

Speech by the Chairman of the Board of Management

Ola Källenius

on the occasion of the Annual Meeting of Daimler AG

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Check against delivery!

Intro

Ladies and Gentlemen!

“We have proven in recent years that we can set the pace when it comes to change processes. But there is still so much to do. Think of the development of alternative drive systems, of the use of new materials, of recyclability and safety standards. We will develop the learning car. Communication will play a significant role – the Web in the car and the car in the Web.”

I subscribe to each of these sentences. But the statements made are not mine. Professor Jürgen Hubbert made them in 2003, shortly before his retirement.

He passed away in January at the age of 81. We had to say goodbye to a good friend.

A great leader. An advisor who was highly valued until the end.

He was “Mister Mercedes” and will always remain so in our memories.

All the topics that Jürgen Hubbert addressed almost 20 years ago are now reality at Daimler.

What’s more important: Today we are working on technologies that will define our mobility and our company over the next 20 years, creating the conditions for a successful future.

I would like to illustrate this with the help of five current vehicles which help to showcase our strategic priorities, mainly in the areas of electric mobility, vehicle software and automated driving.

Financial year 2020

But before I do that, I would like to take a look at the past financial year. There is one thing above all that we can gain from it: a lot of confidence.

2020 was a year that none of us will quickly forget. It demanded a lot from all of us – in our personal and our working lives.

Despite the greatest adversity, we sold 2.8 million vehicles, generating revenue of 154.3 billion euros.

Our earnings increased by 53 percent to 6.6 billion euros. Adjusted for special items, earnings rose to 8.6 billion euros, and the free cash flow of the industrial business increased to 8.3 billion euros.

Our dividend has long been calculated according to a clear system. Manfred Bischoff has just explained it. This year, our proposal is 1.35 euros per share.

These numbers show what the Daimler team achieved last year. My thanks goes to all my colleagues. They did a fantastic job.

The year 2020 showed what this company is capable of.

In the first quarter of 2021 the positive trend has continued.

At Mercedes-Benz Cars & Vans we have to deal with semiconductor bottlenecks. Deliveries and revenues are nonetheless expected to be higher than in the prior-year period, thanks to tailwinds in China and a strong product mix.

Thanks to strong pricing and continued stringent cost controls we remain confident about profitability.

Incoming orders for Trucks are very promising, especially in Europe and the US. Sales in the first quarter are expected to remain at year-earlier levels, despite the impact from the pandemic on the Indonesian market and on the bus chassis business. Thanks to stringent cost management, strong product mix and disciplined pricing, profits are seen higher than in the first quarter last year.

Furthermore, semiconductor bottlenecks are affecting the supply chain of Daimler Truck and Bus. We are monitoring the situation closely and are in constant contact with our suppliers.

We are going our own way, consistently and with a clear strategy.

During the past year we realigned our strategies in all divisions.

Project Focus

We want to accelerate the implementation of our strategies with the newly planned structure of the Group. To this end, we launched Project Focus in February this year.

As Manfred Bischoff just said, we aim to make our two industrial divisions independent: Cars and Vans on the one hand, Trucks and Buses on the other. In this context, we intend to float Daimler Truck on the stock exchange.

Daimler AG will become two independent companies. Why are we doing this?

For increased pace in our transformation. For more customer focus. For more long-term job security in two strong companies. And for our shareholders: We will increase and crystallise the value of our company.

That is precisely what splitting up the company is all about. And that's precisely why the Board of Management and the Supervisory Board are convinced that we are doing the right thing. It makes sense to take this step now – from a position of strength.

We are convinced that this is the right step to take and we are requesting your approval for it. We want to actively shape our company's future.

And now, I would like to show you what that future looks like. Shall we move over? Let's go!

I. Mercedes-Maybach S-Class

Let's start with the Mercedes-Maybach S-Class.

The car represents our aspiration to build the most desirable cars in the world.

The S-Class has always defined modern automotive luxury. The Mercedes-Maybach crowns it.

