

Speech

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**Daimler 2016: From the reinvention of the automobile
to the reinvention of our company**

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Introduction

Dear shareholders,
shareholder representatives,
ladies and gentlemen,
Welcome to the Annual Shareholders' Meeting!

As you already know, we are looking back on the most successful year in the history of your company. We have set new records for unit sales, revenue and earnings. Because our profits have increased by a higher rate than our revenue, our growth has been very profitable as well. In our automotive business, we had a 9.4 percent return on sales, excluding special items. That means we exceeded our target rate of return of 9 percent. Accordingly, our recommendation to set this year's dividend at 3.25 euros represents an all-time high. This year, Daimler will be paying more money to its shareholders than any other DAX company.

At Mercedes-Benz Cars, we sold more than two million cars for the first time ever and reached our target return on sales of 10 percent in our ongoing business operations. At Daimler Trucks, we delivered on our promise and increased our sales to over 500,000 units. We significantly increased our earnings and our profitability. At Mercedes-Benz Vans, we set new records for unit sales, revenue and EBIT. Daimler Buses also increased its earnings slightly, in spite of the difficult business environment in regions such as Latin America. Daimler Financial Services once again posted record figures for its new business and contract volume. Its return on equity was 18 percent.

All of this was made possible by our 284,000 employees through their untiring dedication and hard work. And I would like to thank each and every one of our colleagues for this achievement.

My most important message to you, our shareholders, is that all of the signs indicate that 2016 will also be a good year for Daimler! We will publish our figures for the first quarter of 2016 in just over two weeks. I can already tell you the good news for Mercedes: We have never sold more cars in a first quarter than we did in 2016 – more than 483,000 in all. That's roughly 13 percent more than in the first quarter of 2015. This increase is mainly due to the strong demand for our compact cars, the new GLC and the vehicles that are locally produced in China. The new E-Class has not yet contributed to the increase. We expect that the model changeover will reduce our earnings in the short term. However, the increasing availability of the new E-Class – as well as favorable exchange rates – make us confident that our earnings will grow significantly in the second half of the year.

But I don't want to present our financial statements to you today. You can find them, in full detail, in our Annual Report. Today, I would like to talk to you in particular about a basic orientation that is more significant now – in the year of our 130th anniversary – than ever before: We are, and we will remain, pioneers of mobility. We know that the current situation is far from being the best of all possible worlds. And we intend to take advantage of the opportunities that changes always bring with them.

With that in mind, we have updated large parts of our company in recent years.

- Firstly, we have strengthened our core business – primarily through new products and a new design language.
- Secondly, we have further expanded our base for global growth – for example, through a flexible and efficient production network and the reorganization of our sales operations.

- Thirdly, we have reinforced our claim to technology leadership – especially with regard to autonomous driving.
- And fourthly, even though others may regard digitization as a threat for our sector – we regard it as the greatest enrichment since the invention of the automobile.

These are the four pillars of Daimler’s strategy, now and in the future. They are the basis of the success we enjoy today – and pave the way for the course we’ve set for the future. They offer us a wealth of new opportunities. Let me give you just a few examples.

Worldwide opportunities for growth

Let’s begin with the fact that for many years, experts have predicted the end of growth – especially for the automotive industry. They’ve been saying that the boom in China in particular is over. But in fact, it’s estimated that more than 80 million new vehicles will be sold worldwide this year. In China alone, the market could expand by almost 2.5 million automobiles in 2016. China has almost three times as many inhabitants as all the EU countries put together. Its vehicle density is still low – at least outside the major cities. Its middle class is growing. These are the reasons why China is now the biggest market for Mercedes. Two factors will play a key role for our further growth in China: the right products and local production. Our product lineup in China is more attractive than ever before. In 2015, we added 15 new or updated models – and many of them were developed especially for the Chinese market. In addition, roughly two thirds of the cars we sell in China are now produced within the country.

We are also growing in markets that were previously considered saturated. One example of that is Europe, where we sold 12 percent more cars in the first quarter than in the same period of 2015. Our market share has been growing steadily for the past two years. Mercedes-Benz is the world’s fastest-growing premium brand. And to make sure this winning streak continues, we are maintaining the fast pace of our model offensive. For instance, in 2016, we will introduce a dozen new or updated car models. One example is the all-new GLC Coupe, which we presented in New York almost two weeks ago.

Unlike the passenger car market, the commercial vehicle business is more cyclical. This year, for example, the commercial vehicle markets will probably shrink in the regions that are relevant to us. But our long-term growth prospects are promising. We see tremendous potential in Africa, for example. A few weeks ago, we opened two regional centers for sales and service in Nairobi and Johannesburg. Using these centers as a base, we serve a total of 50 countries. We will also return to the Iranian market, where our commercial vehicles have an excellent reputation. Now that the sanctions are over, there’s a great backlog of demand, especially for trucks. We will also further strengthen our position in our core markets in North America and Europe.

