

Embargo: Start of speech

Speech by the Chairman of the Board of Management,

Ola Källenius,

at the Annual Shareholders' Meeting of Daimler AG

Stuttgart, July 8, 2020

Check against delivery!

Ladies and gentlemen,

Many things are different these days. Who would have thought twelve months ago that we would have to hold an annual shareholders' meeting this year without gathering together? And who would have thought that digitization would not only be an important topic of this year's annual meeting, but a prerequisite for holding it? Of course, I too would prefer it if we could meet in person. I am nonetheless pleased that, despite social distancing, I am able to talk to you about the current situation and the future prospects of your company. I would like to do this in a slightly different way than usual. Namely, with the use of ten numbers.

I. ~ 180

Let's start with this: Daimler has business operations in nearly 180 countries. In each of those countries, we had to react to Covid-19 under enormous time pressure. We acted as fast as possible all over the world. Our top priority has been to protect people's health. Dealing with this pandemic remains a challenge of historic proportions. I would like to take this opportunity to thank all our customers for their understanding and loyalty – I am sure that I am also speaking on your behalf. And I would also like to thank all my colleagues in those nearly 180 countries. I have been with the company for a while now, but I have never experienced such togetherness, team spirit and helpfulness.

II. €9.3 billion

It was crucial for the economic stability of the company that we were able to secure our liquidity. And that brings me to the next number. At the end of the first quarter, our net liquidity amounted to 9.3 billion euros. That's a decrease compared with the previous quarter. Nonetheless, in view of the pandemic situation, this is a good and robust level.

A key factor here was speed. Within a short time, we initiated a large number of measures to protect our cash position: We adjusted our production to the corona-related low demand at an early stage. We made use of the possibility of short-time work. And we focused our investments consistently on future-oriented projects. At the same time, we arranged an additional credit line of 12 billion euros. This increases our financial flexibility. We are able to act independently. The measures we took were aimed at dealing with the situation in the short term but were also designed to support our long-term course. This also means that we stand by the dividend proposal we made before the pandemic of 90 cents per share.

III. 90 cents

This is the result of a dividend policy that has been based on a clear system for many years: We distribute 40 percent of the net profit of the previous financial year. In addition, the dividend should be covered by the free cash flow of industrial business.

I know that many of you would have liked a higher dividend. However, Daimler was significantly impacted by special reporting items that reduced our earnings in 2019. One thing is certain: The current dividend level is also not what we in the Board of Management have in mind for the long term. At the same time, there were public voices demanding that no dividend be distributed at all. I would like to emphasize: We do not receive any state assistance. Short-time work – as an instrument of unemployment insurance – protects jobs at thousands of companies in Germany. Workforces and companies have been paying into this insurance for decades. In a way, it bridges the gap in demand that we are currently experiencing.

I would like to take this opportunity to thank the state authorities for their work: whether the health authorities, the Employment Agency or politicians at local, state and federal level. Germany has impressively managed the Covid-19 crisis and is a role model for other countries. And the German government's stimulus package will help to overcome the economic impact in Germany more quickly.

A key element within the company is the fair sharing of loads. As Manfred Bischoff mentioned, everyone at the company is making a contribution. Sticking together is what matters now. Another trump card is a high degree of flexibility. That pays off especially in times of crisis: Customer demand determines our production program.

IV. 869,179

Global vehicle markets have slumped massively in recent months. That has hit us hard as well: We sold nearly 870,000 cars of the Mercedes-Benz brand in the first half of the year. That's almost 19 percent fewer than in the prior-year period. However, Mercedes-Benz has already made up some ground in the second quarter. In China, for example, Mercedes-Benz achieved its best second quarter ever in terms of unit sales. We are cautiously optimistic that other markets will follow this development step by step. Nearly all of our worldwide dealerships have opened again. Already in June, global retail car deliveries were slightly above the prior-year level again.

