factory 56. The entire production hall has a Wi-Fi system and a mobile telephone network and communicates with its surroundings. The production hall is distinguished by its especially flexible and sustainable production facilities with state-of-the-art Industry 4.0 technologies. For example, the hall obtains its energy from CO<sub>2</sub>-neutral sources that include a photovoltaic system installed on the roof. Factory 56 also creates a new modern world of work that focuses on employees and takes their individual requirements even more strongly into account than previously. Factory 56 will serve as a blueprint for all future vehicle assembly operations at Mercedes-Benz Cars worldwide.

The global production network is also being systematically aligned with electric mobility. For example, electric vehicles from the EQ product and technology brand are manufactured within the framework of normal series production on the same lines used to produce vehicles with conventional combustion or hybrid drive systems. Production of the first all-electric vehicle from the EQ product and technology brand is already under way at the Mercedes-Benz plant in Bremen and at our BBAC joint venture plant in Beijing. In parallel with this, a global battery production network is being established. This network already comprises nine plants at seven locations on three continents. All in all, the company is investing more than €1 billion



Whether with automated driving or new services: connectivity and digitization play a crucial role.

in a global battery manufacturing network that is part of Mercedes-Benz Cars' global production network. Local production of batteries is an important success factor for the electric mobility offensive at Mercedes-Benz Cars, and also the crucial element that enables us to meet the global demand for electric vehicles flexibly and efficiently. Within the framework of its electricity offensive, Mercedes-Benz Cars is not only focusing on locally emission-free vehicles but is also moving ahead to ensure sustainable and environmentally friendly production operations worldwide. For example, plans call for production at Mercedes-Benz Cars plants in Europe to be CO<sub>2</sub>-neutral by 2022.

#### **Best Customer Experience 4.0**

In July 2019, Mercedes-Benz presented the next chapter of its "Best Customer Experience" global sales strategy. With "Best Customer Experience 4.0," Mercedes-Benz is systematically aligning its sales activities with changing customer requirements in the digital age. "Best Customer Experience 4.0" is designed to offer customers a seamless and comfortable experience of luxury whenever they would like to come into contact with Mercedes-Benz – across all channels, at all times and from any location. At the same time, physical sales via its 6,500 partners worldwide will remain indispensable for Mercedes-Benz. For this reason, Mercedes-Benz is seamlessly linking the physical sales channel with digital channels and redesigning the former through the use of innovative store and dealership concepts. Since the beginning of 2018, some 500 physical sales outlets worldwide have been planned or already

equipped with the new brand presence. By the end of 2019, 200 of these had already been opened. Plans call for 25 percent of worldwide car sales to be processed by Mercedes-Benz and its sales partners via online channels by 2025. The Mercedes me ID is becoming the key component of the customer experience, as it allows for very easy access to numerous features and services. Mercedes-Benz created the basis for the further development of sales operations in line with current customer requirements back in 2013 when it established "Best Customer Experience." Since then, the company and its retail partners have invested several hundred million euros each year in its refinement around the globe.

#### **Mercedes me – digital premium services in the vehicle and beyond**

The Mercedes me digital ecosystem – a key component for shaping the future of Mercedes-Benz – is now available in nearly 50 countries. Mercedes me consists of a wide range of mobility-related digital services in and around the vehicle. These services can be digitally accessed at any time using a personal account, the Mercedes me ID. The average activation rate of the Mercedes me service for new Mercedes-Benz vehicles is over 90%. This 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 connection makes possible. Highlights from the Mercedes me range of services include the On-Street and Off-Street parking display system with a parking payment service, the Live Traffic Information real-time traffic service including car-to-x communication, Mercedes me in Car Store, and "Hey Mercedes" natural speech recognition with support from artificial intelligence.

Mercedes me services are also available for our EQ models – or in some cases are being developed especially for them. They include Mercedes me Charge for access to public charging stations in Europe, China and Japan which will soon be expanded to other regions. In addition, the EQ Ready app helps drivers decide whether it makes sense for them to switch to an electric vehicle or a hybrid model.

#### **#ATeamComeTrue: sixth consecutive double title in the Formula 1 series**

The Mercedes-AMG Petronas Motorsport Formula 1 team celebrated another record-setting year in 2019 by becoming the first racing team in the history of the Formula 1 series to capture both the World Constructors' Championship and the World Drivers' Championship for six consecutive years. It takes more than extraordinary drivers to achieve this type of success; you also need to have the right combination of outstanding technology and exceptional team spirit. In another development, a new chapter in the 125-year history of motorsports at Mercedes-Benz began in November 2019, when the Mercedes-Benz EQ Formula E team made its debut in the Formula E racing series. Our participation in the all-electric Formula E series enables us to demonstrate the performance capability of our intelligent battery-electric drive systems, while also adding an emotional component to the EQ brand. Mercedes-AMG Customer Racing, with its more than 100 customer teams, can also look back on a very successful season in 2019.



# Daimler Trucks

In a generally favorable market environment, Daimler Trucks achieved a return on sales of 6.1% in the 2019 financial year (2018: 7.2%). This was partially due to lower unit sales and increased costs. In the short to medium term, Daimler Trucks expects demand in its core markets in Europe and the United States to continue to normalize, and this trend should continue until 2021. Around the world, we have outstanding products, strong brands and technologies, and a clear strategy that focuses on global market presence, global platforms, innovation leadership and sustainability. We see our challenge in improving profitability while investing in the future, in order to utilize the potential of truck markets that are changing but which offer long-term growth. We intend to generate global growth and earnings prospects especially in the market for heavy-duty trucks. In addition, we see great long-term business potential in highly automated trucks (SAE Level 4) traveling on highways between logistics hubs.

## C.03

### Daimler Trucks

	2019	2018	19/18
€ amounts in millions			Change in %
Revenue	40,235	38,273	+5
EBIT	2,463	2,753	-11
Return on sales (in %)	6.1	7.2	.
Investment in property, plant, and equipment	971	1,105	-12
Research and development expenditure	1,490	1,295	+15
thereof capitalized	53	40	+33
Production	481,946	524,846	-8
Unit sales	488,521	517,335	-6
Employees (December 31) <sup>1</sup>	83,437	82,676	+1

<sup>1</sup> Adjustment of the number of employees in 2018 due to changes in the Group's internal allocation of employees.

### Lower unit sales and EBIT, stable revenue

Daimler Trucks sold 488,500 vehicles in 2019, achieving a volume slightly below that of the previous year (2018: 517,300). The markets relevant for Daimler Trucks generally developed very disparately. In the second half of the year, demand in North America weakened significantly faster than expected, and the European truck market contracted in the second half of the year. These developments already had an impact on the division's earnings in the fourth quarter. Revenue of €40.2 billion was above the prior-year level (2018: €38.3 billion). EBIT of €2.5 billion was lower than last year (2018: €2.8 billion). Return on sales also decreased to 6.1% (2018: 7.2%).

### Unit sales 6% lower than in the previous year

**Daimler Trucks** achieved sales of 488,500 vehicles in 2019, which is a slight decrease compared with the previous year (2018: 517,300).

Over the year as a whole, the truck market in classes 6 to 8 in the **NAFTA region** was still slightly above the high prior-year level, although a weakening of demand was apparent in the fourth quarter. Our sales of 201,100 trucks in the region were once again slightly higher than the high prior-year number (2018: 189,700). In classes 6 to 8, we had a market share of 37.0% (2018: 38.4%). We continued to maintain our market leadership. The **new Freightliner Cascadia** with partially automated driving functions (SAE Level 2) had its world premiere as a series-produced truck at the Consumer Electronics Show (CES) in Las Vegas in January 2019. The system can independently brake, accelerate and steer, and allows partially automated driving. In the future, customers in Australia and New Zealand will also be able to operate the new Freightliner Cascadia. The new model was presented to customers and media representatives in Sydney in November. And with the **Detroit DD15 Gen 5** at the North American Commercial Vehicle Show 2019 in Atlanta, Daimler Trucks presented for the first time the latest generation of the globally applied heavy-duty engine platform (HDEP). As of 2021, this engine is to be available in the North American market in the class 8 segment.

On the basis of the global platform strategy, the next-generation engines are planned to be used also in trucks of the Mercedes-Benz sister brand.

## C.04

### Unit sales Daimler Trucks

	2019	2018	19/18
In thousands			Change in %
Total	489	517	-6
EU30	80	85	-7
thereof Germany	31	33	-4
United Kingdom	6	8	-27
France	9	9	-1
NAFTA region	201	190	+6
thereof United States	174	161	+8
Latin America (excluding Mexico)	43	38	+12
thereof Brazil	30	21	+39
Asia	135	165	-18
thereof Japan	42	44	-4
Indonesia	39	64	-39
<i>For information purposes:</i>			
BFDA (Auman Trucks)	86	103	-17
Total (including BFDA)	575	621	-7





The new Mercedes-Benz Actros provides appropriate responses to issues such as safety, fuel efficiency and availability with innovations like the multimedia cockpit, mirror cams, further developed safety systems and partially automated driving functions.

We significantly increased our unit sales in **Brazil**, achieving growth there of 39% compared with the previous year to sell 29,700 trucks. The market share of our Mercedes-Benz brand trucks developed positively. In the medium- and heavy-duty segment, we increased our market share to 29.2% (2018: 27.9%) and achieved market leadership. In October 2019, the new Actros from Brazilian production was presented at Fenatran, one of the largest commercial-vehicle and transport trade fairs in Latin America. The heavy-duty truck has been further developed especially for the Latin American market and uses technologies and platforms available worldwide, such as mirror cams that replace rear-view and wide-angle mirrors and help to enhance safety, vehicle handling and aerodynamics. The new Actros is scheduled for market launch in 2020 and will set new standards for efficiency, safety and connectivity.

In the **EU30 region** (European Union, Switzerland and Norway), the truck market weakened perceptibly in the second half of the year following the significant impact of purchases being brought forward in the first half. Our total sales in the region decreased slightly to 79,800 units (2018: 85,400). The Mercedes-Benz brand maintained its market leadership in the heavy- and medium-duty segment, although our market share decreased to 20.0% (2018: 20.6%). Production of the new Mercedes-Benz Actros started at the Wörth plant in May 2019. One of the major new features of the Actros is **Active Drive Assist**, with which Mercedes-Benz puts partially automated driving in all speed ranges into series production. With the new

Actros, Mercedes-Benz shows the level of safety that is possible on today's roads. Since January 2020, this heavy-duty truck's standard equipment in Europe includes **Active Brake Assist 5 (ABA 5), the latest generation emergency braking system with pedestrian recognition**. Truck journalists from 24 European countries voted the Mercedes-Benz Actros as "International Truck of the Year." For this award, expert jurors evaluate both technical innovations and further developments, as well as innovations that have a direct influence on overall cost-effectiveness, safety or environmental compatibility. The award was presented at the international trade fair Road & Urban Transport Solutions (Solutrans) in Lyon.

In **Asia**, demand for trucks in Indonesia and India clearly declined during 2019, and our sales in the region also decreased significantly to 135,200 units (2018: 164,700). This development was particularly pronounced in **Indonesia**, where our unit sales fell by 39,100 vehicles (2018: 64,200). In India, we sold 14,500 vehicles and were thus also significantly below the high unit sales of the previous year (2018: 22,500). With the BharatBenz brand, we achieved a market share of 5.8% (2018: 6.0%). Since the beginning of the export business, more than 25,000 export vehicles have been produced in India. The plant in Chennai is an integral component of the worldwide production network of Daimler Trucks & Buses. In the context of the planned introduction of the new Bharat Stage VI emissions standard, the plant is to gain further importance as a global export hub. Trucks are then to be delivered to countries such

**Fully electric with batteries and fuel cells: By the year 2039, Daimler Trucks & Buses aims only to offer new vehicles that are locally CO<sub>2</sub>-neutral in driving operation (tank-to-wheel) in its core markets of Europe, Japan and the NAFTA region.**





as Mexico, Chile and Brazil, where comparable emission standards apply. In the **Japanese** truck market, we sold 42,200 units in the year 2019, slightly fewer than in the previous year (2018: 44,000). Since October 2019, the FUSO Super Great heavy-duty truck has been available with partially automated driving functions (SAE Level 2).

Sales of 86,200 units of **Auman** trucks, which are produced in China by our joint venture Beijing Foton Daimler Automotive Co., Ltd. (BFDA), were significantly lower than the prior-year volume (2018: 103,400). In the middle of the year, the new Auman EST-A heavy-duty truck was launched in the Chinese market with the locally produced Mercedes-Benz OM457 engine.

#### **First trials of trucks with automated driving on public roads**

Daimler Trucks and **Torc Robotics**, a pioneer in the field of autonomous driving, entered into a partnership last year to market highly automated trucks (SAE Level 4) in the United States. In this context, we acquired a majority interest in Torc Robotics that we then placed into Daimler Trucks' **Autonomous Technology Group**, in which all expertise and activities relating to automated driving were brought together in June 2019. With the new unit, Daimler Trucks intends to bring highly automated trucks (SAE Level 4) to market maturity within a decade. The development sites of the global organization currently include Blacksburg and Portland in the United States

and Stuttgart in Germany. The development of software for highly automated driving is one of the main areas of activity of the Autonomous Technology Group. Another is a truck chassis that is perfectly suited for highly automated driving and which can contribute to enhanced reliability and safety through the interaction between various systems. The infrastructure and network for the operational use of such vehicles, which will be set up by the Autonomous Technology Group, consists of a main control center for the vehicles and additional stations at the logistics nodes. Together with Torc Robotics, the development and testing of highly automated trucks (SAE Level 4) on defined routes on public roads began in Virginia, USA, in 2019. With Detroit Assurance 5.0 featuring Active Lane Keeping Assist in the new Freightliner Cascadia and with Active Drive Assist in the new Mercedes-Benz Actros and the new FUSO Super Great, we already put semi-automated driving functions into our production vehicles in 2019. The new system can support the driver in all speed ranges with braking, accelerating and steering. This is based on the intelligent combination of radar and camera information.

#### **Supply agreement for global battery modules for series-produced trucks**

Daimler Trucks & Buses and the battery producer Contemporary Amperex Technology Co. Limited (**CATL**) entered into a global supply agreement for battery modules in 2019. CATL is a world leader for the development and production of lithium-ion batteries. The agreement relates to battery modules for trucks



including the Mercedes-Benz eActros, Freightliner eCascadia and Freightliner eM2. Daimler Trucks & Buses is responsible for developing the battery systems and will also assemble the battery packs at the Mercedes-Benz plant in Mannheim, Germany, and at the US plant in Detroit, Michigan.

#### **Electric trucks from all segments in customer use**

The **Mercedes-Benz eActros** heavy-duty truck has been in intensive customer use in the context of the eActros Innovation Fleet since 2018. The aim is to achieve clean and quiet distribution transport in urban areas, even with heavy-duty trucks, from 2021 onwards. With the FUSO brand, Daimler continued to gain experience with electric trucks in various markets in 2019. The **FUSO eCanter**, for example, is in use with large commercial customers such as Penske in the United States.

Fully electric light trucks are already in customer hands also in important European markets such as Germany, the United Kingdom, the Netherlands and Portugal, as well as in Japan. The FUSO eCanter had its world premiere in September 2017 and has since then been delivered to numerous customers worldwide. Data is currently being collected together with customers and feedback is being given on the daily use of the vehicle, route profiles and charging behavior. The FUSO eCanter is produced in Kawasaki, Japan, and Tramagal, Portugal. And at the 2019 Tokyo Motor Show, we presented the prototype of the FUSO Vision F-Cell light-duty truck. This is FUSO's concept of an electric truck that uses power from a fuel cell as an optional range extender. The first heavy-duty **Freightliner eCascadia** started trials with customers in 2019. The US customers Penske Truck Leasing and NFI Industries are testing the eCascadia, having already started testing the medium-duty all-electric Freightliner eM2 in the previous year. Findings from the global practical tests will flow directly into the ongoing development of the next generation of our worldwide electric product portfolio.

#### **E-consulting as an entry into electric mobility**

Daimler Trucks & Buses' E-Mobility Group is launching a comprehensive ecosystem for e-transport logistics to enable our customers to make the best possible entry into electric mobility. This includes a comprehensive range of consulting services and the development of a suitable charging infrastructure for electric trucks. In addition to personal and individual advice, the modular service also includes digital applications that make it easier to get started with e-mobility. The initial focus will be on the European, North American and Japanese markets.

#### **Increasing role of data-based and connected services**

In 2019, Daimler Trucks made progress with important developments in the field of data-based and connected services. At the North American Commercial Vehicle Show 2019, Daimler Trucks for the first time presented a dynamic leasing solution that is focused on a truck's operational performance: **Dynamic Lease** is a **pay-as-you-drive** leasing service for trucks. The leasing installments for a truck are based on the actual use of the vehicle. In addition to a standard contractual basic fee, the customer is only charged for the miles actually driven. Customers in North America can use this telematics-based financing option as of the first quarter of 2020, initially for the new Freightliner Cascadia with an integrated Detroit powertrain.

Together with partners, our developer engineers have been working to enable trucks to communicate independently with other machines and to carry out legally binding transactions such as payments. In a pilot project in 2019, Daimler Trucks experts created the required conditions for this with the newly developed digital **Truck ID** and the related **Truck Wallet**.

Trucks can identify themselves to other machines with the Truck ID as if with a built-in identity card, and can sign for processes unambiguously. Truck Wallet functions as a platform technology and central user program for all applications that access Truck ID and use it for various purposes. Truck ID and Truck Wallet, which are both still in the prototype stage, are stored as software programs in a cryptographic processor. The processor is part of Truck Data Center, the central telematics control unit of the new Mercedes-Benz Actros.

Anyone who gets behind the wheel of a new Actros or Arocs with **Multimedia Cockpit Interactive** is just a click away from a fully connected world of vehicles, drivers and logistics: Starting last year, the new Actros and the new Arocs offer an open platform for the use of apps. When purchasing a truck with Multimedia Cockpit Interactive, the customer not only acquires a vehicle, but also gains access to the Mercedes-Benz Truck App Portal. This can then be used for the customer's entire fleet, including third-party vehicles. Previously, new hardware and software usually had to be installed in the cab to put fleet-management or transport-management systems into a truck.



# Mercedes-Benz Vans

Mercedes-Benz Vans continued along its growth path during the year under review and set a new record for unit sales. Revenue was also higher than in the previous year. Growth at the division was mainly driven by our new Mercedes-Benz Sprinter. Our future-oriented “adVANce” initiative has allowed us to move ahead with the transformation of Mercedes-Benz Vans from a successful global van manufacturer into a supplier of holistic system solutions for transportation and mobility. At minus €3.1 billion, EBIT was significantly lower than the figure for the previous year. This development was due to numerous special items that had a substantial impact on the division’s earnings.

## New record for unit sales

Mercedes-Benz Vans set a new sales record once again in financial year 2019, with an increase of 4% on the previous year’s figure to 438,400 units. At €14.8 billion, revenue was also higher than in the previous year (2018: €13.6 billion). EBIT was minus €3,085 million, which was significantly lower than in the previous year (2018: plus €312 million). This decline was primarily due to governmental and court proceedings and measures relating to Mercedes-Benz diesel vehicles, as well as a review and prioritization of the product portfolio. The return on sales amounted to -20.8% (2018: +2.3%).

## Continued growth

Mercedes-Benz Vans’ products continued to be very successful in 2019. 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 both private and commercial customers.

Sales of 298,100 units in the EU30 region, our core market, were slightly higher than in the previous year (2018: 278,300). We sold 121,300 units in Germany in the year under review (2018: 107,300). Mercedes-Benz Vans continued to grow also in the NAFTA region, where sales increased by 11% to 56,500 units. This included a new record of 45,700 vans sold in the United States (2018: 38,700).

At 18,600 units (2018: 18,700), sales in Latin America were at the same level as in the previous year. At 29,500 units (2018: 29,100), sales in China were also at the prior-year level. Unit sales declined significantly from the previous year’s figures in Russia and in the difficult market environment in Turkey.

At 231,500 units, global sales of Sprinter models were significantly higher than in the previous year (2018: 206,300). Sales of vans in the mid-size segment remained at the prior-year level, totaling 172,400 units in 2019 (2018: 172,200), while sales of Vito models amounted to 109,300 units in the year under review (2018: 108,300). We sold 63,100 V-Class multipurpose vehicles in 2019 (2018: 63,900). Meanwhile, sales of the Mercedes-Benz Citan reached 20,700 units (2018: 26,300). X-Class sales totaled 13,800 units in the year under review (2018: 16,700).

## C.05

### Mercedes-Benz Vans

	2019	2018	19/18
€ amounts in millions			% change
Revenue	14,801	13,626	+9
EBIT	-3,085	312	.
Return on sales (in %)	-20.8	2.3	.
Investment in property, plant and equipment	240	468	-49
Research and development expenditure	543	666	-18
thereof capitalized	96	176	-45
Production	425,887	440,314	-3
Unit sales	438,386	421,401	+4
Employees (December 31) <sup>1</sup>	21,346	21,810	-2

<sup>1</sup> Adjustment of the number of employees in 2018 due to changes in the Group’s internal allocation of employees.

## C.06

### Unit sales Mercedes-Benz Vans

	2019	2018	19/18
			% change
Total	438,386	421,401	+4
EU30	298,056	278,269	+7
thereof Germany	121,296	107,267	+13
NAFTA	56,470	50,851	+11
thereof United States	45,654	38,741	+18
Latin America (excluding Mexico)	18,638	18,735	-1
Asia	38,562	38,779	-1
thereof China	29,450	29,068	+1
Other markets	26,660	34,767	-23

### The new Mercedes-Benz V-Class

The upgraded V-Class had its world premiere at the beginning of 2019. The Mercedes-Benz multipurpose vehicle now has a redesigned front end that is even more stylish and dynamic than before. With the introduction of the OM654 four-cylinder diesel engine, the 9G-TRONIC automatic transmission, which is now available for the first time, and upgraded safety and assistance systems including Active Brake Assist, the V-Class is equipped with state-of-the-art technology. The update has also benefited the camper vans from the Marco Polo family that are based on the V-Class. We started series production of the new V-Class at the Mercedes-Benz plant in Vitoria (Spain) in May 2019.

### Decision on the successor model to the Citan small van

Mercedes-Benz will systematically continue its engagement in the small-van segment in cooperation with the Renault-Nissan-Mitsubishi Alliance, and the brand has also now decided on the successor model to its Citan urban delivery van, which has been available since 2012. Plans also call for an all-electric version to be added to the Mercedes-Benz Vans portfolio.

### 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 transportation and mobility. The division is thus a pioneer of its sector. adVANce combines activities in various areas and 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 involve our customers in 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.

eDrive@Vans played a major role in our activities in 2019.

For example, Mercedes-Benz Vans presented the Concept EQV at the Geneva International Motor Show in March. This was followed in August by the world premiere of our first battery-electric multipurpose vehicle in the premium segment: the Mercedes-Benz EQV (combined electricity consumption: 27.0 kWh/100 km; combined CO<sub>2</sub> emissions: 0 g/km, preliminary figures)<sup>1</sup>. The second member of the EQ family combines locally emission-free mobility with impressive driving performance, a range suited to today’s needs, fast charging, outstanding functionality and aesthetic design. Technical highlights include a range of up to 405 kilometers<sup>1</sup> and fast charging of the vehicle’s high-voltage battery from 10 to up to 80% in less than 45 minutes. The Mercedes-Benz EQV also offers extensive interior comfort and a high degree of flexibility. The EQV is a series-produced vehicle that is fully integrated into normal production operations at our plant in Vitoria in northern Spain, where the V-Class and Vito are also built. This arrangement allows flexible and synergistic production that can accommodate fluctuations in customer demand. One of the components of the EQ technology brand is a comprehensive electric mobility ecosystem, which the Mercedes-Benz EQV benefits from as the youngest member of the EQ family. This ecosystem includes a holistic range of consulting and other services and encompasses everything from vehicle functions (e.g. an adapted navigation system) to an effective charging infrastructure. Series production of the eSprinter began at the end of 2019 at the Mercedes-Benz plant in Düsseldorf.

<sup>1</sup> Figures for electricity consumption and range are provisional and were determined by the technical service for certification according to UN/ECE Regulation 101. EC type approval and certification of conformity with official figures are not yet available. There may be differences between the stated figures and the official figures.



Mercedes-Benz EQV (combined electricity consumption: 27.0 kWh/100 km; combined CO<sub>2</sub> emissions: 0 g/km, preliminary figures)<sup>1</sup>

A revolutionary mobility concept as a response to questions of the future: At the Consumer Electronics Show (CES) in Las Vegas in January, Mercedes-Benz Vans presented Vision URBANETIC, a concept van that opens up new perspectives for autonomous driving. Vision URBANETIC is designed to enable the needs-based, sustainable and efficient movement of people and goods, and it also meets the needs of cities, companies from a wide range of industries, and travelers and commuters in innovative ways. This visionary concept is based on an autonomously driving, electrically powered chassis that can be fitted with various bodies for transporting either passengers or goods. The fully connected vehicle is part of an ecosystem in which the mobility wishes of logistics companies, local public transport operators and private customers are transmitted digitally. All of this creates new possibilities for the efficient utilization of resources.

In addition to manufacturing our products, we create digital services for and with our customers. We also work continuously to develop forward-looking innovations that will enable in the future us to meet increasing transport requirements faster and more efficiently, and in a more environmentally friendly manner. To this end, the digital@Vans initiative at Mercedes-Benz Vans has been developing digital solutions for various business sectors; Mercedes-Benz Vans presented a range of related services in October 2019. Here, Mercedes PRO serves as the umbrella brand for all digital and non-digital services and solutions for daily business operations. Mercedes PRO connect for vehicle fleets optimizes communication between fleet managers, vehicles and drivers. This connectivity solution makes it possible to manage assignments online and call up vehicle status information such as location, fuel levels, and maintenance intervals in nearly real time. A new feature here is the possibility of integrating the Mercedes PRO adapter into the system world of Mercedes PRO connect. The Mercedes PRO adapter is our compact hardware solution that also allows

older fleet vehicles to use Mercedes PRO connect services and thus benefit from the innovative world of connectivity. Mercedes-Benz Vans Rental specializes exclusively in vans and offers its customers maximum flexibility with respect to vehicle changes and return times at around 120 stations at present. The van rental fleet covers the entire range of Mercedes-Benz Vans products with a mix of standard and sector-specific vehicles. These include the all-electric eVito, in addition to a large number of rental vehicles with special bodies for the transport of passengers and goods. Efficient material logistics is a key success factor for service technicians in particular. "In-Van Delivery & Return" allows dispatchers and service technicians to easily assign material logistics tasks to professional logistics companies. The latter can then deliver required parts and components directly to a van at night for use the next day – and can also pick up materials that are no longer needed.

With its Onboard Logic Unit (OLU), Mercedes-Benz Vans has developed an innovative control unit for the transport sector. The OLU enables effective interaction between hardware and software. Among other things, it connects vehicles to the cloud, thereby enabling a high degree of flexibility and the establishment of links between different functions. This simplifies technical access and the management of live vehicle data – even for users without any vehicle-specific or technical expertise. In turn, this makes it possible for third parties to develop applications more quickly and easily and to implement them in vehicles. In order to ensure the security of systems and data, these applications are provided only for specific functions and cannot be used for any other purpose.

#### Various major orders received

Electric mobility is also becoming increasingly important in large fleets that are used for passenger transportation. This fact is confirmed by the various major orders Mercedes-Benz Vans received in the year under review. In Hamburg, for example, the first of 20 eVito series-production vans and eSprinter pilot vehicles were delivered to Hermes Germany in February 2019. Hermes is Mercedes-Benz Vans' first major business customer to begin using electric commercial vehicles across the board. The "BerlKönig" on-demand ride-pooling service, which is offered by ViaVan and Berlin's BVG public transport company, has been operating the eVito Tourer in its fleet since July 2019. Mercedes-Benz Vans also received a major order from the Netherlands for 80 eVito Tourers (electricity consumption in the combined test cycle: 24.2 – 20.2 kWh/100 km; combined CO<sub>2</sub> emissions: 0g/km)<sup>2</sup>. ISS Communication Services GmbH ordered 225 Mercedes-Benz Vito vans, which it will use for maintenance operations on the mobile-phone network throughout Germany. ROM Technik (Rudolf Otto Meyer Technik GmbH & Co. KG) will operate a new fleet of approximately 480 Mercedes-Benz vans all across Germany in the future. The first of these vehicles were handed over to the company at the Mercedes-Benz Commercial Vehicles Center in Bremen in July. In October 2019, Schlienztours GmbH & Co. KG, an expert for regular service bus operation and coach tours, took delivery of the first of what will be a fleet of 105 Mercedes-Benz Vito, Sprinter, V-Class and eVito vehicles.

<sup>2</sup> Electricity consumption was determined on the basis of Directive 692/2008/EC. Electricity consumption is dependent on vehicle configuration, in particular on the selected maximum speed limitation.





# Daimler Buses

In 2019, business developments at Daimler Buses benefited from growing demand and increased unit sales in key markets. Our unit sales and revenue continued to increase in this environment and the division's EBIT was slightly above the prior-year level. As the market leader in its most important traditional core markets, Daimler Buses focuses on future-oriented and sustainable city and intercity buses and touring coaches, as well as bus chassis. Its portfolio also includes innovative mobility solutions. In 2019, Daimler Buses was once again well positioned as a future-oriented manufacturer with technologically leading products such as the eCitaro, new digital services such as OMNIplus ON, and a strong and enhanced production network. Such products and services make an important contribution to sustainable passenger transport and the further development of public transportation systems.

## C.07

### Daimler Buses

	2019	2018	19/18
€ amounts in millions			% change
Revenue	4,733	4,529	+5
EBIT	283	265	+7
Return on sales (in %)	6.0	5.9	.
Investment in property, plant and equipment	134	144	-7
Research and development expenditure	203	199	+2
thereof capitalized	23	41	-44
Production	32,257	31,233	+3
Unit sales	32,612	30,888	+6
Employees (December 31) <sup>1</sup>	17,960	17,729	+1

<sup>1</sup> Adjustment of the number of employees in 2018 due to changes in the Group's internal allocation of employees.

### Slight increase in unit sales

Daimler Buses sold 32,600 buses and bus chassis worldwide in financial year 2019 (2018: 30,900). The slight increase was due in particular to the noticeable recovery of the market in Brazil, ongoing strong demand in our important EU30 market and substantial sales growth in Argentina. A market-related decrease in demand in Turkey had a negative impact on our unit sales. The division was able to maintain its market leadership in its most important traditional core markets (EU30, Brazil, Argentina and Mexico). Revenue increased by 5% to €4.7 billion and EBIT of €283 million was slightly higher than in the previous year (2018: €265 million). Return on sales was 6.0% (2018: 5.9%).

### Varied business development 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 in certain markets. Due to continued high demand for our complete buses, sales in this region amounted to 9,300 units, which equaled the high figure recorded in the prior year (2018: 9,300). Daimler Buses defended its leading market position in the EU30 region with a market share of 27.5% (2018: 29.0%). At 3,000 units, sales in Germany were 5% higher than in the previous year. However, sales in Turkey were significantly lower than in the previous year (2018: 300) due to the country's economic situation, which remains difficult. The market situation in Latin America (excluding Mexico) improved further on account of the noticeable market recovery in Brazil. Sales of Mercedes-Benz bus chassis in Brazil rose by 30% to 11,400 units. We were able to strengthen our leading market position in Brazil with a market share of 53.8% (2018: 51.6%). Sales of 1,600 units in Argentina were significantly above the prior-year level (2018: 1,300), despite a significantly contracting market in the country. We sold 1,600 units in India, thus equaling the previous year's sales (2018: 1,600). Sales of 2,600 units in Mexico were significantly lower than in the previous year (2018: 3,200).

## C.08

### Unit sales Daimler Buses

	2019	2018	19/18
			% change
Total	32,612	30,888	+6
EU30	9,283	9,284	-0
thereof Germany	3,041	2,902	+5
Latin America (excluding Mexico)	15,646	13,681	+14
thereof Brazil	11,394	8,778	+30
Mexico	2,627	3,236	-19
Asia	3,400	3,172	+7
Other markets	1,656	1,515	+9





The all-electric Mercedes-Benz eCitaro offers municipalities and transportation companies the option of changing over their fleets to locally emission-free operation.

### **Complete e-mobility system from Daimler Buses offers practical public transport solutions**

Daimler Buses offers its customers tailor-made solutions for locally emission-free public transport by providing them with a complete system for electric mobility that consists of the Mercedes-Benz eCitaro and a broad range of consulting services. The battery-electric Mercedes-Benz eCitaro, which has been manufactured in series production at the Mannheim plant since 2018, offers cities and transport companies the possibility of converting their fleets to locally emission-free operation. The battery-powered city bus therefore stands for environmentally friendly public transport and helps to improve air quality, and thus the quality of life, in urban areas.

The orders received for the eCitaro already number in the hundreds, which demonstrates the high level of customer acceptance of the electric bus. As a result, in 2019, Daimler Buses received a number of major orders for the Mercedes-Benz eCitaro, such as those comprising 56 units for Wiesbaden, 48 for Hanover, 27 for Aachen and 25 for Hamburg. The first orders from European cities outside Germany for the battery-electric eCitaro buses were also received. Today, eCitaro buses are already in regular service in cities including not only Berlin and Hamburg but also Oslo, Ystad (Sweden) and St. Gallen (Switzerland).

We plan to continuously refine the eCitaro in order to make the bus even more practical for regular service operation in cities. Depending on its intended use, the eCitaro can currently be ordered with as many as 12 battery packs. This results in a range of up to 170 kilometers in typical city driving conditions on a single battery charge. A further model variant of the eCitaro – an articulated bus that can accommodate up to 145 passengers – will be launched in 2020. Plans have already been made to convert the eCitaro to the use of new technologies such as powerful lithium-ion batteries and solid-state batteries in the coming years.

Because the electrification of bus fleets requires transport companies to make major changes, Daimler Buses' overall e-mobility system also includes a comprehensive customer-advisory approach. More specifically, the e-Mobility Consulting team defines individual operation scenarios by taking into account route length, passenger volume, energy requirements, range calculations and charging management, among other things. Customers receive service support as well – in the form of eco-training courses for drivers, for example.

### **Range extension by means of fuel cells is being funded by a national innovation program**

Daimler Buses is making use of an intelligent combination of batteries and fuel cells as it continues to develop the battery-electric Mercedes-Benz eCitaro city bus. This will enable the vehicle range to be further increased by using a fuel cell to generate electricity from hydrogen stored onboard the vehicle. The development of this technology is being funded by the German Federal Ministry of Transport and Digital Infrastructure within the framework of the Hydrogen and Fuel Cell Technology National Innovation Program. The objective of the program is to support the market launch of initial products needed for the implementation of hydrogen and fuel-cell systems in various application areas.

### **Launch of online shop for bus spare parts**

OMNIplus ON, the digital service portal from Daimler Buses, has launched its integrated online shop for replacement bus parts. The new OMNIplus eShop offers the entire range of parts for the Mercedes-Benz and Setra brands. In addition, because the system is fully incorporated into the OMNIplus ON customer portal, it already knows the specific fleet belonging to the person or company that places an order.

### **Numerous major orders received**

Daimler Buses received a large number of major orders in the year under review. In Poland, for example, Daimler Buses was able to sign contracts for delivery of 48 Mercedes-Benz Citaro city buses to Gdańsk and 50 Citaro G articulated buses to Wrocław. A transportation company in Austria took delivery of 64 Mercedes-Benz city buses for the Vienna metropolitan area. The EMT Madrid transport company in the Spanish capital is already successfully operating several hundred Mercedes-Benz Citaro NGT buses equipped with gaseous-fuel drive systems. This number is to be increased through an additional major order for up to 672 environmentally friendly city buses in 2020. During the year under review, Daimler also received a major order from Bucharest, Romania for a total of 130 low-floor Citaro hybrid city buses. The city of Essen in Germany renewed its city bus fleet with the purchase of 45 Citaro hybrid buses, while the city of Trier signed an agreement for delivery of 90 Mercedes-Benz Citaro city buses. Daimler Buses also began fulfilling a major order for Hamburg by delivering the first of a total of 60 CapaCity L buses to the city. Daimler Buses also obtained major orders in other markets around the globe, including an order for 44 Euro VI chassis for delivery to Sydney, Australia. Daimler Buses is to deliver a total of 147 buses to Montevideo, the capital city of Uruguay, by the end of 2020. Finally, the Bus Rapid Transit System in Santiago de Chile placed a major order with Daimler Buses for delivery of 490 buses to the Chilean capital.

### **Award-winning products from Daimler Buses**

Two models from Daimler Buses received an ETM Award in the 2019 readers' survey conducted by the EuroTransportMedia (ETM) commercial vehicles publishing company. The Mercedes-Benz eCitaro and the Mercedes-Benz Citaro LE/Ü/hybrid captured first place in the electric bus and intercity bus categories, respectively. The battery-electric Mercedes-Benz eCitaro, the Mercedes-Benz Citaro hybrid and the Setra Top-Class S 531 DT double-decker bus were all selected by the jury for the "internationaler busplaner Nachhaltigkeitspreise" (International 'Busplaner' Sustainability Awards) as the best buses in their respective categories. Daimler Buses was also presented with three awards at the Busworld Europe international bus show in Brussels. The eCitaro received the "Sustainable Bus Award 2020" in the "Urban" category from an international jury, which also awarded the Setra S 531 DT double-decker bus and the Mercedes-Benz eCitaro the "Comfort Label." In addition, the Mercedes-Benz eCitaro achieved an outstanding second-place finish in the "BEST OF mobility 2019" readers' survey.