Our engineers once again faced a major challenge: to make the best car in the world even better. And they have managed it once again.

At Mercedes-Benz, we understand modern luxury as an expression of supreme comfort, timeless aesthetics and sustainability.

That's why we are launching the Maybach S-Class also as a plug-in hybrid in China, our most important market, next year.

Quality, comfort, design – we set standards in each of these areas. The Mercedes-Maybach S-Class stands for more than just these attributes.

With regard to automated driving we are making a quantum leap with our new systems in the S-Class.

What does that mean in concrete terms? There are five levels on the way to the self-driving car.

Level 1 means that individual assistance systems support the driver.

At Level 2, the vehicle stays in its lane, brakes and accelerates. However, the person behind the wheel keeps an eye on the traffic situation and remains in charge.

Now we are taking the historic step to Level 3, which means that the car temporarily takes over driving completely and the person behind the wheel is allowed not to concentrate on the traffic during this time.

As you know, all this is not just a question of technology. Legal issues must also be clarified.

The S-Class is expected to be able to operate in highly automated mode with DRIVE PILOT in the second half of the year. First on highways in Germany. And initially up to the legally permitted speed of 60 kilometers per hour. In other words, in slow-moving traffic or traffic jams.

And we are going one step further: The new S-Class even masters Level 4 parking, which means the car can drive without any occupants.

With INTELLIGENT PARK PILOT, the S-Class is ready for fully automated parking. The necessary infrastructure in parking garages comes from our partner, Bosch.

As soon as the legal framework permits, following a smartphone command, the car will be able to drive to a reserved parking space without a driver. The S-Class is the world's first series-produced vehicle with the required technology for this on board.

Progress in automated driving is enabled by the combination of a large number of sensors.

They include, for example, a LiDAR sensor at the front. The car uses lasers to detect objects in 3D.

The combination of camera, microphone, radar and ultrasound allows the vehicle to obtain a detailed overview of its surroundings.

We rely on redundant systems. If one system fails, another takes over.

Because safety is a top priority at Mercedes-Benz. Our vision continues to be accident-free and emission-free driving.

And we're taking the next step also with the latter; and that's with this car.

II. EQS

It's still in camouflage: We will present the EQS to the world on April 15. The first all-electric luxury sedan from Mercedes-EQ. Exclusively for you, we already have the EQS here today.

This car demonstrates how we translate the Mercedes approach to building cars into the world of electromobility.

The EQS not only drives without any emissions. It is also produced in our CO₂-neutral factory in Sindelfingen.

It offers a range of up to 770 kilometers according to WLTP.

With a drag coefficient of just 0.20, the EQS has the lowest aerodynamic drag of any production vehicle in the world.

And you can charge its batteries for a range of up to 300 kilometers in just 15 minutes.

In terms of luxury, comfort and safety, the EQS performs at S-Class level. And inside, you can expect an experience that has never existed before in a car.

Last year, I presented the latest MBUX generation to you. In the EQS, state-of-the-art software is combined with pioneering hardware: a combination that revolutionizes design and ergonomics.

The result is the MBUX Hyperscreen. The video, please.

With a width of 141 centimeters, the Hyperscreen is not only the largest interface in a Mercedes to date. It is also by far the most intelligent.

Impressive design, radical ease of use and extremely adaptive. Thanks to artificial intelligence, the system adapts individually to the user.

On April 15, you'll be able to see what else this car can do live at the digital world premiere. I will be delighted if you are able to join us for it.

The EQS is the first model on our new electric platform. This platform is the key to sustainable automotive luxury: with high range, first-class comfort and impressive dynamics.

As you can see, we are planning another electric sedan on that platform: the EQE. As well as two electric SUVs. The next milestone will be our future platform for the compact and mid-size classes. It will form the basis for numerous electric models.

At the same time, we are reducing complexity with our range of combustion engines. Their diversity will decrease significantly: by 40 percent by 2025 and by 70 percent by 2030.