V. 150,413

The pandemic has also impacted our truck business: In the first half of the year, we sold approximately 150,000 trucks. That's 38 percent fewer than in the prior-year period. Covid-19 is not the only reason; the market environment was already weaker, especially in Europe and North America. In recent weeks, the development of orders received was positive again in nearly all our core markets.

VI. €155 billion

Daimler Mobility's business was also affected by Covid-19. The final figures aren't yet available, but contract volume is expected to have been approximately 155 billion euros at the end of the second quarter – a two percent decrease compared with June 2019. Things are looking up again also for Daimler Mobility, especially in China. We were able to offset the negative effects of the first quarter in the second quarter of the year.

Overall, against the backdrop of the effects of Covid-19, we anticipate negative adjusted Group EBIT and a negative free cash flow in the industrial business for the second quarter. This is also what we forecasted when we published our figures for the first quarter. As expected, we will record significant revenue decreases in the second quarter due to Covid-19, although the development of revenue in recent weeks – especially in the car business – gives us grounds for cautious optimism. The early adjustment of production and the measures introduced on the cost and cash side have had a positive impact and are helping us to take sensible countermeasures, especially with regard to cash flow and liquidity.

In general, it's a fact that we can increase production again just as quickly and efficiently as we scaled it down in the course of the worldwide spread of Covid-19 – as soon as demand picks up again. It is also true that it's a long way back to pre-crisis levels. The IMF anticipates the worst worldwide recession for almost 100 years in 2020. The Group's unit sales, revenue and earnings are likely to be lower this year than in 2019.

In the diesel matter, we were able to take a decisive step in September 2019 and conclusively end the district attorney's fine proceedings against Daimler AG. That strengthens us in our course: We are working constructively and transparently with the authorities and focusing on sustainable compliance, while continuing to defend our legal position.

Last year, we also launched a comprehensive initiative to improve our efficiency on a sustained basis – in all divisions. We are currently implementing thousands of measures and the first effects are already being felt. Our previous efficiency goals covered the upcoming transformation, but not a global recession. That's why we are further refining our course: We are currently engaged in constructive negotiations with the employee representatives.

We communicated another measure a few days ago: We plan to adjust the capacities of our global production network to the expected market situation. We therefore intend to start negotiations on the sale of our car plant in Hambach, France. One potential buyer with whom we are holding talks is Ineos. The prime goal is to give the site good prospects for the future.

At the same time, we are investing in the transformation to CO₂-neutral mobility. The most recent example is our strategic partnership with the Chinese battery-cell supplier Farasis. In this way, we are intensifying our sustainability activities as well as strengthening our existing business relationship with an equity interest of about three percent.

We have initiated a number of measures to become more competitive. Each of them serves the purpose of generating more profitable growth and meeting your return requirements as investors. I can assure you: We are committed to our long-term economic goals. I think we all agree: The latest results of operations – even before corona – do not do justice to this proud company. Daimler can do better. And we are determined to deliver.

VII. 2039

Covid-19 has pushed into the background another major challenge that will occupy us for a long time to come: the fight against climate change. We need a lane change – towards decarbonization. That's the direction we're headed in and we're following insistently. Our goal is to offer a CO₂-neutral fleet of new cars by 2039. Our principle to achieve this is electric first!

And we are making good progress: By the end of the year, our car portfolio will comprise five all-electric models and more than 20 plug-in hybrids. In Europe, we sold four times as many plug-in hybrids in the first half of this year as in the prior-year period. This shows that more and more of our customers are deciding on one of our electrified models. And with our all-round carefree packages from Daimler Mobility, we want to specifically reduce any remaining reservations.

Our overall contribution to climate protection goes far beyond the vehicles: We recently developed principles for green financing at Daimler. This will make it possible to invest specifically in Daimler's sustainability topics in the future. The first step will soon be the issuance of green bonds. We will use the proceeds to further advance our sustainable business strategy. Or let's take production: As of 2022, production of our cars and vans in the more than 30 plants of Mercedes-Benz AG worldwide will be CO₂-neutral.