# Daimler Mobility

The number of cars and commercial vehicles financed or leased by Daimler Mobility reached a new all-time high of more than 5.4 million at the end of financial year 2019. New business and contract volume developed positively, while EBIT amounted to €2,140 million. The latter figure includes effects from the consolidation of the mobility services of the Daimler Group and the BMW Group. Since they were established, the mobility joint ventures have developed a strong customer base and had more than 90 million customers at the end of 2019. Daimler Mobility expects the combination of sales financing with brokered automotive insurance policies to continue gaining importance. In addition, we aim to utilize new market potential as a result of our greater efficiency in traditional sales channels and the digitization of customer contact systems and fleet management operations.

## Half of all Daimler vehicles delivered to customers are financed or leased

Daimler Mobility concluded 2.0 million new financing and leasing contracts worth a total of €74.4 billion in 2019. The total value of all new contracts was thus slightly above the prior-year level (+3%). About half of all new-vehicle sales by our automotive divisions in 2019 were supported by sales financing from Daimler Mobility. In total, more than 5.4 million financed or leased vehicles were on the books at the end of 2019 with a total contract volume of €162.8 billion; this represents a 6% increase compared with the end of 2018. Adjusted for exchange-rate effects, contract volume increased by 4%. EBIT amounted to €2,140 million (2018: €1,384 million). The division's return on equity was 15.3% (2018: 11.1%). [↗ C.09](#)

## Europe region: new business slightly higher than in 2018

Daimler Mobility concluded 978,000 new financing and leasing contracts worth €32.5 billion in the Europe region (+2%). New business developed especially well in Switzerland (+27%) and Spain (+8%). In Turkey, new business decreased sharply (-50%) due to the ongoing difficult economic situation in that country. In Germany, Mercedes-Benz Bank's new business remained stable at €13.3 billion (+1%). Daimler Mobility's total contract volume in Europe rose by 5% to €67.2 billion. A total of 425,000 contracts were on the books at Athlon and Daimler Fleet Management in Europe at the end of 2019. This corresponds to a contract volume of €7.0 billion.

## Significant growth in the Americas region

Daimler Mobility brokered 492,000 new financing and leasing contracts worth €24.4 billion in the Americas region in 2019 (+9%). The volume of new business developed very positively in the United States (+9%). Contract volume in the Americas of €59.6 billion at December 31, 2019 was 6% higher than at the end of 2018.

## Africa & Asia-Pacific region and China: new business at prior-year level

With a volume of €8.3 billion, new business in the Africa & Asia-Pacific region (excluding China) remained more or less at the prior-year level (+2%). Business growth was especially strong in South Africa (+21%) and Japan (+10%). New business decreased significantly in Australia (-9%). At the end of 2019, contract volume in the Africa & Asia-Pacific region (excluding China) amounted to €19.5 billion, representing a slight increase of 7% over the previous year. New business decreased moderately in China, however, where we concluded 310,000 new leasing and financing contracts and financing contracts worth €9.2 billion in 2019 (-4%). At the end of 2019, contract volume in China amounted to €16.5 billion – an increase of 7% compared with the end of 2018.

## Further growth in the insurance business

Daimler Mobility brokered approximately 2.4 million insurance policies in 2019 – an increase of 5% compared to the prior year. Business developments were particularly positive in China (+23%), Germany (+2%) and Russia (+13%). The focus of the insurance sales is on the digitization of the dealer and customer interfaces and of the operational processes for further growth.

### C.09

#### Daimler Mobility

	2019	2018	19/18
€ amounts in millions			% change
Revenue	28,646	26,269	+9
EBIT	2,140	1,384	+55
Return on equity (in %)	15.3	11.1	.
New business	74,377	71,927	+3
Contract volume	162,843	154,072	+6
Investment in property, plant and equipment	87	64	+36
Employees (December 31)	12,680	14,070	-10

### **Daimler Financial Services AG renamed Daimler Mobility AG**

On July 23, 2019, Daimler Financial Services AG began operating under the name Daimler Mobility AG, acting as the provider of services in the fields of financing, leasing, insurance and fleet management for the entire Daimler Group. In addition, the Daimler Mobility division is a strategic investor in the mobility services of the YOUR NOW joint venture network such as ride hailing, multimodal platforms, car sharing, parking and charging. The mobility ecosystem is rounded out by flexible-use services from Daimler Mobility such as Mercedes-Benz Rent (rental vehicles) and Mercedes me Flexperience (a car-on-demand solution).

### **Mobility “from years to minutes”**

With its three core activities of financial services, fleet management systems and digital mobility solutions, Daimler Mobility is able to meet a broad range of customer requirements for everything from multi-year financing, leasing, and insurance contracts to flexible fleet management services and mobility on demand solutions such as car sharing. Daimler Mobility offers its customers mobility solutions for a period of several years or just for a few minutes – “from years to minutes” as we put it.

Our range of financial services includes financing, leasing, and insurance. Our goals are to increase demand for the Group’s brands and to strengthen customer loyalty. During the year under review, our financial services business focused on the digitization of the customer experience and the optimization of structures and processes. To this end, Daimler Mobility established four regional competence centers (Digital Solution Centers) in Stuttgart, Beijing, Farmington Hills (United States) and Singapore. These centers are responsible for meeting the various requirements of our customers and our automotive divisions, and for moving ahead with the systematic digitization of our financial services operations. More than 40 agile project teams developed approximately 50 new products in 2019. One project involved the development of a new scalable customer portal that has already been launched in 12 European markets. Numerous new digital self-service functions, such as automatic user registration, new contract overviews, and installment and term reductions have significantly increased both customer satisfaction and our own efficiency. Daimler Mobility also continues to consistently move ahead with the digitization of business processes in China. For example, the share of paperless processing of credit applications has now reached 92% in the Chinese market. In addition, the integrated online self-service portal for WeChat is now being used by as many as 100,000 customers per month.

### **Mercedes pay: expansion of e-payment activities**

During the year under review, Daimler Mobility’s global e-payment competence center developed additional solutions for payment processing and also integrated the Daimler Group’s Mercedes pay digital e-payment platform into numerous Group applications. Mercedes pay manages payments made via the MBUX multimedia system from Mercedes-Benz. The fee-based Mercedes me connect services that are integrated into the MBUX system, such as in-car office functions (including automatic dial-up into conference calls and updating of appointment calendars), can be purchased using Mercedes pay, which can also be utilized to renew expired services. Mercedes pay makes paying parking fees much more convenient as well. Drivers can launch the parking payment process via the in-car

MBUX system or the Mercedes me app. After the driver leaves the parking space, the actual parking fee is shown on the MBUX display and payment is made to the parking garage operator via Mercedes pay. In addition, drivers can use the Mercedes-Benz parking card to digitally register their entry into and exit from selected parking garages throughout Germany by means of an RFID chip. This eliminates the frequent need to maneuver the vehicle around in order to grasp the parking ticket, as well as the need to walk to an automated pay station. Users of Daimler’s Bertha app can also compare fuel prices and pay for fuel at approximately 400 selected fuel stations in Germany via smartphone. Mercedes pay provides the integrated payment solution for the app.

### **CoverOn: new short-term insurance for greater mobility**

Daimler Insurance Services has developed a new digital insurance solution that serves as a component of personal mobility. CoverOn allows policyholders to temporarily insure additional drivers of a vehicle for a short period in a fast and easy way. The period of cover can range from 30 minutes to 27 days. The package includes CoverOn roadside assistance, which offers customers assistance in the event of a breakdown. The insurance purchase and payment processes are completely digital – all it takes is a smartphone.

### **New app enables paperless purchase of vehicle insurance**

Mercedes-Benz Bank also continues to move ahead with the digitization of the customer experience. A newly developed bank app makes it possible for dealerships and licensed Mercedes-Benz partners to issue insurance policies for Mercedes-Benz cars and vans in a completely paperless process. The app takes customers and dealership staff step by step through the application process, in which customers only have to provide basic information. The app quickly and conveniently generates a quote, which also contains a QR code that

**Daimler Mobility AG and Geely Technology Group have started StarRides, a premium ride-hailing service, in the Chinese metropolis Hangzhou.**





the dealership and the customer can use to access the policy information at a later time. If the customer chooses to purchase insurance, the subsequent transaction is also completely digital.

#### **Dynamic Lease: a telematics-based financing option**

Daimler Mobility has launched a new truck-leasing solution: Dynamic Lease makes it possible for the first time to use telematics systems to record the actual distance driven by a truck. This in turn enables leasing rates for customers to be precisely aligned with their actual use of the vehicle. In conventional truck leasing, customers need to estimate their total mileage over the leasing period before the contract is signed. If they exceed their estimate, they have to make an additional payment when the leasing period ends. With Dynamic Lease, customers are billed monthly for the kilometers they actually drive, along with a standard basic fee. The variable leasing rates (“pay-as-you-drive” principle) are ideal for companies with seasonal business fluctuations.

#### **Expanded product portfolio for telematics services**

Mercedes-Benz Connectivity Services GmbH has expanded its portfolio of products that allow its telematics services to be used by different brands. The company is offering a hardware retrofit solution that enables fleet managers to utilize telematics services with any make of car. Along with existing positioning services, this solution now includes for the first time new dynamic vehicle data such as fuel consumption and distance driven. Among other things, the provision of real-time odometer and diagnostic data can enable anticipatory maintenance scheduling and reduce vehicle downtimes. All of this translates into big savings potential for fleet operators.

#### **ChangeMyCar: leasing app now with an e-bike option**

The fleet management services provider Athlon, which is part of Daimler Mobility, has expanded its flexible ChangeMyCar leasing app to include an e-bike that can be rented along with each vehicle leased. The app’s mobility budget can be used to combine both modes of transport. The addition of e-bikes to the app reflects the changing preferences of customers, who are increasingly demanding more multimodal mobility solutions.

#### **YOUR NOW: mobility joint ventures continue to grow**

Daimler AG and the BMW Group have combined their mobility services in the YOUR NOW joint ventures. An agreement to this end was concluded on January 31, 2019. Since their establishment, the range of mobility services from BMW and Daimler has built up a strong customer base. At the end of 2019, more than 90 million customers were using the mobility services provided by the joint ventures for ride hailing, multimodal platforms, car sharing, parking and battery charging. As of January 1, 2020, the products and services of the joint ventures had been further systematically aligned with customer requirements and consolidated into three pillars: 1. FREE NOW & REACH NOW. 2. SHARE NOW. 3. PARK NOW & CHARGE NOW.

#### **StarRides: joint venture established for premium ride-hailing services in China**

Daimler Mobility AG and Geely Technology Group have established a 50:50 joint venture for a premium ride-hailing service in China. The new company, known as StarRides, has its headquarters in Hangzhou, where it started offering a ride-hailing service with premium automobiles in December 2019. The fleet consists of 100 vehicles, including Mercedes-Benz S-Class, E-Class and V-Class models, as well as premium models from the Geely electric fleet.



# D

# 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

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# 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 2019.

## 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 examination 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 2019. 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 2019, the employees were represented on the Audit Committee by Michael Brecht as the Deputy Chairman of the Committee and by Ergun Lümalı.

## Meetings and participants

The Audit Committee met six times in financial year 2019. 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 in 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, 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, the Head of Internal Auditing, the Head of Compliance and, if required, the heads of other specialist departments.

## 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 2019

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 held on February 13, 2019, 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 financial year 2018, 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, for which an auditor's report was issued in accordance with ISAE 3000. The external auditors reported on the results of their audit and 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, the report concerning the non-financial report, and important issues related to accounting were discussed





**Dr. Clemens Börsig, Chairman of the Audit Committee**

with the external auditors. In addition, the Audit Committee also discussed the risk management system. 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 Board of Management's proposal on the appropriation of profits, which involved the payment of a dividend of €3.25 per share entitled to a dividend. Furthermore, the Audit Committee approved the Report of the Audit Committee for the financial year 2018.

In this meeting, the Audit Committee also discussed the report on the total fees paid to the external auditors in financial year 2018 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, 2019 to February 15, 2020. 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 2019 and also to conduct the external auditors' review of interim financial reports for financial year 2020 in the period leading up to the Annual Shareholders' Meeting in 2020. 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 2019. Finally, within the framework of its responsibility, the Audit Committee dealt with the agenda for the 2019 Annual Shareholders' Meeting and the annual audit plan for 2019 of the Internal Auditing department.

In the meetings during 2019 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 auditors' review of interim financial statements. In addition, the Committee received reports from the Internal Auditing, Compliance and Legal departments. The Board of Management reported regularly to the Audit Committee on the current status of the main legal proceedings, including antitrust proceedings as well as inquiries, investigations, proceedings and administrative orders in connection with diesel 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 2019 dealt with the interim financial report for the first quarter of 2019 and the quarterly reports from the Compliance and Legal departments. The Audit Committee also approved the fees agreed upon with the external auditors for financial year 2019 that had been proposed to the Annual Shareholders' Meeting. However, this was done subject to the auditors' election on May 22, 2019. Moreover, the Audit Committee decided to propose to the Supervisory Board that it have the contents of the non-financial report for 2019 voluntarily reviewed again with limited assurance.

In its meeting in June 2019, the Audit Committee 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 changes to, the internal control system. Adjustments had to be made in particular due to the decision by the Annual Shareholders' Meeting on May 22, 2019 to create a new corporate structure ("Project Future"). In this meeting, the Committee also defined planning measures and the key audit issues for financial year 2019. In addition, the Audit Committee extensively investigated current accounting issues. These include the statements by the European Securities and Markets Authority (ESMA) concerning the uniform electronic reporting system as well as the methodology for evaluating the existing fleet of leased vehicles, including diesel-powered ones. The meeting was also used to discuss the results of the internal quality analysis of the external audit

for financial year 2018. Lastly, the Audit Committee learned about the implementation of the central financial risk management system and of the pension management in the new corporate structure. Thereafter, the Committee took note of a report about current tax-related issues, in particular concerning the punitive tariff risk posed by international trade disputes.

In the meeting held in July 2019, the Audit Committee dealt mainly with the results of the second quarter of 2019, when the earnings expectations were readjusted two times. As part of its risk reporting activities, the Audit Committee mainly addressed legal proceedings as well as production and technology-related risks. In addition, the Committee received quarterly reports from the Compliance, Internal Auditing and Legal departments. Finally, the Audit Committee discussed with the Board of Management the annual report produced by the Group's Data Protection Officer.

In the meeting held in October 2019, the Audit Committee dealt with the interim financial report for the third quarter of 2019 and the quarterly reports from the Compliance and Legal departments. In addition, the Committee conducted its annual review of the authorized non-audit services provided by the external auditors and also decided to retain the current catalogue of authorized non-audit services.

#### **Company and consolidated financial statements 2019**

In a meeting held on February 10, 2020, the Audit Committee dealt with the preliminary figures of the annual financial statements and the annual consolidated financial statements for the year 2019, 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 11, 2020.

In another meeting on February 19, 2020, 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 2019, 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 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, the report concerning the non-financial report for 2019 and important issues related to financial reporting were discussed with the external auditors. In addition, the Audit Committee also discussed the risk management system. 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 €0.90 per share entitled to a dividend. Furthermore, the Audit Committee approved the Report of the Audit Committee for financial year 2019.

#### **Efficiency review**

As in previous years, the Audit Committee conducted a self-evaluation of its own activities in 2019 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 19, 2020. 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 2020

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/dcgc](https://www.daimler.com/dai/dcgc). 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 Clause 5.4.5 Paragraph 1 Sentence 2 (maximum number of supervisory board memberships for members of the management board of a listed corporation) and will continue to observe the recommendations with the aforesaid deviations. Since the issuance of the updated compliance declaration in September 2019, Daimler AG has observed the recommendations of the German Corporate Governance Code, with the two aforementioned exceptions.

**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.

**Maximum number of supervisory board memberships for members of the management board of a listed corporation (Clause 5.4.5 Paragraph 1 Sentence 2).** In accordance with this recommendation, the management board of a listed corporation shall not accept more than a total of three supervisory board memberships in non-group listed corporations or on supervisory bodies of non-group entities that make similar requirements. Whether the number of supervisory board memberships held by a member of the management board of a listed corporation still seems appropriate should, however, be assessed more appropriately on a case-by-case basis than with a rigid upper limit. The individual workload expected for a member of a management board as a result of the total number of memberships held does not necessarily increase in proportion to their number.

Stuttgart, December 2019

For the Supervisory Board

Dr. Manfred Bischoff  
Chairman

For the Board of  
Management  
Ola Källenius  
Chairman

This declaration and previous, no longer applicable, declarations of compliance from the past five years are also available at our website at [daimler.com/dai/dcgc](https://www.daimler.com/dai/dcgc).

## The main principles applied in our corporate governance

### The German Corporate Governance Code

Beyond the legal requirements of German stock corporation, codetermination and capital market legislation, Daimler AG has followed and continues to follow the recommendations of the German Corporate Governance Code (“Code”) in the Code version dated February 7, 2017, with the exceptions disclosed and justified in the declaration of compliance.

The deviation from Clause 5.4.5 Paragraph 1 Sentence 2 of the Code relates to Joe Kaeser’s exceeding the maximum number of memberships on supervisory boards recommended therein for management board members of listed corporations. The maximum number of memberships was exceeded in this case when Joe Kaeser became a member of the Supervisory Board of Mercedes-Benz AG. The Board of Management and the Supervisory Board are of the opinion that although this additional membership of a supervisory board within the Daimler Group does increase the workload associated with the membership of the Supervisory Board of Daimler AG, it does so to an extent substantially less than would be the case if the additional membership were to relate to a third-party company.

Daimler AG has 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 long-term 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 vehicle manufacturers, 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 all employees at Daimler AG and the Group and supports them in making the right decisions even in difficult business situations.

### Our Integrity Code

Employees from different departments and units throughout the Group and around the world helped us develop our Integrity Code, which was revised in 2019. Our Integrity Code defines the central corporate principles that guide our behavior in daily business, our interpersonal conduct within the company and our conduct toward customers and business partners. These corporate principles include compliance with laws, as well as fairness, transparency, a commitment to diversity, and responsibility. In addition to the corporate principles, our


Integrity 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 of the Daimler Group worldwide. The Integrity Code is available on the Internet at [daimler.com/dai/caag](https://www.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 clear stipulations because we regard our business partners’ integrity and behavior in conformity with regulations as a precondition for trusting cooperation. When selecting our direct business partners, we therefore pay close attention to ensure that they comply with the law and follow ethical principles, and that they pay the same attention themselves to other partners in the supply chain. For the expectations we place on our business partners, see also [daimler.com/sus/obr](https://www.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 135 ff](#) of the Annual Report 2019. 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 of the Supervisory Board of Daimler AG 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 of Daimler AG on the committee’s work at the latest in the meeting of the Supervisory Board following each committee meeting. The Supervisory Board of Daimler AG also deals with the risk management system on the occasion of the audit of the annual company and consolidated financial statements. 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. In addition, the Board of Management of Daimler AG regularly informs the Audit Committee and the Supervisory Board of the most important risks facing the company and the Group as a whole. The Legal Affairs Committee, which was established by the Supervisory Board during the reporting period to operate until further notice, supports the Supervisory Board in carrying out its tasks with respect to the complex proceedings relating to emissions regulations and antitrust law with which Daimler AG and its subsidiaries are confronted. 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 of Daimler AG for the election of the external auditors for the annual company financial statements, for the consolidated financial statements and for the auditors' review of the interim financial reports. At the Annual Shareholders' Meeting on May 22, 2019, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin was elected to conduct the audit of the annual company financial statements and the consolidated financial statements, and the external auditors' review of interim financial reports, for financial year 2019, as well as the external auditors' review of interim financial reports for financial year 2020 in the period leading up to the Shareholders' Meeting in 2020. 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; since 2014, the responsible auditor commissioned to carry out the external audit has been Dr. Axel Thümler.

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, 2019. 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 191](#). 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 191](#).

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](https://www.daimler.com/dai/bom). The members of the Board of Management and their areas of responsibility are also listed on [👁 pages 32 ff](#) of the Annual Report 2019.

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 212 ff](#) of the Annual Report 2019. 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.

No committees of the Board of Management existed during the reporting period. The CASE Steering Committee of the Board of Management transferred the future-oriented areas of CASE to a specialist committee made up of high-level members. The responsibility of the Board of Management as a whole for specific matters defined by the Board remains unaffected by this.

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](http://daimler.com/dai/rop). Those rules describe, for example, the procedure to be observed when passing resolutions and ways to avoid conflicts of interest.

### 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 of Daimler AG 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 2019, this proportion amounted to 19.8% (2018: 18.8%).

## 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 is posted on our website at [daimler.com/dai/sb](http://daimler.com/dai/sb). Information on other supervisory board memberships held by the members of the Supervisory Board can also be found on [pages 40 ff](#) of the Annual Report 2019.

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 191](#) of the Annual Report 2019. 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: [👁 pages 192 ff](#) of the Annual Report 2019. 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 191](#) of the Annual Report 2019. 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 192](#) of the Annual Report 2019.

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 apply-

ing 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 come 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 108 ff](#) of the Annual Report 2019.

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 2019 is available on [👁 pages 34 ff](#) of the Annual Report 2019 and on the Internet at [🌐 daimler.com/dai/sb](http://daimler.com/dai/sb).

In 2019, 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](http://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 formed a new committee in the reporting period. On December 31, 2019, the Supervisory Board had, in addition to the legally required Mediation Committee, four additional committees that 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](https://daimler.com/dai/rop). Information on the current composition of these committees can be viewed at [daimler.com/dai/sbc](https://daimler.com/dai/sbc) and is also available on [page 41](#) of the Annual Report 2019.

### 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, taking into account the overall requirements profile the Supervisory Board 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, 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 is the only Supervisory Board committee that consists solely of members representing the shareholders. The Nomination Committee 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.



### Legal Affairs Committee

In accordance with its responsibilities, the Supervisory Board examines in detail all legal proceedings facing the Group and its subsidiaries. In view of the complex proceedings relating to emissions regulations and antitrust law, and in order to ensure the efficient organization of Supervisory Board activities, the Supervisory Board decided during the reporting period to establish a Legal Affairs Committee that will continue to operate until further notice. This committee coordinates the exercise and performance of the rights and obligations of the Supervisory Board with regard to the aforementioned legal affairs and prepares and recommends associated resolutions for adoption by the Supervisory Board. The Legal Affairs Committee is composed of six members, who are elected by a majority of the votes cast by the members of the Supervisory Board.

### 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 by 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 2019.

## 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 of Daimler AG 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, 2019, 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 at Daimler AG 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. As of December 31, 2019, the proportion of women at the first management level below the Board of Management was 12.5%; at the second level it was 23.8%. As a result of the hive-down of the Cars & Vans and Trucks & Buses divisions to Mercedes-Benz AG and Daimler Truck AG in the context of "Project Future," the number of senior executives at Daimler AG at the two management levels below the Board of Management, upon which the calculation of the proportion of women as of December 31, 2019 is based, has decreased significantly.

Since 2016, listed companies that have supervisory boards in which shareholders and employees are equally represented are required to have a 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, 2019, 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 February 19, 2020, the Supervisory Board considered its nomination for the election at the 2020 Shareholders' Meeting and decided, upon the recommendation of the Nomination Committee, to propose at the 2020 Annual Shareholders' Meeting that Timotheus Höttges, Chairman of the Board of Management of Deutsche Telekom AG, be elected 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 this person is 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 Markus Schäfer and Wilfried Porth, at December 31, 2019 the Board of Management had two members who are engineers. Since taking over as Head of Group Research & Mercedes-Benz Cars Development on January 1, 2017, a position he held until he was appointed Chairman of the Board of Management on May 22, 2019, Ola Källenius has sustainably displayed the expertise he acquired in various technical management positions throughout the Company.
- 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 German Corporate Governance Code in the version dated February 7, 2017, 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. With the retirement of Dr. Dieter

Zetsche on May 22, 2019, all members of the Board of Management are currently below the age limit.

- 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. This is the case for all current members of the Board of Management, with the exception of Wilfried Porth.
- Decisions related to the composition of the Board of Management should also take into account internationality in the sense 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 Ola Källenius and Renata Jungo Brüngger.
- In accordance with the recommendation of the German Corporate Governance Code in the version dated February 7, 2017, 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 corporations 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. Hubertus Troska's 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 at 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 profes-

sional 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 digitalization), 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 the 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 candidate Timotheus Höttges who is to be proposed for election at the 2020 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 to their current term.
- 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 entire Supervisory Board.

Roman Zitzelsberger was elected as a member and as the Deputy Chairman of the Supervisory Board of ZF Friedrichshafen AG, which is a significant supplier to the Daimler Group, at the end of November 2019. The Supervisory Board of Daimler AG does not currently regard this non-executive mandate per se as giving rise to a conflict of interest. In the event that such a conflict of interest arises in the future, the question of whether Mr. Zitzelsberger should not participate in corresponding discussions and passing of resolutions by the Supervisory Board will be considered on a case-by-case basis.

As described in the report of the Supervisory Board on [page 37](#) of the Annual Report 2019, 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 legal status reports were submitted to the Supervisory Board. In these individual cases the Supervisory Board members in question did not attend the reporting of the circumstances that could possibly have given rise to 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 of actual conflicts of interest in the financial year 2019.

- 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.

The Code in the version dated February 7, 2017 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 task of the Supervisory Board to assess the independence of the individual members of the Supervisory Board on the basis of these indications.

Under the premise described above with regard to the employee representatives, and within the meaning of the German Corporate Governance Code in the version dated February 7, 2017, 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 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. E 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. With regard to Supervisory Board member Roman Zitzelsberger, the Supervisory Board takes the view that his mandate as a member and as the Deputy Chairman of the codetermined Supervisory Board of ZF Friedrichshafen AG, a significant supplier to the Daimler Group, cannot per se give rise to a substantial

and not merely temporary conflict of interest. On the one hand, this is not an executive, but rather a non-executive mandate. On the other, the Deputy Chairman of the Supervisory Board of a codetermined company does not have the right of the Chairman of the Supervisory Board to a casting vote in the event of a tie and renewed voting even in the absence of the Chairman.

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 the duration of 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 candidate Timotheus Höttges nominated for election at the Annual Shareholders' Meeting in 2020 also meets 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 recommendation of the German Corporate Governance Code in the version dated February 7, 2017, 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 who has now exceeded the maximum number of supervisory board memberships due to his new membership on the Supervisory Board of Mercedes-Benz AG. In view of this development, the Supervisory Board has decided for the time being not to take into account membership on two Supervisory Boards within the Daimler Group when determining whether the maximum number of board memberships has been exceeded within the meaning of the requirements profile and the rules of procedure. Nevertheless, the Board of Management and the Supervisory Board also released an intra-year declaration of compliance in September 2019 that discloses and explains this deviation from the maximum number of board memberships according to the rules of procedure and the requirements profile as defined on the basis of the recommendation of the German Corporate Governance Code in the version dated February 7, 2017. This deviation is also disclosed and explained in the regular annual declaration of compliance from December 2019.



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.

#### **Review of the overall requirements profiles for the Board of Management and the Supervisory Board**

The Supervisory Board shall review the overall requirements profiles for its own composition and the composition of the Board of Management, and amend these if necessary, after the new German Corporate Governance Code goes into effect, which is expected to be sometime in the first quarter of 2020.

## 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](https://daimler.com/ir/am). The Annual Shareholders' Meeting is generally held within four months of the end of a financial year.

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 2019, 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](https://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.

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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 (👁️ [pages 60 ff](#) of the Annual Report 2019) and on non-financial risks connected with the aspects presented in this report (Risk and Opportunity Report 👁️ [page 149](#) of Annual Report 2019) is provided in the Combined Management Report in the Annual Report 2019.

Further information on our sustainability activities can be found online at [🌐 daimler.com/sustainability](https://www.daimler.com/sustainability) and in our annual Sustainability Report, which can be downloaded there as a PDF data file.

# Sustainability at Daimler

At Daimler, sustainability means creating lasting economic and social value for all stakeholders – i.e. our customers, employees, investors, business partners, and society as a whole. The foundation for our approach here is the Daimler sustainable business strategy adopted by the Board of Management in 2019. [page 52 ff](#) With this strategy, the company assumes responsibility for the economic, ecological, and social impact of its business activities, not only at its manufacturing locations but also with regard to the entire upstream and downstream value chain.

## Our sustainable business strategy

Our sustainable business strategy demonstrates our commitment to sustainable business operations at both the Group level and in the individual business divisions. More specifically, our strategic objectives involve the following six areas of action:

- Climate protection and air pollution control: Plans call for our new vehicle fleet to be CO<sub>2</sub>-neutral by 2039, when it will no longer have any relevant impact on air quality in inner cities.
- Conservation of resources: We will decouple resource consumption from business volume growth.
- Livable cities: We will offer our leading mobility and transport solutions in order to improve the quality of life in cities.
- Traffic safety: We are working to make our vision of accident-free driving a reality as we develop automated driving systems while also taking social and ethical issues into account.
- Data responsibility: We conduct sustainable data-based business operations, anticipate our customers' needs, and handle all data responsibly.
- Human rights: We have assumed responsibility for respecting and upholding human rights along our automotive value chain.

We have set ourselves the goal of making sustainability an integral component of our core business and our conduct in general. Achieving this goal requires future-oriented cooperation with our partners in industry, government, and society at large, as well as with our employees, who will help shape the coming transformation. The three enablers, or principles, of “Integrity,” “Employees” and “Partnerships” are crucial for achieving success in the six areas of action.

While formulating our strategic goals in the six areas of action, we focused extensively on the 17 Sustainable Development Goals (SDGs) defined by the United Nations, and in particular on the following SDGs and the associated sustainability-related activities:

- **SDG 8** – Decent Work and Economic Growth
- **SDG 9** – Industry, Innovation and Infrastructure
- **SDG 11** – Sustainable Cities and Communities
- **SDG 12** – Responsible Consumption and Production
- **SDG 13** – Climate Action

By adopting the six areas of action and the three enabler topics, we have firmly established the aforementioned SDGs as a component of our business strategy. We want to make an effective contribution to sustainable development by implementing this strategy.

## Sustainable corporate governance

The short-term and medium-term components of the remuneration – the Daimler Company Bonus – have been further developed for the Board of Management and Level 1–3 managers, with effect as of January 1, 2019. These components are linked not only to financial targets but also to sustainability-related transformation targets and non-financial targets that focus on employees, customers, integrity, and diversity. The transformation targets in particular are closely examined within the framework of the annual review of the Daimler Company Bonus, whereby the targets for 2020 will be even more closely aligned with the company's sustainable business strategy.

In accordance with this strategy, we are pursuing our defined targets in the six areas of action and establishing a continuous improvement process. Our management and organizational structures support this process by means of clear lines of responsibility in all business divisions. The Group Sustainability Board (GSB) is our central management body for all sustainability issues and reports to the Board of Management. The GSB is headed by Renata Jungo Brüngger (the Board of Management member responsible for Integrity and Legal Affairs) and Markus Schäfer (the Board of Management member responsible for Group Research & Mercedes-Benz Cars Development). The operational work is done by the Sustainability Competence Office, which consists of representatives from the units managed by the two Co-chairs.

Integrity, compliance, and legal responsibility are the cornerstones of our sustainable corporate governance and serve as the basis of all our actions as defined in our Integrity Code. The Integrity Code is supplemented by other in-house principles and policies.



The ten principles of the UN Global Compact provide a fundamental guide 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 policies are founded on this international frame of reference and other international principles, including the Core Labor Standards of the International Labour Organization (ILO), the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights.

## Risk management

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. Risks can be of either a financial or non-financial nature. At the same time, it is important for the Daimler Group to identify opportunities for the Group 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. In particular, the actions taken by the company with regard to environmental, employee, and social issues, the battle against corruption and bribery, and upholding human rights play a key role in the way we are currently viewed by the public, and can thus potentially result in non-financial risks as well as opportunities. The divisions have direct responsibility for recognizing and managing business risks and opportunities at an early stage. Our Group-wide risk management system provides the framework for the responsible management of existence-threatening and other material risks. The risk management system is integrated into the value-based management and planning system of the Daimler Group and is also 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. See also the Risk and Opportunity Report,

 [pages 135 ff.](#)

## Supply chain

Daimler's sustainable business strategy applies to our value chain and thus also to the purchase of production materials and the procurement of services. Our three procurement units – Mercedes-Benz Cars Procurement and Supplier Quality, Global Procurement Trucks and Buses, and International Procurement Services – are jointly responsible for the Daimler Supplier Network cooperation model. These units work together to ensure the responsible procurement of materials and services and compliance with the Daimler Supplier Sustainability Standards in the supply chain. Our Supplier Sustainability Standards define our requirements for working conditions, upholding human rights, environmental protection, safety, business ethics, and compliance  [page 219, Human rights compliance](#). They also serve as the guidelines for our sustainable supply chain management system. 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 information and training and qualification measures. Our service providers also explicitly recognize these standards as a contractual component of their supplier agreements.

Compliance with the standards is systematically reviewed. For example, the procurement units of Mercedes-Benz Cars and Daimler Trucks & Buses examines the sustainability policies of new production material suppliers in on-site inspections. Such examinations are even more thorough in high-risk countries, and in particularly critical cases we discuss the results of the analyses in management committees and take them into account in decisions on whether to award a contract. Along with the assessment of new suppliers, we also examine sustainability risks at our existing direct suppliers within the framework of risk analyses conducted on a regular basis. Among other things, we conduct annual database research to identify any violations of our sustainability and compliance rules by our current suppliers. This is part of our supplier screening process. Mercedes-Benz Cars also conducts corporate social responsibility (CSR) audits and potential analyses of new suppliers.

We systematically follow up all reports of violations, and Mercedes-Benz Cars utilizes online surveys here as well. These surveys require suppliers to provide information about their sustainability management system and the measures they take to ensure that their own suppliers comply with sustainability standards. If the results of such surveys indicate insufficient sustainability performance, we instruct the supplier in question to improve the relevant processes. In order to ensure an effective sustainable supplier management system, it is very important to us that the results of the surveys can be compared. For this reason, we work with standardized instruments such as the industry-wide sustainability Self-Assessment Questionnaire developed by the European Drive Sustainability initiative.

In 2019, we held training courses for suppliers in the focus countries Brazil, Malaysia, and South Africa in cooperation with Drive Sustainability – a European sustainability initiative. In addition, we assisted the econsense – Forum for Sustainable Development of German Business network with the establishment of a platform for further supplier workshops on sustainability. Our Daimler Supplier Portal offers existing and potential suppliers a free e-learning program on compliance awareness that allows suppliers to obtain detailed information at any time on sustainability standards and their implementation.

# 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 our sustainable business strategy. The central environmental aspects we address are climate protection, air pollution control, and resource conservation.

## Climate protection

The transition to CO<sub>2</sub>-neutral mobility is vital if the impact of climate change is to be limited. We at Daimler are working hard to make this vision a reality. In this connection, we have set ourselves the goal of making the mobility of the future more sustainable, and we are employing a holistic approach in order to achieve this goal. One component of our approach involves reducing the CO<sub>2</sub> emissions of our vehicles.

Within the framework of our sustainable business strategy, our company has expressed its firm commitment to the Paris accord on climate protection. Mercedes-Benz AG has had its climate protection measures scientifically confirmed by the Science Based Targets Initiative (SBTI). By means of these targets, the company wants to contribute to environmental protection in the sense of the Paris Agreement.

In our sustainable business strategy, we have also set ourselves the goal of making our fleet of new cars CO<sub>2</sub>-neutral for the vehicles' entire lifecycle by 2039. Daimler Trucks & Buses aims to offer only new vehicles that are CO<sub>2</sub>-neutral in driving operation ("tank-to-wheel") in the triad of Europe, Japan, and NAFTA by 2039. Mercedes-Benz Vans is currently striving to achieve similar reductions in CO<sub>2</sub> emissions. In order to achieve this goal, we want to significantly increase sales of passenger cars equipped with plug-in hybrid and all-electric drive systems. In this connection, we want to electrify the entire portfolio of Mercedes-Benz Cars by 2022, which means that various electric alternatives are to be offered in every segment – from compact cars to SUVs. By the year 2025, we expect all-electric models to account for up to 25%. By 2030, plug-in hybrids and all-electric models should account for more than 50%.

A new average CO<sub>2</sub> target value of 95 g/km went into effect in 2020 for the entire fleet of new cars in the EU. The applicable limit for individual manufacturers is based on the average vehicle weight of the respective vehicle fleet. The limit for our fleet of new cars will be higher due to the high average weight of the vehicles in our model range. We take compliance with this new requirement into account as early as the vehicle development stage by employing our Design for Environment approach [page 342, Glossary](#). In order to continuously improve environmental compatibility, these requirements are incorporated into our product performance specifications. These specifications define specific characteristics and target values – for example for fuel economy and CO<sub>2</sub> emissions – that must be achieved for every vehicle model and every engine variant. During the development process, we regularly

monitor compliance with our internal development targets and the requirements contained in the product performance specifications. In the Energy Efficiency Board (EEB), which includes Board of Management participation, the managers responsible for each vehicle model series evaluate the results of this monitoring process. In their evaluations, the managers take into account the increasing degree of vehicle electrification and the changes that have been made to legal requirements, for example those relating to the introduction of the new WLTP test procedure. If corrective actions are required, the managing body of the respective business division is included in the decision-making. The exact level of the CO<sub>2</sub> emissions of individual vehicles is determined within the framework of the fuel-economy certification process.

Nevertheless, the fact remains that the attainment of the EU limits will greatly depend on the level of customer demand for all-electric vehicles and plug-in hybrids.