It’s obvious that the more cars and commercial vehicles are on the road, the more efficiently each one of them must be operated. Here too, the spirit of invention is more urgently needed today than ever before.

Efficient drive systems

The technology that has generated the most headlines in recent months is that of diesel drive systems. Daimler did not cause these headlines. Nonetheless, a side effect of this development is that allegations were also made against our products. We categorically reject those allegations. Here, once again, are the facts. Firstly, our vehicles are certified and approved on the basis of applicable laws and regulations in the various regions. Secondly, deviations from the certified standard values can occur in real-life operation. This is not due

to manipulation. On the contrary, it's a result of the legally prescribed measuring processes that are based on comparability. For years, we have actively supported the introduction of new measuring methods that are aimed, among other things, at bringing standard and real values as close together as possible. And we have also cooperated closely and constructively with the authorities – in Germany, Europe, the United States and elsewhere.

At the same time, we are continuing to refine our diesel technology. At Mercedes, we believe in the diesel engine – and in our engineering skills. If we want transport-related CO₂ emissions to continue to decrease in the near future, diesel engines are essential. That's why we are investing a total of 2.6 billion euros in a new generation of highly efficient diesel engines. The kickoff will be the OM 654. Admittedly, this name is not very catchy. But when engineers are asked to name things, they give them numbers. The most important figures are these: Even in a full-size sedan, this engine consumes less than four liters of fuel per hundred kilometers. It emits 13 percent less CO₂ and significantly lower amounts of nitrogen oxides than the diesel engines we have today, which are already extremely efficient. This engine will first be used in the new E-Class. After that, it will be utilized in many other model series. Highly efficient combustion engines will remain the most important means of reducing fuel consumption and emissions for quite a while.

It's equally clear that in the long term, the future belongs to electric drive systems – in spite of the historically low price of oil. That's why we are investing about half a billion euros in the construction of a second battery factory in Germany. This is an expression of our commitment to electric mobility – and to Germany as a production location.

An electric motor is a relatively simple product in comparison with a modern gasoline or diesel engine. On the other hand, the battery and its production are complex. This is where it's possible for companies to set themselves apart from the competition. And that's why we're keeping our know-how to ourselves and enhancing it. At the new factory in Saxony, we will also produce batteries for stationary use. We are now starting to sell batteries as energy storage units for private and industrial users.

But of course, we are mainly producing the batteries for our own electric and hybrid cars. At smart, for example, all of the models will also be available in electric drive versions. The market launches will towards the end of this year. At Mercedes, we are increasingly focusing on the plug-in hybrid concept. In 2017, we will have ten plug-in hybrid models on the market. We have also decided to launch a large electric automobile with a range of 500 kilometers on the market before the end of this decade. At the same time, we are developing a platform on which we can later build several different electric cars.

We are investing an enormous amount of money in new technologies such as these. In 2015, we spent a total of 6.6 billion euros on research and development at Daimler. We will considerably increase this expenditure in the future. In 2016 and 2017, we will invest a total of 14.5 billion euros in research and development projects and about 14 billion euros in property, plant, and equipment. We can do this because we have the necessary financial resources. And we are doing it to further enhance our innovative capabilities. This is how we are creating the preconditions for further growth in the future. A considerable part of these funds is earmarked for the digitization of our value chain. One of the keywords here is “big data.”

Big data and autonomous driving

When people talk about data, especially in Germany, they quickly end up discussing data protection, data misuse, and data theft. Here as elsewhere, the focus is often on the risks involved. It's equally important, however, to talk about the opportunities that the use of data will offer – especially in the area of autonomous driving.

The total volume of data that people produce doubles every two years. Scientists say that the total volume of data could reach the unimaginable figure of 40 trillion gigabytes by 2020. That's a number with 12 zeros. The question is: What are we doing with all that data? The way to derive significant added value for our customers from this mountain of data is connectivity.

The human brain and the intelligent car operate according to the same logic. Both of them gather data from various sources in order to correctly interpret the context. For this purpose, human beings use their eyes, ears and other senses. Cars use cameras, radar and other sensors. There's also a difference in the ways cars and people process this information. For example, each of you is now sitting on a chair. But how does your brain know that it's really a chair? And how do you identify a chair that looks like this? Or like this? On the basis of our life experience, we know that all of them are chairs. We interpret our perceptions and experiences. Why am I telling you all this, you may ask. Because cars have not been able to interpret very much so far.

For example, if an autonomously driving vehicle is programmed to strictly obey the traffic laws, it will remain standing behind a car that is double-parked. It will probably stay there forever. It will never lose its patience. It will never cross the white line. By contrast, we human beings are not always very good at obeying the rules. But we are capable of learning. A truly intelligent car needs both capabilities. It must obey the rules, and it must also be able to reach its own conclusions and make its own decisions. We will teach our cars both of these capabilities, step by step.