Sustainability has priority not only for our cars: For our most important truck markets in Europe, North America and Japan, we aim for all new commercial vehicles from Daimler to be locally CO₂-neutral in use by 2039. Production in our commercial-vehicle plants in Europe will be CO₂-neutral by 2022, other plants will follow.

We already have fully electric trucks, vans and buses on the road: The eCanter is already in large-scale production. We are testing the eActros and eCascadia in everyday use – we want to put both into series production next year. With our vans, after the eVito and eSprinter, our EQV has been available to order for a few weeks now. Thomas Built Buses is the first large-scale manufacturer to put all-electric school buses on the road in the United States. And the Mercedes-Benz eCitaro city bus is in high demand all over Europe.

The fuel cell also plays a crucial role in the electrification of our commercial vehicles. I know that this topic is important to you, our shareholders. In the advance of the Annual Meeting, we received many questions specifically about hydrogen. We are very pleased about this, because we share the view that fuel cells are a key element of the drive portfolio of the future. We are consolidating our expertise in this field in two partnerships. With Volvo, we plan to offer fuel-cell trucks for heavy-duty haulage in series production in the second half of the decade. With Rolls-Royce, we are working within the framework of cooperation on stationary fuel-cell systems.

VIII. 223

We are taking the next step towards the future with a car that we will present in the fall: the 223 series – our S-Class. We offer many highly attractive premium models. But none of them embodies Mercedes as much as the world's best-selling luxury sedan. With the latest generation we want to offer our customers innovation, safety, comfort and quality like never before.

We are above all a luxury brand and there is great potential for further growth, especially at the upper end of the segments in which we are operating. So we will systematically strengthen our brand portfolio and make it more attractive to a broader target group. We are focused on building the most desirable cars in the world. That is our promise and the best path towards more profitable growth.

I recently drove a pre-series model of the 223 series and can tell you that our engineers are once again keeping their promise. The new S-Class combines our two strategic focuses: electrification and digitization. 48-volt technology will be standard for all engines. And the plug-in hybrid version will set the benchmark for electric range in this segment.

In addition to the S-Class, our cooperation with Nvidia shows that we see digitization as a great opportunity. Together with one of the world's leading tech companies, we plan to develop one of the smartest-ever computer architectures for automated driving functions. We will roll it out across our car fleet starting in 2024. We want to offer our customers genuine added value with the latest software and digital services. For example, automated driving functions can be made available "over the air."

The idea behind it is simple: Buying a car is no longer the highlight between customers and us – but the starting point. Nvidia CEO Jensen Huang put it in a nutshell: "In the future, a used Mercedes will be smarter than it was as a new car." Because it will constantly learn and adapt to the customer's needs. We will already take the next major step in terms of digitization in less than two months with the new MBUX generation. We will demonstrate in detail what the system can do at the S-Class world premiere. But I am pleased to be able to give you an exclusive preview today.

MBUX

You all know MBUX: We revolutionized the car cockpit with artificial intelligence and intuitive usability. And we are now revolutionizing the existing MBUX system with new and extended functions. In terms of performance, learning ability, design and system customization, we are breaking completely new ground. In the future, all passengers will be able to use MBUX. The system recognizes the different occupants by their voice.

Let's have a look inside the system. Various design styles make MBUX even more individual and a design element of the interior. With the understated mode, we also offer a very reduced graphic display, so that the driver can focus on the road and the traffic. The heart of the system is a large OLED touchscreen.

It not only gives tactile feedback; it also predicts which elements I want to select, which then stand out visually. In addition, we are integrating more and more streaming services into MBUX. The next step is Amazon Music. More providers will follow.