### CO<sub>2</sub> emissions from our car fleet

For the year under review, it is expected that the average CO<sub>2</sub> emissions of our total passenger car fleet in Europe (EU28 + Iceland, Norway) will have increased to 137 g/km (NEDC, including vans registered as passenger cars (M1), Mercedes-Benz Cars: 135 g/km). This means that we were unable to reduce our CO<sub>2</sub> emissions from the prior-year level. There were several reasons for this development. The first involves the shift of sales from vehicles with diesel engines to cars powered by gasoline engines. Secondly, 2019 was the first year in which the rollout of the WLTP certification process had its full impact. We intend to achieve our objective of reducing our CO<sub>2</sub> emissions for 2020 and thus continue to conform to the currently valid EU limit values by means of a planned expansion of our portfolio to include further electric vehicle models and accommodate customer demand. [pages 135 ff, Risk and Opportunity Report](#)

### CO<sub>2</sub> fleet emissions of Daimler Trucks & Buses

Daimler Trucks & Buses aims to offer only new vehicles that are CO<sub>2</sub>-neutral in driving operation (“tank-to-wheel”) in the triad of Europe, Japan, and NAFTA by 2039. As early as 2022, the company plans to have a vehicle portfolio comprising series-produced vehicles with battery-electric drive systems in these main sales regions. In order to achieve these targets and meet future legal stipulations in certain countries regarding the reduction of vehicle emissions and fuel consumption, Daimler Trucks & Buses has to employ the latest technology and enhance its range of battery-electric trucks and vehicles with other electrified drive systems. [🔍 pages 135 ff, Risk and Opportunity Report](#)

### Air pollution control

In addition to climate protection, the improvement of inner-city air quality is an important environmental consideration for us. That’s because road traffic still accounts for a considerable share of nitrogen dioxide pollution (NO<sub>2</sub>) near roads.

Plans call for our new vehicle fleet to no longer have any relevant impact on NO<sub>2</sub> emissions in urban areas by 2025. Another of our aims is to increase transparency with regard to vehicle-related particulate emissions and forge ahead with the research and development of new measures for reducing such emissions.

Responsibility for ensuring compliance with air pollution control requirements in the area of exhaust gas emissions is split between several units and executive divisions. At the vehicle level, the development departments at the vehicle divisions are responsible for ensuring such compliance.

A reduction of NO<sub>x</sub> emissions is made possible by an innovative overall package consisting of the engine and the exhaust treatment system. This package is being continuously enhanced and has been comprehensively launched on the market in the new engine generation encompassing the OM 654, 656, and 608.

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

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

Maintaining the trust of our customers is extremely important to us. Information about how the Company handles official inquiries, investigations, requirements, and proceedings relating to environmental laws and regulations in connection with diesel exhaust gas emissions can be found in the Risk and Opportunity Report. [🔍 pages 135 ff, Risk and Opportunity Report](#)

### Resource conservation

Along with fuel economy and emissions during vehicle operation, the processes used to manufacture our vehicles also play a key role in determining their environmental compatibility. For this reason, we work continuously to make production more efficient by, for example, reducing waste, utilizing closed-loop water systems, and recycling batteries from electric vehicles.

#### Production

Mercedes-Benz Cars is setting the course for green production in Germany and the rest of Europe in order to reduce the impact our plants have on the climate. Plans call for all manufacturing facilities in Europe to be supplied with CO<sub>2</sub>-neutral energy from 2022. Conservation of resources, including everything from water to energy and raw materials, continues to hold the key to improving the ecological footprint of our manufacturing operations. Increasing our energy efficiency not only reduces our consumption of fuels; it also lowers energy consumption as a whole and thus the CO<sub>2</sub> emissions ([🔍 page 200, Climate Protection](#)) produced at our plants. The improvement of recycling processes and reduced consumption of raw materials at our sites have the potential to reduce waste, while reductions in our water consumption lower the impact our production operations have on natural water resources.

Our commitment to the environment is an integral component of our sustainable business strategy. For this reason, we have established environmental management systems at our manufacturing locations. In addition, our Environmental Management Manual defines a standardized Group-wide framework for our environmental management systems. The manual describes our environmental and energy guidelines in detail, as well as key environmental protection provisions of relevance to the Group.

We regularly check to ensure that all of our plants comply with these environmental protection provisions. Any incidents relevant to environmental protection that occur at production locations that are majority-owned by the Group are documented within the framework of the plant environmental management systems. We then take all necessary measures to eliminate any damage. We also implement measures for improvement wherever this is possible and expedient. The environmental measures are monitored by external auditors as part of the certification process for our environmental management systems (ISO 14001, EMAS, ISO 50001), as well by internal environmental risk assessments ([➔ E.01, Environmental-Due-Diligence-Process](#)).

Since the year 2000, we have been using a Group-wide standardized method for assessing environmental risks (environmental due diligence process) in order to prevent such risks and comply with statutory requirements. We employ this method both internally at all production locations in which the Group has a majority interest, as well as externally in connection with our acquisition plans. We also have a standardized process in place for inspecting and assessing the Group’s consolidated production sites every five years. The results are reported to the plants and divisional managements. In 2019, we evaluated all the production locations that are operated by the Mercedes-Benz Cars division and majority-owned by the Group. In addition, we annually assess the extent to which our recommendations for minimizing risks at the locations have been put into practice. The objective of all of our environmental risk assessments is to ensure that we achieve high environmental standards at all of our production locations around the world.

**Products**

During the development of our Mercedes-Benz car models we 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 percent recyclable and 95 percent recoverable, in accordance with ISO 22 628.

In order to evaluate the environmental compatibility of a vehicle, Daimler has for many years now been producing life cycle assessments and examining environmental effects throughout the vehicle’s entire life cycle – from the extraction of raw materials and vehicle production to product use and recycling. In addition to raw material consumption, these examinations take into account other factors such as the medium-term and long-term availability of raw materials.

Environmental protection and resource conservation are coordinated and managed in various units throughout the Group. Group management is involved when fundamental decisions regarding vehicle development are made and when targets are defined for climate protection, air quality, and resource conservation.

**E.01**

**Methodology for assessing environmental risks**





# Employee Issues

The success of Daimler AG and its subsidiaries is largely dependent on the skills and commitment of its employees. Almost 300,000 people promote our company’s success worldwide by contributing their concepts and ideas to their respective 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.

In order to be able to recruit, further develop, and retain qualified employees, we seek to present ourselves around the globe as an attractive employer and to motivate our employees to achieve top performance in the digital world. Our management staff play a key role here, so it is crucial that we equip our managers with outstanding leadership capabilities. In addition, we want to take on our social responsibility and let diversity flourish in our global company.

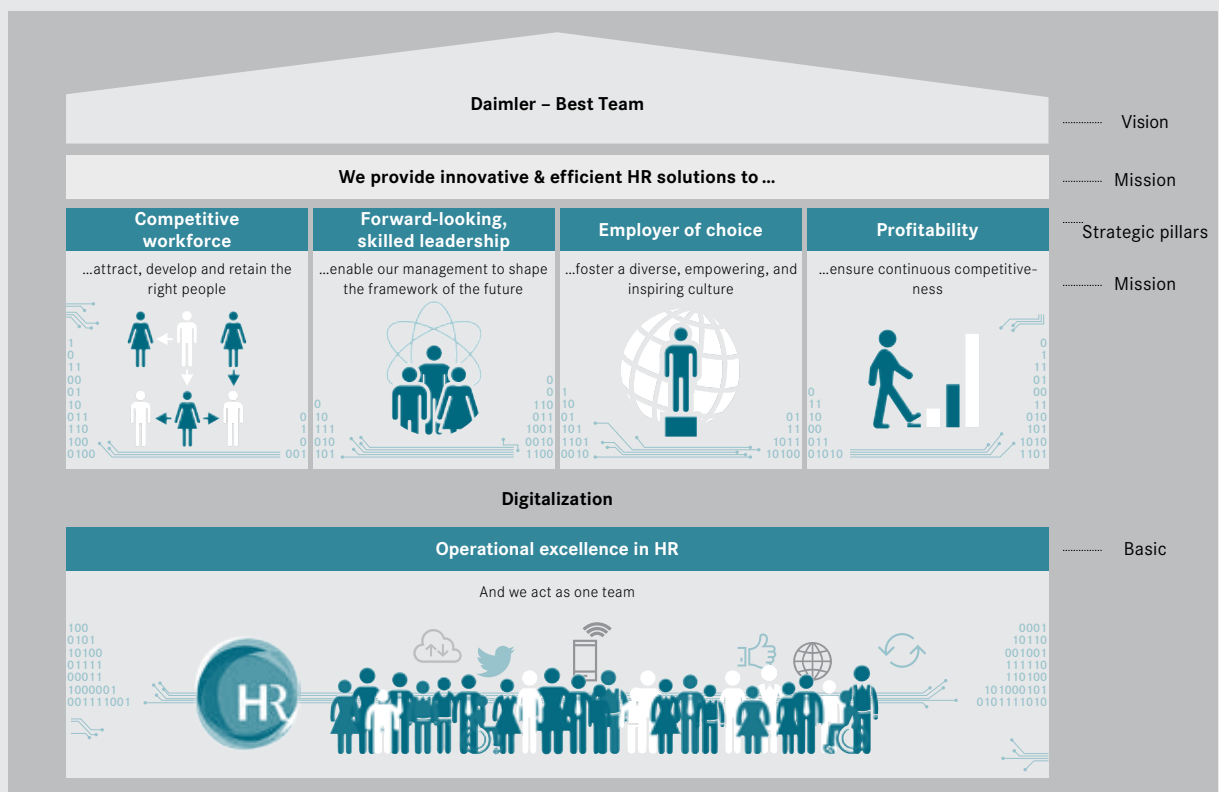
We want to reach these overarching goals by employing efficient processes. One of the control tools we use is our HR Scorecard, which uses key performance indicators (KPIs) concerning e.g. demographic development, diversity, and employer attractiveness. This enables us to evaluate the sustainability of human resources measures and processes in the individual

areas of action. These are derived from our HR Strategy **➤ E.02**. HR-eData Manager Reports serve as another control tool. These reports are available to all managers as a self-service feature. They contain KPIs and detailed information on managers’ personal areas of responsibility.

General figures regarding the development of our workforce numbers can be found in the Workforce section of the Management Report. [👁 pages 102 ff](#)

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 is conducted every two years, with the next one scheduled for 2020.

## E.02 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. An important source of guidance for us here are our Group-wide Principles of Social Responsibility, which are based on the International Labour Organization's (ILO) work and social standards. All of our employees are provided with information about these principles. Reports of violations of the principles are received by the whistleblower system BPO (Business Practices Office), which directs the subsequent investigations according to the area of responsibility [pages 213 ff, Integrity and Compliance](#).

We structure our decision-making processes in a manner that ensures transparency for our employees, and we also enable our employees to participate in decision-making processes. We work together with our employees as partners, respect their interests, and get them actively involved in the company. We have established how we take on responsibility in our employee relationships in our policies and company agreements. Our employees 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). Collective bargaining agreements apply to the majority of our employees throughout the Group. Such agreements apply in particular for all of the employees at Daimler AG, Mercedes-Benz AG, and Daimler Truck AG.

Various (company-wide) agreements grant our employees specific rights and define additional rules and regulations. These agreements address topics such as mobile working, family leave, reductions in working hours, and home health care.

Within the framework of the ongoing dialog between the corporate management and the employees' association, employees at Daimler AG, Mercedes-Benz AG, Daimler Truck AG, and Daimler Brand & IP Management GmbH & Co. KG have been given a job-security guarantee for the period until 2029. As a result, terminations for operational reasons are excluded on principle until December 31, 2029. This agreement applies to employees who have remained at Daimler AG, as well as all employees who were affected by a transition of operations resulting from the new Group structure and who did not contest their transfer to the new organization.

## Employer attractiveness

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.

## Fair remuneration

We remunerate work in accordance with the same principles at all Group companies 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 each employee's 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 origin, but exclusively by the employee's function and responsibility.

Employees who have complaints regarding remuneration can report these to their immediate manager. If the questions cannot be resolved satisfactorily in this way, employees can contact their HR department or the Works Council. In companies subject to collective bargaining agreements, such as Daimler AG, for example, the agreements that have been reached grant employees additional rights, including the right to object to their placement in a specific wage/salary group or to the results of their performance assessment.

In employment relationships subject to a collective bargaining agreement Daimler AG and its subsidiaries usually offer additional voluntary benefits that are agreed upon with the respective employees' representative bodies. These benefits include employer-funded contributions to retirement benefits and, in many cases, profit-sharing agreements for the respective company as well. For example, the eligible employees of Daimler AG, Mercedes-Benz AG, and Daimler Truck AG will receive a profit-sharing participation of €597 for 2019 (for this scope, a one-time appreciation bonus of up to €500 was also agreed as a thank you and recognition for the commitment in 2019).

In 2019 the Group spent:

- € 18.336 billion on wages and salaries
- € 3.536 billion on social welfare services, and
- € 0.8 billion on retirement benefits for a workforce numbering 301,839 on average.

We conduct income reviews for employees and managers on a regular basis. The associated integration rounds with the managers in question are carried out under the direction of the human resources units in a manner that ensures salary decision-making transparency. This is done in order to prevent any possibility of discrimination. The remuneration guidelines and tables for employees paid according to collective bargaining wage tariffs, for example at Daimler AG, can be viewed on the Social Intranet. We are now providing to employees additional information relating to the implementation of Germany's remuneration transparency act. This includes information that shows employees the various remuneration components of comparable groups of both genders.

The hourly wage we pay temporary workers in the commercial and industrial units corresponds to the wage offered to newly hired employees with temporary or permanent contracts in the same units. This policy, which is based on the master/ERA collective bargaining agreement for the metalworking industry in the state of Baden-Württemberg, is adapted in line with the requirements of the job profile in question.

### Modern working conditions

Modern forms of living and working now also include new work models such as mobile work, reductions in working hours, part-time work, job sharing for managers, and leave of absence programs for sabbaticals, training, and home health care.

We have introduced numerous measures and programs that allow our employees to organize their working times flexibly in line with their individual situation and enable them to reconcile their professional and personal responsibilities. For example, Daimler offers its employees throughout Germany child care places at 14 company facilities, and additional child care places are available via partnerships.

We also offer our employees opportunities to further develop their skills and qualifications and to integrate new working methods and learning techniques into their daily activities.

In order to remain successful in the future, we work constantly to improve our management culture and the way we cooperate. This is also why we launched the “Leadership 2020” initiative in 2016. Employees from more than 23 countries and all levels of the hierarchy, and of all ages and genders, have participated in the process of shaping our future management culture. The initiative has led to the definition of the following new management principles: Pioneering Spirit, Agility, Purpose, Learning, Empowerment, Co-creation, Customer Orientation, and “Driven to Win.” Among other things, these principles are intended to make the company faster and more flexible and boost its innovative potential. We have also set up eight sub-projects within the framework of our “Leadership 2020” initiative. These game changers are geared toward questioning and changing procedures and structures that range from decision-making processes and organizational structures to work methods and tools. The “Leadership 2020” initiative will continue over the next few years as “Leadership 20X.”

We have also launched a human resources development and performance process for managers and executives known as “IMPULSE,” in which managers work with their teams to define the contribution they wish to make to the success of the company, and then monitor the effectiveness of the associated measures. We have established the NAVI process for non-production employees at Daimler AG, Mercedes-Benz AG, and Daimler Truck AG. NAVI is a standardized leadership process consisting of initial leadership discussions, reviews conducted during the year, and final discussions.

## A competitive workforce

We can only be successful if we have a skilled and high-performing workforce. It is therefore crucial that we continuously promote the development of our employees in order to remain competitive.

### Employee development and securing young talent

The goals of our professional training, continuing education, and qualification programs are to offer our employees opportunities for lifelong learning and continuous further development, safeguard the competitiveness of our company, and ensure that we can recruit and secure young talent. Further aims include establishing an agile management culture and organization that is supported by digital systems and ensuring that we keep pace with the technological transformation of mobility. For this reason, we offer various programs on a regular basis that enable our employees to improve their qualifications, become familiar with changed requirements, and acquire and develop new skills. Among other things, the approach we employ here makes use of digital learning formats and qualification measures that are implemented directly in the workplace. In 2019, we defined strategic areas of action for professional education. These areas include the transformation of mobility, agility in professional education, digital education projects, and internationalization. The areas apply equally to Daimler AG, Mercedes-Benz AG, and Daimler Truck AG.

The “company-wide agreement on qualification” regulates professional training at Daimler AG, Mercedes-Benz AG, Daimler Truck AG, and Daimler Brand & IP Management GmbH & Co. KG. This agreement standardizes the qualification process and makes it more efficient. Our employees should take part in professional training and qualification for their professional and personal development throughout their careers. Employees are supported by our managers as they proceed along their career paths. A key focus of our qualification measures in the reporting year involved topics relating to electric mobility, for example.

The Daimler Corporate Academy helps the Group develop a new management culture and world of work. The central mission of the Academy is to safeguard the further development of managers throughout the Group and around the globe within the framework of a leadership program. Around 150,000 participants worldwide have received personal and professional training in 2019 with the programs of the Corporate Academy. The portfolio includes courses in business skills, as well as initiatives that address trends such as the digital transformation of the Group, agile work methods, and future skills for experts. The Corporate Academy also offers Daimler Academic Programs, which enable employees to pursue a course of study while they continue to work.

Programs such as “Skilled Worker in Focus” and the team leader development program ensure that employees in production and production-related units also receive non-specialized general training and education according to uniform standards. In 2019, for example, 76 employees used the “Skilled Worker in Focus” program. We also focus especially on the development of talented young managers.

The Global Training unit safeguards and increases the skills of our employees at the Mercedes-Benz sales organization. In 2019, more than 700 Mercedes-Benz trainers in over 80 countries worldwide instructed approximately 203,000 participants. Employees complete 1.8 million training courses each year.

INspire is the name given to a series of international talent training programs that optimally prepare young professionals for their careers. Each one of our talent training programs offers cross-unit insights, training, and personal coaching.

In Germany, we recruit most of the young talent we need through our industrial-technical and commercial apprenticeships and the programs at the Cooperative State University. We developed the “Daimler Training System” for technical apprenticeships in Germany. Daimler also offers dual work-study programs for 13 internationally recognized bachelor courses of study at 13 Group locations throughout Germany.

Our STEM education initiative, “Genius,” is designed to get children and young people enthusiastic about technology and technology topics. Genius also helps teachers make their classes varied and future-oriented by offering them practice-related instructional materials, digital education materials, and interactive advanced training courses.

### Diversity

At Daimler, we encourage equal opportunity and a culture of appreciation and respect – a culture in which one’s ethnicity, age, gender, individual physical capabilities or sexual identity or orientation have no bearing whatsoever on one’s job or career. Diversity and inclusion are firm components of our sustainable business strategy, for which we have set ourselves targets and defined areas of action.

As a supervisory board of a listed company subject to parity codetermination, the Daimler AG Supervisory Board is legally required to have a gender ratio of at least 30% women. The Supervisory Board fulfills this requirement as a whole and also in terms of the side of the Supervisory Board representing the shareholders and the side representing the employees. In line with a further legal requirement, the Supervisory Board defined a target of 12.5% for the proportion of women on the Board of Management, with a deadline of December 31, 2020. This target has been clearly surpassed, as the proportion of women on the Board of Management is currently 25%. The Board of Management defined a target of 15% for the proportion of women in the first and second management levels of Daimler AG below the Board of Management, with a deadline of December 31, 2020. As of December 31, 2019, the proportion of women at the first management level below the Board of Management was 12.5%; at the second level it was 23.8%. As a result of the deconsolidation of the Cars & Vans and Trucks & Buses divisions into Mercedes-Benz AG and Daimler Truck AG as part of Project Future, the number of executives of Daimler AG at the two management levels below the Board of Management and thus the number for determining the proportion of women at these levels decreased significantly on December 31, 2019.

Beyond the current legal requirements, we have since 2006 been setting clear goals for increasing the proportion of women in the various business units, and we check every month or quarter to see how we are progressing. For example,

Daimler has defined its own target for the proportion of women in executive management positions at the Group level over a period of several years within the framework of its in-house guidelines (Gender Diversity Aspirational Guidelines). This target calls for a proportion of 20% by the end of 2020. The share of women in such positions stood at 19.8% at the end of 2019. Women currently account for 19.0% of the total workforce worldwide.

The Board of Management holds regular discussions (on a quarterly basis over the past few years) of the Group’s diversity management targets, activities, and results. The Diversity Update contains gender reporting information and if required information on any Group-wide projects. Our entire workforce knows that we expect all employees to treat one another with respect and appreciation. Managers serve as role models here and thus have a special responsibility for ensuring a corporate culture marked by fairness.

The Integrity and Diversity units at Daimler design the framework and processes for such a culture. The Global Diversity Office is a corporate function that is part of the Group Human Resources organization. This office defines strategic targets and areas of action in cooperation with the business units and initiates group-wide projects, training programs, and awareness promoting measures.

We offer various training and qualification measures for managers that are designed to make diversity and inclusion firm elements of their day-to-day management work. Consequently this topic area is a component of existing training courses for managers and staff in human resources units. Among other things, these courses teach participants how to address stereotypes and prejudices.

In 2019, we held the seventh Daimler Diversity Day in cooperation with the Diversity Charter initiative, of which we are a founding member. The motto of the event was “Changing Perspectives. Ready to Be Different.”

Daimler has 12 official Employee Resource Groups that enable employees with shared interests, experiences, and values to discuss various issues across all business units and hierarchical levels.

Training for young people with disabilities is particularly important to Daimler. As early as 2006, we began cooperating with the severely disabled persons’ representative to put together a plan of action for taking on severely disabled trainees. In previous years Daimler AG already surpassed the legally prescribed share of 5%. Almost 9,000 employees with disabilities work at Daimler AG, Mercedes-Benz AG, and Daimler Truck AG. Daimler was presented with the German “Inclusion Award for the Economy 2019” in April 2019. The award jury honored the sustainable anchoring of disability inclusion in the company.

Daimler employs people from more than 160 nations, and we utilize this diversity to put together optimal teams.

Our generation management 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. Our Senior Experts program offers experienced retired employees the opportunity to come back to work and contribute their expertise to various projects for a



maximum of six months. More than 800 assignments of senior experts have taken place since this program was launched in 2013.

The principle of equality between men and women has been set out in binding form at Daimler AG, Mercedes-Benz AG, Daimler Truck AG, and Daimler Brand & IP Management GmbH & Co. KG in company-wide agreements on “The Advancement of Women” and “Equal Opportunity.” Daimler also complies around the globe with relevant international agreements and principles of social responsibility.

Our principles regarding diversity and equal opportunity are described in our Integrity Code and our Group-wide “Fairness in the Workplace” agreement. Employees who have been victims of discrimination, bullying or sexual harassment, or who observe improper behavior by colleagues, can report such violations of policy to their supervisors, the HR department, our counseling service, their local medical services organization or the Works Council. They can also contact our whistleblower system BPO (Business Practices Office). In this way, all staff members around the world, as well as external whistleblowers, can report violations that pose a high risk to the company and its employees. [👁 pages 213 ff, Integrity and Compliance](#)

## Occupational health and safety

Our overarching goal is to maintain Daimler employees’ health and physical well-being over the long term. We employ a preventive approach for maintaining workplace safety and the health of our employees. This approach is designed to help prevent work accidents, work-related illnesses, and occupational diseases to the greatest extent possible.

Every organizational unit within the Daimler Group defines and pursues occupational safety objectives on a regular basis. We utilize a top-down approach for defining our objectives and programs. Here, the general overarching strategy is developed by the Chief Group Physician and the Chief Safety Engineer and then discussed with the Board of Management. This general strategy, which is binding for all organizational units at Group companies, is based on our occupational health and safety guidelines and occupational safety strategy, as well as the results of audits and reviews.

We monitor the implementation of the corporate policy on occupational health and safety internally by means of safety due diligence audits. These audits address areas such as safety and accident management, risks arising from dangerous activities, fire and explosion risks, risks posed by ambient conditions, and risks associated with equipment and machinery. Our Health & Safety staff notify the responsible unit managers about any risks that have been identified in the audits, and then make specific recommendations for eliminating them. By the end of the reporting period, 20% of all production locations in which we have majority holdings had been audited in this manner. We are looking to increase this figure to 100% by 2023.

Various locations have their occupational safety and health management systems certified independently by external certification agencies in accordance with the ISO 45001 (formerly OHSAS 18001) standard in addition to the safety due diligence audits. In 2019, approximately 100,000 employees were working at production locations with a certified management system. That corresponds to around 40% of our global workforce.

Daimler AG, Mercedes-Benz AG, and Daimler Truck AG utilize a cross-site accident documentation system in conjunction with a standardized statistics system. All sites issue reports on recent accidents and regularly disclose accident figures for their facilities. In addition, Corporate Safety annually defines targeted upper limits for accidents at our various sites and units. This approach is supplemented by annual agreements on goals with the respective body responsible for personnel. These agreements also include the implementation of measures relating to occupational health and safety. A monthly report is also produced for each business unit. Group-wide accident figures are reported to the Human Resources & Labor Relations Director every three months. [➔ E.03](#)

Our employees are provided with comprehensive occupational health advice and can also take advantage of various measures and services offered by our company health-promotion program and counseling service. For many years now our health management system has focused on forward-looking solutions that range from the job-related “Daimler GesundheitsCheck” and the ergonomic design of workstations to an IT system that makes it easier to permanently reintegrate employees suffering from limitations imposed by their health.

### E.03

#### Accident figures<sup>1</sup>

	2019	2018
<b>Incidence of accidents</b>		
Number of accidents (worldwide)	2,957	3,152
Incidence of accidents (worldwide, number of work-related accidents that resulted in at least one lost day per 1 million hours of attendance)	Rate 6.8	7.7
Accident downtime (worldwide, number of lost days per 1 million hours of attendance)	107	113
<b>Number of deaths as a result of work-related accidents</b>		
Number of employee deaths as a result of work-related accidents <sup>2</sup>	1	1
Number of deaths of third-party employees as a result of work-related accidents	1	0

<sup>1</sup> Reporting rate of Daimler production locations worldwide: > 99%.  
<sup>2</sup> Tragically, a Daimler employee and a third-party employee suffered fatal work-related accidents in Germany in 2019.

# 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 that we can continue to operate 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.

## Incorporation of stakeholders

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, identify and 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 fruitful and productive for both sides.

In order to conduct this kind of dialog, we need to identify our stakeholders. We define 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, can influence such decisions. Our primary stakeholders are our shareholders, 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 in the communities where we operate, and representatives of science and government.

We utilize various instruments to identify and select relevant stakeholders. These instruments comprise, on the one hand, proactive methods for initiating a dialog with stakeholders. Examples here include the Daimler Sustainability Dialogue, stakeholder surveys, the Advisory Board for Integrity and Corporate Responsibility, specialist conferences, and thematic dialog sessions that can also take the form of workshops. On the other hand, we employ a monitoring approach that helps us identify specific developments and the associated expectations beyond the dialog events that we have initiated. Examples of this approach include participation in industry-specific and cross-industry networks and initiatives, consulting studies and publications, and media analysis.

### 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 division 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 work-

shops, where they discuss issues related to sustainability and work together to further develop them. The Daimler representatives responsible for specific themes take up the impulses addressed in 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 12th Daimler Sustainability Dialogue in Stuttgart during the year under review. The evening before the event was devoted to the topic of sustainable mobility in cities. On the main day of the event, more than 100 stakeholders split up into seven working groups to discuss themes such as human rights, environmental protection, autonomous driving, and artificial intelligence with Daimler representatives.

As a global company, we have set ourselves the goal of implementing sustainability standards at our business units and specialist units around the world. For this reason, we organize Daimler Sustainability Dialogue events in other countries and regions as well. Such dialog events have been held in China, Japan, the United States, and Argentina. During the year under review, more than 300 stakeholders attended the seventh Daimler Sustainability Dialogue in Beijing, where they discussed topics such as battery recycling, smart cities, and artificial intelligence. [daimler.com/sustainability/daimler-sustainability-dialogue-2019.html](https://www.daimler.com/sustainability/daimler-sustainability-dialogue-2019.html)

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 us critically constructive and independent support for the integrity and corporate responsibility process at Daimler. The board meets at regular intervals and also holds discussions with members of the Board of Management and responsible personnel from the respective specialist units. During the year under review, the Advisory Board also held a joint meeting with the Supervisory Board. The Advisory Board's 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 focused in particular on the further development of our sustainable business strategy. [daimler.com/sustainability/basics/integrity/the-advisory-board-for-integrity.html](https://www.daimler.com/sustainability/basics/integrity/the-advisory-board-for-integrity.html)


We also maintain regular contact with representatives from civic organizations and other companies. In addition to the dialogs we initiate, we also participate in various associations,

committees, and sustainability initiatives. Some of the most important initiatives here are the UN Global Compact, econsense – a German business forum for sustainable development, and the World Business Council 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 units and business 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. The topics addressed most extensively in discussions during the year under review included climate protection, respect for human rights, livable cities, data responsibility, and artificial intelligence.

**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. An example of such a result is the Urban Mobility Platform (PUM), which is an initiative launched by nine automotive industry companies and nine German cities. The platform was created in order to establish a continuous process of dialog and cooperation between cities and the automotive industry regarding the design of future mobility systems for urban areas. Daimler is a founding member of the initiative and also actively participates in its pilot projects.

 [plattform-urbane-mobilitaet.de](http://plattform-urbane-mobilitaet.de)

**Political dialog and representation of interests**

As a company with global operations, we have to deal with a wide range of political and societal changes and decisions that have a major impact on our daily business activities. It is therefore important for Daimler that we represent the interests of our company in an open and trusting dialog and develop joint solutions. The overarching goal of our approach to representing our interests is to harmonize the company’s interests with the interests of society at large as far as possible. On the one hand, we bring our ideas into social and political change and decision-making processes and, on the other hand, integrate social and political expectations into strategic and operational corporate decisions.

Political representation of interests means being in constant dialogue with decision-makers. These decision-makers include politicians, government officials, and representatives of political interest groups, trade organizations, business associations, and public officials. We conduct discussions with such individuals at various levels, listen to what they have to say, communicate our interests and concerns to them, and in this manner assume social responsibility. Our dialog with NGOs and various social movements is one of our core tasks and is becoming more and more important.

Our strategy for representing our political interests is systematically aligned with our corporate strategy. We focus here on issues such as climate protection and air quality, livable cities, vehicle safety, handling data responsibly, human rights, trade policy, location-specific matters, and labor legislation. In this context, we hold regular discussions and events in a variety of formats that allow us to systematically approach decision-makers and other societal protagonists and exchange ideas not only on core topics in the automotive industry but also on the issues that will shape its future. In the process we are open to constructive dialog with all relevant stakeholders, and we take other points of view into account in our activities. In addition, we contribute our knowledge and commitment to many discussions. For example, we participate in the strategic dialog for the automotive industry in Baden-Württemberg, as well as in the German government’s National Platform Future of Mobility

**E.04**

**Examples of instruments of stakeholder dialog**

Information	Dialog	Participation
<ul style="list-style-type: none"> <li>- Daimler Sustainability Report as well as regional reports (such as the Daimler China Sustainability Report)</li> <li>- Environmental declarations by the plants</li> <li>- Press and public-relations work</li> <li>- Corporate website</li> <li>- Blogs and social media</li> <li>- Social Intranet and internal communication</li> <li>- Plant tours, receptions, Mercedes-Benz Museum</li> </ul>	<ul style="list-style-type: none"> <li>- Annual “Daimler Sustainability Dialogue”(Germany/regions)</li> <li>- Local dialog with residents and municipalities</li> <li>- Internal dialog sessions on integrity and compliance</li> <li>- Daimler Supplier Portal</li> <li>- Membership of sustainability initiatives and networks</li> <li>- Collaboration in the BDI workgroup on artificial intelligence</li> <li>- Specialist conferences on societal topics and debates</li> <li>- Topic and project-related discussions</li> <li>- New dialog formats on future questions: think tanks, hackathons, ideation challenge</li> </ul>	<ul style="list-style-type: none"> <li>- Stakeholder consultation in topic-related workgroups</li> <li>- Advisory Board for Integrity and Corporate Responsibility</li> <li>- Peer review within the framework of sustainability initiatives such as the UN Global Compact</li> </ul>

and many other forums. Here we work with government officials, politically and socially committed groups, opinion leaders, and experts in order to promote the transformation of the automotive industry.

Daimler has defined principles for political dialog and communicating our interests. In doing so, we maintain political restraint and balance and do not allow ourselves to be instrumentalised in party politics. With various instruments, we ensure that our political interests are in line with applicable regulations and ethical standards. In the association's work and cooperation with other companies, special attention is paid to the antitrust requirements. Our internally binding requirements are, among other things, laid down in a world-wide policy and in the Group's Integrity Code.

Our policy on "Lobbying and Political Donations" governs grants, donations to political parties, and the use of other instruments for representing our interests in the political realm. The Board of Management of Daimler AG decided not to make donations to political parties in 2019. This decision was not based on current political or economic developments.

As a company that does business worldwide, we encounter various political and societal changes and decisions that have a decisive impact on our own business operations. That is why it is important for Daimler to represent our company's interests in an open and trust-based dialog and to cooperatively work out solutions.

We seek to ensure that our political lobbying is carried out in accordance with applicable regulations and ethical standards. For this reason, Daimler is listed in the transparency register of the European Union and also complies with the register's Code of Conduct. The internal policies mentioned above describe how we address risks in connection with the political representation of our interests. These risks are also addressed through firmly established Group-wide compliance processes. Information about misconduct relating to our lobbying activities can be addressed to the BPO (Business Practices Office) whistleblower system. [pages 213 f](#)

Our central coordinating body for political dialog at the national and international levels is the External Affairs and Public Policy unit, which is located in Stuttgart and falls under the responsibility of the Chairman of the Board of Management. This unit operates a global network with offices in Berlin, Brussels, Beijing, Singapore, Madrid, Stuttgart, and Washington and also has corporate representations in other key markets. Our objective is to ensure that our interests are represented by addressing political target groups in an organized manner using content which has been coordinated across the group.

The Head of External Affairs and Public Policy is also a permanent member of the Group Sustainability Board and as such is actively involved in many sustainability-related issues [page 198](#). In addition, the External Affairs and Public Policy department works closely with the specialist units on questions relating to the representation of the Group's interests. External Affairs also regularly holds Governmental Affairs Committees, at which the Head of External Affairs and other officials from the unit meet with Board of Management members and Level 1 managers to coordinate important upcoming lobbying decisions. In accordance with our policies, employees at Group companies of the Daimler Group and Daimler AG who represent our interests must register with External Affairs.

In addition to direct dialog with political decision-makers, we are represented via major industrial associations, such as the German Association of the Automotive Industry (VDA). In these ways we participate in many political debates concerning air pollution control in German cities and the promotion of sustainable mobility, for example. We are actively participating in the development of solutions by means of our know-how and our technology. We also maintain contact with representatives from civic organizations and other companies, and we participate in further associations, committees, and sustainability initiatives.



# Integrity and Compliance

Shared values provide orientation in times of technological transformation and societal change. These values help us make the right decisions and act as a responsible member of society. Integrity is as much a part of everyday business conduct at Daimler as compliance and legal responsibility.

## Integrity management

Our stakeholders, for example our shareholders or other societal stakeholders such as various associations, government bodies, our customers, and non-governmental organizations (NGOs), rightly expect us to act in an ethical manner and comply with all applicable laws and regulations. Such ethical conduct is also in our own interest.

We are firmly convinced that we can only be successful over the long term if we fulfill not only our financial responsibility but also our responsibility to society and the environment – on both the local and global levels. For us, this involves more than just obeying laws, as we also seek to align our activities with shared principles and values. The concept of integrity plays a key role here. Integrity is one of the four corporate values that form the foundation of our business activities and shape the way we view ourselves.

For Daimler, integrity means doing the right thing by acting on our values. More specifically, our aspiration is to always comply with internal and external regulations, act in accordance with our corporate values, and listen to our inner compass. This is especially important in situations for which there are no clear rules, or in which the rules that do exist can be interpreted in different ways.

Integrity also plays an important role in the development of new products and services. That's why our focus on integrity begins with product-creation and decision-making processes. This approach helps to reduce legal risks and protect the company's reputation.

### How we make integrity part of our daily business activities

Our Integrity Code defines guidelines for our everyday business conduct, offers our employees orientation, and helps them make the right decisions even in difficult business situations. In doing so, we act in accordance with our corporate principles, which involves more than just complying with laws and regulations. We also take responsibility for our actions and seek to strike a balance between profitability and the needs of people and the environment. Openness and transparency form the foundation of our conduct, and our collaboration is based on trust and respect. We view the diversity of our workforce as one of our strengths.

Employees from different departments and units throughout the Group helped us create this policy. The rules contained in

the Code are binding for all employees at Daimler AG and the Group companies, and we expect all of our employees and business partners to adhere to the underlying principles out of a sense of conviction. The Integrity Code has been published in ten different languages. A separate website for the Integrity Code has been set up on the Group's intranet. This site offers a clear overview of all sections of the Code, as well as detailed information on specific issues and information on contact persons and points of contact for discussing integrity-related issues.

Our Integrity Code also defines requirements for our managers: We expect our executives at all levels to serve as role models in terms of ethical behavior and thus offer employees guidance in this regard.

The task of Integrity Management is to promote and further develop the culture of integrity at the Daimler Group. 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 unit's experts for change management, corporate responsibility management, training, and consulting develop innovative and employee-focused approaches and formats that are designed to strengthen the culture of integrity. The Head of Integrity Management reports directly on a regular basis to the member of the Board of Management responsible for Integrity and Legal Affairs. The Head of Integrity Management also participates in all executive-management meetings.