And the data that are gathered in road traffic are immensely valuable for this process. When hundreds of thousands of networked cars are on the road in the not-so-distant future, they can train one another, thanks to "swarm intelligence." We are taking the next step in this direction with the new E-Class. Not only can it follow the vehicle ahead of it at a speed of 210 km/h, it also parks itself in narrow spaces, changes lanes independently, recognizes pedestrians and cross traffic, and brakes automatically in emergency situations. The new E-Class is also the world's first series-produced vehicle with car-to-X communication. In other words, the E-Class shares information with other cars and with the infrastructure. This connectivity creates fantastic possibilities for the future of mobility – not only for cars, but for other systems as well. For example, it will enable us to organize the transportation of products and materials more effectively.

Connectivity in road freight transport

Truck transport is the backbone of the world economy. In Europe, trucks are responsible for three quarters of domestic freight transport. And the volume of worldwide transport is increasing; it could triple by 2050. However, the logistics network is not capable of handling this increase. There are too many empty runs and too much time is lost during loading and unloading, in traffic jams, and at parking lots. One reason for that is the lack of real-time information. The connected truck can provide this information. This will significantly increase the efficiency of road freight transport. In the future, the connected truck will identify wear and tear on its own at an early stage and make an appointment with the workshop.

Moreover, the cargo capacity of trucks can be used much more efficiently. Platforms for ride-sharing have already existed for quite a while. In the future, there will be platforms for

matching up freight with the available cargo capacity. And if connected trucks and cars are sharing traffic information in real time, the infrastructure can also be used much more efficiently. That will result in less time lost, lower emissions, and greater safety. Daimler is the driving force behind this development. We have been offering telematics solutions on the market for the past 15 years. We've already connected more than 365,000 vehicles all over the world with FleetBoard and Detroit Connect. We are now expanding this business. By 2020, we will invest about half a billion euros in connectivity for trucks.

In early March, we became the first truck producer worldwide to send out a truck "platoon" on a German highway. The term "platooning" refers to a group of several autonomously driving trucks that are connected with each other via Wi-Fi and thus can drastically reduce the distances between them on the highway. What advantages does this bring? It improves aerodynamics and thus reduces fuel consumption. It improves safety. And it creates space. Because three trucks driving as a platoon require only half as much space on the highway as three trucks driving separately. That's why we want to develop this concept further.

But it's not only a question of improving our products – digitization involves a lot more. It affects the entire value chain.

Digitization of the value chain

Let's take a look at production. Many people are afraid of smart robots. And of course, I understand that people with jobs in industrial production are wondering if the day will come when they are no longer needed. We think it won't! For example, on our assembly-line automation has passed its peak. In some cases we are even reducing our use of robots. That's because today, we offer a wide range of models, versions and options. That requires flexibility in our production processes. And that's where robots reach their limits. The experience, creativity and flexibility of human beings will continue to be irreplaceable in auto production.

Nonetheless, robots will continue to play an important role – but they will be in much closer contact with human workers in the future. Today, a step in the assembly process can, as a rule, be carried out either by human employees or by robots. In the future, robots and people will work together hand in hand. That will enable both of them to contribute something: the cognitive superiority of human beings and the power and precision of robots.

Let's also look at the digital development process. In the 1970s, computer images with 1,000 pixels were a big deal. A decade later, that figure was 25 times greater. Today we've got computer images with up to 80 million pixels. Consequently, we can precisely depict a new model as a digital prototype at an early stage of its development. So, before a new automobile even gets close to our wind tunnel, it has already gone through many test runs as a data model.

Nonetheless, we still rely implicitly on the toughest testing process of all: the passion of our development engineers. Not many of our customers will drive their Mercedes through a desert or across a frozen lake. But we will make sure they could do that if they wish. As you can see, we're not giving up our uncompromising claim to top quality. I can promise you that in the future, a Mercedes will still be a Mercedes. But we will expand our core business step by step in order to make individual mobility more connected. In this area as well, a pioneering spirit reaps rewards.

New business models

In recent years we have substantially expanded our range of mobility services. car2go has become the world's leading car-sharing company in a very short period of time. And people are using our moovel app to find and reserve the best transport connection between point A and point B. mytaxi is yet another component of this strategy. With this app, you can order a taxi and follow its progress in real time on your smartphone. You also pay for the taxi via your smartphone, and you receive the receipt as an e-mail. At the end of your ride, you can post an evaluation.

