

DAIMLER TRUCK

**Speech at the
Annual General Meeting 2022
Daimler Truck Holding AG**

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Daimler Truck Holding AG
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Dear shareholders, I would like to extend a warm welcome to the very first Daimler Truck Annual General Meeting!

Our Chairman of the Supervisory Board, Joe Kaeser, has already emphasized that this Annual General Meeting is taking place in unusual times. We live in a time of highly diverse challenges that demand a lot from us all, due to: the COVID-19 pandemic, in which we must still be careful; the war in Ukraine with its serious consequences; significantly disrupted supply chains and the resulting impact on production; and, last but not least, climate change – which we must tackle together with full dedication.

Acting responsibly as basis

In times like these, acting responsibly is more important than ever. And taking responsibility has always been a part of the culture at Daimler Truck; in all of our teams around the world. After the start of the war in Ukraine we therefore acted decisively. We suspended our business in Russia until further notice. And within a very short period of time we helped with monetary and material donations and we provided trucks and buses for aid deliveries. Numerous of our colleagues have been involved in these efforts in a big way. I am very proud of them and I would like to thank them from the bottom of my heart.

Above all, acting responsibly today means acting sustainably. Therefore, it is one of our priorities. We have now organized our sustainability work internally along the ESG framework, which Joe Kaeser just presented. To do so we have defined clear responsibilities and structures in our organization. And we have set clear ambitions. By doing so we make it transparent that we want to keep improving in terms of "Environment", "Social" and "Governance".

Just one example: Until now, we have primarily focused on ensuring that we, as Daimler Truck, respect all internationally recognized human rights in our worldwide operations. That has long been and remains self-evident for us. Now we have the ambition to ensure this even more intensively than before along our supply chain – which is why we are consistently extending our compliance management system for human rights to also cover that.

At Daimler Truck we strive to do the right thing – and to do it in a hands-on way. We are therefore very proud to be an independent, listed company now. Because we aim to act in a responsible as well as in an entrepreneurial way. This is how we can work successfully in the long term. This culture is the basis for developing our full potential. In the past I would have said: We have a lot of horsepower and now we're putting it all on the road. Today, with our all-electric Mercedes-Benz eActros parked here next to me, I prefer to say: Our batteries are fully charged - and we will now fully use this energy.

So, let's take a look at where we currently stand and how we intend to further advance our company.

Business developments in 2021 and in the first quarter 2022

First, our business developments. In 2021 we achieved the following key numbers: Sales of 455,400 trucks and buses, an increase of 20 percent compared to the previous year. Revenues of 39.8 billion euros, an increase of 10 percent. An adjusted EBIT of 2.6 billion euros. This is significantly higher than in the previous year, which was heavily influenced by COVID-19. In our industrial business we achieved an adjusted Return on Sales of 6.1 percent – 4.2 percentage points higher than the previous year. Add to this our strong liquidity at year's end in the amount of 6 billion euros.

I believe these key numbers clearly show: After the tough COVID year of 2020, we took another big step forward in 2021 – an accomplishment of which we are very proud. For that I would like to explicitly thank our entire global Daimler Truck Team! Because business success is always a team effort – and we truly have a great team here at Daimler Truck!

I would also like to emphasize that we achieved strong results in 2021 in a persistently difficult environment. I've worked in the commercial vehicle industry for more than three decades, but I've never seen a year with so many interruptions in production. The main reason was the serious bottlenecks in the supply chain, especially in semiconductors.

This problem affected many industrial sectors and companies last year, including us at Daimler Truck. As a result, we were unable to fully meet demand for our products – especially as demand was very strong throughout the year. That means, without those difficulties in the supply chain, we could have delivered significantly more vehicles – and we could have performed even more successfully.

At this point I'd like to touch on the topic of dividends: As you know, until mid-December last year, Daimler Truck was still part of the former Daimler AG, which now trades as Mercedes-Benz Group AG. All Daimler Truck Holding shares newly issued as part of our spin-off only participate in profits since January 1, 2022. The Board of Management and the Supervisory Board therefore propose that the distributable profit of 1.2 billion euros for the 2021 financial year be fully transferred to other retained earnings. It's also important for me to point out that the Mercedes-Benz Group AG paid a dividend for 2021 – and that dividend included a portion from Daimler Truck.