Because of their strategic significance, we have combined the responsibilities for integrity, compliance, and legal affairs within a single executive division. This division supports all corporate units in their efforts to ensure that these issues remain an integral component of daily business conduct over the long term.

### Contacts for integrity-related questions and issues

Our "Infopoint Integrity" is the central contact and advice center for all employees and managers who need advice on integrity-related questions and issues. The Infopoint either offers direct assistance by obtaining the relevant information from the specialists responsible, or else ensures that inquiries are forwarded to the appropriate contact partner. In line with this approach, the Infopoint works together with experts for legal and HR issues, data protection, compliance, diversity, and sustainability as well as other specialist units. A worldwide network of local compliance and legal contact persons is also available to our employees.

### Measures for promoting ethical conduct

Whether it's dialog sessions, training courses, consulting or employee surveys – we employ numerous measures to initiate discussions on the topic of integrity and promote ethical and responsible behavior. In this way we provide employees at all levels of the hierarchy with crucial support in their daily activities and decision-making.

### Input from employees

Our “Big Picture Integrity” survey is an important element for strengthening and further developing our culture of integrity. This global employee survey on integrity and compliance was conducted throughout the Group in the fall of 2019. The survey results form the basis for strengthening our corporate culture in this regard, as they reveal areas of action and help us formulate appropriate measures for addressing the associated issues. The results are also used to help define the non-financial goals relating to “Integrity” and “Diversity” for the management remuneration system. [pages 112 f](#)

A network of integrity contact persons enables our business divisions to validate, prioritize, and implement integrity-related measures in their organizations. Integrity Management supports such efforts by making contact persons for relevant issues available and offering an Integrity Tool Kit on the intranet that can be used by all interested employees. This Tool Kit contains information, formats for reflection, case studies, and other tools that can be used by individuals or groups to address the topic of integrity. A major focus of our work in 2019 involved dialog sessions that are designed to establish a better understanding of integrity at our various business divisions and the “Speak Up” initiative. We see “Speak Up” as promoting a culture in which all topics can be addressed in an open manner. In addition, we are providing more support to our business divisions with regard to the responsible handling of personal data in connection with the challenges associated with data-based business models. Here we offer assistance to all employees via the company intranet.

### Communication at all levels

We conduct an ongoing open dialog with our employees in order to ensure that integrity will remain embedded in the company's daily business over the long term. We regularly address integrity issues in our internal media and make a wide range of materials available to our corporate 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 events with employees at all levels of the hierarchy, as well as with external stakeholders. These events are held both in Germany and at our locations abroad.

In the course of these events we provide food for thought, consider integrity from a range of different perspectives, and 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, and then put what they learn into practice.

### Training for employees and managers

Our measures for further developing our integrity management system also include a broad range of training programs that are continuously expanded and updated. All employees and managers participate in a web-based integrity training program at regular intervals. In order to offer participants optimal support, the training program also contains a management module that is compulsory for all management staff. It explains in detail the role of executives and managers 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. [page 214](#)

## Our Compliance Management System

Value-based compliance is an indispensable part of our daily business activities at Daimler. For us, compliance means acting in accordance with laws and regulations. Our objective here is to ensure that all of our employees worldwide are always able to carry out their work in a manner that is in compliance with applicable laws, regulations, agreements with workers' representative bodies, voluntary commitments, and our values, as set out in binding form in our Integrity Code.

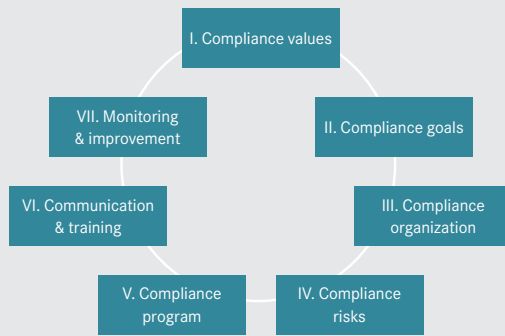
Our compliance activities focus on complying with anti-corruption regulations, the maintenance and promotion of fair competition, the compliance of our products with technical and regulatory stipulations, respect for and the protection of human rights, adherence to data protection laws, compliance with sanctions, and the prevention of money laundering.

Our Compliance Management System (CMS) consists of basic principles and measures for the promotion of compliant behavior throughout the Group. The CMS is based on national and international standards and is applied on a global scale at Daimler AG and all Group companies. The CMS consists of seven elements that build on one another.

### Compliance values and objectives

The objective of our CMS is, on the foundation of our culture of integrity, to promote compliance with applicable laws and policies within the company and on the part of its employees and to prevent inappropriate behavior. 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 in an appropriate manner.

Further information on integrity at Daimler: [page 211](#)

**E.05****The Daimler Compliance Management System****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 organizations are structured divisionally, 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 Group companies implement our compliance program.

**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 Vice President & 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 Vice President & 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.

**Compliance risks**

We systematically pursue the goal of minimizing compliance risks, and we analyze and assess the compliance risks of our Group companies every year. These analyses are based on centrally compiled information on the Group companies 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 risk analyses, focus on the following aspects:

**The whistleblower system BPO**

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, Japan, and South Africa. Reports can be submitted anonymously if local laws permit this. In Germany, whistleblower reports can also be submitted to an external neutral intermediary in addition to the BPO.

The information provided to the BPO whistleblower system 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. High-risk rule violations include, for example, offenses relating to corruption, breaches of antitrust law, and violations of Anti-Money Laundering regulations, as well as serious violations of binding technical provisions. Employees who wish to report violations that pose minor risks can approach their supervisor, their Human Resources department, the Group Security Office or their local employee representation.

A globally valid corporate policy defines BPO procedures and the responsibilities of the various departments and individuals in the organization. This 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. It also defines a standard for evaluating incidents of misconduct and making decisions about their consequences.

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 reported violations. We also supply information materials such as country-specific information cards. In addition, we have produced an instructional video and stage dialog events at selected locations as well.

In 2019, 59 new BPO cases were opened. A total of 44 cases in which 72 individuals were involved were closed "with merit." In these cases, the initial suspicion was confirmed. Seven of these cases were in the category "Corruption", while five related to "Technical compliance" and five concerned "Reputational damage." Accusations of inappropriate behavior of employees toward third parties were confirmed in 13 cases. Four cases were categorized as "Damage exceeding 100,000 euros." The remaining cases fell into other categories. With regard to those cases that are closed "with merit," appropriate

response measures are decided in line with the principles of proportionality and fairness. Personnel measures taken in the reporting year 2019 included the issuing of warnings and final warnings, as well as separation agreements and 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 2019, we made full use 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 that 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 in this area. On the basis of these standards and our Integrity Code, we make available to each of our suppliers and sales partners a specific Compliance Awareness Module developed with their activities in mind. This module also 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.

Further information on expectations regarding our business partners: [daimler.com/sustainability/human-rights/our-business-relationships.html](https://www.daimler.com/sustainability/human-rights/our-business-relationships.html)

#### Communication and training

We offer extensive compliance training courses that are based on our Integrity Code. We conduct a training needs analysis at regular intervals, adjust and/or expand the training program, and subsequently carry out an evaluation.

All employees at Group companies can also 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 subjects such as antitrust law, data protection, technical compliance, benefits in kind for employees, and function-specific topics in areas such as procurement and sales. Our training activities in 2019 focused on, among other things, web-based courses on technical compliance and antitrust law, expert seminars lasting for several days on the topic of data compliance, webinar series on preventing money laundering, and new web-based modules for suppliers and business partners.

Office employees are required to complete those modules relevant to their role and function. We assign the associated modules 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 a trainer guideline and explanatory videos that can be used in a target group-specific manner and in accordance with the risks associated with the participants' jobs. In 2019 a total of approximately 117,600 employees from diverse levels of the hierarchy participated in classroom-based and web-based training programs.

We also offer our employees in the compliance and legal organizations courses that address legal changes and changes to compliance regulations; these courses are taught by experts in the respective fields. In addition, new employees at our integrity, compliance, and legal organizations receive a comprehensive introduction in the course of an onboarding program.

We also offer information and qualification measures to individuals who perform supervisory and management functions, including new members of the Supervisory Board of Daimler AG. Among other things, the onboarding program for new Supervisory Board members provides information about the antitrust compliance program and technical compliance management. In 2019, new members of the supervisory boards of Group companies were also provided with information on various issues relating to compliance, data protection, and integrity. In addition, these new supervisory board members participated in a "Know Your Responsibilities" onboarding program to make them more aware of compliance-related topics (for example anti-corruption policies) and the aspects of integrity at the Group companies.

New members of executive bodies of Group companies are given a compact overview of key aspects of corporate governance via the Corporate Governance Navigator, which is a module that provides information on their tasks and responsibilities, contact partners, and points of contact that deal with central issues addressed by the Integrity and Legal Affairs division and adjacent units. The module thus supports such executives in their new role.

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 is available to all employees with a company-owned device. Among other things, the app enables mobile access to practical information on subjects such as corruption prevention, antitrust law, technical integrity, and data protection, with additional topics being added as required.



Within the framework of our training program, we also offer our business partners special modules on integrity and compliance (including corruption prevention). These 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 the content is complete. In addition, we analyze the knowledge gained through independent internal and external assessments.

We use these activities as a basis for defining any required improvement measures, which are implemented by the responsible Group companies and then monitored on a regular basis. The relevant management bodies continuously receive reports on these monitoring activities.

### Main topics for compliance management

Eliminating corruption, preventing antitrust violations, ensuring product compliance with technical regulations and regulatory provisions, combating money laundering and the financing of terrorism, ensuring compliance with sanctions, and observing data protection legislation – we implemented our Compliance Management System (CMS) in order to address exactly these issues, which are extremely important to us. Our Group-wide approach to respecting and upholding human rights is also based on our CMS.

## Anti-corruption compliance


Daimler has committed itself to fighting corruption in its 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 UN Global 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 particularly 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. The results of our risk assessment analyses form the basis of 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 Group company's management, which cooperates closely with the specialist units within the Integrity and Legal Affairs division. Companies exposed to a high corruption risk are supported by an independent Local Compliance Officer who assists the responsible management team with the implementation of the anti-corruption compliance program.

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:

 [page 214](#)

In order to ensure an independent external assessment of our Anti-Corruption Compliance Program, KPMG AG Wirtschaftsprüfungsgesellschaft audited the Compliance Management System for anti-corruption in accordance with the 980 standard 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 2019.

## Antitrust compliance

Our Group-wide Antitrust Compliance Program is oriented to national and international standards for ensuring fair competition. The program establishes a binding, globally valid Daimler standard that defines how matters of antitrust law are to be assessed. The Daimler standard is based on the standards of the underlying European regulations and takes into account established legal practice at European antitrust authorities, as well as the rulings of European 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, guidelines, and practical support, we help our employees around the world recognize situations that might be critical from an antitrust perspective and also to act in compliance with all regulations. This is particularly important when employees deal with competitors, cooperate with dealers and general agencies, and participate in trade association committees. In addition to Daimler's Legal department and its specialist advisers, the Group's global divisions can turn to local legal advisers, who also ensure that our standards are consistently upheld.

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 and implementing measures lies primarily with each Group company's management, which is also responsible for monitoring the effectiveness of the measures employed. Within the framework of its Group management responsibilities, Daimler AG monitors the executive management bodies of the respective Group companies. As a result, the managers at Group companies cooperate

closely with Integrity and Legal Affairs, which also provides information on how to implement compliance 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 monitoring activities at our divisions, as well as random audits, in order to determine whether antitrust laws and internal standards are complied with. 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.

We utilize a variety of training and communication measures to make our employees aware of the importance of competition and antitrust laws and issues. Such measures during the year under review included both classroom courses and online training courses; the latter are mandatory for staff above a certain hierarchical level. Training in 2019 focused on the topics of “Contact with competitors in general” and “Antitrust cooperations”. Training courses held abroad or at international Group companies are independently organized and conducted by local legal departments as required.

Further information on communication and training:

 [page 214](#)

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, implementation and effectiveness, was already successfully completed at the end of 2016 (antitrust) and at the end of 2019 (anti-corruption).

## Technical compliance

For us, technical compliance means adhering to technical and regulatory requirements, standards, and laws while taking into account the fundamental spirit of these laws and regulations as well as adhering to internal development requirements and processes. In order to address the specific risks associated with the product creation process, we combined the existing systems and additional measures and processes at the Daimler AG automotive divisions into a technical Compliance Management System (tCMS). The purpose of the tCMS is to safeguard legal and regulatory conformity during the entire product development and certification process and to provide orientation and guidance for our employees by defining specific values, principles, structures, and processes.

The tCMS is managed Group-wide by an independent governance body whose director reports directly to the Board of Management member for Integrity and Legal Affairs. This body consists of employees with expertise in various fields, such as development, legal affairs, integrity and compliance. In order to provide optimal support to the divisions, the independent governance body has a divisional structure. The governance body's tasks include the design of the technical Compliance Management System and the provision of legal advice to the divisions.

We have also created dedicated expert units for technical compliance in the development departments at our vehicle-related divisions. Among other things, these units manage a network of technical compliance contact persons at development and certification departments. This network serves as a link between operating units and the compliance organization and also supports the development departments in matters of technical compliance. Complex questions regarding technical compliance are evaluated and then decided in an interdisciplinary process that takes into account technical, legal, and certification-relevant criteria. Our BPO whistleblower system is also available as a contact partner for reporting technical compliance violations.

During the year under review, the Daimler AG Board of Management adopted the tCMS policy. It describes key tCMS elements and defines the roles and responsibilities of all relevant functions. Process descriptions and rules of procedure for tCMS committees in Group companies in scope of application of the tCMS have been drawn up for relevant tCMS elements. The tCMS policy applies to all Group companies worldwide that conduct relevant development and certification activities.

We have made use of various communications measures such as “Tone from the Top” mailings and special training courses and dialog sessions in order to sensitize employees at development and certification units at all divisions to issues relating to technical integrity, compliance, and legal regulations in the product creation process.

Further information on communication and training:

 [page 214](#)

The Technical Integrity initiative, as part of the tCMS, focuses on strengthening awareness of the importance of responsible behavior during the product creation process, particularly in situations where legal provisions may be unclear. Together with the relevant development departments, we have supplemented the provisions of the Integrity Code by formulating so-called commitment statements that support employees and offer them guidance for ensuring proper conduct in their daily activities. These principles have been discussed with employees at dialog sessions held around the world. Various communications measures regarding the commitment statements have been made known to all employees and were anchored in selected training courses.


We also conduct in-depth discussions on safeguarding technical compliance with business partners and selected suppliers. In October 2019, for example, we held a Supplier Dialog event with relevant suppliers. This event was attended by executives, technical compliance managers, and technical project managers from participating supplier companies. Among other things, the objective here was to make suppliers more aware of the regulatory framework, provide them with information on how Daimler safeguards technical compliance, and explain to them what we expect from our suppliers in this regard.

The effectiveness of our tCMS is monitored in the annual monitoring-process. Measures identified by this process will be considered in the improvement of the tCMS and are addressed for implementation.

## Data compliance

Connectivity and digitalization will have a major impact on mobility in the future. The responsible handling and protection of data that is created and stored by digital systems is a top priority at Daimler.

The regulatory requirements relating to data protection have become significantly more stringent in recent years, mainly as a consequence of the implementation of the European Union's General Data Protection Regulation (GDPR). We are addressing the increased requirements within the framework of our Group-wide Data Compliance Management System (Data CMS), which along with our data vision and our data culture is a fundamental component of our overarching Data Governance System. Our new Data Protection Policy EU and our Global Data and Information Policy form the basis for the handling of employee, customer, and business-partner data in a sustainable manner in accordance with all legal requirements.

The Data CMS, which combines all Group-wide measures, processes, and systems for ensuring data protection compliance, is based on the existing Daimler Compliance Management System (CMS). The Data CMS supports the systematic planning, implementation, and monitoring of compliance with data protection requirements. Such measures include programs that help ensure compliance with the GDPR and local data protection laws, as well as various communication and training measures and measures for product-related data protection activities.  [page 214](#)

In 2017, we created the Data Compliance unit to set up the Data Compliance Management System. This unit defines the individual elements of the Data CMS and manages its implementation throughout the Group. To this end, the Chief Compliance Officer submits data compliance reports on a regular basis to the Board of Management member of Daimler AG for Integrity and Legal Affairs, and also provides information on relevant developments in his quarterly reports to the Board of Management.

At the same time, the Chief Officer Corporate Data Protection performs the tasks required by law to ensure compliance with data protection rules. Here the Chief Officer Corporate Data Protection works with a team that monitors compliance with applicable data protection laws and the Daimler Data Protection Policy. In addition, the Chief Officer Corporate Data Protection handles complaints regarding data protection and is also responsible for issuing mandatory reports to supervisory authorities and consulting privacy impact assessments. The Chief Officer Corporate Data Protection is independent and reports directly to the Board of Management member for Integrity and Legal Affairs.

Since the end of 2018, we have been realigning the previous network of local data protection coordinators and merging this network into our global compliance network. This process will be completed by the end of 2020. We specifically prepare Local Compliance Officers and Local Compliance Responsibles for their new tasks in the field of data compliance and support them with training courses and consultation.

A key component of the Data CMS is the Data Compliance Risk Assessment, which is a systematic process conducted by the Data Compliance unit each year in order to identify, analyze, and evaluate data compliance risks at Daimler. The assessment is performed for both Group companies and corporate departments. The analyses are based on centrally compiled information on all units at the Group; specific additional details are taken into account in line with the given risk assessment. The results of the analyses form the basis for managing and minimizing risks in a targeted manner.

Employees are instructed to report all potential data protection incidents internally via the Information Security Incident Management Process. Criminal violations of data protection rules are addressed by the whistleblower system BPO (Business Practices Office), which can also be used by external stakeholders who wish to report violations of laws or internal regulations.

We document and evaluate the implementation of defined data compliance measures within the framework of a monitoring and reporting process. For example, our compliance organization conducts an annual evaluation to assess the adequacy and effectiveness of our Data CMS. We document in our compliance reporting system any areas where action needs to be taken, and we also monitor the implementation of the associated measures. If necessary, the compliance organization will make adjustments to the Data Compliance Management System on the basis of the knowledge gained from the evaluation, while also taking into account changes to the risk situation and new legal requirements.

## 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. In its core business, the global production and sale of vehicles, Daimler AG and its Group companies conduct their operations in accordance with the provisions of the German Money Laundering Act (GwG), which apply to “distributors 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).

The Chief Compliance Officer officially serves as the Group Anti-Money Laundering Officer of Daimler AG in its role as a distributor of goods. The Chief Compliance Officer reports directly to the Board of Management and also serves as the point of contact for regulatory authorities, law enforcement agencies, authorities responsible for the prevention, investigation, and elimination of potential threats, and Germany’s Financial Intelligence Unit. In his capacity as the Anti-Money Laundering Officer, the Chief Compliance Officer has sufficient authority and means to perform his duties.

Daimler AG and its Group companies pursue an integrated compliance approach in all areas of the Group and around the world. This approach takes the form of a central Group unit, “Anti-Financial Crime,” and ensures that checks against sanctions lists are always carried out before Anti-Money Laundering measures are implemented. This integrated approach links prevention of the circumvention of supranational and national sanctions with measures to prevent and combat money laundering, the financing of terrorism, organized crime, and other corporate crime. 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 Group companies and our shareholders and stakeholders.

The Anti-Financial Crime specialist unit assists the Anti-Money Laundering Officer by acting as the Group organization for ensuring that Daimler AG and Group companies comply with the provisions of the GwG across all divisions in their role as distributors of goods. The unit is also responsible for the Group-wide Sanctions Compliance Program. As a central Group organization, the specialist unit therefore also brings together under one roof our two Centers of Competence for Preventing and Combating Money Laundering and the Financing of Terrorism and the Center of Competence for Sanctions Compliance.

The Daimler AG Sanctions Compliance Program, which is valid for all Group companies, includes systematic reviews of compliance with sanctions lists by all units, divisions, and companies worldwide. More specifically, such reviews check whether the names of affected natural persons or legal entities can be found on any sanctions list around the globe. We therefore check both supranational sanctions lists such as those published by the United Nations and the European Union and national sanctions lists from various countries, in particular the United States. 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. Checks against sanctions lists, which are performed in close cooperation with the Export Control department, take data protection law provisions into account.

Measures to combat money laundering and the financing of terrorists are defined for Daimler Mobility AG (DMO) and the Group companies that belong to it by a separate framework divisional guideline that also serves as a basis for the policies at DMO companies. An independent network of local Anti-Money Laundering (AML) Officers has also been established for the individual Group companies allocated to DMO.



## Human rights compliance

Public interest in compliance with human rights in the automotive industry is increasing. One important reason for this development involves the new challenges associated with the expansion of electric mobility. More specifically, there are concerns that the raw materials needed to manufacture electric vehicles might possibly be obtained under conditions that are critical in terms of human rights. We at Daimler have noticed an continuing interest in human rights on the part of investors, which indicates to us that corporate activities related to human rights are having an increasing influence on investment decisions. Legislation relating to compliance with human rights is also being expanded. It is conceivable that new laws governing human rights due diligence obligations could be adopted in Germany after the federal government's National Action Plan on Business and Human Rights comes to an end in 2020. At the EU level, it is possible that legislative initiatives on human rights could be introduced when Germany assumes the Presidency of the European Council.

For Daimler, respect for human rights is a fundamental component of responsible corporate governance. We are committed to ensuring that human rights are respected and upheld in all of our Group companies and by our suppliers. Respect for human rights is therefore a key component of our Group-wide sustainability strategy and our understanding of integrity and ethical behavior. The nature of critical human rights issues varies among regions and suppliers and also depends on the raw materials, services, and supply chains in question. For this reason, when implementing our approach to respecting and upholding human rights, we not only take into account our own plants and facilities but also include risk-based analyses of the entire supply chain.

The following standards and guidelines in particular serve as the key frame of reference for our human rights regulations and our conduct in this regard: the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the Universal Declaration of Human Rights (including the relevant provisions from the International Covenant on Civil and Political Rights and International Covenant on Economic, Social and Cultural Rights), Germany's National Action Plan on Business and Human Rights, and the Core Labor Standards of the International Labour Organization. The human rights issues we focus on and which have been derived from these frames of reference to enable us to fulfill our due diligence obligations are contained in our Integrity Code [www.daimler.com/documents/sustainability/integrity/daimler-integritycode.pdf](http://www.daimler.com/documents/sustainability/integrity/daimler-integritycode.pdf) and the Daimler Supplier Sustainability Standards. [supplier-portal.daimler.com/docs/DOC-1547](http://supplier-portal.daimler.com/docs/DOC-1547)

To ensure that human rights are respected and protected, Daimler has developed a due diligence approach called the Daimler Human Rights Respect System (HRRS). It aims to protect the human rights of our own employees and to ensure that human rights are respected at our direct suppliers (Tier 1) and at risk-relevant points of the supply chain beyond Tier 1. In the spring of 2019, we established a new Social Compliance department. This department is responsible for leading the implementation of our HRRS and to this end utilizes tried and tested methods and processes from our Compliance Management System. Plans call for the HRRS for Daimler AG Group companies to be gradually integrated into the Group-wide CMS. Within the framework of the HRRS, we are also develop-

ing a separate due diligence approach for ensuring compliance with human rights in the supply chain. This approach is based on a foundation of proven compliance management systems.

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, i.e. rights-holders, and is aimed at exerting its effect along our supply chain as well.

With regard to Group companies, the risk assessment in the course of the integration into the Daimler CMS envisages the regular classification of the Group companies, initially on the basis of predefined criteria such as the risks associated with specific countries and specific business operations. Here we take into account fundamental human rights standards such as those defined in the Universal Declaration of Human Rights and those formulated by the International Labour Organization (ILO). We plan to use the reviews as a basis for performing a more detailed annual analysis with the help of a human rights survey conducted by the Group. To this end, we launched a pilot project in 2019 that initially includes seven Group companies. We want to use the knowledge gained from the project to expand our range of systematic risk analyses, which will then be performed at all remaining Group companies.

Within the framework of advance risk assessment activities that are part of a separate due diligence approach for our supply chains, we have identified 24 raw materials and 27 services whose extraction and further processing/provision (services) pose a potentially critical human rights risk. Various international reference documents serve as the basis for these risk assessments. With regard to raw materials, we use the "Child and Forced Labor List" from the US Department of Labor, for example. Extraction and mining methods, and the countries where raw materials are located, all play an important role in our analyses. With regard to services, we make use of the Corruption Perception Index published by Transparency International. This list is compiled on the basis of an assumption that countries which display a high risk of corruption are also more likely to pose a risk in terms of human rights.

The lead responsibility for the controlling of human rights issues lies with the Integrity and Legal Affairs executive division of Daimler AG. The member of the Board of Management responsible for Integrity and Legal Affairs works with the procurement units on ensuring human rights compliance and also receives regular information and the corresponding reports on human rights activities from the Chief Compliance Officer and from specialist units in the Social Compliance and Corporate Responsibility Management departments. Relevant procurement units also provide information on their respective human rights compliance measures to the Procurement Council (PC) and the Board of Management members directly responsible for the units in question. This is supplemented by regular reports submitted to the entire Board of Management and the Corporate Sustainability Board (CSB). Cross-functional teams work closely on the development and implementation of suitable preventive activities and countermeasures. The teams consist of human rights and compliance experts, as well as staff from the operational procurement units and, if necessary, from other specialist units as well. The relevant specialist units and units are responsible for implementing and monitoring the measures developed in each case.

# Limited Assurance Report of the Independent Auditor regarding the Combined Separate Non-financial Report<sup>1</sup>

To the Supervisory Board of Daimler AG, Stuttgart

We have performed an independent limited assurance engagement on the combined separate 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, 2019.

## **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 disclosures which are reasonable under the given circumstances. Furthermore, this 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 entity 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 our 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 of the Report for the period from January 1 to December 31, 2019 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 assurance procedures:

- Inquiries of personnel on corporate level, who are responsible for the materiality analysis, in order to gain an understanding of the processes for determining material sustainability topics and respective reporting boundaries of Daimler
- A risk analysis, including a media search, to identify relevant information on Daimler sustainability performance in the reporting period
- Evaluation of the design and implementation of the systems and processes for determining, processing and monitoring disclosures relating to environmental, employee and social matters, respect for human rights, and combating corruption and bribery, including the consolidation of the data
- Inquiries of personnel on corporate level who are responsible for determining disclosures on concepts, due diligence processes, results and risks, for conducting internal controls and consolidation of the disclosures
- Evaluation of selected internal and external documentation
- Analytical evaluation of data and trends of quantitative information which are reported by all sites for consolidation on corporate level
- Evaluation of local data collection, validation and reporting processes as well as the reliability of reported data based on a sample of the sites in Tuscaloosa (USA), Bremen and Wörth (both Germany)
- Assessment of the overall presentation of the disclosures

## 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 for Daimler the business year from January 1 to December 31, 2019 is not prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

## Restriction of Use/Clause on General Engagement Terms

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 und Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 [https://www.kpmg.de/bescheinigungen/lib/aab\\_english.pdf](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 million as stipulated in No. 9) and accepts the validity of the General Engagement Terms with respect to us

Stuttgart, February 19, 2020

KPMG AG  
Wirtschaftsprüfungsgesellschaft  
(Original German version signed by:)

Dr. Thümler  
Wirtschaftsprüfer  
(German Public Auditor)

Mokler  
Wirtschaftsprüfer  
(German Public Auditor)

<sup>1</sup> Our engagement applied to the German version of the Report 2019. This text is a translation of the Independent Assurance Report issued in the German, 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).



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# Consolidated Statement of Income

F.01	Note	2019	2018
In millions of euros			
Revenue	4	172,745	167,362
Cost of sales	5	-143,580	-134,295
<b>Gross profit</b>		<b>29,165</b>	33,067
Selling expenses	5	-12,801	-13,067
General administrative expenses	5	-4,050	-4,036
Research and non-capitalized development costs	5	-6,586	-6,581
Other operating income	6	2,837	2,330
Other operating expense	6	-4,469	-1,462
Profit on equity-method investments, net	13	479	656
Other financial income/expense, net	7	-262	210
Interest income	8	397	271
Interest expense	8	-880	-793
<b>Profit before income taxes<sup>1</sup></b>		<b>3,830</b>	10,595
Income taxes	9	-1,121	-3,013
<b>Net profit</b>		<b>2,709</b>	7,582
thereof profit attributable to non-controlling interests		332	333
thereof profit attributable to shareholders of Daimler AG		2,377	7,249
<b>Earnings per share (in euros)</b>			
for profit attributable to shareholders of Daimler AG	<b>36</b>		
<b>Basic</b>		<b>2.22</b>	6.78
<b>Diluted</b>		<b>2.22</b>	6.78
1 The reconciliation of Group EBIT to profit before income taxes is presented in Note 34.			

# Consolidated Statement of Comprehensive Income/Loss<sup>1</sup>

## F.02

	Daimler Group	Share- holders of Daimler AG	Non- controlling interests	Daimler Group	Share- holders of Daimler AG	Non- controlling interests
	2019	2019	2019	2018	2018	2018
In millions of euros						
<b>Net profit</b>	<b>2,709</b>	<b>2,377</b>	<b>332</b>	7,582	7,249	333
Currency translation adjustments	475	458	17	234	214	20
Debt instruments						
Unrealized gains/losses (pre-tax)	6	6	–	-29	-29	–
Taxes on unrealized gains/losses and on reclassifications	-1	-1	–	9	9	–
Debt instruments (after tax)	5	5	–	-20	-20	–
Derivative financial instruments						
Unrealized gains/losses (pre-tax)	-1,616	-1,615	-1	-1,080	-1,081	1
Reclassifications to profit and loss (pre-tax)	979	978	1	-722	-722	–
Taxes on unrealized gains/losses and on reclassifications	186	186	–	537	537	–
Derivative financial instruments (after tax)	-451	-451	–	-1,265	-1,266	1
Equity-method investments						
Unrealized gains/losses (pre-tax)	-26	-26	–	-3	-3	–
Taxes on unrealized gains/losses and on reclassifications	–	–	–	-1	-1	–
Equity-method investments (after tax)	-26	-26	–	-4	-4	–
<b>Items that may be reclassified to profit/loss</b>	<b>3</b>	<b>-14</b>	<b>17</b>	-1,055	-1,076	21
Actuarial gains/losses on equity-method investments (pre-tax)	-1	-1	–	-1	-1	–
Actuarial gains/losses on equity-method investments (after tax)	-1	-1	–	-1	-1	–
Actuarial gains/losses from pensions and similar obligations (pre-tax)	-2,403	-2,403	–	-1,627	-1,625	-2
Taxes on actuarial gains/losses from pensions and similar obligations	232	232	–	171	171	–
Actuarial gains/losses from pensions and similar obligations (after tax)	-2,171	-2,171	–	-1,456	-1,454	-2
Equity instruments						
Unrealized gains/losses (pre-tax)	7	6	1	-16	-15	-1
Taxes on unrealized gains/losses and on reclassifications	4	4	–	12	12	–
Equity instruments (after tax)	11	10	1	-4	-3	-1
<b>Items that will not be reclassified to profit/loss</b>	<b>-2,161</b>	<b>-2,162</b>	<b>1</b>	-1,461	-1,458	-3
<b>Other comprehensive income/loss, net of taxes</b>	<b>-2,158</b>	<b>-2,176</b>	<b>18</b>	-2,516	-2,534	18
<b>Total comprehensive income</b>	<b>551</b>	<b>201</b>	<b>350</b>	5,066	4,715	351

1 See Note 20 for other information on the Consolidated Statement of Comprehensive Income/Loss.

# Consolidated Statement of Financial Position

## F.03

		At December 31,	
	Note	2019	2018
In millions of euros			
<b>Assets</b>			
Intangible assets	10	15,978	14,801
Property, plant and equipment	11	37,143	30,948
Equipment on operating leases	12	51,482	49,476
Equity-method investments	13	5,949	4,860
Receivables from financial services	14	52,880	51,300
Marketable debt securities and similar investments	15	770	722
Other financial assets	16	3,347	2,763
Deferred tax assets	9	5,803	4,021
Other assets	17	1,286	1,115
<b>Total non-current assets</b>		<b>174,638</b>	<b>160,006</b>
Inventories	18	29,757	29,489
Trade receivables	19	12,332	12,586
Receivables from financial services	14	50,781	45,440
Cash and cash equivalents		18,883	15,853
Marketable debt securities and similar investments	15	7,885	8,855
Other financial assets	16	2,736	2,970
Other assets	17	5,426	5,889
Assets held for sale		–	531
<b>Total current assets</b>		<b>127,800</b>	<b>121,613</b>
<b>Total assets</b>		<b>302,438</b>	<b>281,619</b>
<b>Equity and liabilities</b>			
Share capital		3,070	3,070
Capital reserves		11,552	11,710
Retained earnings		46,329	49,490
Other reserves		393	397
<b>Equity attributable to shareholders of Daimler AG</b>		<b>61,344</b>	<b>64,667</b>
Non-controlling interests		1,497	1,386
<b>Total equity</b>	20	<b>62,841</b>	<b>66,053</b>
Provisions for pensions and similar obligations	22	9,728	7,393
Provisions for other risks	23	10,597	7,734
Financing liabilities	24	99,179	88,662
Other financial liabilities	25	2,112	2,375
Deferred tax liabilities	9	3,935	3,762
Deferred income	26	1,598	1,612
Contract and refund liabilities	27	6,060	5,438
Other liabilities	28	586	638
<b>Total non-current liabilities</b>		<b>133,795</b>	<b>117,614</b>
Trade payables		12,707	14,185
Provisions for other risks	23	10,327	7,828
Financing liabilities	24	62,601	56,240
Other financial liabilities	25	7,752	7,657
Deferred income	26	1,624	1,580
Contract and refund liabilities	27	7,571	7,081
Other liabilities	28	3,220	3,169
Liabilities held for sale		–	212
<b>Total current liabilities</b>		<b>105,802</b>	<b>97,952</b>
<b>Total equity and liabilities</b>		<b>302,438</b>	<b>281,619</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.



# Consolidated Statement of Cash Flows<sup>1</sup>

## F.04

	2019	2018
In millions of euros		
Profit before income taxes	3,830	10,595
Depreciation and amortization/impairments	7,751	6,305
Other non-cash expense and income	24	-872
Gains (-)/losses (+) on disposals of assets	-761	-178
Change in operating assets and liabilities		
Inventories	99	-3,850
Trade receivables	-346	-884
Trade payables	-1,625	1,694
Receivables from financial services	-4,664	-10,257
Vehicles on operating leases	-1,156	-1,609
Other operating assets and liabilities	5,641	877
Dividends received from equity-method investments	1,202	1,380
Income taxes paid	-2,107	-2,858
<b>Cash provided by operating activities</b>	<b>7,888</b>	<b>343</b>
Additions to property, plant and equipment	-7,199	-7,534
Additions to intangible assets	-3,636	-3,167
Proceeds from disposals of property, plant and equipment and intangible assets	429	644
Investments in shareholdings	-1,619	-780
Proceeds from disposals of shareholdings	394	363
Acquisition of marketable debt securities and similar investments	-5,960	-5,739
Proceeds from sales of marketable debt securities and similar investments	7,014	6,210
Other	-30	82
<b>Cash used for investing activities</b>	<b>-10,607</b>	<b>-9,921</b>
Change in short-term financing liabilities	840	2,637
Additions to long-term financing liabilities	63,607	71,137
Repayment of long-term financing liabilities	-55,043	-56,318
Dividend paid to shareholders of Daimler AG	-3,477	-3,905
Dividends paid to non-controlling interests	-263	-315
Proceeds from the issue of share capital	85	118
Acquisition of treasury shares	-42	-50
Acquisition of non-controlling interests in subsidiaries	-79	-78
<b>Cash provided by financing activities</b>	<b>5,628</b>	<b>13,226</b>
Effect of foreign exchange rate changes on cash and cash equivalents	121	133
<b>Net increase in cash and cash equivalents</b>	<b>3,030</b>	<b>3,781</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>15,853</b>	<b>12,072</b>
<b>Cash and cash equivalents at end of period</b>	<b>18,883</b>	<b>15,853</b>

<sup>1</sup> See Note 29 for other information on Consolidated Statements of Cash Flows.

# Consolidated Statement of Changes in Equity<sup>1</sup>

## F.05

In millions of euros	Share capital	Capital reserves	Retained earnings <sup>2</sup>	Currency translation	Equity instruments/debt instruments
<b>Balance at January 1, 2018</b>	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	-	-
<b>Balance at December 31, 2018</b>	3,070	11,710	49,490	472	15
<b>Balance at January 1, 2019</b>	<b>3,070</b>	<b>11,710</b>	<b>49,490</b>	<b>472</b>	<b>15</b>
Net profit	-	-	2,377	-	-
Other comprehensive income/loss before taxes	-	-	-2,404	458	12
Deferred taxes on other comprehensive income	-	-	232	-	3
Total comprehensive income/loss	-	-	205	458	15
Dividends	-	-	-3,477	-	-
Changes in the consolidated group	-	-	-14	-	-
Capital increase/Issue of new shares	-	-	-	-	-
Acquisition of treasury shares	-	-	-	-	-
Issue and disposal of treasury shares	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	-158	-	-	-
Other	-	-	125	-	-
<b>Balance at December 31, 2019</b>	<b>3,070</b>	<b>11,552</b>	<b>46,329</b>	<b>930</b>	<b>30</b>

<sup>1</sup> See Note 20 for other information on changes in equity.