The transition to purely electric drive systems may happen much faster than previously assumed. Technological development is accelerating. Demand is rising. And we are ready for it. How fascinating and how easy it is to use on a daily basis is demonstrated with the EQA.

III. EQA

With the EQA we broaden the appeal of electromobility. The EQA has everything you would expect from a compact SUV: attractive design, comfort and variability. In addition, it offers what we call "electric intelligence."

What does that mean?

With satellite navigation in an electric car, it's not just the distance between A and B that's decisive. The calculation also takes into account the battery's state of charge, the charging infrastructure, topography, the traffic situation and weather data. As a result, MBUX suggests the most time-efficient route, including charging stops.

The system offers access to the world's largest charging network – with more than 500,000 charging points in 31 countries. This also includes the charging stations from Ionia. Together with partners, we have built up a fast-charging network in Europe.

And with “Mercedes me Charge,” you can always charge your car's batteries with green electricity as of this year. We ensure that enough electricity from renewable energies is fed into the grid for this purpose.

For many of our customers, it's important that their electric Mercedes always runs on clean electricity. And rightly so. Because an electric car is only as green as the electricity it is charged with.

To make sure that even more people drive sustainably in the future, we need an efficient public charging infrastructure. Its expansion must keep pace with the manufacturers' electric ramp-up.

For example, to meet the EU Commission's CO₂ targets, Europe needs three million public charging points by the end of the decade. We don't even have a tenth of that today.

In Germany alone, 2,000 public charging points would have to be connected to the grid every week. At the moment, we're not even at 200 per week. The expansion of the charging infrastructure must be accelerated.

Daimler will continue to be involved as part of the automotive industry. For example, we will continue to expand the Ionia network.

I am convinced that if industry and politics work hand in hand, we will make progress together. In doing so, we shouldn't focus on banning the status quo. We should enable the new. At Vans, the new is also electric.

IV. EQV

With a range of more than 400 kilometers, the EQV covers a broad spectrum of applications for a wide range of customer requirements.

Sustainability is increasingly becoming a factor that determines purchases. Demand for electric vans will continue to rise.

Our sales more than tripled in 2020. We are the European market leader for mid-size and large electric vans, each with a market share of more than 40 percent.

And we want to accelerate further. This year, we will present the concept vehicles of the electrified Citan and the T-Class.

By the middle of the decade, the majority of vans for urban delivery services could already be electric. That's why we are focusing our development resources on electric drive systems also in the van sector.

For example, we are investing in our new Electric Versatility Platform – the basis for the next generation of the eSprinter. It will enable us to offer the greatest possible flexibility in the future.

This is primarily ensured by the scalable battery module in the underbody. Depending on the application, a small, medium or large variant is available. In combination with the standardized front and rear electric modules, they allow almost every conceivable body variant.

As with our cars, the focus with vans is clearly on battery-electric drive. Trucks, on the other hand, rely on two all-electric concepts for CO₂-neutral operation: batteries and fuel cells.

Let's look at that now.

V. Mercedes-Benz eActros

The eActros represents the progress we made with battery electric trucks. Series production starts this year. It will have a range of well over 200 kilometers. This makes it especially suitable for heavy distribution transport in cities.

For longer, plannable distances, we will launch the eActros LongHaul with a range of about 500 kilometers. We plan to have it ready for series production in 2024.

For trucks, the following applies: The lighter the load and the shorter the distance, the more that battery technology makes sense. The heavier the load and the longer the distance, the more likely it is that fuel cells will be used.

We intend to put the fuel-cell truck into series production in the second half of this decade.

Last year, we presented the "Concept GenH2 Truck," showing the goals and requirements that we associate with the topic of hydrogen.

We aim to develop a CO₂-neutral truck that performs as well as a conventional truck. It should offer a range of 1,000 kilometers and more.

We are convinced that we can succeed. But there is another prerequisite for the market success of fuel cells in long-haul trucks: an intelligently developed network of hydrogen filling stations along the main transport routes.

No matter whether with fuel cells or batteries: Our sustainable drive systems are setting standards for trucks.