Today, mytaxi is being used in 40 cities all over Europe. And experience has shown that people who have used it once generally become regular users. The number of rides tripled in 2015 alone. And it looks as though the trend will continue. Three weeks ago, mytaxi became a partner of Google Maps in Germany and Spain. Customers in these two countries who are planning a route will now receive information about how long a taxi needs to travel this route and how much it costs. This app will benefit the drivers by bringing them additional customers. All in all, mytaxi is not a threat to the taxi business, but rather an opportunity. This is important for us, because taxis and Mercedes simply belong together.

Another example of future growth is the long-distance bus business. The liberalization of bus transportation in Germany in early 2013 established a completely new market in a matter of months. Last year, long-distance buses transported a record number of over 20 million passengers in Germany. As the leading bus manufacturer, we took advantage of this development from the very start. And that has paid off: 55 percent of long-distance buses in Germany come from Daimler.

Cultural transformation of the Daimler team

Ladies and gentlemen,

At the beginning of my speech I spoke of a basic orientation of our company. This basic orientation cannot be simply decreed, but it can be encouraged. And I'd like to briefly talk about that in my conclusion. When I ask newly employed young colleagues how they feel about Daimler after the first few months, they often say, "Daimler is a great employer." That's true, of course. And when they're asked for details, they sometimes say two things. Firstly, there are some things that don't really have to exist, such as certain hierarchies or coordination loops or many of our rules and prescribed processes. We are absolutely determined to change that. We are taking a critical look at the aspects of our corporate culture that still unnecessarily slow us down.

For example, it's time to establish a new leadership culture. And it will begin with a new approach: The momentum will come from a team consisting of international colleagues from all of our units and all the levels of our hierarchy. Our hierarchical structure, our meeting culture and our methods of evaluating performance – all of them will be closely examined. The only parameter for this process will be that there are no parameters. I look forward to seeing what future opportunities this process will create for Daimler.

However, from my perspective, there's one area of our corporate culture where there's no need for a change. And that's the second point that is often made by new colleagues in particular: The thing that more than compensates for all of the challenges is the opportunity to work together with incredibly talented and committed people. And this commitment goes far beyond people's jobs. For example, the head of transport logistics at our plant in Untertürkheim drives a truck for the aid initiative "Star Care." The donations collected by this aid initiative benefit charitable projects in the region. A colleague from our technology factory

in Sindelfingen works on educational and health projects in Nepal. And many of our colleagues are helping to meet one of the biggest challenges facing us today: helping the refugees who are coming to us in large numbers.

I know there are different opinions about this challenge. But all of us agree that we have to eliminate the causes of this crisis and help people where they live. That's why we recently sent off the fourth Daimler aid convoy for Syrian refugees. That convoy, which carried 250 tons of relief supplies, arrived in southern Turkey a few weeks ago.

In Germany, we launched a preparatory internship program last November in order to create a smoother path for refugees into the labor market. And it's working: Almost all of the participants found jobs at the end of the program. This success as well is due to the commitment and hard work of our colleagues. I'm very proud of that. Because the value we create at Daimler is based on the values we share.

Conclusion

Ladies and gentlemen,

the headlines we're seeing about Daimler today are overwhelmingly positive – and they are justified by our business results. That means it's now even more important for us to stay hungry. In the past, we had a tendency at Daimler to lean back and relax after an especially successful phase, but today, things are different. We know we still have quite a few things to do. We want to put Mercedes in the lead again by 2020 at the latest. We are much closer to that goal today than we were four or five years ago. At the same time, we are still working hard on the structural optimization of our business processes. The changes in our corporate culture are at least as important. Our mission remains unchanged: 130 years ago, we invented the automobile. Today we are forging ahead with its reinvention. And in order to do that, we are also reinventing ourselves. I look forward to your continued support as we move along this path in the future. Thank you very much!

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Forward looking statements: This document contains forward-looking statements that reflect our current views about future events. The words "anticipate," "assume," "believe," "estimate," "expect," "intend," "may," "can," "could," "plan," "project," "should" and similar expressions are used to identify forward-looking statements. These statements are subject to many risks and uncertainties, including an adverse development of global economic conditions, in particular a decline of demand in our most important markets; a worsening of the sovereign-debt crisis in the euro zone; an increase in political tension in Eastern Europe; a deterioration of our refinancing possibilities on the credit and financial markets; events of force majeure including natural disasters, acts of terrorism, political unrest, armed conflicts, industrial accidents and their effects on our sales, purchasing, production or financial services activities; changes in currency exchange rates; 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 and the conclusion of pending or threatened future legal proceedings; and other risks and uncertainties, some of which we describe under the heading "Risk and Opportunity Report" in the current Annual Report. If any of these risks and uncertainties materializes or if the assumptions underlying any of our forward-looking statements prove to be incorrect, the actual results may be materially different from those we express or imply by such statements. We do not intend or assume any obligation to update these forward-looking statements since they are based solely on the circumstances at the date of publication.