<sup>2</sup> 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 €11,189 million net of tax in 2019 (2018: €9,017 million net of tax).

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
1,171	9	–	63,843	1,282	65,125	<b>Balance at January 1, 2018</b>	
–	–	–	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	<b>Balance at December 31, 2018</b>	
<b>-95</b>	<b>5</b>	–	<b>64,667</b>	<b>1,386</b>	<b>66,053</b>	<b>Balance at January 1, 2019</b>	
–	–	–	2,377	332	2,709	Net profit	
-637	-26	–	-2,597	18	-2,579	Other comprehensive income/loss before taxes	
186	–	–	421	–	421	Deferred taxes on other comprehensive income	
-451	-26	–	201	350	551	Total comprehensive income/loss	
–	–	–	-3,477	-288	-3,765	Dividends	
–	–	–	-14	5	-9	Changes in the consolidated group	
–	–	–	–	54	54	Capital increase/Issue of new shares	
–	–	-42	-42	–	-42	Acquisition of treasury shares	
–	–	42	42	–	42	Issue and disposal of treasury shares	
–	–	–	-158	-16	-174	Changes in ownership interests in subsidiaries	
–	–	–	125	6	131	Other	
<b>-546</b>	<b>-21</b>	–	<b>61,344</b>	<b>1,497</b>	<b>62,841</b>	<b>Balance at December 31, 2019</b>	

# 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 120, 70372 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 19, 2020.

### Basis of preparation

#### Applied IFRS

The accounting policies applied in the Consolidated Financial Statements comply with the IFRS required to be applied in the EU as of December 31, 2019.

#### IFRS issued, EU endorsed and initially adopted in the reporting period

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 as of January 1, 2019 all leases have to be reported in the Consolidated Statement of Financial Position – very similar to the former 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 applies both recognition exemptions. The lease payments associated with those leases are generally recognized as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

**Right-of-use assets**, which are included under property, plant and equipment, are measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus 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. Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (while affecting other comprehensive income) the carrying amount to reflect the lease payments made.

According to IFRS 16, the depreciation of right-of-use assets 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 have been fully recognized within functional costs.

With the introduction of lessee accounting, payments of lease liabilities excluding interest of €701 million are presented in the Consolidated Statement of Cash Flows under cash flows from financing activities, while the interest portion is presented under cash flows from operating activities – as total lease expenses previously were.



Lease accounting for **lessors** has been taken over almost identically from IAS 17 into IFRS 16.

Daimler applies IFRS 16 for the first time at January 1, 2019. In compliance with the transition regulations, Daimler does not adjust the prior-year figures and presents the not significant accumulated transitional effects in retained earnings.

Daimler as lessee uses the 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 is measured at the present value of the outstanding lease payments, discounted by the incremental borrowing rate at January 1, 2019. The weighted average incremental borrowing rate was 2.27%. 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 at the 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.
- Current knowledge is given due consideration when determining the lease term if the contract contains options to extend or terminate the lease.

In the context of the transition to IFRS 16, right-of-use assets of €3,777 million (including finance leases of €335 million) and lease liabilities of €3,790 million were recognized at January 1, 2019. The following reconciliation (see [↗ F.06](#)) to the opening balance for lease liabilities as at January 1, 2019 is based on the other financial obligations from rental agreements and operating leases at December 31, 2018.

## F.06

### Reconciliation to lease liabilities in accordance with IFRS 16

In millions of euros

<b>Other financial obligations resulting from rental agreements and operating leases in accordance with IAS 17 at December 31, 2018</b>	3,800
Exemptions for short-term leases	-226
Exemptions for leases of low-value assets	-36
Payments related to options to extend or terminate a lease	256
Payments related to non-lease components	77
Others	75
<b>Obligations from operating lease arrangements (undiscounted)</b>	3,946
Discounting	-503
<b>Obligations from operating lease arrangements (discounted)</b>	3,443
Carrying amount of liabilities from finance leases in accordance with IAS 17 at December 31, 2018	347
<b>Carrying amount of lease liabilities in accordance with IFRS 16 at January 1, 2019</b>	3,790

Right-of-use assets and lease liabilities include assets and liabilities, which were recognized until December 31, 2018 as finance leases in accordance with IAS 17.

Certain interest rate benchmarks such as the London Interbank Offered Rate (for USD, GBP, CHF and JPY) will be globally reformed and replaced by alternative risk-free interest rates by the end of 2021. As a reaction to the uncertainty arising from the transition, the IASB has published amendments to IFRS 9, IAS 39 and IFRS 7 (**Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7**). These amendments contain exceptions to specific hedge accounting requirements, which allow the hedge to be continued as if the reference rates on which the hedged item and hedging instrument are based were not changed by the benchmark reform.

Application is mandatory for reporting periods beginning on or after January 1, 2020. Application ends when the uncertainty arising from the interest benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item and the hedging instrument. Daimler adopts the amendments early and avoids the hedge accounting implications that could have been caused by the replacement of the interest rate benchmarks in the form of ineffectiveness or de-designation.

**IFRS 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 consolidated. 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 profitability, liquidity and capital resources, and financial position 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 [7 F.07](#).

### Hyperinflation

To determine whether a country is to be considered as in hyperinflation, Daimler 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, Daimler applies 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.

## F.07

### Exchange rates

	2019				2018			
	USD	GBP	JPY	CNY	USD	GBP	JPY	CNY
	1 € =	1 € =	1 € =	1 € =	1 € =	1 € =	1 € =	1 € =
Average exchange rate on December 31	<b>1.1234</b>	<b>0.8508</b>	<b>121.9400</b>	<b>7.8205</b>	1.1450	0.8945	125.8500	7.8751
Average exchange rates during the respective period								
First quarter	<b>1.1358</b>	<b>0.8725</b>	<b>125.0800</b>	<b>7.6635</b>	1.2292	0.8834	133.1700	7.8154
Second quarter	<b>1.1237</b>	<b>0.8748</b>	<b>123.4700</b>	<b>7.6721</b>	1.1918	0.8762	130.0900	7.6035
Third quarter	<b>1.1119</b>	<b>0.9021</b>	<b>119.3200</b>	<b>7.8000</b>	1.1629	0.8924	129.6100	7.9151
Fourth quarter	<b>1.1071</b>	<b>0.8608</b>	<b>120.3200</b>	<b>7.8012</b>	1.1414	0.8867	128.8200	7.8953


## 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 products is made when the customer obtains control of these products.

Dealers may finance their vehicle inventory by dealer inventory financing provided by Daimler Mobility (formerly Daimler Financial Services). Furthermore end-customers may be credit financed by Daimler Mobility. Receivables from sales financing with end-customers and dealers are presented in receivables from financial services. Further information is provided in

 [Note 14.](#)

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 (Daimler's obligation to repurchase the asset) and a call option (Daimler'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 at contract inception. 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 the agreed 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 expected costs for outstanding services under the contract exceed 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 generally 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 Mobility regarding such a vehicle. The vehicle is therefore sold by the non-Group dealer to Daimler Mobility 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 Mobility. Revenue generated from operating leases 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 or joint control. 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 impairment losses and/or gains on the reversal of such impairments of equity-method investments.

#### **Other financial income/expense, net**

Other financial income/expense, net includes all income and expense from financial transactions which are included neither in interest income nor in interest expense, and which for Daimler Mobility are included neither in revenue nor in 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 Mobility 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 liability 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 probable that they can be realized. Only in the case of tax loss carryforwards or unused tax credits, no liability 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.

In the year 2019, a clarification regarding the presentation of income taxes in the statement of financial position was published by the IFRIC. As a result of this clarification, the former provisions for income taxes now have to be shown as income tax liabilities which are part of the other liabilities. As a result, the current and non-current provisions for income taxes recognized at December 31, 2018 (€823 million and €628 million) were reclassified to current and non-current liabilities. The reclassification has no impact on the Group's profitability or liquidity and capital resources.

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 2019 and 2018 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.

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.

Other intangible assets 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.

With 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 [7 F.08](#).

#### Leasing

Leases include all contracts that transfer the right to use a specified asset for a stated period of time in exchange for consideration, even if the right to use such asset is not explicitly described in the contract. The Group is a lessee mainly of real estate properties and a lessor of its products.

#### Daimler as lessee

Until December 31, 2018 it was evaluated on the basis of the risks and rewards of a leased asset according to IAS 17 whether the ownership of the leased asset is attributed to the lessee (so-called finance lease) or to the lessor (so-called operating lease).

#### F.08

##### Useful lives of property, plant and equipment

Buildings and site improvements	10 to 50 years
Technical equipment and machinery	5 to 25 years
Other equipment, factory and office equipment	3 to 30 years

In the case of an operating lease, the lease payments or rental payments were expensed on a straight-line basis in the Consolidated Statement of Income.

Assets carried as finance leases were 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 was on a straight-line basis; residual values of the assets were given due consideration. Payment obligations resulting from future lease payments were discounted and disclosed under financing liabilities.

Since January 1, 2019 the Group as a lessee has recognized right-of-use assets and the lease liabilities for the payment obligations entered into for generally all leases in the statement of financial position at present value. The lease liabilities include the following lease payments:

- fixed payments including defacto fixed payments, less lease incentives receivables from the lessor;
- variable lease payments linked to an index or interest rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of purchase options, when exercise is estimated to be reasonably certain and
- contractual penalties for the termination of a lease if the lease term reflects the exercise of a termination option.

Lease payments are discounted at the rate implicit in the lease if that rate can readily be determined. Otherwise, discounting is at the incremental borrowing rate. The incremental borrowing rate, which is mainly applied at Daimler, is based on risk-adjusted interest rates and determined for the respective lease terms and currencies. As the cash flow pattern of the reference interest rates (bullet bonds) does not correspond to the cash flow pattern of a lease contract (annuity), we use a duration adjustment in order to account for that difference.

Daimler generally also applies the option for contracts comprising lease components as well as non-lease components not to split these components.

Extension and termination options are part of a number of leases particularly of real estate. Such contract terms offer Daimler the greatest possible flexibility. In determining the lease term, all facts and circumstances offering economic incentives for exercising extension options or not exercising termination options are taken into account. In determining the lease term, those options are only considered if they are reasonably certain.

#### **Sale and leaseback**

In a sale and leaseback transaction, the requirements of IFRS 15 are applied, to ascertain whether the transfer of an asset has to be accounted for as a sale.

If the transfer of an asset does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset, the transferred asset is still recognized and a financial liability is recognized equal to the transfer proceeds in accordance with IFRS 9.

If the transfer of an asset is accounted for as a sale, the lessee accounting principles described above apply to those sold assets if Daimler leases them back from the buyer.

#### **Daimler as lessor**

Based on the risk and rewards associated with a leased asset, it is assessed whether economic ownership of the leased asset is transferred to the lessee (so-called finance leases) or remains with the lessor (so-called operating leases).

Operating leases, i.e. by which the economic ownership of the vehicle remains at Daimler, 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.

As part of the established residual-value management process, especially for operating lease contracts, certain assumptions are regularly 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 regular 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.

In the case of accounting as an operating lease, these vehicles are capitalized at (depreciated) cost of production under leased equipment 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. The vehicles are allocated to the segment which bears substantially all of the residual value risk.

Operating leases also relate to vehicles, primarily Group products that Daimler Mobility 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 Mobility 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 Mobility. In 2019, additions to leased equipment from these vehicles at Daimler Mobility amounted to approximately €14 billion (2018: 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 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. An impairment reversal is recognized to the extent that the recoverable amount has increased subsequent to the impairment and 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.

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 shares, the general development of respective markets as well as the products' profitability. The multi-year planning comprises a planning horizon until 2026 and therefore mainly covers the product life cycles of the 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 Mobility, 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 Mobility 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 carrying amount will be recovered principally through a sale transaction rather than through continuing use. 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. Immediately before the classification, the carrying amount is determined in accordance with the applicable requirements. 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. Acquisition or manufacturing 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, 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, 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. Furthermore, financial assets that are held in a business model other than "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 short 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 to sell the financial assets, 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. 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. 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 (basic scenario, optimistic scenario and pessimistic scenario). 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 financing activities or liquidity management. These are mainly currency risks, interest rate 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 the embedded derivative is closely related to 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 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 in procurement transactions expected with a high degree of probability, designation can be made for separable risk components of these non-financial hedged items.

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 may apply for example to the time value of options, the forward element of a forward contract 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. Differences between the assumptions made and actual developments as well as changes in actuarial assumptions for the measurement of defined benefit plans and similar obligations 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 shares and the growth of the respective markets as well as regarding the products' profitability. On the basis of the impairment tests carried out in 2019, 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 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 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 an 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](#).

**Liability and litigation risks and regulatory 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 and regulatory proceedings 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. Different interpretations can occur especially in connection with the recognition and measurement of balance sheet items as well as in connection with the tax assessment of expenses and income. 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](#).

### F.09

#### Composition of the Group

	At December 31,	
	2019	2018
Consolidated subsidiaries	375	376
Germany	65	70
International	310	306
Unconsolidated subsidiaries	94	126
Germany	39	36
International	55	90
Joint operations accounted for using proportionate consolidation	1	1
Germany	-	-
International	1	1
Joint operations accounted for using the equity method	1	3
Germany	-	1
International	1	2
Joint ventures accounted for using the equity method	16	16
Germany	3	4
International	13	12
Associated companies accounted for using the equity method	16	16
Germany	4	4
International	12	12
Joint operations, joint ventures, associated companies and material other investments accounted for at (amortized) cost	34	32
Germany	13	13
International	21	19
	<b>537</b>	<b>570</b>

## 3. Consolidated Group

### Composition of the Group

Table [F.09](#) shows the composition of the Group.

The aggregate totals in the statement of financial position 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 total assets; 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 41](#).

**New group structure with Daimler AG as parent company**

On May 22, 2019, the Annual Shareholders' Meeting of Daimler AG resolved to hive down the Mercedes-Benz Cars and Mercedes-Benz Vans divisions and the Daimler Trucks and Daimler Buses divisions into legally independent entities. Upon the hive-downs taking effect, the assets to be hived down as defined in the hive-down agreement and other assets and liabilities were transferred to Mercedes-Benz AG and Daimler Truck AG on the basis of the provisions of the hive-down agreement. These hive-downs did not affect the consolidated Group. Outside Germany, business activities were hived down or transferred to newly founded and in the year 2019 for the first time consolidated companies in the context of "Project Future."

As of January 1, 2020, changes have been made in connection with the internal management and reporting structure and thus with the reportable segments. As of that date, the Group's activities are divided into the segments Mercedes-Benz Cars, Mercedes-Benz Vans, Daimler Trucks & Buses and Daimler Mobility. For external reporting purposes, the Mercedes-Benz Cars and Mercedes-Benz Vans segments are combined into the reportable segment Mercedes-Benz Cars & Vans in accordance with the nature of the products and services offered, as well as the brands, distribution channels and customer profiles.

**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 24 (2018: 18) controlled structured entities, of which 24 (2018: 18) are fully consolidated. In addition, the Group has relationships with 8 (2018: 7) 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/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. At December 31, 2018, the assets and liabilities held for sale were presented separately in the Consolidated Statement of Financial Position. The disposal group's assets then amounted to €531 million and its liabilities amounted to €212 million.

Following approval by the antitrust authorities, the transactions were completed on January 31, 2019. As a result, 21 consolidated and 24 unconsolidated subsidiaries left the consolidated group and five operating joint ventures were established. In the Daimler Mobility segment, those transactions had a positive impact on other operating income of €718 million. This resulted in a net cash outflow of €713 million primarily from capital increases in the joint ventures.

The joint ventures resulting from the transaction are aggregated under YOUR NOW and are accounted for using the equity method in the Consolidated Financial Statements. Further information is provided in [Note 13](#).

**F.10****Revenue**

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Mobility	Total segments	Reconciliation	Daimler Group
In millions of euros								
<b>2019</b>								
Europe	38,240	10,129	9,818	2,966	4,606	65,759	-4,681	61,078
NAFTA	19,037	18,982	2,074	228	6,244	46,565	-1,038	45,527
Asia	31,018	6,609	821	336	145	38,929	-36	38,893
Other markets	3,865	3,869	1,132	849	150	9,865	-190	9,675
Revenue according to IFRS 15	92,160	39,589	13,845	4,379	11,145	161,118	-5,945	155,173
Other revenue	1,717	646	956	354	17,501	21,174	-3,602	17,572
Total revenue	93,877	40,235	14,801	4,733	28,646	182,292	-9,547	172,745

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Mobility	Total segments	Reconciliation	Daimler Group
In millions of euros								
<b>2018</b>								
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

**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.10](#). The category type of products and services corresponds to the reportable segments.

Other revenue primarily comprises revenue from the rental and leasing business of €12,747 million (2018: €12,085 million), interest from the financial services business at Daimler Mobility in an amount of €5,811 million (2018: €5,188 million) and effects from currency hedging. The interest from financial services business includes finance income on the net investment in leases of €1,519 million (2018: €1,242 million).

Revenue according to IFRS 15 includes revenue that was included in contract liabilities at December 31, 2018 in an amount of €3,775 million (2018: €3,583 million) and revenue from performance obligations fully (or partially) satisfied in previous periods in an amount of €309 million (2018: €434 million).

Revenue that is expected to be recognized within three years related to performance obligations that are unsatisfied (or partially unsatisfied) amounted to €8,701 million at December 31, 2019 (2018: €7,642 million). 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 initial 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 initial duration of the bundled contract.

Revenue by segment [F.91](#) and region [F.93](#) is presented in tables in [Note 34](#).

**F.11****Cost of sales**

	2019	2018
In millions of euros		
Expense of goods sold	-123,180	-117,508
Depreciation of equipment on operating leases	-9,047	-8,567
Refinancing costs at Daimler Mobility	-3,114	-2,747
Impairment losses on receivables from financial services	-495	-382
Other cost of sales	-7,744	-5,091
	<b>-143,580</b>	<b>-134,295</b>

**F.12****Average number of employees**

	2019	2018
Mercedes-Benz Cars <sup>1,2</sup>	153,753	153,413
Daimler Trucks <sup>2</sup>	84,392	80,720
Mercedes-Benz Vans <sup>2</sup>	21,796	21,925
Daimler Buses <sup>2</sup>	17,808	17,477
Daimler Mobility	12,811	13,739
Other <sup>2</sup>	11,279	11,191
	<b>301,839</b>	<b>298,465</b>

1 Proportionally including 2,126 (2018: 1,856) employees from a proportionately consolidated company.

2 Adjustment of the number of employees in 2018 due to the changed intercompany allocation of employees.

**F.13****Other operating income**

	2019	2018
In millions of euros		
Income from costs recharged to third parties	840	821
Government grants and subsidies	122	102
Gains on sales of property, plant and equipment	75	140
Rental income not relating to sales financing	173	159
Income from company transactions at consolidated companies	729	11
Other miscellaneous income	898	1,097
	<b>2,837</b>	<b>2,330</b>

**5. Functional costs****Cost of sales**

Items included in cost of sales are shown in table [F.11](#).

Amortization expense of capitalized development costs in the amount of €1,793 million (2018: €1,538 million) is presented in expense of goods sold.

In 2019, a reassessment of risks relating to ongoing governmental and legal proceedings and measures taken with regard to Mercedes-Benz diesel vehicles in various regions and markets as well as expenses in connection with an updated risk assessment for an expanded recall of vehicles with Takata airbags adversely affected cost of sales at the Mercedes-Benz Cars and Mercedes-Benz Vans segments. Cost of sales also includes expenses in connection with a review and prioritization of the product portfolio at the Mercedes-Benz Vans segment. The expenses from the review and prioritization of the product portfolio are related to the planned discontinuation of production of the X-Class at the end of May 2020.

**Selling expenses**

In 2019, selling expenses amounted to €12,801 million (2018: €13,067 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 €4,050 million in 2019 (2018: €4,036 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 €6,586 million in 2019 (2018: €6,581 million) and primarily comprise personnel expenses and material costs.

**Personnel expenses and average number of employees**

Personnel expenses included in the Consolidated Statement of Income amounted to €22,657 million in 2019 (2018: €22,432 million). The personnel expenses comprise wages and salaries in the amount of €18,336 million (2018: €18,329 million), social contributions in the amount of €3,536 million (2018: €3,332 million) and expenses from pension obligations in the amount of €785 million (2018: €771 million). The average numbers of people employed are shown in table [F.12](#).

Information on the total remuneration in 2019 of the members of the Board of Management and the Supervisory Board who were active in 2019 is provided in [Note 38](#).



## 6. Other operating income and expense

The composition of other operating income is shown in table [F.13](#).

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.

Income from corporate transactions at consolidated companies primarily comprises income of €718 million resulting from the merger of the business units for mobility services of Daimler Group and BMW Group in the year 2019. See [Note 3](#) for further information.

Government grants and subsidies mainly comprise reimbursements relating to current early retirement part-time contracts and subsidies for alternative drive systems. In the year 2018, other miscellaneous income included insurance compensation of €219 million.

The composition of other operating expense is shown in table [F.14](#).

Other miscellaneous expense primarily comprises changes in provisions for other risks. Compared with the prior year, it includes higher expenses in connection with ongoing governmental and legal proceedings and measures taken in the segments Mercedes-Benz Cars and Mercedes-Benz Vans relating to Mercedes-Benz diesel vehicles in various regions and markets.

## 7. Other financial income/expense, net

Table [F.15](#) shows the components of other financial income/expense, net.

In 2019, the measurement at fair value of the minority interest in Aston Martin Lagonda Global Holdings plc resulted in an expense of €72 million (2018: income of €111 million). After the initial public offering, which took place at the beginning of October 2018, the interest was measured at the current stock-market price of the shares. The expense/income are included in miscellaneous other financial income/expense, net and have been assigned to the segment results of Mercedes-Benz Cars.

## 8. Interest income and interest expense

Table [F.16](#) shows the components of interest income and interest expense.

## 9. Income taxes

Profit before income taxes is comprised as shown in table [F.17](#).

### F.14

#### Other operating expense

	2019	2018
In millions of euros		
Losses on sales of property, plant and equipment	-180	-106
Other miscellaneous expense	-4,289	-1,356
	<b>-4,469</b>	<b>-1,462</b>

### F.15

#### Other financial income/expense, net

	2019	2018
In millions of euros		
Income and expense from compounding and effects from changes in discount rates of provisions for other risks	-238	-31
Miscellaneous other financial income/expense, net	-24	241
	<b>-262</b>	<b>210</b>

### F.16

#### Interest income and interest expense

	2019	2018
In millions of euros		
Interest income		
Net interest income on the net assets of defined benefit pension plans	4	3
Interest and similar income	393	268
	<b>397</b>	<b>271</b>
Interest expense		
Net interest expense on the net obligation from defined benefit pension plans	-197	-133
Interest and similar expense	-683	-660
	<b>-880</b>	<b>-793</b>

### F.17

#### Profit before income taxes

	2019	2018
In millions of euros		
German companies	-4,113	2,932
Non-German companies	7,943	7,663
	<b>3,830</b>	<b>10,595</b>

**F.18****Components of income taxes**

	2019	2018
In millions of euros		
Current taxes		
German companies	-51	-1,116
Non-German companies	-2,331	-1,127
Deferred taxes		
German companies	1,127	125
Non-German companies	134	-895
	<b>-1,121</b>	<b>-3,013</b>

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 [7 F.18](#) shows the components of income taxes.

The current tax expense includes tax benefits recognized for prior periods at German and foreign companies of €244 million (2018: €529 million).

The deferred tax expense/benefit is comprised of the components shown in table [7 F.19](#).

For German companies, in 2019 and 2018, 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 [7 F.20](#) 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 Group impaired deferred tax assets in 2019 and 2018. 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 the equity-method investments.

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 [7 F.21](#).

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 [7 F.22](#).

**F.19****Components of deferred tax expense**

	2019	2018
In millions of euros		
Deferred taxes	1,261	-770
due to temporary differences	-56	-510
due to tax loss carryforwards and tax credits	1,317	-260

**F.20****Reconciliation of expected income tax expense to actual income tax expense**

	2019	2018
In millions of euros		
Expected income tax expense	-1,142	-3,160
Foreign tax rate differential	347	326
Trade tax rate differential	41	37
Tax law changes	-42	11
Change of valuation allowance on deferred tax assets	-209	-101
Tax-free income and non-deductible expenses	21	14
Other	-137	-140
Actual income tax expense	<b>-1,121</b>	<b>-3,013</b>

**F.21****Deferred tax assets and liabilities**

	At December 31,	
	2019	2018
In millions of euros		
Deferred tax assets	5,803	4,021
Deferred tax liabilities	-3,935	-3,762
Deferred tax assets, net	<b>1,868</b>	<b>259</b>

The development of deferred tax assets, net, is shown in table [F.23](#).

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.24](#).

In the Consolidated Statement of Financial Position, the valuation allowances on deferred tax assets increased by €776 million compared to December 31, 2018. This is partially a result of the additional valuation allowances of €209 million recognized in net profit. Furthermore, valuation allowances of €530 million were recognized without an impact on net profit for deferred tax assets recognized in other comprehensive income/loss in 2019 and prior years. Additionally, the valuation allowance changed without an impact on net profit, among other things due to currency translation, tax rate changes in a few countries and adjustments of prior year tax loss carryforwards.

At December 31, 2019, the valuation allowance on deferred tax assets relates, among other things, to corporate income tax loss carryforwards (€926 million). €3 million of the deferred tax assets for corporate income tax loss carryforwards adjusted by a valuation allowance relates to tax loss carryforwards which expire in 2020, €177 million relates to tax loss carryforwards which expire at various dates from 2021 through 2024, €47 million relates to tax loss carryforwards which expire at various dates from 2025 through 2029, €8 million relates to tax loss carryforwards which expire later than 2035 and €691 million relates to tax loss carryforwards which can be carried forward indefinitely. Valuation allowances of €64 million relate to tax loss carryforwards with regard to capital losses which can be carried forward indefinitely. With regard to trade tax loss carryforwards in Germany, valuation allowances of €190 million relate to loss carryforwards which can be carried forward indefinitely. Furthermore, a large proportion of the valuation allowances relates to temporary differences as well as loss carryforwards for state and local taxes at the US-companies. Daimler believes that it is more likely than not that it will not be able to utilize those deferred tax assets or cannot reliably document that sufficient future taxable income will be available against which the deductible temporary differences, tax loss carryforwards and tax credits can be offset. As the probability of more than 50% required by IAS 12 is therefore not fulfilled, valuation allowances were recognized on deferred tax assets also in countries with tax loss carryforwards that can be carried forward indefinitely.

The Group had tax losses at the German tax group in 2019 and at several subsidiaries in several countries in 2019 and prior years. After offsetting the deferred tax assets with deferred tax liabilities, the deferred tax assets not subject to valuation allowances amounted to €2,169 million for those entities. Daimler believes it is more likely than not that future taxable income will be sufficient to allow utilization of these 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.

## F.22

### Split of deferred tax assets and liabilities before offset

	At December 31,	
	2019	2018
In millions of euros		
Intangible assets	60	30
Property, plant and equipment	239	154
Equipment on operating leases	1,990	1,808
Inventories	999	1,017
Receivables from financial services	356	341
Miscellaneous assets, mainly other financial assets	5,231	4,837
Tax loss carryforwards and unused tax credits	3,110	1,538
Provisions for pensions and similar obligations	673	592
Other provisions	1,851	1,692
Liabilities	3,564	2,092
Deferred income	809	1,084
Miscellaneous liabilities	20	2
	18,902	15,187
Valuation allowances	-2,075	-1,299
thereof on temporary differences	-743	-213
thereof on tax loss carryforwards and tax credits	-1,332	-1,086
<b>Deferred tax assets, gross</b>	<b>16,827</b>	<b>13,888</b>
Development costs	-3,718	-3,352
Other intangible assets	-129	-115
Property, plant and equipment	-2,879	-1,757
Equipment on operating leases	-5,220	-5,092
Inventories	-58	-78
Receivables from financial services	-939	-793
Miscellaneous assets	-361	-321
Provisions for pensions and similar obligations	-1,044	-1,572
Other provisions	-222	-233
Miscellaneous liabilities	-389	-316
<b>Deferred tax liabilities, gross</b>	<b>-14,959</b>	<b>-13,629</b>
<b>Deferred tax assets, net</b>	<b>1,868</b>	<b>259</b>

**F.23****Change of deferred tax assets, net**

	2019	2018
In millions of euros		
Deferred tax assets, net as of January 1	259	497
Deferred tax expense/benefit in the Consolidated Statement of Income	1,261	-770
Change of deferred tax assets/liabilities on equity instruments/debt instruments included in other comprehensive income/loss	3	21
Change of deferred tax assets/liabilities on derivative financial instruments included in other comprehensive income/loss	186	537
Change of deferred tax assets/liabilities on actuarial gains/losses from defined benefit pension plans included in other comprehensive income/loss	232	171
Other changes <sup>1</sup>	-73	-197
Deferred tax assets, net as of December 31	1,868	259

1 The other changes primarily relate to effects from currency translation.

As of today, 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 €29,988 million (2018: €28,514 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 liabilities for any future income taxes that may be owed for all open tax years. Nevertheless, it cannot be ruled out that tax payments might exceed the liabilities recognized in the financial statements.

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.24****Tax expense in equity**

	2019	2018
In millions of euros		
Income tax expense in the Consolidated Statement of Income	-1,121	-3,013
Income tax expense/benefit recorded in other reserves	421	728
	-700	-2,285

**10. Intangible assets**

Intangible assets developed as shown in table [7 F.25](#).

At December 31, 2019, goodwill of €541 million (2018: €418 million) relates to the Daimler Trucks segment, goodwill of €433 million (2018: €433 million) relates to the Daimler Mobility segment and goodwill of €177 million (2018: €168 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, 2019: €5,634 million; 2018: €4,029 million). In addition, other intangible assets with a carrying amount of €273 million (2018: €270 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 [7 F.26](#) shows the line items of the Consolidated Statement of Income in which total amortization expense for intangible assets is included.



**F.25****Intangible assets**

	Goodwill (acquired)	Development costs (internally generated) <sup>2</sup>	Other intangible assets (acquired)	Total
In millions of euros				
<b>Acquisition/manufacturing costs</b>				
<b>Balance at January 1, 2018</b>	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 <sup>1</sup>	-31	6	57	32
<b>Balance at December 31, 2018</b>	1,356	18,451	4,884	24,691
Additions due to business combinations	117	-	66	183
Other additions	-	3,083	560	3,643
Reclassifications	-	-	-	-
Disposals	-	-1,386	-790	-2,176
Other changes <sup>1</sup>	20	6	45	71
<b>Balance at December 31, 2019</b>	1,493	20,154	4,765	26,412
<b>Depreciation/impairment</b>				
<b>Balance at January 1, 2018</b>	271	5,912	2,279	8,462
Additions	-	1,553	476	2,029
Reclassifications	-	-	-	-
Disposals	-	-277	-373	-650
Other changes <sup>1</sup>	3	6	40	49
<b>Balance at December 31, 2018</b>	274	7,194	2,422	9,890
Additions	-	1,809	588	2,397
Reclassifications	-	-	-	-
Disposals	-	-1,379	-512	-1,891
Other changes <sup>1</sup>	2	5	31	38
<b>Balance at December 31, 2019</b>	276	7,629	2,529	10,434
<b>Carrying amount at December 31, 2018</b>	1,082	11,257	2,462	14,801
<b>Carrying amount at December 31, 2019</b>	1,217	12,525	2,236	15,978

1 Primarily changes from currency translation.

2 Including capitalized borrowing costs on development costs of €31 million (2018: €41 million).  
Amortization amounted to €16 million (2018: €15 million).

**F.26****Amortization expense for intangible assets in the Consolidated Statement of Income**

	2019	2018
In millions of euros		
Cost of sales	2,258	1,820
Selling expenses	50	85
General administrative expenses	56	57
Research and non-capitalized development costs	32	66
Other operating expense	1	1
	2,397	2,029

## 11. Property, plant and equipment

Property, plant and equipment as shown on the Consolidated Statement of Financial Position with a carrying amount of €37,143 million also includes right-of-use assets from lessee accounting.

Property, plant and equipment, excluding right-of-use assets, developed as shown in table [F.27](#).

In 2019, government grants of €52 million (2018: €51 million) were deducted from property, plant and equipment.

At December 31, 2018 property, plant and equipment also included leased buildings, technical equipment and other equipment with a total carrying amount of €335 million, which were assigned to the Group as economic owner due to the design of the underlying leasing contracts (so called finance leases). Additions to and depreciation of the leased equipment in the year 2018 amounted to €17 million and €33 million respectively.

### F.27

#### Property, plant and equipment (excluding right-of-use assets)

	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
In millions of euros					
<b>Acquisition or manufacturing costs</b>					
<b>Balance at January 1, 2018</b>	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 <sup>1</sup>	84	-30	172	96	322
<b>Balance at December 31, 2018</b>	17,656	27,176	30,377	5,667	80,876
Additions due to business acquisitions	-	-	-	-	-
Other additions	626	1,096	1,992	3,517	7,231
Reclassifications	1,159	1,379	1,479	-3,999	18
Disposals	-124	-1,029	-881	-170	-2,204
Other changes <sup>1</sup>	-377	61	105	58	-153
<b>Balance at December 31, 2019</b>	18,940	28,683	33,072	5,073	85,768
<b>Depreciation/impairment</b>					
<b>Balance at January 1, 2018</b>	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 <sup>1</sup>	-39	-18	129	-	72
<b>Balance at December 31, 2018</b>	8,915	17,675	23,338	-	49,928
Additions	402	1,750	2,540	-	4,692
Reclassifications	-	-3	3	-	-
Disposals	-69	-902	-745	-	-1,716
Other changes <sup>1</sup>	-167	50	72	-	-45
<b>Balance at December 31, 2019</b>	9,081	18,570	25,208	-	52,859
<b>Carrying amount at December 31, 2018</b>	8,741	9,501	7,039	5,667	30,948
<b>Carrying amount at December 31, 2019</b>	9,859	10,113	7,864	5,073	32,909

<sup>1</sup> Primarily changes from currency translation.

Table [F.28](#) shows the composition of the right-of-use assets which are accounted for at January 1, 2019. The right-of-use assets include finance leases, which were shown in property, plant and equipment at December 31, 2018.

The tables [F.29](#), [F.30](#) and [F.31](#) show additional disclosures related to lessee accounting.

Further information on lessee accounting is provided in [Notes 1, 24 and 33](#).

## F.28

### Right-of-use assets

	December 31, 2019
In millions of euros	
Land, leasehold improvements and buildings	3,956
Technical equipment and machinery	187
Other equipment, factory and office equipment	91
	<b>4,234</b>

## F.29

### Additions and depreciations for right-of-use assets

	2019
In millions of euros	
Additions to right-of-use assets	1,075
Depreciation for	
Land, leasehold improvements and buildings	621
Technical equipment and machinery	17
Other equipment, factory and office equipment	40
	<b>678</b>

## F.30

### Expenses related to lessee accounting

	2019
In millions of euros	
Interest expense from lease transactions	98
Expenses from short-term leases	82
Expenses from leases of low-value assets	16
Expenses from variable lease payments	47

## F.31

### Cash outflows related to lessee accounting

	2019
In millions of euros	
Total cash outflow for lease contracts	890
Future cash outflows that are not reflected in the lease liabilities	1,637

## 12. Equipment on operating leases

The development of equipment on operating leases is shown in table [7 F.32](#).

At December 31, 2019, equipment on operating leases with a carrying amount of €10,874 million were pledged as security for liabilities from ABS transactions related to a securitization transaction of future lease payments on leased vehicles (December 31, 2018: €9,804 million) (see also [Note 24](#)).

### F.32

#### Equipment on operating leases

In millions of euros

##### Acquisition or manufacturing costs

<b>Balance at January 1, 2018</b>	58,798
Additions due to business acquisitions	-
Other additions	24,854
Reclassifications	-
Disposals	-21,101
Other changes <sup>1</sup>	980
<b>Balance at December 31, 2018</b>	63,531
Additions due to business acquisitions	-
Other additions	26,759
Reclassifications	-
Disposals	-24,824
Other changes <sup>1</sup>	906
<b>Balance at December 31, 2019</b>	66,372

##### Depreciation/impairment

<b>Balance at January 1, 2018</b>	11,724
Additions <sup>2</sup>	8,567
Reclassifications	-
Disposals	-6,431
Other changes <sup>1</sup>	195
<b>Balance at December 31, 2018</b>	14,055
Additions <sup>2</sup>	9,047
Reclassifications	-
Disposals	-8,353
Other changes <sup>1</sup>	141
<b>Balance at December 31, 2019</b>	14,890

**Carrying amount at December 31, 2018** 49,476

**Carrying amount at December 31, 2019** 51,482

<sup>1</sup> Primarily changes from currency translation.

<sup>2</sup> Comprises impairments of €60 million in 2019 (2018: €133 million).

## Leasing payments

Non-cancelable future lease payments to Daimler for equipment on operating leases are due as presented in table [7 F.33](#) at December 31, 2019, under IFRS 16. Comparison amounts at December 31, 2018, under IAS 17 are shown in table [7 F.34](#).

### F.33

#### Maturity of undiscounted lease payments for equipment on operating leases (according to IFRS 16)

At December 31,  
2019

In millions of euros

##### Mature in year

2020	8,353
2021	6,529
2022	2,656
2023	931
2024	235
2025 and later	73
	18,777

### F.34

#### Maturity of minimum lease payments for equipment on operating leases (according to IAS 17)

At December 31,  
2018

In millions of euros

##### Maturity

within one year	8,376
between one and five years	9,898
later than five years	62
	18,336



### 13. Equity-method investments

Table [7 F.35](#) shows the carrying amounts and profits/losses from equity-method investments.