So much for 2021. Let's see how we started the current year 2022. We said early on the first quarter was likely to be the weakest quarter of the year. And that looks to be the case as of today. Because the delivery bottlenecks of the past year intensified and noticeably slowed down our business between January and March.

We are very satisfied with the results we achieved in the first quarter, especially in light of this difficult environment: Sales of 109,300 trucks and buses, an increase of 8 percent compared to the same quarter last year. Revenues of 10.6 billion euros, an increase of 17 percent. Adjusted EBIT increased by 11 percent to 651 million euros. The adjusted Return on Sales in our industrial business is 5.9 percent. This is in line with the magnitude of the previous year.

Important indications arise from our order and inventory situation. We currently have an extraordinarily high, not to say record breaking, order backlog. This very high level clearly shows that our customers trust our products! Our stock of unfinished trucks is also high. These are vehicles built to customer order for which important parts are still missing. We are confident that we will be able to deliver these vehicles by the end of the year. Both inventory items form a cushion which will give us the best possible basis for further growth in the coming quarters.

That brings me to our outlook. What specifically do we expect in the course of this year?

2022 Goals

In short, positive developments. Because demand for our products is still strong and we expect a slow improvement in the supply chain. We therefore clearly see our key numbers being positive for the year as a whole. We already reported that when we presented our first quarter numbers and we are sticking with our outlook today: We expect sales to be between 500,000 and 520,000 units, compared to 455,400 last year. We expect revenue of between 48 and 50 billion euros, compared to 39.8 billion euros in the previous year. We also expect a significant increase in adjusted EBIT. And in our industrial business we expect an adjusted Return on Sales of 7 to 9 percent – and thus also an increase compared to the 6.1 percent in the previous year. So, we head into the remainder of this year with optimism and confidence.

That said, I am well aware external risks have increased over the past few weeks and months. As a result, many fear the global economy will slow down further. And a downturn, the fear goes, would directly affect us as a cyclical industry. Such concerns are generally justified. Because, as a rule, an economic slump does indeed have an early impact on capital goods and thus on commercial vehicles.

At Daimler Truck, however, we currently are in an exceptional situation, which would cushion a moderate economic downturn: We have recently delivered fewer vehicles to our customers than they actually wanted to buy. As a result, those customers are so far behind in their fleet renewals that they now urgently need and want new trucks. They can no longer postpone new purchases. We therefore do not observe any order cancellations. Furthermore, even if some orders were to be cancelled, it would only result in us going from “overheated” to normal. We therefore remain optimistic about the current year for good reason.

That brings us to our longer-term view, beyond 2022.

2025 Ambitions

Here we are pursuing two clear strategic goals. We want to strengthen our profitability and lead the transformation of our industry. First, I'll speak to profitability.

Depending on the respective market environment, we have defined clear ambitions for the adjusted Return on Sales for our industrial business for 2025: In a recessionary environment, we target a return of 6 to 7 percent. In a normal market environment, we aim to achieve 8 to 9 percent. And in a favorable environment, we want to achieve at least 10 percent, namely, a double-digit return.

These ambitions are now firmly embedded in our organization. The Board of Management and the company are fully committed. Each segment knows the contribution it must make.

We have therefore decided on extensive measures, which we are consistently implementing: **active portfolio management** for example. To ensure we invest our capital correctly, we continuously analyze our product portfolio. We want to invest in businesses that promise attractive returns and have the greatest potential to add value. That's why, for example, we launched a new model in our Western Star brand. We are thus further building on our position in the attractive market segment for construction and special vehicles in North America. And with our new Mercedes-Benz Tourrider we are addressing the growing market for touring coaches in North America.

At the same time, we are streamlining our portfolio and focusing on the most profitable segments. At Mercedes-Benz, for example, we have significantly reduced the number of vehicle variants without losing sight of our customers' requirements: We have reduced the number of our models from around 140 to 100, a reduction of 30 percent. This reduces complexity and costs in procurement, in production and even in marketing. At Daimler Buses we are concentrating on our core business in buses and chassis over 8 tons. We therefore sold our minibus business as of January 1, 2022.