Let's also have a look at the instrument cluster behind the steering wheel. With the S-Class, we are making the eco score standard equipment. Millions of people know gamification from their everyday lives: Playful tasks help them to improve their fitness, for example. And with eco score, we are reducing energy consumption. By driving with foresight, you keep the ball in the middle, save energy and drive more environmentally friendly. One function of our new Mercedes Me app perfectly complements the eco score: With the "individual fuel consumption" service, you can view your actual fuel consumption anywhere and at any time on your smartphone. And if you want, you can compare your figures with those of other users of the same car model.

The interaction in the new S-Class between infotainment and driver-assistance systems enhances safety. One example: recognition of one's surroundings. Looking ahead and to the rear – a Mercedes can already do that. With the new MBUX, it not only recognizes that a vehicle is approaching, but also which type. The display shows whether a motorcycle, car or truck is approaching. The S-Class also reaches the next milestone when it comes to automated driving: Stay tuned for the world premiere in early September.

Is there such a thing as the ideal co-pilot? Couples have probably been arguing about this since the invention of the automobile. Our new S-Class gives the answer, which is "Yes." Augmented reality makes the S-Class the best co-pilot you ever had. Route instructions are more precise and easier to understand than ever – thanks to the fusion of the virtual and real worlds. There are many arrows in navigation systems. But our engineers put them where they belong: on the road. We are making navigation better than ever, and above all safer than ever. Because that way, the driver's eyes can stay on the road. All this is just a small preview of MBUX in the new S-Class. I think it's becoming clear: Daimler's future is digital – and electric.

IX. 700 km

Next year, we will enter a new era for Mercedes in terms of electrification: The EQS will set standards. More than 700 kilometers of driving range according to WLTP – that's how far it can go on one battery charge. With the EQS, the way we think about cars is changing. It is the first fully electric luxury sedan from Mercedes-Benz based on an all-electric architecture. This opens up entirely new possibilities – from the position of the batteries to the car's design.

The EQS plays in the same league as the S-Class in terms of luxury, comfort and safety. But the EQS is also a symbol for Germany's future viability as an industrial location: The batteries come from our plant in Stuttgart-Untertürkheim. And the car will drive off the assembly line in Factory 56 in Sindelfingen. In this country, people do like to be self-critical. That's good and important. Because it is always an incentive for innovation and renewal. But despite all the justified complaints about things such as losing mobile signal and driving through potholed roads, there are also many reasons for optimism. The EQS and Factory 56 are two examples of many that demonstrate: The German economy is strong and sustainable and has been in a fundamental transformation process for some time now.

X. 134

We have shaped the history of the automobile since its invention 134 years ago by our founding fathers, Carl Benz and Gottlieb Daimler. Countless people are still inspired by this unique tradition today. That applies not only to those who drive our cars. It also applies to our colleagues – who design, build, sell and maintain them. We at Daimler have together experienced many far-reaching upheavals. In view of an ever-faster changing world, we must change at a faster pace.

As a company, our goal is to be a role model and pioneer for integrity. It is the foundation of our business and of our corporate culture. We have already achieved a lot in this regard. But implementing integrity in everyday work is an ongoing task.

The right culture also includes taking a clear stand on current issues such as racism and discrimination. We are doing this both internally and externally. Manufacturing vehicles is teamwork and can only function when we treat each other with respect, openness and fairness. Daimler is clearly committed to this, and we expect the same from the approximately 300,000 people who work for us worldwide.

Thanks to their commitment and their passion, we have emerged stronger from every crisis. This will also be the case in the current phase. That is why I look to the future with full confidence.

A path of decarbonization and digitization leads to the future of mobility. Strategically, we have been on this path for a long time. And that was the right policy. The results can already be experienced on the road today. And they will become even more numerous and visible in the coming months – with cars and commercial vehicles.

Daimler's future will be sustainably fascinating, sustainably climate-neutral and, last but not least, sustainably profitable. This company has a great history, but also a great future ahead. And we are shaping it – with courage, passion, responsibility and togetherness. Thank you!

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