Table [7 F.36](#) presents key figures on interests in associated companies accounted for using the equity method in the Group's Consolidated Financial Statements.

Table [7 F.37](#) presents key figures on interests in joint ventures accounted for using the equity method in the Group's Consolidated Financial Statements.

#### F.35

##### Summarized carrying amounts and profits/losses from equity-method investments

	Associated companies	Joint ventures	Joint operations	Total
In millions of euros				
<b>At December 31, 2019</b>				
Equity investment <sup>1</sup>	4,349	1,582	18	5,949
Equity result <sup>1</sup>	1,240	-778	17	479
<b>At December 31, 2018</b>				
Equity investment <sup>1</sup>	4,230	604	26	4,860
Equity result <sup>1</sup>	1,050	-397	3	656

1 Including investor-level adjustments.

#### F.36

##### Key figures on interests in associated companies accounted for using the equity method

	BBAC	BAIC Motor <sup>3</sup>	THBV (HERE)	Others	Total
In millions of euros					
<b>At December 31, 2019</b>					
Equity interest (in %)	49.0	9.6	29.7		
Stock market price <sup>1</sup>	-	387	-		
Equity investment <sup>2</sup>	2,519	665	475	690	4,349
Equity result <sup>2</sup>	1,295	40	-114	19	1,240
Dividend payment to Daimler <sup>4</sup>	1,137	19	-		
<b>At December 31, 2018</b>					
Equity interest (in %)	49.0	9.6	29.6		
Stock market price <sup>1</sup>	-	353	-		
Equity investment <sup>2</sup>	2,353	650	522	705	4,230
Equity result <sup>2</sup>	1,247	-107	-101	11	1,050
Dividend payment to Daimler <sup>5</sup>	1,024	10	-		

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 €1,137 million was paid out in the year 2019. The payment was €1,131 million.

5 The dividend from BBAC of €1,024 million was partly paid out in the year 2018 with an amount of €930 million.

**F.37****Key figures on interests in joint ventures accounted for using the equity method**

	YOUR NOW <sup>2</sup>	Others	Total
In millions of euros			
<b>At December 31, 2019</b>			
Equity interest (in %)	50.0		
Stock market price	-		
Equity investment <sup>1</sup>	866	716	1,582
Equity result <sup>1</sup>	-818	40	-778
Dividend payment to Daimler	-		
<b>At December 31, 2018</b>			
Equity interest (in %)	-		
Stock market price	-		
Equity investment <sup>1</sup>	-	604	604
Equity result <sup>1</sup>	-	-397	-397
Dividend payment to Daimler	-		

1 Including investor-level adjustments.

2 The proportionate share of earnings of the YOUR NOW joint ventures is included in Daimler's Consolidated Financial Statements with a one-month time lag. The figures relate to the period of February 1 to November 30.

**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.

In the second quarter of 2019, the shareholders of BBAC approved the payout of a dividend for the 2018 financial year. The amount of €1,137 million attributable to Daimler reduced the carrying amount of the investment accordingly. The first part of the dividend was paid in the third quarter of 2019 and led to a cash inflow of €565 million. The remaining part of the dividend was paid in the fourth quarter of 2019 and led to a cash inflow of €566 million.

Daimler plans to contribute additional equity of in total €0.5 billion in accordance with its shareholding ratio in the years 2020 to 2022.

**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.

As a result of the significantly reduced stock-exchange price of shares in BAIC Motor in 2018, Daimler assessed if there was 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. The loss is 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.

THBV carried out a capital increase in the first quarter of 2019. Daimler participated in the capital increase with a total of €69 million, whereby the equity interest attributable to Daimler increased by 0.1% to 29.7%. The capital contribution increased the carrying amount of the investment accordingly.

Table [F.38](#) 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.

**YOUR NOW**

In March 2018, Daimler Group and BMW Group signed an agreement for the merger of their business units for mobility services, with the goal of offering customers a comprehensive mobility ecosystem that is intelligent, seamlessly connected and available at the touch of a fingertip.

After being approved by the antitrust authorities in December 2018, the transaction was completed on January 31, 2019. The existing services for on-demand mobility in the fields of car sharing, ride hailing, parking, charging and the multimodal mobility platform were combined in five joint ventures, (REACH NOW (platform for on-demand mobility and multimodality), CHARGE NOW (charging), FREE NOW (ride hailing), PARK NOW (parking) and SHARE NOW (car sharing)), which are equally held by Daimler Group and BMW Group and will be strategically expanded in the future. Further information is provided in [Note 3](#).

In the year 2019, an impairment loss of €261 million on joint ventures is included, mainly resulting from the adjustment of earnings forecasts for individual mobility services.

At the end of the year 2019, the joint ventures were merged by way of contribution to YOUR NOW Holding GmbH (YOUR NOW), whose shares are also equally held by Daimler Group and BMW Group. The contribution had no effect on earnings.

Because of the similarity of the business models, the joint venture companies were already managed in combination and therefore reported on jointly in the interim financial statements in 2019. The investment in the joint ventures merged into YOUR NOW is included in the Consolidated Financial Statements as joint ventures accounted for using the equity method with a one-month time lag and is allocated to the Daimler Mobility segment.

Table [F.39](#) shows summarized IFRS financial information after purchase price allocation for the significant joint ventures 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 expense is allocated to the Daimler Mobility segment. Further information is provided in [Note 30](#).

Table [F.40](#) 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.38****Summarized IFRS financial information on significant associated companies accounted for using the equity method**

		BBAC <sup>1</sup>		BAIC Motor <sup>2</sup>		THBV <sup>3</sup> (HERE)
	2019	2018	2019	2018	2019	2018
In millions of euros						
<b>Information on the statement of income</b>						
Revenue	20,177	17,433	22,900	20,085	-	-
Profit/loss from continuing operations after taxes	2,702	2,570	1,739	1,802	-383	-337
Profit/loss from discontinued operations after taxes	-	-	-	-	-	-
Other comprehensive income/loss	-7	7	-134	-	1	-7
Total comprehensive income/loss	2,695	2,577	1,605	1,802	-382	-344
<b>Information on the statement of financial position and reconciliation to equity-method carrying amounts</b>						
Non-current assets	6,272	5,458	14,008	13,825	1,131	1,763
Current assets	8,874	7,156	13,733	10,753	467	2
Non-current liabilities	1,008	967	3,194	3,545	-	-
Current liabilities	8,716	6,625	13,859	10,663	1	1
Equity (including non-controlling interests)	5,422	5,022	10,688	10,370	1,597	1,764
Equity (excluding non-controlling interests) attributable to the Group	2,657	2,461	756	738	475	522
Unrealized profit (-)/loss (+) on sales to/purchases from	-137	-107	-12	-8	-	-
Other reconciling items including equity-method goodwill and impairments on the investment	-1	-1	-79	-80	-	-
Carrying amount of equity-method investment	2,519	2,353	665	650	475	522

**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.



**F.39****Summarized IFRS financial information on significant joint ventures accounted for using the equity method**

	YOUR NOW <sup>1</sup>
	2019
In millions of euros	
<b>Information on the statement of income</b>	
Revenue	459
Depreciation and amortization	-99
Interest income	-
Interest expense	-9
Income taxes	9
Profit/loss from continuing operations after taxes	-616
Profit/loss from discontinued operations after taxes	-
Other comprehensive income/loss	13
Total comprehensive income/loss	-603
<b>Information on the statement of financial position and reconciliation to equity-method carrying amounts</b>	
Non-current assets	1,066
Current assets	1,185
thereof cash and cash equivalents	892
Non-current liabilities	400
thereof non-current financial liabilities	259
Current liabilities	475
thereof current financial liabilities	3
Equity (including non-controlling interests)	1,376
Equity (excluding non-controlling interests) attributable to the Group	680
Unrealized profit (-)/loss (+) on sales to/purchases from	-
Other reconciling items including equity-method goodwill and impairments on the investment	186
Carrying amount of equity-method investment	866

<sup>1</sup> Daimler recognizes its proportionate share of profits or losses of the YOUR NOW joint ventures with a one-month time lag.

Figures for the statement of income relate to the period of February 1 to November 30.

Figures for the statement of financial position and the reconciliation to equity-method carrying amounts relate to the balance sheet date of November 30.

**F.40****Summarized aggregated financial information on minor equity-method investments**

	Associated companies		Joint ventures	
	2019	2018	2019	2018
In millions of euros				
Summarized aggregated financial information (pro rata)				
Profit/loss from continuing operations after taxes	-29	33	-90	1
Profit/loss from discontinued operations after taxes	-	-	-	-
Other comprehensive income/loss	-13	-6	-	-1
Total comprehensive income/loss	-42	27	-90	-

## 14. Receivables from financial services

Table [7 F.41](#) 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.

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.

Table [7 F.42](#) shows the maturities of the future contractual lease payments and the development of lease payments to the carrying amounts of receivables from finance lease contracts at December 31, 2019, according to IFRS 16. Comparison amounts at December 31, 2018, under IAS 17 are shown in table [7 F.43](#).

In 2019, Daimler recognized a gain of €478 million as the difference between the additions to receivables from finance lease contracts and the carrying amounts of the underlying assets (especially in connection with the delivery of vehicles to consolidated companies).

### Loss allowances

The development of loss allowances for receivables from financial services due to expected credit losses is shown in table [7 F.44](#).

The carrying amounts of receivables from financial services based on modified contracts that are shown in stage 2 and 3, amounted to €387 million at December 31, 2019 (December 31, 2018: €184 million). In addition, carrying amounts of €314 million (December 31, 2018: €127 million) in connection with contractual modifications were reclassified from stage 2 and 3 into stage 1.

### Credit risks

Information on credit risks included in receivables from financial services is shown in table [7 F.45](#).

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 amounts of the collaterals are included 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, 2019, receivables from financial services with a carrying amount of €8,941 million (December 31, 2018: €8,106 million) were pledged as collateral for liabilities from ABS transactions (see also [Note 24](#)).

### F.41

#### Receivables from financial services

	At December 31, 2019			At December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Sales financing with customers	18,963	30,627	49,590	18,452	30,029	48,481
Sales financing with dealers	21,016	3,573	24,589	18,549	3,782	22,331
Finance lease contracts	11,461	19,329	30,790	8,976	18,038	27,014
Gross carrying amount	51,440	53,529	104,969	45,977	51,849	97,826
Loss allowances	-659	-649	-1,308	-537	-549	-1,086
Net carrying amount	50,781	52,880	103,661	45,440	51,300	96,740

**F.42****Development of the finance lease contracts  
(according to IFRS 16)**At December 31,  
2019

In millions of euros	
Contractual future lease payments	<b>30,807</b>
thereof due in the year	
2020	<b>12,021</b>
2021	<b>8,869</b>
2022	<b>4,821</b>
2023	<b>3,338</b>
2024	<b>1,156</b>
2025 and later	<b>602</b>
Unguaranteed residual values	<b>3,049</b>
Gross investment	<b>33,856</b>
Unearned finance income	<b>-3,066</b>
Gross carrying amount	<b>30,790</b>
Loss allowances	<b>-456</b>
Net carrying amount	<b>30,334</b>

**F.43****Maturities of the finance lease contracts (according to IAS 17)**

At December 31, 2018

In millions of euros				Total
	< 1 year	1 year up to 5 years	> 5 years	
Contractual future lease payments	9,389	16,583	437	26,409
Unguaranteed residual values	704	2,716	14	3,434
Gross investment	10,093	19,299	451	29,843
Unearned finance income	-1,117	-1,672	-40	-2,829
Gross carrying amount	8,976	17,627	411	27,014
Loss allowances	-140	-212	-2	-354
Net carrying amount	8,836	17,415	409	26,660

**F.44****Development of loss allowances for receivables from financial services due to expected credit losses**

	12-month expected credit loss		Lifetime expected credit loss		Total
	(Stage 1)	(Stage 2)	not credit impaired	credit impaired	
			(Stage 2)	(Stage 3)	
In millions of euros					
<b>Balance at January 1, 2018</b>	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
<b>Balance at December 31, 2018</b>	389	195	502		1,086
Additions	204	60	228		492
Change in remeasurement	11	81	241		333
Utilization	-4	-19	-136		-159
Reversals	-179	-72	-199		-450
Change in models/risk parameters	-	-	-		-
Transfer to stage 1	72	-51	-21		-
Transfer to stage 2	-28	57	-29		-
Transfer to stage 3	-6	-35	41		-
Currency translation and other changes	3	3	-		6
<b>Balance at December 31, 2019</b>	462	219	627		1,308

**F.45****Credit risks included in receivables from financial services**

	12-month expected credit loss		Lifetime expected credit loss		Total
	(Stage 1)	(Stage 2)	not credit impaired	credit impaired	
			(Stage 2)	(Stage 3)	
In millions of euros					
<b>At December 31, 2019</b>					
<b>Gross carrying amount</b>	97,557	5,558	1,854		104,969
thereof					
not past due	96,624	3,902	346		100,872
past due 30 days and less	930	799	117		1,846
past due 31 to 60 days	2	639	104		745
past due 61 to 90 days	1	216	71		288
past due 91 to 180 days	-	2	561		563
past due more than 180 days	-	-	655		655
<b>At December 31, 2018</b>					
<b>Gross carrying amount</b>	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



## 15. Marketable debt securities and similar investments

The marketable debt securities and similar investments with a carrying amount of €8,655 million (2018: €9,577 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 is comprised as shown in table [F.46](#).

Other financial assets recognized at fair value through profit or loss relate exclusively to derivative financial instruments which are not used in hedge accounting.

At December 31, 2019, receivables with a carrying amount of €464 million (2018: €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.47](#).

Other expected reimbursements predominantly relate to recovery claims from our suppliers in connection with issued product warranties.

### F.46

#### Other financial assets

In millions of euros	At December 31, 2019			At December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
Equity instruments and debt instruments	–	860	860	–	748	748
Recognized at fair value through other comprehensive income	–	482	482	–	364	364
Recognized at fair value through profit or loss	–	378	378	–	384	384
Derivative financial instruments used in hedge accounting	185	1,006	1,191	524	509	1,033
Other financial assets recognized at fair value through profit or loss	7	20	27	91	18	109
Other receivables and miscellaneous other financial assets	2,544	1,461	4,005	2,355	1,488	3,843
	2,736	3,347	6,083	2,970	2,763	5,733

### F.47

#### Other assets

In millions of euros	At December 31, 2019			At December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
Reimbursements due to income tax refunds	618	380	998	981	254	1,235
Reimbursements due to other tax refunds	3,097	261	3,358	3,152	136	3,288
Other expected reimbursements	232	225	457	229	281	510
Prepaid expenses	682	69	751	712	126	838
Others	797	351	1,148	815	318	1,133
	5,426	1,286	6,712	5,889	1,115	7,004

**F.48****Inventories**

In millions of euros	At December 31,	
	2019	2018
Raw materials and manufacturing supplies	3,321	3,130
Work in progress	4,290	4,674
Finished goods, parts and products held for resale	21,922	21,351
Advance payments to suppliers	224	334
	<b>29,757</b>	<b>29,489</b>

**F.49****Trade receivables**

In millions of euros	At December 31,	
	2019	2018
Gross carrying amount	12,575	12,826
Loss allowances	-243	-240
Net carrying amount	<b>12,332</b>	<b>12,586</b>

**18. Inventories**

Inventories are comprised as shown in table [F.48](#).

The amount of write-down of inventories to net realizable value recognized as an expense in cost of sales was €413 million in 2019 (2018: €333 million). Inventories that are expected to be recovered or settled after more than twelve months amounted to €1,159 million at December 31, 2019 (December 31, 2018: €1,047 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 is pledged as collateral to the Daimler Pension Trust e.V. in an amount of €1,083 million at December 31, 2019 (December 31, 2018: €952 million).

In addition, inventories with a carrying amount of €302 million at December 31, 2019 (December 31, 2018: €367 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 €48 million at December 31, 2019 (December 31, 2018: €21 million). Those assets are utilized in the context of normal business operations.

**19. Trade receivables**

Trade receivables are comprised as shown in table [F.49](#).

At December 31, 2019, €47 million of the trade receivables mature after more than one year (December 31, 2018: €29 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 is shown in table [F.50](#).

**Credit risks**

Information on credit risks included in trade receivables is shown in table [F.51](#).

Further information on financial risk and types of risk is provided in [Note 33](#).

**F.50****Development of loss allowances for trade receivables due to expected credit losses**

In millions of euros	Lifetime expected credit loss		Total
	not credit impaired	credit impaired	
	(Stage 2)	(Stufe 3)	
<b>Balance at January 1, 2018</b>	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
<b>Balance at December 31, 2018</b>	125	115	240
Additions	38	106	144
Change in remeasurement	1	6	7
Utilization	-12	-35	-47
Reversals	-39	-60	-99
Change in models/risk parameters	-	-	-
Transfer to stage 2	-13	13	-
Transfer to stage 3	-1	1	-
Currency translation and other changes	-1	-1	-2
<b>Balance at December 31, 2019</b>	98	145	243

**F.51****Credit risks included in trade receivables**

In millions of euros	Lifetime expected credit loss		Total
	not credit impaired	credit impaired	
	(Stage 2)	(Stage 3)	
<b>At December 31, 2019</b>			
<b>Gross carrying amount</b>	12,177	398	12,575
thereof			
not past due	10,058	192	10,250
past due 30 days and less	1,407	13	1,420
past due 31 to 60 days	207	4	211
past due 61 to 90 days	99	2	101
past due 91 to 180 days	168	39	207
past due more than 180 days	238	148	386
<b>At December 31, 2018</b>			
<b>Gross carrying amount</b>	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

## 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, 2018, there has been no change in the number of shares outstanding/issued. The number at December 31, 2019 is 1,070 million, unchanged from December 31, 2018.

### 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 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 exercised.

### 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 has not yet been exercised.

As was the case at December 31, 2018, no treasury shares are held by Daimler AG at December 31, 2019.

### Employee share purchase plan

In 2019, as in the previous year without utilizing the authorization to acquire treasury shares granted by the Annual Shareholders' Meeting on April 1, 2015, 0.8 million Daimler shares representing €2.4 million or 0.08% of the share capital were purchased for a price of €42 million and reissued to employees (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).



### 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. In addition the effects of hyperinflation in Argentina are included in the line item "Other" of the 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, 2019, the Daimler management will propose to the shareholders at the Annual Shareholders' Meeting to pay out €963 million of the distributable profit of Daimler AG as a dividend to the shareholders, equivalent to €0.90 per no-par-value share entitled to a dividend (2018: €3,477 million and €3.25 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, 2019, the Group has the 2016-2019 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 2015 was paid out as planned in the first quarter of 2019.

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.52](#).

Table [F.53](#) 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.53](#) 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 2019 can be found in the Remuneration Report. [Management Report from page 108](#)

### F.52

#### Effects of share-based payment

	2019	Expense 2018	Provision	
			2019	At December 31, 2018
In millions of euros				
PPSP	-70	-13	124	112
Medium-term component of annual bonus of the members of the Board of Management	-1	-2	3	10
	<b>-71</b>	<b>-15</b>	<b>127</b>	<b>122</b>

**F.53****Expenses in the Consolidated Statement of Income resulting from share-based payments of current members of the Board of Management**

	Ola Källenius		Martin Daum		Renata Jungo Brüngger	
	2019	2018	2019	2018	2019	2018
In millions of euros						
PPSP	-1.0	-0.1	-0.6	-0.2	-0.8	-0.2
Medium-term component of the annual bonus	-0.1	-0.2	-0.1	-0.2	-0.1	-0.2
	Wilfried Porth		Markus Schäfer <sup>1</sup>		Britta Seeger	
	2019	2018	2019	2018	2019	2018
In millions of euros						
PPSP	-0.8	-0.1	-0.4	-	-0.6	-0.3
Medium-term component of the annual bonus	-0.1	-0.2	-0.1	-	-0.1	-0.2
	Hubertus Troska		Harald Wilhelm <sup>2</sup>		Dr. Dieter Zetsche <sup>3</sup>	
	2019	2018	2019	2018	2019	2018
In millions of euros						
PPSP	-0.8	-0.1	-0.2	-	-4.4	-0.4
Medium-term component of the annual bonus	-0.1	-0.2	-0.1	-	-0.1	-0.5
					Bodo Uebber <sup>3</sup>	
					2019	2018
In millions of euros						
PPSP					-2.1	-0.2
Medium-term component of the annual bonus					-	-0.2

1 Appointed to the Board of Management as of May 22, 2019.

2 Appointed to the Board of Management as of April 1, 2019.

3 Appointment to the Board of Management ended on May 22, 2019, service contract benefits continued until the respective service contract expired on December 31, 2019. Expense in 2019 also includes the complete vesting of granted rights from 2017 to 2019.

**Performance Phantom Share Plans**

In 2019, 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 equivalent.

The number of phantom shares that vest of the PPSPs granted in 2015 to 2019 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 2019, 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 provision 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 [7 F.54](#) 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 investment funds. 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.

In 2018, Daimler AG transferred certain defined benefit obligations and plan assets of retired employees to Daimler Pensionsfonds AG (pension fund). 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 investment 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.

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 investment funds, 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.

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.

**F.54****Composition of provisions for pensions and similar obligations**

	At December 31,	
	2019	2018
In millions of euros		
Provision for pension benefits	8,518	6,298
Provision for other post-employment benefits	1,210	1,095
	9,728	7,393

**Reconciliation of the net obligation from defined benefit pension plans**

The development of the relevant factors is shown in table [F.55](#).

**Composition of plan assets**

Plan assets are used solely to perform pension benefits and to cover the administration costs of the plan assets. The composition of the Group's pension plan assets is shown in table [F.56](#).

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.

**Pension cost**

The components of pension cost included in the Consolidated Statement of Income are shown in table [F.57](#).



## F.55

## Present value of defined benefit pension obligations and fair value of plan assets

	At December 31, 2019			At December 31, 2018		
	Total	German Plans	Non-German Plans	Total	German Plans	Non-German Plans
In millions of euros						
<b>Present value of the defined benefit obligation at January 1</b>	<b>31,645</b>	<b>27,852</b>	<b>3,793</b>	31,744	27,746	3,998
Current service cost	714	609	105	700	600	100
Interest cost	636	479	157	616	481	135
Contributions by plan participants	52	46	6	60	55	5
Actuarial gains (-)/losses from changes in demographic assumptions	11	1	10	175	202	-27
Actuarial gains (-)/losses from changes in financial assumptions	4,214	3,682	532	-228	75	-303
Actuarial gains (-)/losses from experience adjustments	-32	-52	20	-32	-17	-15
Actuarial gains (-)/losses	4,193	3,631	562	-85	260	-345
Past service cost, curtailments and settlements	-118	-	-118	-76	-71	-5
Pension benefits paid	-972	-782	-190	-1,385	-1,211	-174
Currency exchange-rate changes and other changes	45	-65	110	71	-8	79
<b>Present value of the defined benefit obligation at December 31</b>	<b>36,195</b>	<b>31,770</b>	<b>4,425</b>	31,645	27,852	3,793
<b>Fair value of plan assets at January 1</b>	<b>25,462</b>	<b>22,532</b>	<b>2,930</b>	27,215	24,197	3,018
Interest income from plan assets	502	387	115	529	426	103
Actuarial gains/ losses (-)	1,936	1,584	352	-1,781	-1,551	-230
Actual result on plan assets	2,438	1,971	467	-1,252	-1,125	-127
Contributions by the employer	663	582	81	696	585	111
Contributions by plan participants	51	46	5	60	55	5
Settlements	-105	-	-105	-	-	-
Pension benefits paid	-911	-745	-166	-1,323	-1,171	-152
Currency exchange-rate changes and other changes	162	68	94	66	-9	75
<b>Fair value of plan assets at December 31</b>	<b>27,760</b>	<b>24,454</b>	<b>3,306</b>	25,462	22,532	2,930
<b>Funded status</b>	<b>-8,435</b>	<b>-7,316</b>	<b>-1,119</b>	-6,183	-5,320	-863
thereof recognized in other assets	83	-	83	115	-	115
thereof recognized in provisions for pensions and similar obligations	-8,518	-7,316	-1,202	-6,298	-5,320	-978

**F.56****Composition of plan assets**

	At December 31, 2019			At December 31, 2018		
	Total	German Plans	Non-German Plans	Total	German Plans	Non-German Plans
In millions of euros						
Equities <sup>1</sup>	7,399	6,379	1,020	6,766	5,945	821
Government bonds	5,797	4,895	902	5,176	4,308	868
Corporate bonds	11,305	10,355	950	9,746	8,924	822
Securitized bonds	59	43	16	49	29	20
Bonds	17,161	15,293	1,868	14,971	13,261	1,710
Other exchange-traded instruments	1	–	1	19	16	3
<b>Total exchange-traded instruments</b>	<b>24,561</b>	<b>21,672</b>	<b>2,889</b>	<b>21,756</b>	<b>19,222</b>	<b>2,534</b>
Alternative investments <sup>2</sup>	424	254	170	498	340	158
Real estate	488	380	108	486	388	98
Other non-exchange-traded instruments	566	510	56	351	260	91
Cash and cash equivalents	1,721	1,638	83	2,371	2,322	49
<b>Total non-exchange-traded instruments</b>	<b>3,199</b>	<b>2,782</b>	<b>417</b>	<b>3,706</b>	<b>3,310</b>	<b>396</b>
<b>Fair value of plan assets</b>	<b>27,760</b>	<b>24,454</b>	<b>3,306</b>	<b>25,462</b>	<b>22,532</b>	<b>2,930</b>

1 Including the shares in Renault and Nissan in the amount of €1,188 (in 2018: €1,528) million.

2 Alternative investments mainly comprise private equity.

**F.57****Pension cost**

	2019			2018		
	Total	German Plans	Non-German Plans	Total	German Plans	Non-German Plans
In millions of euros						
Current service cost	-714	-609	-105	-700	-600	-100
Past service cost, curtailments and settlements	13	–	13	76	71	5
Net interest expense	-138	-92	-46	-90	-55	-35
Net interest income	4	–	4	3	–	3
	<b>-835</b>	<b>-701</b>	<b>-134</b>	<b>-711</b>	<b>-584</b>	<b>-127</b>

**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 obligations uses life expectancy for the German plans based on the 2018 G mortality tables of K. Heubeck. Comparable country-specific calculation methods are used for non-German plans.

Table [7 F.58](#) 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 [7 F.59](#).

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 arrived at.

**Effect on future cash flows**

Daimler currently plans to make contributions of €0.8 billion to its pension plans for the year 2020; 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 €1.0 billion in 2020.

The weighted average duration of the defined benefit obligations is shown in table [7 F.60](#).

### 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 2019, the total cost from defined contribution plans amounted to €1.6 billion (2018: €1.6 billion). Of those payments €1.5 billion (2018: €1.5 billion) were related to governmental pension plans.

### 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 [7 F.61](#) 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.58

##### Significant factors for the calculation of pension benefit obligations

	At December 31,		At December 31,	
	2019	2018	2019	2018
	German Plans	German Plans	Non-German Plans	Non-German Plans
In percent				
Discount rates	1.0	1.8	3.2	4.4
Expected increase in cost of living <sup>1</sup>	1.7	1.8	-	-

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.59

##### Sensitivity analysis for the present value of defined benefit pension obligation

		At December 31, 2019			At December 31, 2018		
		Total	German Plans	Non-German Plans	Total	German Plans	Non-German Plans
In millions of euros							
Sensitivity for discount rates	+ 0.25%	-1,412	-1,247	-165	-1,174	-1,047	-127
Sensitivity for discount rates	- 0.25%	1,490	1,330	160	1,252	1,115	137
Sensitivity for expected increases in cost of living	+ 0.10%	113	93	20	98	83	15
Sensitivity for expected increases in cost of living	- 0.10%	-112	-93	-19	-95	-82	-13
Sensitivity for life expectancy	+ 1 year	546	463	83	464	393	71
Sensitivity for life expectancy	- 1 year	-505	-405	-100	-417	-345	-72

**F.60****Weighted average duration of the defined benefit obligations**

	2019	2018
In years		
German plans	17	16
Non-German plans	16	16

**F.61****Key data for other post-employment benefits**

	2019	2018
In millions of euros		
Present value of defined benefit obligations	1,210	1,095
Fair value of reimbursement rights	12	27
Funded status	-1,198	-1,068
Net periodic cost for other post-employment benefits	-11	-66

**23. Provisions for other risks**

The development of provisions for other risks is summarized in table [F.62](#).

**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. This also includes measures relating to Mercedes-Benz diesel vehicles in various regions as well as recalls, in particular from an updated risk assessment for an extended recall of Takata airbags. 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 are primarily expected within a period until 2022.

**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 2030.

**Liability and litigation risks and regulatory proceedings**

Provisions for liability and litigation risks and regulatory proceedings comprise costs for various legal proceedings, claims and governmental investigations, which can lead in particular to payments of compensation, punitive damages or other costly actions. Additions in the financial year 2019 mainly resulted from risks from litigation and regulatory proceedings in relation to Mercedes-Benz diesel vehicles. The cash outflows in relation to non-current provisions are primarily expected within a period until 2022.

Further information on liability and litigation risks and regulatory proceedings is provided in [Note 30](#).

**Other**

Provisions for other risks primarily comprise expected costs for other taxes, provisions for environmental protection and obligations from outstanding commission for example to trade representatives, provided 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. The increase in other provisions results in particular from the review and prioritization of the product portfolio at the Mercedes-Benz Vans segment.

**24. Financing liabilities**

The composition of financing liabilities is shown in table [F.63](#).

Lease liabilities include assets and liabilities which were recognized until December 31, 2018 as finance leases in accordance with IAS 17. Future minimum lease payments under finance leases amounted to €477 million at December 31, 2018. The reconciliation of future minimum lease payments from finance lease arrangements to the corresponding liabilities at December 31, 2018 is shown in table [F.64](#).

At December 31, 2019, lease liabilities include effects from first-time adoption of IFRS 16. Information on the adjustments is disclosed in [Note 1](#) of the Notes to the Consolidated Financial Statements. Information on the maturities of lease liabilities is provided in [Note 33](#).

**F.62****Provisions for other risks**

	Product warranties	Personnel and social costs	Litigation risks and regulatory proceedings	Other	Total
In millions of euros					
<b>Balance at December 31, 2018</b>	7,043	4,261	2,147	2,111	15,562
thereof current	3,080	1,971	1,149	1,628	7,828
thereof non-current	3,963	2,290	998	483	7,734
Additions	5,215	1,694	2,876	2,233	12,018
Utilizations	-3,423	-1,810	-103	-955	-6,291
Reversals	-210	-152	-62	-296	-720
Compounding and effects from changes in discount rates	45	155	17	21	238
Currency translation and other changes	38	100	27	-48	117
<b>Balance at December 31, 2019</b>	<b>8,708</b>	<b>4,248</b>	<b>4,902</b>	<b>3,066</b>	<b>20,924</b>
thereof current	3,744	1,522	2,498	2,563	10,327
thereof non-current	4,964	2,726	2,404	503	10,597

**F.63****Financing liabilities**

	At December 31, 2019			At December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Notes/bonds	17,806	67,819	85,625	15,090	61,400	76,490
Commercial paper	3,278	-	3,278	2,835	-	2,835
Liabilities to financial institutions	23,043	16,768	39,811	21,068	18,332	39,400
Deposits in the direct banking business	9,713	3,406	13,119	9,677	2,097	11,774
Liabilities from ABS transactions	6,911	7,021	13,932	6,782	5,670	12,452
Lease liabilities	703	3,537	4,240	27	320	347
Loans, other financing liabilities	1,147	628	1,775	761	843	1,604
	<b>62,601</b>	<b>99,179</b>	<b>161,780</b>	56,240	88,662	144,902

**F.64****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, 2018
In millions of euros			
Maturity			
within one year	38	11	27
between one and five years	162	56	106
later than five years	277	63	214
	477	130	347



## 25. Other financial liabilities

The composition of other financial liabilities is shown in table [7 F.65](#).

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 [7 F.66](#).

### F.65

#### Other financial liabilities

	At December 31, 2019			At December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Derivative financial instruments used in hedge accounting	899	287	1,186	633	461	1,094
Financial liabilities recognized at fair value through profit or loss	45	7	52	51	5	56
Liabilities from residual value guarantees	1,138	921	2,059	1,149	943	2,092
Liabilities from wages and salaries	1,165	33	1,198	1,267	25	1,292
Accrued interest expenses	1,065	–	1,065	1,105	–	1,105
Deposits received	568	585	1,153	504	542	1,046
Other	2,872	279	3,151	2,948	399	3,347
Miscellaneous other financial liabilities	6,808	1,818	8,626	6,973	1,909	8,882
	7,752	2,112	9,864	7,657	2,375	10,032

### F.66

#### Deferred income

	At December 31, 2019			At December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Deferral of sales revenue received from sales with residual-value guarantees	306	565	871	391	584	975
Deferral of advance rental payments received from operating lease arrangements	1,009	927	1,936	890	929	1,819
Other deferred income	309	106	415	299	99	398
	1,624	1,598	3,222	1,580	1,612	3,192

## 27. Contract and refund liabilities

Table [7 F.67](#) shows the composition of contract and refund liabilities.

## 28. Other liabilities

Table [7 F.68](#) shows the composition of other liabilities.

### F.67

#### Contract and refund liabilities

	At December 31,	
	2019	2018
In millions of euros		
Service and maintenance contracts and extended warranties	6,504	5,868
Other contract liabilities	1,337	1,167
<b>Contract liabilities</b>	<b>7,841</b>	7,035
Obligations from sales transactions	5,200	4,931
Other refund liabilities	590	553
<b>Refund liabilities</b>	<b>5,790</b>	5,484
<b>Contract and refund liabilities</b>	<b>13,631</b>	12,519
thereof long-term	6,060	5,438
thereof short-term	7,571	7,081

### F.68

#### Other liabilities

	At December 31, 2019			At December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Income tax liabilities	1,128	582	1,710	1,095	636	1,731
Other tax liabilities	1,909	–	1,909	1,905	1	1,906
Miscellaneous other liabilities	183	4	187	169	1	170
	<b>3,220</b>	<b>586</b>	<b>3,806</b>	3,169	638	3,807

**F.69****Changes in other operating assets and liabilities**

	2019	2018
In millions of euros		
Provisions	5,217	742
Financial instruments	104	-36
Miscellaneous other assets and liabilities	320	171
	<b>5,641</b>	<b>877</b>

**F.70****Cash flows included in cash provided by operating activities**

	2019	2018
In millions of euros		
Interest paid	-725	-678
Interest received	337	257
Dividends received from equity-method investments	1,202	1,380
Dividends received from other shareholdings	94	49

**F.71****Assets and liabilities disposed**

	2019
In millions of euros	
Intangible assets	219
Equipment on operating leases	27
Other assets	297
Financial liabilities	140
Other liabilities	79

**F.72****Changes in liabilities arising from financing activities**

	2019	2018
In millions of euros		
Cash flows	9,404	17,456
Obtaining or losing control of subsidiaries	-	-
Changes in foreign exchange rates	2,130	411
Fair value changes	157	-256
Other changes	5,310	16

**29. Consolidated Statement of Cash Flows****Calculation of funds**

At December 31, 2019, cash and cash equivalents included restricted funds of €64 million (2018: €0 million). The restricted funds primarily relate to subsidiaries where exchange controls apply so that the Group has restricted access to the funds.

**Cash provided by operating activities**

Changes in other operating assets and liabilities are shown in table [F.69](#).

The change in provisions in comparison to the prior year primarily resulted from provisions for warranties and customer goodwill obligations as well as provisions for litigation risks and regulatory proceedings. The increase relates to ongoing governmental and legal proceedings and measures taken with regard to Mercedes-Benz diesel vehicles in several regions, as well as an updated risk assessment for an expanded recall of vehicles with Takata airbags. In addition, the other provisions led to an increase especially due to the review and prioritization of the product portfolio at the Mercedes-Benz Vans segment.

Table [F.70](#) shows cash flows included in cash provided by operating activities. Furthermore, the cash effect of an off-balance-sheet ABS transaction carried out in 2019 is shown in the cash flow provided by operating activities. The transaction resulted in a cash inflow of €0.9 billion.

The line item other non-cash expense and income within the reconciliation of profit before income taxes to cash provided by operating activities in the reporting year primarily comprised the Group's share in the profit/loss of companies accounted for using the equity method and effects due to the review and prioritization of the product portfolio at the Mercedes-Benz Vans segment. In the prior year, the line item primarily comprised the Group's share in the profit/loss of companies accounted for using the equity method.

**Cash used for investing activities**

The table [F.71](#) shows the assets and liabilities disposed of in connection with the merger of the business units for mobility services.

In addition to the disposal of the assets and liabilities shown in table [F.71](#) €106 million of cash and cash equivalents were disposed in connection with establishing the joint ventures due to the merger of the business units for mobility services.

**Cash provided by financing activities**

Cash provided by financing activities includes cash flows from hedging the currency risks of financial liabilities. In 2019, cash provided by financing activities included payments for the reduction of outstanding leasing liabilities of €701 million (2018: €37 million).

Table 7 F.72 includes changes in liabilities arising from financing activities, divided into cash and non-cash components. The increase in other changes in comparison to the prior year primarily resulted from the application of lessee accounting according to IFRS 16.

### 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, Canada and Germany**

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<sub>x</sub>) 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 nationwide 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's 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.

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 had been 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.

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 that 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.

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.

Daimler AG and MBUSA, respectively, regard the foregoing lawsuits in the United States and Canada as being without merit and will defend against the claims.