This also applies to a technology that can save lives: Sideguard Assist.

The order rate for our Sideguard Assist in Germany has already passed 80 percent.

Since mid-March, we have been the world's only truck manufacturer to offer an Active Sideguard Assist. This means that it not only warns drivers of pedestrians' presence during a turning maneuver, it can also initiate automatic braking.

We are confident that we can prevent even more accidents and save lives with the enhanced system.

We also want to make a positive contribution to city life by electrifying our buses.

The eCitaro has been available since the end of 2018. With the eCitaro articulated bus, we now offer another, larger alternative. Both variants can be powered with an innovative solid-state battery.

Many transport companies already have electric city buses from Daimler in operation. And now we'll show you what they look like in action. Start the video, please.

Team spirit

We have now seen five different vehicles. They have one thing in common: cutting edge technology. It's the key to decarbonising and digitalizing the automobile.

However, the transformation of your company is not only a technical challenge; it is also a financial challenge.

This is why it will always involve tough decisions. We will continue to work on our cost structures.

Even in times of a strong cash position, we will spend the money cautiously.

Yes, we are recruiting 3,000 new software engineers. After all, vehicle software is a key component of our strategy. But overall, we must, and we will, also continue reducing our personnel costs.

We will do this responsibly by focusing on staff fluctuation and fair solutions. For example, with mutually voluntary arrangements and severance payments, as well as attractive conditions for the transition to retirement.

We are aware of the great responsibility we have towards our colleagues. This also applies to the targeted restructuring of our sites.

In the long run, it benefits no one to work in a plant with a great tradition. It is more important to work in plants with a great future.

With this in mind, we have been working with the Works Council just this month to realign two of our oldest sites: Untertürkheim and Berlin-Marienfelde.

At Daimler, we are driven by togetherness and confidence. And we are convinced of our team. It has everything we need for the challenges ahead: ambition, competence and innovative strength.

Someone who stands for these values like no other is Manfred Bischoff. This is the fourteenth time he has chaired our Annual Meeting; always with an impressive calm, balance, seriousness and a touch of humor. And he always has an open ear for you, our shareholders.

It is fair to say that he has left his mark on a piece of German industrial history.

My dear Manfred, you said in your speech: "This company is extremely well positioned for the future." That is largely thanks to you!

For everything you have done for the three-pointed star over the past 45 years: Thank you! And I say this to you on behalf of all my colleagues.

If we had convened with the shareholders in person today, there would surely be a standing ovation for you now. Manfred, we will miss you.

Dr. Bernd Pischetsrieder is an excellent successor. My dear Bernd, I wish you all the best and much success for this task. I am very much looking forward to working with you.

As I said at the beginning, we are now creating the conditions for a successful future. That's not just a sentence, but an attitude. Our driving force is an inner restlessness for what comes next.

A colleague recently wrote to me about this on LinkedIn. It was about the proportion of women in management positions. The colleague is not yet satisfied with what we have achieved in this area. And she is right.

It is true that we are increasing the proportion of female executives year by year. Compared with other automakers, we are in a good position. But we can do even better, and we intend to.

This is particularly true in two other areas.

Firstly, we are on a good path financially. We are keeping up the pace to achieve our profitability targets on a sustainable basis. At Mercedes-Benz Cars, it is our ambition is to achieve a double-digit margin in a strong market environment.

Secondly: We already have the broadest electric range of all manufacturers – from city cars to heavy-duty trucks. Production at our own Mercedes-Benz plants will be CO₂-neutral worldwide as of next year. Our supply chain is also becoming sustainable.

But that's not enough for us. We want to accelerate the electrification of our portfolio.

Almost two years ago, we presented our Ambition 2039.

We want a CO₂-neutral fleet of new cars. It's our goal to reach this target sooner.

More about this later.

Because we do not wait for change – we are the ones who are changing. We are not afraid of challenge – we are the challengers.

We will continue to grow profitably while at the same time helping to make the world a climate neutral place with the aid of exceptional engineering and with a deep sense of conviction.

Thank you!

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