In Germany, a multitude of lawsuits by investors alleging the violation of disclosure requirements is pending. Plaintiffs contend that Daimler AG did not immediately disclose inside information in connection with the emission behavior of its diesel vehicles and that it had made false and misleading public statements. They further claim that the purchase price of their Daimler shares would have been lower if Daimler had correctly complied with its disclosure duties. In this context, both investors as well as Daimler AG have filed motions to initiate a model proceeding in accordance with the Act on Model Proceedings in Capital Markets Disputes (KapMuG). Currently, no model proceeding is pending. Daimler AG also regards these lawsuits as being without merit and will defend against the claims.

**Diesel emission behavior: governmental proceedings**

As reported, several federal and state authorities and other institutions worldwide have inquired about and/or are/have been conducting investigations and/or administrative proceedings and/or have issued administrative orders or, in the case of the Stuttgart district attorney's office, a fine notice. These particularly relate to test results, the emission control systems used in Mercedes-Benz diesel vehicles and/or Daimler's interaction with the relevant federal and state authorities as well as related legal issues and implications, including, but not limited to, under applicable environmental, criminal and antitrust laws. These authorities and institutions include, amongst others, the U.S. Department of Justice (DOJ), which 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 European Commission, the German Federal Cartel Office ("Bundeskartellamt"), as well as national antitrust authorities and other authorities of various foreign states as well as the German Federal Ministry of Transport and Digital Infrastructure (BMVI) and the German Federal Motor Transport Authority (KBA). In the course of its formal investigation into possible collusion on clean emission technology, the European Commission sent a statement of objections to Daimler and other automobile manufacturers in April 2019. In this context, Daimler filed an application for immunity from fines (leniency application) with the European Commission some time ago. The Stuttgart district attorney's office is conducting criminal investigation proceedings against Daimler employees concerning the suspicion of fraud and criminal advertising, and, in May 2017, searched the premises of Daimler at several locations in Germany. In February 2019, the Stuttgart district attorney's office also initiated a formal investigation proceeding against Daimler AG with respect to an administrative offense. In September 2019, the Stuttgart district attorney's office issued a fine notice against Daimler based on a negligent violation of supervisory duties in the amount of €870 million which has become legally binding, thereby concluding the administrative offense proceedings against Daimler.

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

Except for the Stuttgart district attorney's office's administrative offense proceedings, 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.

**Accounting assessment of the legal proceedings in connection with diesel emission behavior**

With respect to the legal proceedings described in the two preceding chapters, 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's position.



**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 anti-competitive 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 Mercedes-Benz USA, LLC (MBUSA) remain parties in the case. On June 17, 2019, the court granted motions to dismiss in the consolidated US class action proceedings, albeit with leave to amend, and on August 15, 2019, the plaintiffs filed amended complaints making similar allegations. Daimler AG and MBUSA regard the US and Canadian lawsuits as being without merit, and will defend against the claims. This contingent liability cannot currently be measured.

In this context, Daimler AG may disclose that it filed a 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. In the course of such investigation, the European Commission, in April 2019, sent a statement of objections to Daimler and other automobile manufacturers to which Daimler responded in good time. At present, Daimler does not expect this issue to have any material impact on the Group's 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 and Daimler Truck AG facing customers' claims for damages to a considerable degree. Respective legal actions, class actions and other forms of legal redress have been initiated in various states in and outside of Europe and should further be expected. Daimler 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'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 cooperated in full with the authority. In the fourth quarter of 2019, the proceedings were terminated by way of a settlement.

**Class-action lawsuits Takata airbag inflators**

As already reported, class actions in connection with Takata airbags are pending in Canada, the United States and Israel. The lawsuits are based on the allegation that, along with Takata entities and many other companies that sold vehicles equipped with Takata airbag inflators, Daimler entities were allegedly negligent in selling such vehicles, purportedly not recalling them quickly enough, and failing to provide an adequate replacement airbag inflator. In detail: In August 2016, Mercedes-Benz Canada (MB Canada) was added as a defendant to a putative nationwide class action pending in Ontario Superior Court. In addition, Daimler AG and MBUSA were named as defendants along with Takata companies in June 2017, in a US nationwide class action, which was filed in New Jersey Federal Court. In the third quarter of 2017, such lawsuit was transferred to federal court in the Southern District of Florida for consolidation with other multidistrict litigation proceedings. Further class action lawsuits in the USA were integrated into the multiple district proceedings. In an order entered on June 21, 2019, the court dismissed all consumer claims against Daimler AG and some consumer claims against MBUSA. However, one of the multidistrict litigation complaints has been amended to assert claims by automotive recyclers who allege injury because they are not able to re-sell salvaged airbag inflators that are subject to the Takata recall. The motions to dismiss against that complaint are still pending. In February 2019, Daimler AG and its non-subsidiary Israeli distributor (Colmobil) were named as defendants in an Israel-wide class action alleging inadequacy of Takata recall efforts in Israel. The previously reported lawsuit filed by the State of New Mexico against MBUSA 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. Contingent liabilities were disclosed to a low extent for this topic.

**Toll Collect**

On July 4, 2018, through its subsidiary Daimler Financial Services AG (since July 23, 2019 Daimler Mobility 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 and on July 6, 2018, the arbitral tribunal issued an arbitration ruling on agreed terms terminating the Toll Collect arbitration proceedings on the basis of the settlement. The final operating permit for the toll system was granted within the scope of the settlement.

As a result of the settlement, in the second quarter of 2018, the profit/loss on equity-method investments in the Daimler Mobility segment includes expenses of €418 million. The EBIT of the Daimler Mobility segment was 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. In the third quarters of 2019 and 2018, Daimler Mobility AG recorded cash outflows of €200 million each. The last tranche of €150 million will be paid in the third quarter of 2020. 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.

Irrespective of the settlement, the guarantees relating to the operating agreement or other additional agreements remain unchanged. No guarantee claims have been made so far.

**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, 2019, the best estimate for obligations from **contingent liabilities** was €1,600 million (2018: €761 million). The increase in contingent liabilities results from possible obligations under the Renewable Energies Act in the context of lease models, as well as from the legal proceedings described in [Note 30](#).

**Other financial obligations**

At December 31, 2018, the Group reported **other financial obligations from non-cancelable rental agreements and operating leases** of €3,800 million according to IAS 17. At January 1, 2019, Daimler applies IFRS 16 for the first time, replacing IAS 17. The reconciliation to the opening balance for lease liabilities as at January 1, 2019, is based on other financial obligations from non-cancelable rental agreements and operating leases at December 31, 2018, as shown in table [F.06](#). Further information on financial liabilities is provided in [Notes 1 and 24](#).

At December 31, 2019, other financial obligations exist from the **acquisition of intangible assets, property, plant and equipment and lease property** of €4,613 million (2018: €5,048 million).

In addition, the Group had issued **irrevocable loan commitments** at December 31, 2019. These loan commitments had not been utilized as of that date. Further information with respect to these commitments is provided in [Note 33](#).

## 32. Financial instruments

### Carrying amounts and fair values of financial instruments

Table [F.73](#) shows the carrying amounts and fair values of the respective classes of the Group's financial instruments.

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:

### F.73

#### Carrying amounts and fair values of financial instruments

	At December 31, 2019		At December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
In millions of euros				
<b>Financial assets</b>				
Receivables from financial services	103,661	104,930	96,740	97,144
Trade receivables	12,332	12,332	12,586	12,586
Cash and cash equivalents	18,883	18,883	15,853	15,853
Marketable debt securities and similar investments	8,655	8,655	9,577	9,577
Recognized at fair value through other comprehensive income	5,323	5,323	5,855	5,855
Recognized at fair value through profit or loss	2,858	2,858	3,059	3,059
Measured at cost	474	474	663	663
<b>Other financial assets</b>				
Equity instruments and debt instruments	860	860	748	748
Recognized at fair value through other comprehensive income	482	482	364	364
Recognized at fair value through profit or loss	378	378	384	384
Other financial assets recognized at fair value through profit or loss	27	27	109	109
Derivative financial instruments used in hedge accounting	1,191	1,191	1,033	1,033
Other receivables and miscellaneous other financial assets	3,328	3,328	3,177	3,177
	148,937	150,206	139,823	140,227
<b>Financial liabilities</b>				
Financing liabilities	157,540	159,288	144,902	144,933
Trade payables	12,707	12,707	14,185	14,185
<b>Other financial liabilities</b>				
Financial liabilities recognized at fair value through profit or loss	52	52	56	56
Derivative financial instruments used in hedge accounting	1,186	1,186	1,094	1,094
Miscellaneous other financial liabilities	8,491	8,491	8,844	8,844
<b>Contract and refund liabilities</b>				
Obligations from sales transactions	5,200	5,200	4,931	4,931
	185,176	186,924	174,012	174,043

**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, 2019 and December 31, 2018.

**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**

*Marketable debt securities* are recognized 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 due to the short terms of these financial instruments and the fundamentally lower credit risk.

*Equity Instruments* are recognized at fair value through other comprehensive income or at fair value through profit or loss. The fair values of the equity instruments recognized through other comprehensive income are included in table [F.73](#) and comprise Sila Nanotechnologies Inc., 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, 2019.

Marketable debt securities and equity instruments recognized at fair value were measured using quoted market prices at the end of the reporting period. If quoted market prices were not available for these debt and equity instruments, fair value measurement is based on inputs that are either directly or indirectly observable in active markets. Fair values are calculated using recognized financial valuation models such as discounted cash-flow models or multiples.

*Other financial assets recognized 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 (taking account of credit premiums and default risks) 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 are measured with 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 (taking account of credit premiums and default risks) 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 and default risks.

*Other financial receivables and other financial 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.

**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 (taking account of credit premiums and credit risks). 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.

**Contract and refund liabilities**

Contract and refund liabilities include obligations from sales transactions that qualify as financial instruments. Obligations from sales transactions should generally be regarded as short term. Due to the short maturities of these financial instruments, it is assumed that their fair values are equal to their carrying amounts.

**Other financial liabilities**

*Financial liabilities recognized 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 comparable 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 [7 F.74](#) 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 [7 F.75](#) provides an overview of the classification into measurement hierarchies of financial assets and liabilities recognized at fair value (according to IFRS 13).

At the end of each reporting period, Daimler reviews the necessity of reclassification between the measurement hierarchies.

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.

Table [7 F.76](#) shows into which measurement hierarchies (according to IFRS 13) the fair values of the financial assets and liabilities are classified which are not recognized at fair value in the Consolidated Statement of Financial Position.

**F.74****Disclosure for recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement**

	At December 31, 2019			At December 31, 2018		
	Gross and net amounts of financial instruments in the Consolidated Statement of Financial Position	Amounts subject to a master netting arrangement	Net amounts	Gross and net amounts of financial instruments in the Consolidated Statement of Financial Position	Amounts subject to a master netting arrangement	Net amounts
In millions of euros						
Other financial assets <sup>1</sup>	1,218	-542	676	1,142	-574	568
Other financial liabilities <sup>2</sup>	1,238	-542	696	1,150	-574	576

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 recognized 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 recognized at fair value through profit or loss (see Note 25).



**F.75****Measurement hierarchy of financial assets and liabilities recognized at fair value**

	At December 31, 2019				At December 31, 2018			
	Total	Level 1 <sup>1</sup>	Level 2 <sup>2</sup>	Level 3 <sup>3</sup>	Total	Level 1 <sup>1</sup>	Level 2 <sup>2</sup>	Level 3 <sup>3</sup>
In millions of euros								
Financial assets recognized at fair value								
Marketable debt securities	8,181	5,254	2,927	–	8,914	5,812	3,102	–
Recognized at fair value through other comprehensive income	5,323	2,396	2,927	–	5,855	2,753	3,102	–
Recognized at fair value through profit or loss	2,858	2,858	–	–	3,059	3,059	–	–
Equity instruments and debt instruments	860	275	270	315	748	338	304	106
Recognized at fair value through other comprehensive income	482	205	158	119	364	208	128	28
Recognized at fair value through profit or loss	378	70	112	196	384	130	176	78
Other financial assets recognized at fair value through profit or loss	27	–	27	–	109	–	109	–
Derivative financial instruments used in hedge accounting	1,191	–	1,191	–	1,033	–	1,033	–
	<b>10,259</b>	<b>5,529</b>	<b>4,415</b>	<b>315</b>	<b>10,804</b>	<b>6,150</b>	<b>4,548</b>	<b>106</b>
Financial liabilities recognized at fair value								
Financial liabilities recognized at fair value through profit or loss	52	–	52	–	56	–	56	–
Derivative financial instruments used in hedge accounting	1,186	–	1,186	–	1,094	–	1,094	–
	<b>1,238</b>	<b>–</b>	<b>1,238</b>	<b>–</b>	<b>1,150</b>	<b>–</b>	<b>1,150</b>	<b>–</b>

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.76****Measurement hierarchy of financial assets and liabilities not recognized at fair value**

	At December 31, 2019				At December 31, 2018			
	Total	Level 1 <sup>1</sup>	Level 2 <sup>2</sup>	Level 3 <sup>3</sup>	Total	Level 1 <sup>1</sup>	Level 2 <sup>2</sup>	Level 3 <sup>3</sup>
In millions of euros								
Fair values of financial assets measured at cost								
Receivables from financial services	104,930	–	104,930	–	97,144	–	97,144	–
Fair values of financial liabilities measured at cost								
Financing liabilities	159,288	66,203	93,085	–	144,933	62,961	81,972	–
thereof bonds	87,139	65,187	21,952	–	76,468	62,862	13,606	–
thereof liabilities from ABS transactions	14,024	1,016	13,008	–	12,474	99	12,375	–
thereof other financing liabilities	58,125	–	58,125	–	55,991	–	55,991	–

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.

## Measurement categories

The carrying amounts of financial instruments according to measurement categories are shown in table [F.77](#).

The table [F.77](#) does not include the carrying amounts of derivative financial instruments used in hedge accounting as these financial instruments are not assigned to a measurement category.

## Net gains or losses

Table [F.78](#) shows the net gains/losses on financial instruments included in the Consolidated Statement of Income (excluding derivative financial instruments used in hedge accounting).

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 comprise gains and losses attributable to changes in their fair values.

Net gains/losses on equity instruments recognized at fair value through other comprehensive income primarily comprise dividend payments.

Net gains/losses on other financial assets recognized 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 (without the interest income/expense shown below) primarily comprise impairment losses (including reversals of impairment losses) of €551 million (2018: €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.

Net gains/losses on financial liabilities measured at (amortized) cost (without the interest income/expense shown below) primarily comprise the effects of currency translation.

## F.77

### Carrying amounts of financial instruments according to measurement categories

	At December 31,	
	2019	2018
In millions of euros		
<b>Assets</b>		
Financial assets measured at (amortized) cost	<b>108,344</b>	102,359
Receivables from financial services <sup>1</sup>	<b>73,327</b>	70,080
Trade receivables	<b>12,332</b>	12,586
Cash and cash equivalents	<b>18,883</b>	15,853
Marketable debt securities and similar investments	<b>474</b>	663
Other receivables and miscellaneous other financial assets	<b>3,328</b>	3,177
Financial assets recognized at fair value through other comprehensive income	<b>5,805</b>	6,219
Marketable debt securities and similar investments	<b>5,323</b>	5,855
Equity and debt instruments	<b>482</b>	364
Financial assets recognized at fair value through profit or loss	<b>3,263</b>	3,552
Marketable debt securities and similar investments	<b>2,858</b>	3,059
Equity and debt instruments	<b>378</b>	384
Other financial assets recognized at fair value through profit or loss <sup>2</sup>	<b>27</b>	109

### Liabilities

Financial liabilities measured at (amortized) cost	<b>183,831</b>	172,391
Trade payables	<b>12,707</b>	14,185
Financing liabilities <sup>3</sup>	<b>157,540</b>	144,555
Miscellaneous other financial liabilities <sup>4</sup>	<b>8,384</b>	8,720
Obligations from sales transactions	<b>5,200</b>	4,931
Financial liabilities recognized at fair value through profit or loss <sup>2</sup>	<b>52</b>	56

1 This does not include lease receivables of €30,334 million (2018: €26,660 million) as these are not assigned to a 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 lease transactions of €4,240 million (2018: liabilities from finance leases of €347 million) as these are not assigned to a measurement category.

4 This does not include liabilities from financial guarantees of €107 million (2018: €124 million) as these are not assigned to a measurement category.

**F.78****Net gains/losses**

	2019	2018
In millions of euros		
Equity and debt instruments recognized at fair value through profit or loss	-79	136
Other financial assets and financial liabilities recognized at fair value through profit or loss <sup>1</sup>	-150	240
Equity instruments recognized at fair value through other comprehensive income	3	2
Other financial assets recognized at fair value through other comprehensive income	3	-17
Financial assets measured at (amortized) cost	-493	-469
Financial liabilities measured at (amortized) cost	204	105

<sup>1</sup> Financial instruments classified as held for trading; these amounts relate to financial instruments that are not used in hedge accounting.

**Total interest income and total interest expense**

Total interest income and total interest expense for financial assets or financial liabilities that are not recognized at fair value through profit or loss are shown in table [F.79](#).

See [Note 1](#) for qualitative descriptions of accounting for and presentation of financial instruments (including derivative financial instruments).

**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 or from its liquidity management. These are mainly interest rate risks, currency risks and commodity price risks, which were defined as risk categories. 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.80](#) shows the amounts for the transactions designated as hedging instruments.

**F.79****Total interest income and total interest expense**

	2019	2018
In millions of euros		
Total interest income	5,876	5,189
thereof from financial assets and liabilities measured at (amortized) costs	5,719	5,100
thereof from financial assets recognized at fair value through other comprehensive income	157	89
Total interest expense	-3,550	-3,171
thereof from financial assets and liabilities measured at (amortized) costs	-3,550	-3,171
thereof from financial assets recognized at fair value through other comprehensive income	-	-

**F.80****Amounts for the transactions designated as hedging instruments**

	Foreign currency risk		Interest rate risk		Commodity risk
	Cash flow hedges <sup>1</sup>	Hedges of net investments in foreign operations	Cash flow hedges <sup>1</sup>	Fair value hedges <sup>2</sup>	Cash flow hedges <sup>1</sup>
In millions of euros					
<b>December 31, 2019</b>					
<b>Carrying amount of the hedging instruments</b>					
Other financial assets current	76	-	10	62	37
Other financial assets non-current	64	-	20	907	15
Other financial liabilities current	817	-	72	8	2
Other financial liabilities non-current	147	-	94	46	-
Financial liabilities current	-	-	-	-	-
<b>Fair value changes<sup>3</sup></b>	<b>-1,558</b>	<b>-1</b>	<b>-204</b>	<b>848</b>	<b>113</b>
<b>December 31, 2018</b>					
<b>Carrying amount of the hedging instruments</b>					
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	-	-	-
<b>Fair value changes<sup>3</sup></b>	<b>-1,021</b>	<b>1</b>	<b>-18</b>	<b>122</b>	<b>-41</b>

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.

**F.81****Fair Value Hedges**

	Interest rate risk	
	2019	2018
In millions of euros		
Carrying amounts of the hedged items		
Financing liabilities current	13,831	14,217
Financing liabilities non-current	28,407	29,086
thereof hedge adjustments		
Financing liabilities current	461	-72
Financing liabilities non-current	478	100
Fair value changes of the hedged items <sup>1</sup>	-846	-121
Accumulated amount of hedge adjustments from inactive hedges remaining in the statement of financial position	-40	23

<sup>1</sup> Fair value changes of the hedged items used for recognizing hedge ineffectiveness.

**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 are included in table [F.81](#).

The amounts relating to hedge ineffectiveness for items designated as fair value hedges are shown in table [F.82](#).

**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 are shown in table [F.83](#).

The gains and losses on items designated as cash flow hedges as well as the amounts relating to hedge ineffectiveness are included in table [F.84](#).

**F.82****Ineffectiveness of fair value hedges**

	Interest rate risk	
	2019	2018
In millions of euros		
Cost of sales	-	-
Interest expense	2	2

**F.83****Cash flow hedges and hedges of net investments in foreign operations**

	2019						2018
	Foreign currency risk	Interest rate risk	Commodity risk	Foreign currency risk	Interest rate risk	Commodity risk	
In millions of euros							
Fair value changes of the hedged items <sup>1</sup>	1,533	204	-115	1,024	83	39	
Thereof hedges of net investments in foreign operations	1			-1			
Balance of the reserves for derivative financial instruments (before taxes)							
Continuing hedges	-745	-78	53	-91	-4	9	
Thereof hedges of currency risks in the automotive business <sup>2</sup>	-401	-	-17	-	-	-	
Thereof hedges of net investments in foreign operations	-			4			
Discontinued/terminated hedges	-271	-3	-	-311	-4	-	
Thereof hedges of net investments in foreign operations	-270			-270			

<sup>1</sup> Fair value changes of the hedged items used for recognizing hedge ineffectiveness.

<sup>2</sup> De-designation and re-designation of hedging instruments at January 1, 2019, differentiated for Mercedes-Benz Cars/Mercedes-Benz Vans and Daimler Trucks/Daimler Buses. Further information is provided in the section related to exchange rate risk in Note 33.



**F.84****Gains and losses on cash flow hedges and hedges of net investments in foreign operations**

Line item in the Statement of Income in which the ineffectiveness and the reclassifications are included	Foreign currency risk			Interest rate risk		Commodity risk
	Revenues	Cost of sales	Other financial income/ expense, net	Cost of sales	Interest expense	Cost of sales
In millions of euros						
<b>2019</b>						
Gains and losses recognized in other comprehensive income <sup>1</sup>	-1,414	+2	-121	-84	-120	114
Hedge ineffectiveness recognized in the Statement of Income	-27	-	-	-	-	-1
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	13	-	-	-	1	-2
For hedges that have been transferred because the hedged item has affected profit or loss <sup>2</sup>	791	-	118	43	84	-
<b>2018</b>						
Gains and losses recognized in other comprehensive income <sup>1</sup>	-1,159	56	82	-70	53	-40
Hedge ineffectiveness recognized in the Statement of Income	2	-	-	-	-	-1
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 <sup>2</sup>	-533	-	-91	55	-63	-73

1 The amount in other financial income/expense, net includes minus €1 million (2018: €1 million) for hedges of net investments in foreign operations.

2 The amount in other financial income/expense, net includes minus €3 million (2018: minus €10 million) for hedges of net investments in foreign operations.

**F.85****Reconciliation of reserves for derivative financial instruments**

In millions of euros

<b>Balance at January 1, 2018</b>	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
<b>Balance at December 31, 2018</b>	-95
Changes in fair values (before taxes)	-1,616
Foreign currency risk	-1,533
Interest rate risk	-197
Commodity price risk – inventory purchases	114
Reclassification to profit and loss (before taxes)	1,050
Foreign currency risk	922
Interest rate risk	128
Reclassification to cost of acquisition of non-financial assets (before taxes)	-71
Foreign currency risk – procurement	-3
Commodity price risk – inventory purchases	-68
Other	-
Taxes on changes in fair values and reclassifications	186
<b>Balance at December 31, 2019</b>	-546

Table [7 F.85](#) shows the reconciliation of the reserves for derivative instruments (excluding reserves for hedges of net investments in foreign operations).

The reserves for derivative instruments include reserves for hedge costs of €0 million (2018: minus €11 million).

At December 31, 2019, the balance of reserves for hedges of net investments in foreign operations amounted to €189 million (2018: €187 million).

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 [7 F.86](#).

At December 31, 2019, Daimler utilized derivative instruments with a maximum maturity of 48 months (2018: 34 months) as hedges for currency risks arising from future transactions.

**Nominal values of derivative financial instruments**

Table [7 F.86](#) shows the nominal values of derivative financial instruments 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 are included in table [7 F.87](#).

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.86****Nominal amounts of derivative financial instruments**

In millions of euros	At December 31, 2019				At December 31, 2018			
	Maturity of nominal amounts				Maturity of nominal amounts			
	<1 year	1 year up to 5 years	>5 years	Total	<1 year	1 year up to 5 years	>5 years	Total
Foreign currency risk	26,945	10,877	-	37,822	29,063	9,935	-	38,998
Interest rate risk	20,421	42,215	7,654	70,290	15,926	36,602	12,055	64,583
Fair value hedges	12,653	29,805	7,654	50,112	6,173	24,763	12,055	42,991
Cash Flow Hedges	7,768	12,410	-	20,178	9,753	11,839	-	21,592
Commodity risk	259	140	-	399	285	215	-	500

### 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.

#### F.87

##### Average prices of hedging instruments for the major risks

	At December 31,	
	2019	2018
<b>Foreign currency risk</b>		
USD per €	1.17	1.18
CNY per €	8.14	8.37
GBP per €	0.88	0.88
<b>Interest rate risk</b>		
Fair value hedges		
Average interest rate – €	-0.92%	-0.82%
Average interest rate – USD	-0.21%	0.46%
Cash flow hedges		
Average interest rate – €	-0.84%	-0.59%
Average interest rate – USD	-0.57%	-0.07%
<b>Commodity risk</b>		
Platinum (in € per troy ounce)	814	819
Palladium (in € per troy ounce)	1,245	688
Aluminum (in € per ton)	–	1,606

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 [7 F.88](#) 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, which is based on expected credit risk.

**F.88****Maximum risk positions of financial assets,  
irrevocable loan commitments and financial guarantees**

	see also Note	Maximum risk position 2019	Maximum risk position 2018
In millions of euros			
Liquid assets		<b>27,538</b>	25,430
Receivables from financial services	14	<b>103,661</b>	96,740
Trade receivables	19	<b>12,332</b>	12,586
Derivative financial instruments used in hedge accounting (assets only)	16	<b>1,191</b>	1,033
Derivative financial instruments not used in hedge accounting (assets only)	16	<b>27</b>	109
Other receivables and financial assets	16	<b>3,328</b>	3,177
Irrevocable loan commitments		<b>2,038</b>	2,051
Financial guarantees		<b>728</b>	672

**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 Mobility 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 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 Mobility segment has guidelines setting the framework for effective risk management at a global as well as 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, 2019, exposure to the biggest 15 customers did not exceed 4.4% (2018: 3.8%) of the total portfolio.

With respect to its financing and lease activities, the Group holds collateral for customer transactions limiting actual credit risk through its fair value. The value of collateral generally depends on the amount of the financed assets. The financed vehicles usually serve as collateral. Furthermore, Daimler Mobility limits credit risk from financing and lease activities, for example through advance payments from customers.

For the assessment of the default risk of retail and small business customers scoring systems are applied to evaluate their creditworthiness. 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.

For information on credit risks included in receivables from financial services, see [Note 14](#). Information on the measurement of expected credit losses is provided in [Note 1](#).

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 increased compared to the low level of the previous year.

**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 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 its customers' creditworthiness by means of an internal rating process under consideration of the respective 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 customers, 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.

For impairments of trade receivables, the simplified approach is applied, whereby these receivables are allocated to stage 2. Credit losses until maturity for these trade receivables are recognized upon 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, financing activities or liquidity management. 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 2019 and 2018, Daimler is exposed to credit risk only to a small extent.

**Irrevocable loan commitments**

The Daimler Mobility segment in particular is exposed to credit risk from irrevocable loan commitments to retailers and end customers. At December 31, 2019, irrevocable loan commitments amounted to €2,038 million (2018: €2,051 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 obligations resulting from financial guarantees amount to €728 million at December 31, 2019 (2018: €672 million) and include liabilities recognized at December 31, 2019 in the amount of €107 million (2018: €124 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.

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, 2019, liquidity amounted to €27.5 billion (2018: €25.4 billion). In 2019, significant cash inflows resulted from the operations of the industrial business. Furthermore, a dividend payment from Beijing Benz Automotive Co., Ltd. had a positive effect on liquidity. Cash outflows resulted in particular from investments in intangible assets and property, plant and equipment, income taxes paid and a fine notice concluding the administrative offense proceedings against Daimler AG. At Daimler Mobility, cash outflows mainly resulted from the portfolio growth of the leasing and sales finance activities and from the merger of the mobility services of Daimler Group and BMW Group. 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.

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, debt obligations 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. Since July 2018, Daimler has a syndicated credit facility with a volume of €11 billion with a consortium of international banks at its disposal. Exercising an optional extension of one year beyond the original term grants additional financial flexibility for Daimler until 2024. The term can be extended for another year until 2025. As of December 31, 2019, the credit line is still not utilized.

In addition, customer deposits at Mercedes-Benz Bank are used as a further source of refinancing.

Table [7 F.89](#) 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, 2019.

Information on the Group's financing liabilities is also provided in [Note 24](#).

## F.89

### Liquidity runoff for liabilities and financial guarantees<sup>1</sup>

	Total	2020	2021	2022	2023	2024	≥ 2025
In millions of euros							
Financing liabilities <sup>2</sup>	171,904	65,925	38,789	22,508	10,729	8,857	25,096
thereof lease liabilities	4,949	792	661	540	459	382	2,115
Derivative financial instruments <sup>3</sup>	90	709	-48	-191	-121	-99	-160
Trade payables <sup>4</sup>	12,707	12,704	2	1	-	-	-
Miscellaneous other financial liabilities excluding accrued interest and liabilities from financial guarantees	7,454	5,653	788	377	261	141	234
Obligations from sales	5,200	5,200	-	-	-	-	-
Irrevocable loan commitments <sup>5</sup>	2,038	2,038	-	-	-	-	-
Financial guarantees <sup>6</sup>	728	728	-	-	-	-	-
	200,121	92,957	39,531	22,695	10,869	8,899	25,170

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.

## 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 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 capital market indications of country risks.

## Finance market risks

The global nature of its businesses exposes Daimler to significant market risks resulting from fluctuations in foreign currency exchange rates, interest rates and commodity prices. 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 earnings 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. The hedging strategy is specified at Group level and implemented in the segments according to the respective risk volumes. Decisions regarding the management of market risks from foreign exchange rates and commodities, as well as asset-/liability management (interest rates) are regularly made by the relevant Daimler risk management committees. Exposures are the basis for the hedging strategies and are updated regularly.

Certain existing benchmark interest rates including those of the London Interbank Offer Rate (for USD, GBP, CHF and JPY) will be comprehensively and internationally reformed by the end of 2021. As a result, those interest rates will be gradually abolished and replaced with alternative risk-free reference rates. Alternative interest rates are being developed on a national level in the context of the respective legal systems and currencies; they can therefore vary with regard to their structure, methodology and period of publication.

The effect of the application of the new interest rates on the consolidated financial statements is currently being reviewed. In order to conduct financial transactions based on the new indices, Daimler is preparing its IT-systems accordingly. Market uncertainty still exists about when the new interest rates will be available, how they will be calculated and how their application will affect financial transactions. Daimler regularly discusses current developments of alternative risk-free interest rates with its international banking partners.

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.

At the Group level, 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 value at risk 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%.

**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 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 Mercedes-Benz Cars/Mercedes-Benz Vans, which generate a major portion of their revenue in foreign currencies and incur manufacturing costs primarily in euros. Daimler Trucks/Daimler Buses are also exposed to transaction risks, but only to a minor degree because of their global production network. The exposures of these segments serve as a basis for analyzing exchange rate risks at Group level. In addition, the Group is indirectly exposed to transaction risk from its equity-method investments.

The Group's overall currency exposure is reduced by natural hedging, which consists of the currency exposures of the business operations of individual segments partially offsetting each other at Group level. 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. For reporting purposes and accounting for hedge relationships, those hedges are allocated to Mercedes-

Benz Cars/Mercedes-Benz Vans and Daimler Trucks/Daimler Buses. Suitable measures are generally taken without delay to eliminate any over-hedging at Group level regarding hedging transactions caused by changes in exposure. In the case of over hedges at the level of Mercedes-Benz Cars/Mercedes-Benz Vans or Daimler Trucks/Daimler Buses, designated hedging relations are reviewed with respect to any requirements to discontinue hedge accounting.

Risk Controlling regularly informs the Board of Management of the actions taken by Corporate Treasury based on the FXCo's decisions.

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 2019, foreign exchange management showed an unhedged position in the automotive business in calendar year 2020 for the underlying forecasted cash flows in US dollars of 27%, for the underlying forecasted cash flows in Chinese renminbi of 40% and for the underlying forecasted cash flows in British pounds of 26%.

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.

**F.90****Value at risk for exchange rate risk, interest rate risk and commodity price risk**

	2019				2018			
	Period-end	High	Low	Average	Period-end	High	Low	Average
In millions of euros								
Exchange rate risk (from derivative financial instruments)	333	528	333	422	568	695	568	633
Interest rate risk	131	156	34	94	26	45	26	36
Commodity price risk (from derivative financial instruments)	18	25	17	21	14	23	14	18

Table [F.90](#) shows the period-end, high, low and average value at risk figures of the exchange rate risk for the 2019 and 2018 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.86](#).

*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.

Until year-end 2018, the designation of hedge relationships for a specific currency and maturity had no further differentiation in respect of the expected cash flows by segment. In the context of focusing on the divisional perspective, the designation of hedge relationships for foreign currency risk existing from the Group perspective from expected future cash flows from business operations, primarily from vehicle sales, have been assigned to Mercedes-Benz Cars/Mercedes-Benz Vans and to Daimler Trucks/Daimler Buses starting with 2019. Accordingly, the documentation required under IFRS with regard to this further differentiation of expected cash flows (i.e. the risk management objectives) has been revised for a large proportion of the already designated hedge relationships for foreign currency risk, although there has been no change in the overall Group risk management strategy for foreign currency risk. Pursuant to the described methods applied in preparation of the financial statements, this results in the formal discontinuation and immediate redesignation of existing hedge relationships according to the revised differentiation. The accumulated hedging gains/losses subject to redesignation as of December 31, 2018 remained in the other reserves for derivative financial instruments because the hedged future cash flows are still expected to occur. Further information can be found in table [F.83](#). There were no material effects in 2019.

In 2019, 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 are generally selected so that possible currency risks are minimized. 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 the Group. A substantial volume of interest rate sensitive assets and liabilities results from the leasing and sales financing business operated by the Daimler Mobility segment. The Daimler Mobility 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 Mobility, Mercedes-Benz Cars and Daimler Trucks segments and the Corporate Treasury department manages the interest rate risk by setting targets for the interest rate risk position. The Treasury Risk Management department and the local Daimler Mobility companies are jointly responsible for achieving these targets. As separate functions, the Treasury Controlling and the Daimler Mobility 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 and liquidity management. Daimler steers the funding activities of the automotive and financial services businesses at the Group level.

Table 7 F.90 shows the period-end, high, low and average value at risk figures of the interest rate risk for the 2019 and 2018 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. Lease liabilities are not included in the value at risk of the interest rate risk. These leasing liabilities have a fixed interest rate and changes in interest rates therefore have no effect on the Group's net profit. The average values have been computed on an end-of-quarter basis.

In the course of 2019, changes in the value at risk of interest rate risks 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 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 55% of the forecasted commodity purchases at year-end 2019 for calendar year 2020. The corresponding figure at year-end 2018 was 39% for calendar year 2019.

Table [↗ F.90](#) shows the period-end, high, low and average value at risk figures of the commodity price risk for the 2019 and 2018 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.86](#).

In 2019, the value at risk of commodity derivatives ranged close to the previous year's level.

*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 Mobility (formerly 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 are marketed under the EQ brand. Daimler Trucks distributes its trucks under the brand names Mercedes-Benz, Freightliner, FUSO, Western Star 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 Mobility 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 Mobility is active in the area of innovative mobility services.

### Internal management and reporting structure

The internal management and reporting structure at the Daimler Group principally is based on the accounting policies that are described in [Note 1](#) in the summary of significant accounting policies according to IFRS.

The measure of the Group's profit or loss used by Daimler's management and reporting structure 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 the 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. The performance measure used by the Group's internal management and reporting structure for the automotive segments is return on sales.

Intersegment revenue is generally recorded at values that approximate market terms.

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 Mobility's 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 Mobility; 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 or goodwill.

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.

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 [7 F.91](#) presents segment information as of and for the years ended December 31, 2019 and 2018.

#### Mercedes-Benz Cars

In the year 2019, the Mercedes-Benz Cars segment's earnings include expenses of €1,882 million due to a reassessment of risks relating to ongoing governmental and legal proceedings and measures taken with regard to Mercedes-Benz Cars diesel vehicles in various regions and markets. Furthermore, expenses in connection with an updated risk assessment for an expanded recall of vehicles with Takata airbags caused a reduction in earnings of €600 million. In addition, the remeasurement at fair-value of shares in Aston Martin Lagonda Global Holdings plc had a negative impact on EBIT.

#### Daimler Trucks

In the reporting year, there were no significant non-cash effects on earnings at the Daimler Trucks segment.

#### Mercedes-Benz Vans

In the year 2019, EBIT at the Mercedes-Benz Vans segment was reduced by a reassessment of risks relating to ongoing governmental and legal proceedings and measures taken with regard to Mercedes-Benz diesel vehicles in various regions and markets (€2,200 million). Furthermore, earnings were reduced by expenses in connection with the review and prioritization of the product portfolio (€828 million) and an updated risk assessment for an expanded recall of vehicles with Takata airbags (€341 million).

#### Daimler Buses

There were no significant non-cash effects on earnings at the Daimler Buses segment in 2019.

#### Daimler Mobility

In the year 2019, the merger of the mobility services of Daimler Group and BMW Group affected earnings positively by €718 million. Effects of €405 million from the realignment of the YOUR NOW group affected EBIT negatively. In the prior-year period, the negative effect of €418 million from the conclusion of the Toll Collect arbitration proceedings reduced EBIT. The interest income and interest expense of Daimler Mobility are included in revenue and cost of sales, and are presented in [Notes 4 and 5](#).

## F.91

## Segment information

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Mobility	Total Segments	Reconciliation	Daimler Group
In millions of euros								
<b>2019</b>								
External revenue	89,683	38,393	13,770	4,562	26,337	172,745	-	172,745
Intersegment revenue	4,194	1,842	1,031	171	2,309	9,547	-9,547	-
Total revenue	93,877	40,235	14,801	4,733	28,646	182,292	-9,547	172,745
Segment profit/loss (EBIT)	3,359	2,463	-3,085	283	2,140	5,160	-831	4,329
thereof profit/loss on equity-method investments	1,146	-	54	3	-766	437	42	479
thereof profit/loss from compounding and effects from changes in discount rates of provisions for other risks	-145	-65	-19	-6	-3	-238	-	-238
Segment assets	84,406	24,187	9,685	3,819	174,821	296,918	-18,344	278,574
thereof carrying amounts of equity-method investments	3,053	527	276	10	1,107	4,973	976	5,949
Segment liabilities	51,741	14,308	9,092	2,467	159,838	237,446	-21,120	216,326
Additions to non-current assets	18,222	2,334	1,532	363	16,254	38,705	3	38,708
thereof investments in intangible assets	3,135	113	255	30	103	3,636	-	3,636
thereof investments in property, plant and equipment	5,629	971	240	134	87	7,061	138	7,199
Depreciation and amortization of non-current assets	7,007	1,837	856	250	6,763	16,713	101	16,814
thereof amortization of intangible assets	1,664	260	350	25	82	2,381	-	2,381
thereof depreciation of property, plant and equipment	3,918	942	341	89	72	5,362	8	5,370

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Mobility	Total Segments	Reconciliation	Daimler Group
In millions of euros								
<b>2018</b>								
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	-18,818	260,056
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	-20,929	203,525
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



**F.92****Reconciliation to Group figures**

	2019	2018
In millions of euros		
Total of segments' profit (EBIT)	5,160	11,930
profit/loss on equity-method investments	42	-88
Other corporate items	-850	-669
Eliminations	-23	-41
Group EBIT	4,329	11,132
Amortization of capitalized borrowing costs <sup>1</sup>	-16	-15
Interest income	397	271
Interest expense	-880	-793
Profit before income taxes	3,830	10,595
Total of segments' assets	296,918	278,874
Carrying amount of equity-method investments <sup>2</sup>	976	962
Income tax assets <sup>3</sup>	5,658	4,227
Other corporate items and eliminations	-24,978	-24,007
Segment assets Group	278,574	260,056
Unallocated financial assets (including liquidity) and assets from pensions and similar obligations <sup>3</sup>	23,864	21,563
Total assets Group	302,438	281,619
Total of segments' liabilities	237,446	224,454
Income tax liabilities <sup>3</sup>	3,099	2,556
Other corporate items and eliminations	-24,219	-23,485
Segment liabilities Group	216,326	203,525
Unallocated financial liabilities and liabilities from pensions and similar obligations <sup>3</sup>	23,271	12,041
Total equity Group	62,841	66,053
Total equity and liabilities Group	302,438	281,619

1 Amortization of capitalized borrowing costs is not considered in the internal performance measure "EBIT" but is included in cost of sales.

2 This mainly comprises the carrying amount of the investment in BAIC Motor.

3 Unless allocated to Daimler Mobility.

**Reconciliation**

Reconciliation of the segment amounts to the respective items included in the Consolidated Financial Statements is shown in table [7 F.92](#).

In 2019, the line item *Other corporate items* includes, amongst other things, expenses of €425 million in connection with ongoing governmental and legal proceedings and measures taken with regard to Mercedes-Benz diesel vehicles. In the prior year, the impairment of Daimler's equity investment in BAIC Motor Corporation Ltd. by €150 million impacted earnings negatively. Furthermore, expenses in connection with "Project Future" are included in both years.

**Revenue and non-current assets by region**

Revenue from external customers and non-current assets by region are shown in table [7 F.93](#).

**F.93****Revenue and non-current assets by region**

	Revenue		Non-current assets	
	2019	2018	2019	2018
In millions of euros				
Europe	69,541	68,496	69,478	63,559
thereof Germany	26,339	24,802	49,335	45,281
NAFTA	52,196	47,952	28,497	27,095
thereof United States	45,422	41,152	25,228	24,239
Asia	40,657	40,627	4,565	2,807
thereof China	18,954	19,790	544	219
Other markets	10,351	10,287	2,063	1,764
	172,745	167,362	104,603	95,225

### 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 Mobility 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 [7 F.94](#).

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 Mobility; in addition, the expected returns on liquidity and on the plan assets of the pension funds which are not allocated to Daimler Mobility 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.

#### F.94

##### Average net assets

	2019	2018
In millions of euros		
Mercedes-Benz Cars	32,418	26,289
Daimler Trucks	10,274	8,240
Mercedes-Benz Vans	2,412	3,355
Daimler Buses	1,440	1,233
Daimler Mobility <sup>1</sup>	13,961	12,466
Net assets of the segments	60,505	51,583
Equity-method investments <sup>2</sup>	980	1,066
Assets and liabilities from income taxes <sup>3</sup>	2,720	1,707
Other corporate items and eliminations <sup>3</sup>	-459	-547
Net assets Daimler Group	63,746	53,809

1 Equity.

2 Unless allocated to the segments.

3 Unless allocated to Daimler Mobility.

### 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 €2,377 million (2018: €7,249 million). The weighted average number of shares outstanding (basic and diluted) amounts to 1,069.8 million (2018: 1,069.8 million).

**F.95****Transactions with related companies**

	Sales of goods and services and other income		Purchase of goods and services and other expense		Receivables		Payables	
					at December 31, <sup>1</sup>		at December 31, <sup>2</sup>	
	2019	2018	2019	2018	2019	2018	2019	2018
In millions of euros								
Associated companies	13,505	13,475	628	855	3,324	2,679	116	131
thereof LSHAI	7,230	8,011	476	647	1,288	981	24	30
thereof BBAC	5,880	4,850	132	64	1,966	1,571	78	85
Joint ventures	884	997	187	100	213	208	78	444

1 After total loss allowances of €66 million (2018: €53 million).

2 Including liabilities from default risks from guarantees for related parties.

**F.96****Remuneration of the members of the Board of Management and the Supervisory Board**

	2019	2018
In millions of euros		
Remuneration of the Board of Management		
Fixed remuneration (base salary)	8.9	9.5
Short-term variable remuneration (50% of annual bonus)	1.0	2.5
Mid-term variable remuneration (50% of annual bonus, "deferral")	0.9	1.9
Variable remuneration with a long-term incentive effect (PPSP)	11.7	1.6
Post-employment benefits (service cost)	2.0	2.4
Termination benefits	-	-
	24.5	17.9
Remuneration of the Supervisory Board <sup>1</sup>		
	4.6	4.2
	29.1	22.1

1 As of the year 2019, including remuneration for the members of the Supervisory Board of Mercedes-Benz AG and of Daimler Truck AG according to Section 314 Subsection 1 No. 6a of the German Commercial Code (HGB).

**37. Related party disclosures**

Related parties (persons or companies) 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.

**Related companies**

Business transactions with related companies are carried out at market terms. Most of the goods and services supplied between the Group and related companies comprise transactions with associated companies and joint ventures and are shown in table [7 F.95](#).


**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), which is allocated to Mercedes-Benz Cars.

The purchases of goods and services shown in table [7 F.95](#) were primarily from LSHAI.

**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, which is allocated to Daimler Trucks.

 **Note 13** provides further details of the business operations of the significant associated companies and joint ventures, as well as significant transactions in the years 2019 and 2018.

**Contributions to plan assets**

Daimler Pension Trust e. V. manages the plan assets on a fiduciary basis to cover pension obligations in Germany and is therefore a related company of the Daimler Group. Another related company is Daimler Pensionsfonds AG. Daimler AG bears non-significant expenses and provides services for both companies. See also [Note 22](#) for further information.

**Related persons**

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 at market terms.

See [Note 38](#) for information on the remuneration of board members.

**38. Remuneration of the members of the Board of Management and the Supervisory Board**

Remuneration granted in 2019 to the members of the Board of Management and the Supervisory Board who were active in 2019 is shown in table [F.96](#).

Expenses for variable remuneration of the Board of Management with a long-term incentive effect, as shown in table [F.96](#), 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 to 2018. In 2019, the active members of the Board of Management were granted 266,128 (2018: 145,775) phantom shares in connection with the PPSP; the fair value of these phantom shares at the grant date was €13.3 million (2018: €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 No. 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 €24.2 million (2018: €24.7 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 2019 for services provided personally beyond board and committee activities, in particular for advisory or agency services.

The members of the Board of Management do not receive any remuneration for their board activities in the boards of the subsidiaries. These activities are compensated by the remuneration at Daimler AG.

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 2019.

The payments made in 2019 to former members of the Board of Management of Daimler AG and their survivors amounted to €19.5 million (2018: €16.2 million). The pension provisions for former members of the Board of Management and their survivors amounted to €355.8 million as of December 31, 2019 (2018: €270.2 million).

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.

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**F.97****Auditor fees**

	2019	2018
In millions of euros		
Audit services	52	46
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	28	23
Other attestation services	15	10
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	12	8
Tax services	2	2
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	1	1
Other services	6	8
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	4	6
	<b>75</b>	<b>66</b>

**39. Auditor fees**

The shareholders of Daimler AG elected KPMG AG Wirtschaftsprüfungsgesellschaft as the external auditor at the Annual Shareholders' Meeting held on May 22, 2019. Table [F.97](#) shows the fees for services provided by KPMG AG Wirtschaftsprüfungsgesellschaft and the companies of the worldwide KPMG network to Daimler AG, the consolidated subsidiaries as well as joint operations.

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 include 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 attestation services in connection with "Project Future." Furthermore, audits in connection with compliance management systems, the issuance of comfort letters, and non-financial disclosures and reports were commissioned.

Tax services primarily relate to value-added tax advisory.

Other services mainly relate to non-accounting-relevant IT- and process consulting and quality assurance.

**40. Events after the reporting period****Personnel measures in production-related and administrative areas in the years 2020 to 2022**

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

**Establishment of joint venture smart Automobile Co., Ltd.**

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

**Sale of 30% of the shares in HERE**

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

**41. 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-12-2019.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.98](#). 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.98

Name of the Company	Domicile, Country	Capital share in % <sup>1</sup>	Footnote
<b>I. Consolidated subsidiaries</b>			
Athlon Beheer International B.V.	Schiphol, Netherlands	100.00	
Athlon Beheer Nederland B.V.	Schiphol, Netherlands	100.00	
Athlon Car Lease Belgium N.V.	Machelen, Belgium	100.00	
Athlon Car Lease International B.V.	Schiphol, Netherlands	100.00	
Athlon Car Lease Italy S.R.L.	Rome, Italy	100.00	
Athlon Car Lease Nederland B.V.	Schiphol, Netherlands	100.00	
Athlon Car Lease Polska Sp. z o.o.	Warsaw, Poland	100.00	
Athlon Car Lease Portugal, Ida	Oeiras, Portugal	100.00	
Athlon Car Lease Rental Services B.V.	Schiphol, 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.	Hoofddorp, 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.	Schiphol, 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	
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
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	
Daimler Capital Services LLC	Wilmington, USA	100.00	
Daimler Česká 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 India Private Limited	Chennai, India	100.00	

Name of the Company	Domicile, Country	Capital share in % <sup>1</sup>	Footnote
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. i. L.	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 Ladungsträger GmbH	Sindelfingen, Germany	100.00	5
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 & Technology Service Co., Ltd.	Beijing, China	100.00	
Daimler Mobility AG	Stuttgart, Germany	100.00	5
DAIMLER MOBILITY AUSTRALIA PTY LTD	Melbourne, Australia	100.00	
Daimler Mobility Brasil Holding S.A.	São Bernardo do Campo, Brazil	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 Securitisation Australia Pty Ltd	Mulgrave, Australia	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 TRUCK AND BUS HOLDING AUSTRALIA PACIFIC PTY LTD	Melbourne, Australia	100.00	

Name of the Company	Domicile, Country	Capital share in % <sup>1</sup>	Footnote
Daimler Truck China Limited	Beijing, China	100.00	
Daimler Trucks & Buses US Holding LLC	Wilmington, USA	100.00	
Daimler Trucks and Buses (China) Ltd.	Beijing, China	100.00	
Daimler Trucks and Buses Southern Africa (Pty) Ltd	Zwartkop, South Africa	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 Trucks Retail Trust 2019-1	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
Detroit Diesel Corporation	Detroit, USA	100.00	
Detroit Diesel Remanufacturing LLC	Detroit, USA	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 Česká 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

Name of the Company	Domicile, Country	Capital share in % <sup>1</sup>	Footnote
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
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
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 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 Veiculos, Lda.	Mem Martins, Portugal	100.00	
Mercedes-Benz (China) Ltd.	Beijing, China	75.00	
Mercedes-Benz (Thailand) Limited	Bangkok, Thailand	100.00	
Mercedes-Benz AG	Stuttgart, Germany	100.00	5
Mercedes-Benz Antwerpen N.V.	Antwerp, Belgium	100.00	
Mercedes-Benz Argentina S.A.U.	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 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

Name of the Company	Domicile, Country	Capital share in % <sup>1</sup>	Footnote
Mercedes-Benz Auto Lease Trust 2019-A	Wilmington, USA	0.00	3
Mercedes-Benz Auto Lease Trust 2019-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 Receivables Trust 2018-1	Wilmington, USA	0.00	3
Mercedes-Benz Auto Receivables Trust 2019-1	Wilmington, USA	0.00	3
Mercedes-Benz Bank AG	Stuttgart, Germany	100.00	
Mercedes-Benz Bank GmbH	Eugendorf, 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 Argentina S.A.	Buenos Aires, Argentina	99.00	
Mercedes-Benz Broker Biztosítási 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 Česká 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 Customer Solutions GmbH	Stuttgart, Germany	100.00	5
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 Europa NV/SA	Woluwe-Saint-Lambert, Belgium	100.00	
Mercedes-Benz ExTra LLC	Wilmington, USA	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	Eugendorf, 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 Česká republika s.r.o.	Prague, Czech Republic	100.00	



Name of the Company	Domicile, Country	Capital share in % <sup>1</sup>	Footnote
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 S.p.A.	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	
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 Sp. zo.o.	Warsaw, Poland	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 Formula E Limited	Brackley, United Kingdom	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	100.00	
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 Agency (Beijing) Co., Ltd.	Beijing, China	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	

Name of the Company	Domicile, Country	Capital share in % <sup>1</sup>	Footnote
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	100.00	
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.	Jawor, 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
Mercedes-Benz New Zealand Ltd	Auckland, New Zealand	100.00	
Mercedes-Benz Österreich GmbH	Eugendorf, 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 Belgium NV/SA	Woluwe-Saint-Lambert, Belgium	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 Belgium Luxembourg NV/SA	Brussels, Belgium	100.00	
Mercedes-Benz Trucks Center Sint-Pieters-Leeuw NV/SA	Sint-Pieters-Leeuw, Belgium	100.00	

Name of the Company	Domicile, Country	Capital share in % <sup>1</sup>	Footnote
Mercedes-Benz Trucks Česká republika s.r.o.	Prague, Czech Republic	100.00	
Mercedes-Benz Trucks España S.L.U.	Alcobendas, Spain	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 Molsheim	Molsheim, France	100.00	
Mercedes-Benz Trucks Nederland B.V.	Utrecht, Netherlands	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 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 Česká 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 Vermögens- und Beteiligungsgesellschaft mbH	Stuttgart, Germany	100.00	5
Mercedes-Benz Versicherung AG	Stuttgart, Germany	100.00	5
Mercedes-Benz Vertrieb NFZ GmbH	Stuttgart, Germany	100.00	5
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	
Multifleet G.I.E	Le Bourget, France	50.10	7
P.T. Mercedes-Benz Indonesia	Bogor, Indonesia	100.00	
PT Daimler Commercial Vehicles Indonesia	Jakarta, Indonesia	100.00	
PT Daimler Commercial Vehicles Manufacturing Indonesia	Bogor, 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	

Name of the Company	Domicile, Country	Capital share in % <sup>1</sup>	Footnote
SelecTrucks of Toronto, Inc.	Mississauga, Canada	100.00	
Silver Arrow Australia 2019-1	Melbourne, Australia	0.00	3
Silver Arrow Australia Trust 2019-1	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 CHINA 2019-1 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 Lease Facility Trust	Wilmington, USA	0.00	3
Silver Arrow Merfina 2019-2 s.r.l.	Milan, Italy	0.00	3
Silver Arrow S.A.	Luxembourg, Luxembourg	0.00	3
Silver Arrow UK Trust 2018-1	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.	Schiphol, Netherlands	100.00	
Star Assembly SRL	Sebes, Romania	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	
TORC Robotics, Inc.	Baltimore, USA	75.61	
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<sup>2</sup>

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	
Circulo Cerrado S.A. de Ahorro para Fines Determinados	Buenos Aires, Argentina	73.53	
CoROS Corp.	Menlo Park, USA	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 Brand & IP Management Verwaltung GmbH	Stuttgart, Germany	100.00	
Daimler Commercial Vehicles (Thailand) Ltd.	Bangkok, Thailand	100.00	
Daimler Commercial Vehicles Africa Ltd.	Nairobi, Kenya	100.00	

Name of the Company	Domicile, Country	Capital share in % <sup>1</sup>	Footnote
Daimler Commercial Vehicles MENA FZE	Dubai, United Arab Emirates	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 Mitarbeiter Wohnfinanz GmbH	Stuttgart, Germany	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 Verwaltungsgesellschaft für Grundbesitz mbH	Schönefeld, Germany	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	
Dritte Vermögensverwaltung PV GmbH	Stuttgart, Germany	100.00	
DTB Tech & Data Hub, Unipessoal Lda	Tramagal, Portugal	100.00	
EvoBus Reunion S. A.	Le Port, France	96.00	
EvoBus Russland OOO	Moscow, Russian Federation	100.00	
EXOKNOX GmbH	Stuttgart, Germany	100.00	
Fleetboard Logistics GmbH	Volkach, Germany	100.00	
LAB1886 GmbH	Stuttgart, Germany	100.00	
Lab1886 USA LLC	Wilmington, USA	100.00	
Lapland Car Test Aktiebolag	Arvidsjaur, Sweden	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 Otomotiv Ticaret ve Hizmetler A.S.	Istanbul, Turkey	66.91	
Mercedes-Benz Adm. Consorcios Ltda.	São Bernardo do Campo, Brazil	100.00	
Mercedes-Benz Camiones y Buses Argentina SAU.	Buenos Aires, Argentina	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 GmbH	Kamenz, Germany	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	



Name of the Company	Domicile, Country	Capital share in % <sup>1</sup>	Footnote
Mercedes-Benz IDC Europe S.A.S.	Valbonne, France	100.00	
Mercedes-Benz Manufacturing and Import Egypt	New Cairo, Egypt	100.00	
Mercedes-Benz Manufacturing Rus Ltd	Moscow, Russian Federation	80.00	
Mercedes-Benz Mobility Korea Ltd.	Seoul, South Korea	100.00	
Mercedes-Benz Museum GmbH	Stuttgart, Germany	100.00	
Mercedes-Benz OD 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 Servicios S.A.U	Buenos Aires, Argentina	100.00	
Mercedes-Benz Slovakia s.r.o.	Bratislava, Slovakia	100.00	
Mercedes-Benz Subscription Services USA LLC	Wilmington, USA	100.00	
Mercedes-Benz Trucks & Buses Romania S.R.L.	Bucharest, Romania	100.00	
Mercedes-Benz Trucks MENA Holding GmbH	Stuttgart, Germany	100.00	
Mercedes-Benz Trucks Österreich GmbH	Eugendorf, Austria	100.00	
Mercedes-Benz Trucks Portugal S.A.	Sintra, Portugal	100.00	
Mercedes-Benz Vans Mobility S.L.	Alcobendas, Spain	100.00	
Mercedes-Benz Vehículos Comerciales Argentina SAU i.L.	Buenos Aires, Argentina	100.00	4
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	
Montajes y Estampaciones Metálicas, S.L.	Esparraguera, Spain	51.00	
NAG Nationale Automobil-Gesellschaft Aktiengesellschaft	Stuttgart, Germany	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.	El Segundo, USA	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 Transmission srl	Cugir, Romania	100.00	
STARKOM, proizvodnja in trgovina d.o.o.	Maribor, Slovenia	100.00	
T.O.C (Schweiz) AG	Schlieren, Switzerland	51.00	
trapoFit GmbH	Chemnitz, Germany	100.00	
Vierte Vermögensverwaltung PV GmbH	Stuttgart, Germany	100.00	
Zweite Vermögensverwaltung PV GmbH	Stuttgart, 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	
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Name of the Company	Domicile, Country	Capital share in % <sup>1</sup>	Footnote
<b>IV. Joint operations accounted for using the equity method</b>			
North America Fuel Systems Remanufacturing LLC	Kentwood, USA	50.00	
<b>V. Joint ventures accounted for using the equity method</b>			
Beijing Foton Daimler Automotive Co., Ltd	Beijing, China	50.00	
Blitz 18-353 GmbH	Munich, Germany	50.00	8
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	
ViaVan Technologies B.V.	Amsterdam, Netherlands	50.00	
Wagenplan B.V.	Almere, Netherlands	50.00	
Wei Xing Tech. Co., Ltd.	Hangzhou, China	50.00	
<b>VI. Associated companies accounted for using the equity method</b>			
BAIC Motor Corporation Ltd.	Beijing, China	9.55	
Beijing Benz Automotive Co., Ltd.	Beijing, China	49.00	
Blacklane GmbH	Berlin, Germany	30.57	
Bolt Technology OÜ	Tallinn, Estonia	9.44	
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	
Mobility Trader Holding GmbH	Berlin, Germany	20.00	
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	
There Holding B.V.	Rijswijk, Netherlands	29.71	
Toll4Europe GmbH	Berlin, Germany	15.00	
Verimi GmbH	Berlin, Germany	14.79	
Via Transportation Inc.	New York, USA	12.20	
<b>VII. Joint operations, joint ventures, associated companies and substantial other investments accounted for at (amortized) cost<sup>2</sup></b>			
AFCC Automotive Fuel Cell Cooperation Corp.	Burnaby, Canada	50.10	
BDF IP Holdings Ltd.	Burnaby, Canada	33.00	
Beijing Mercedes-Benz Sales Service Co., Ltd.	Beijing, China	51.00	
ChargePoint Inc.	Campbell, USA	5.74	

Name of the Company	Domicile, Country	Capital share in % <sup>1</sup>	Footnote
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
H2 Mobility Deutschland GmbH & Co. KG	Berlin, Germany	2.90	
hap2U SAS	Pontcharra, France	34.59	
Laureus World Sports Awards Limited	London, United Kingdom	50.00	
MercedesService Card GmbH & Co. KG	Kleinstostheim, 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	6.22	
Rally Bus Corp.	New York, USA	15.13	
REV Coach LLC	Wilmington, USA	20.00	
Sila Nanotechnologies Inc.	Dover, USA	11.66	
SK Gaming Beteiligungs GmbH	Cologne, Germany	33.33	
smart Automobile Co., Ltd.	Ningbo, China	50.00	
smart-BRABUS GmbH	Bottrop, Germany	50.00	
STARCAM s.r.o.	Most, Czech Republic	51.00	
TASIAP GmbH	Stuttgart, Germany	60.00	
tiramizoo GmbH	Munich, Germany	15.95	
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.	London, United Kingdom	10.95	

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 subsidiaries are the partners with unlimited liability.

Furthermore, Daimler AG or one respectively several consolidated subsidiaries are the partners with unlimited liability in MOST Cooperation GbR i.L., Karlsruhe (Germany).

8 In January 2020, the company was renamed YOUR NOW Holding GmbH.

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## Further Information

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# 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 19, 2020



Ola Källenius



Martin Daum



Renata Jungo Brüngger



Wilfried Porth



Markus Schäfer



Britta Seeger



Hubertus Troska



Harald Wilhelm

# 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, 2019, and the consolidated statement of income, consolidated statement of comprehensive income/loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2019, 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 for the financial year from January 1 to December 31, 2019. In accordance with the German legal regulations, we have not audited the content of the elements of the combined management report referred to in the "Other information" section of our auditor's report.

The combined management report includes cross-references not foreseen by law that are marked as unaudited. In accordance with the German legal regulations, we have not audited the content of these cross-references and the information to which these cross-references relate.

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, 2019, and of its financial performance for the financial year from January 1 to December 31, 2019, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, the 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. Our opinion on the combined management report does not cover the elements of the combined management report referred to in the "Other information" section of our auditor's report. The combined management report includes cross-references not foreseen by law that are marked as unaudited. Our opinion does not cover these cross-references and the information to which these cross-references relate.

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 EU Audit Regulation (No. 537/2014; referred to subsequently as the "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, 2019. 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” (€ 51,482 million) comprises among other things Mercedes-Benz passenger cars, which are purchased by non-group dealers or other third parties and are the subject of an operating lease with the Daimler Group. An impairment loss exists with regard to these vehicles that is primarily dependent on the residual value achievable at the end of the lease. These future residual values are dependent 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 Mercedes-Benz passenger cars purchased externally in the balance sheet caption “Equipment on operating leases”. We investigated and appraised the indications assumed by the Group for any need for an impairment loss and where necessary obtained an understanding of the write-downs calculated by Daimler. We have assessed Daimler’s evaluation with regard to the residual values achievable by the end of the terms of the leases. 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 expert third parties.

### Our Observations

The assumptions and assessments providing the basis for the assessment of the recoverability of the externally purchased Mercedes-Benz passenger cars in 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 judgments”. 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

Receivables from financial services (€ 103,661 million) resulting from the Group’s financing and leasing activities 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 € 1,308 million.

The calculation of the loss allowances is based 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. The following is among other things taken into account in this connection: 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 cash flows. Furthermore, macro-economic 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 credit-worthiness of customers and future cash flows 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 Mobility 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 a conscious sample. In addition, we satisfied ourselves in conjunction with a conscious sample 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 judgments". 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 € 8,708 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 judgments". 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 administrative orders (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 lawsuits. 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: class action and other lawsuits in the USA, Canada and Germany

The use of devices that impermissibly impair the effectiveness of emission control systems in reducing nitrogen-oxide (NO<sub>x</sub>) emissions and which are supposed to cause excessive emissions from vehicles with diesel engines is alleged in consumer class action lawsuits in the USA and Canada and in a lawsuit 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 lawsuits that Daimler had conspired with a component supplier in order to deceive U.S. supervisory authorities and consumers.

In Germany, a large number of lawsuits from investors are furthermore pending on account of the alleged violation of disclosure requirements. The plaintiffs claim that Daimler failed to publish insider knowledge immediately in connection with the emission behavior of its diesel vehicles and in addition issued erroneous and misleading statements. They furthermore claim that the purchase price of their Daimler shares would have been lower if Daimler had reported in accordance with its obligations.

b) Diesel emission behavior: administrative proceedings  
Various federal and state authorities and further institutions worldwide have made inquiries and/or have carried out investigations and/or proceedings and/or have issued directives, or, in the case of the Stuttgart district attorney's office, issued an administrative order imposing a fine. These relate in particular to test results and emissions 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 those under applicable environmental, securities and criminal and antitrust laws.

c) Antitrust proceedings (including actions for damages)  
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 lawsuits 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.

Daimler AG already filed an application for immunity ("leniency application") some time ago with the European Commission. In 2018, the European Commission launched a formal investigation into possible collusion regarding emission reduction systems. In connection with this investigation, the European Commission forwarded a statement of objections to Daimler and other automobile manufacturers in April 2019.

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 and the Supervisory Board are responsible for the other information. The other information comprises the following elements of the combined management report, the content of which we have not audited:

- the combined declaration on corporate management, which is referred to in the combined management report, and
- the combined separate nonfinancial report, which is referred to in the combined management report.

The other information also includes the remaining parts of the annual report.

The other information does not include the consolidated financial statements, the audited disclosures in the management report and our related 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, the audited disclosures in the 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 combined 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 19, 2020.

### **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 Shareholders' Meeting on May 22, 2019. We were engaged by the Supervisory Board on June 24, 2019. We have been the group auditor of 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 19, 2020

KPMG AG  
Wirtschaftsprüfungsgesellschaft  
(Original German version signed by:)

Sailer  
Wirtschaftsprüfer  
(German Public Auditor)

Dr. Thümler  
Wirtschaftsprüfer  
(German Public Auditor)



# Ten-Year Summary

## G.01

	2010	2011	2012	2013	2014	2015	2016	2017 <sup>4</sup>	2018	2019
€ amounts in millions										
<b>From the statements of income</b>										
Revenue	97,761	106,540	114,297	117,982	129,872	149,467	153,261	164,154	167,362	172,745
Personnel expenses <sup>1</sup>	16,454	17,424	18,002	18,753	19,607	20,949	21,141	22,186	22,432	22,657
Research and development expenditure <sup>2</sup>	4,849	5,634	5,644	5,489	5,680	6,564	7,572	8,711	9,107	9,662
thereof capitalized	1,373	1,460	1,465	1,284	1,148	1,804	2,315	2,773	2,526	3,076
EBIT <sup>1</sup>	7,274	8,755	8,820	10,815	10,752	13,186	12,902	14,348	11,132	4,329
Operating margin (%) <sup>1</sup>	7.4	8.2	7.7	9.2	8.3	8.8	8.4	8.7	6.7	2.5
Profit (loss) before income taxes <sup>1</sup>	6,628	8,449	8,116	10,139	10,173	12,744	12,574	13,967	10,595	3,830
Net operating profit (loss) <sup>1</sup>	5,120	6,240	7,302	9,173	7,678	9,007	9,007	10,880	7,963	3,068
as % of net assets (RONA) <sup>1, 3</sup>	17.5	19.9	19.6	22.6	18.8	20.1	19.1	22.5	14.8	4.8
Net profit (loss) <sup>1</sup>	4,674	6,029	6,830	8,720	7,290	8,711	8,784	10,617	7,582	2,709
Net profit (loss) per share (€) <sup>1</sup>	4.28	5.32	6.02	6.40	6.51	7.87	7.97	9.61	6.78	2.22
Diluted net profit (loss) per share (€) <sup>1</sup>	4.28	5.31	6.02	6.40	6.51	7.87	7.97	9.61	6.78	2.22
Total dividend	1,971	2,346	2,349	2,407	2,621	3,477	3,477	3,905	3,477	963
Dividend per share (€)	1.85	2.20	2.20	2.25	2.45	3.25	3.25	3.65	3.25	0.90
<b>From the statements of financial position</b>										
Property, plant and equipment	17,593	19,180	20,599	21,779	23,182	24,322	26,381	27,981	30,948	37,143
Leased equipment	19,925	22,811	26,058	28,160	33,050	38,942	46,942	47,074	49,476	51,482
Other non-current assets <sup>1</sup>	41,309	45,023	48,947	48,138	56,258	62,055	67,613	73,394	79,582	86,013
Inventories	14,544	17,081	17,720	17,349	20,864	23,760	25,384	25,686	29,489	29,757
Liquid assets	10,903	9,576	10,996	11,053	9,667	9,936	10,981	12,072	15,853	18,883
Other current assets	31,556	34,461	38,742	42,039	46,614	58,151	65,687	69,138	76,271	79,160
Total assets <sup>1</sup>	135,830	148,132	163,062	168,518	189,635	217,166	242,988	255,345	281,619	302,438
Shareholders' equity <sup>1</sup>	37,953	41,337	39,330	43,363	44,584	54,624	59,133	65,159	66,053	62,841
thereof share capital	3,058	3,060	3,063	3,069	3,070	3,070	3,070	3,070	3,070	3,070
Equity ratio Group (%) <sup>1</sup>	26.5	26.3	22.7	24.3	22.1	23.6	22.9	24.0	22.2	20.5
Equity ratio industrial business (%) <sup>1</sup>	45.8	46.4	39.8	43.4	40.8	44.2	44.7	46.4	42.8	36.7
Non-current liabilities <sup>1</sup>	44,738	51,940	65,016	66,047	78,077	85,461	99,398	102,562	117,614	133,795
Current liabilities <sup>1</sup>	53,139	54,855	58,716	59,108	66,974	77,081	84,457	87,624	97,952	105,802
Net liquidity industrial business	11,938	11,981	11,508	13,834	16,953	18,580	19,737	16,597	16,288	10,997
Net assets (average) <sup>1, 3</sup>	29,338	31,426	37,521	40,648	40,779	44,796	47,054	48,446	53,809	63,746

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
€ amounts in millions										
<b>From the statements of cash flows</b>										
Investments in property, plant and equipment	3,653	4,158	4,827	4,975	4,844	5,075	5,889	6,744	7,534	7,199
Depreciation and amortization	3,364	3,575	4,067	4,368	4,999	5,384	5,478	5,676	6,305	7,751
Cash provided by (used for) operating activities	8,544	-696	-1,100	3,285	-1,274	222	3,711	-1,652	343	7,888
Cash provided by (used for) investing activities	-313	-6,537	-8,864	-6,829	-2,709	-9,722	-14,666	-9,518	-9,921	-10,607
Cash provided by (used for) financing activities	-7,551	5,842	11,506	3,855	2,274	9,631	12,009	13,129	13,226	5,628
Free cash flow of the industrial business	5,432	989	1,452	4,842	5,479	3,960	3,874	2,005	2,898	1,368
<b>From the stock exchanges</b>										
Share price at year-end (€)	50.73	33.92	41.32	62.90	68.97	77.58	70.72	70.80	45.91	49.37
Average shares outstanding (in millions)	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	1,069.8
Average diluted shares outstanding (in millions)	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	1,069.8
<b>Ratings</b>										
Credit rating, long-term										
S&P	BBB+	BBB+	A-	A-	A-	A-	A	A	A	A-
Moody's	A3	A3	A3	A3	A3	A3	A3	A2	A2	A3
Fitch	BBB+	A-	A-	A-	A-	A-	A-	A-	A-	A-
DBRS	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)	A	A	A
Scope	-	-	-	-	-	-	-	A	A	A
<b>Average annual number of employees</b>	258,120	267,274	274,605	275,384	279,857	284,562	284,957	289,530	298,465	301,839

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

## 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 64](#)

## CSR – corporate social responsibility

A collective term for the social responsibility assumed by companies, including economic, environmental and social aspects.

## Design for the Environment

Design for the Environment (DfE) is a concept for reducing the environmental impact of products, processes and services.

## EBIT

Earnings before interest and taxes are the measure of operating profit before taxes. [👁 pages 70 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.

## 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, which was updated in 2019, defines the main corporate principles. It makes clear what we understand by integrity and which values and principles guide us. The key principles include integrating the environment into our work and complying with applicable laws and regulations.

## 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 generation 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 149](#)

# Index

## 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.

## SAE Levels 0-5

SAE Levels 0-5 are a classification system defined by SAE International for the various types of automated driving. The SAE levels focus, among other things, on the extent to which human drivers must still be alert and ready to intervene.

The stages of automation are defined as follows:

0: no automation, 1: driver assistance, 2: partial automation, 3: conditional automation, 4: high automation, 5: full automation.

## 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.

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## 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.

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# Daimler Worldwide

## G.02

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Sales Organization Automotive Businesses	Daimler Mobility
<b>Europe</b>						
Production locations	16	7	3	7	-	-
Sales outlets	-	-	-	-	3,706	55
Revenue (in millions of euros)	40,256	10,743	10,827	3,321	-	12,330
Employees	132,961	35,055	17,307	15,697	-	8,511
<b>NAFTA region</b>						
Production locations	2	17	1	1	-	-
Sales outlets	-	-	-	-	1,355	4
Revenue (in millions of euros)	19,127	19,020	2,029	228	-	13,110
Employees	10,677	23,709	1,935	452	-	1,699
<b>Latin America (excluding Mexico)</b>						
Production locations	1	2	1	3	-	-
Sales outlets	-	-	-	-	642	2
Revenue (in millions of euros)	770	2,329	507	706	-	308
Employees	425	9,709	2,011	1,408	-	331
<b>Africa</b>						
Production locations	1	-	-	1	-	-
Sales outlets	-	-	-	-	328	1
Revenue (in millions of euros)	1,450	1,023	301	101	-	282
Employees	3,819	702	36	-	-	134
<b>Asia</b>						
Production locations	2	4	-	2	-	-
Sales outlets	-	-	-	-	2,534	11
Revenue (in millions of euros)	30,614	6,612	815	336	-	2,335
Employees	3,852	13,913	1	403	-	1,798
<b>Australia/Oceania</b>						
Production locations	-	-	-	-	-	-
Sales outlets	-	-	-	-	244	2
Revenue (in millions of euros)	1,553	515	322	40	-	281
Employees	314	349	56	-	-	207

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](https://www.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](https://www.daimler.com/investors)

## Publications for our shareholders:

Annual Report  
(German, English)

Interim Reports for the 1st, 2nd and 3rd quarters  
(German, English)

The Annual Report can be requested from:

Daimler AG,  
Investor Relations, HPC F343  
70546 Stuttgart, Germany  
Phone +49 711 17 92262  
Fax +49 711 17 92287  
[order.print@daimler.com](mailto:order.print@daimler.com)

[daimler.com/ir/reports](https://www.daimler.com/ir/reports)  
[daimler.com/downloads/en](https://www.daimler.com/downloads/en)

## Financial Calendar 2020:

### Annual Shareholders’ Meeting 2020

April 1, 2020

### Interim Report Q1 2020

April 29, 2020

### Interim Report Q2 2020

July 23, 2020

### Interim Report Q3 2020

October 23, 2020

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](https://www.daimler.com/ir/calendar)

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