Another lever is the reduction in our **fixed costs**. We have set ourselves the goal of reducing our fixed costs by 15 percent between 2019 and 2023. And we are making very good progress. In 2021 we already achieved an improvement of 12 percent compared to 2019.

The next lever is our **investments and our spending on research and development**.

Despite major challenges in the transformation, we see opportunities to reduce our costs here. We want to achieve this through a high degree of cost discipline and by consistently concentrating on the most profitable market segments and our transformation goals. At the same time, we are significantly reducing our diesel-related investments. And we are using targeted partnerships in order to share necessary investments among several parties.

The fourth lever is our **service initiative**. A growing service business should help us to convert our customer relationships into higher recurring sales. This should make our business even more robust and less susceptible to fluctuations in the economy. And it aims to increase our profit margins as well as our return on capital. One thing is clear: it takes longer to increase our service revenues than to reduce our costs. But here we are also well on our way and right on schedule. In 2021 the service share of our sales increased to 31 percent. North America was the main driver, for example, with spare parts and maintenance as well as repair contracts. And we continued to strengthen our services in the first quarter of 2022.

As you can see, we are on track to exploit our earnings potential. We have defined extensive measures. We are consistently implementing these measures. And we will continue to inform you – very transparently – on our progress.

Shaping Sustainable Transport

With the same level of importance we are working on our second strategic goal: sustainable transport. To help illustrate this I've brought along a short video. We have a clear ambition: From 2039 forward we only aim to sell vehicles in North America, Europe and Japan that are emission-free in operation. By 2030 zero-emission vehicles should account for up to 60 percent of our global sales. And with buses we're going one step further: From 2030 forward we aim to only offer city buses in Europe that are fully electric.

An important prerequisite for being able to implement all of this, of course, is a suitable charging infrastructure. Emission-free transport can only become a reality with a comprehensive infrastructure. I'll get into that in a moment.

But, first, to our comprehensive product plans. We are currently building an emission-free product portfolio for the future, based on two energy sources: battery and hydrogen.

We've come a long way with the **battery**. In North America, our FCCC chassis and our Jouley school bus are already in series production – as is our heavy-duty Mercedes-Benz eActros truck and our eCitaro city bus in Europe. As you may know from your own experience, our eCitaro is now firmly established in sustainable public transport. In 2021 it accounted for almost half of the German market for electric city buses. In addition, our light FUSO eCanter truck has long been in daily use – in Asia as well as in Europe and North America.

So, we already have a broad portfolio of battery-electric vehicles – and we're going to expand it further over the course of this year. Some examples: Our heavy Freightliner eCascadia truck has already received a first major order for 800 units. Our disposal specialist, the Mercedes-Benz eEconic, will launch in Europe in the coming months. In Latin America an electric bus chassis is on the way. And there will also be a new model of our FUSO eCanter.

As I said, we'll introduce all of that this year. And that's not nearly the end of it. Our portfolio of zero-emission vehicles will continue to grow over the next few years. In 2023, for example, we'll add our medium-duty Freightliner eM2 truck. Also in 2023 comes our eCitaro Range Extender, which has an additional fuel cell system. With that our zero-emission city bus has a range of 400 kilometers.

Our Mercedes-Benz eActros LongHaul is planned for 2024. The long-distance version of our current eActros will have a range of around 500 kilometers. The eActros LongHaul will be our star at this year's IAA Commercial Vehicles trade show. In September we will present our all-electric tractor to the general public for the first time.

As you can see, we are developing an extensive portfolio of battery-powered vehicles. That's because our customers have very different transport tasks to meet – and they need different vehicles to do so.

News on our battery strategy has been announced in the past month: We acquired a stake of about ten percent in Manz AG, a high-tech mechanical engineering company based in Reutlingen near Stuttgart. The goal of this strategic partnership is to develop innovative battery technologies and the associated production processes for trucks and buses. In a first step, working together with Manz, we will set up a pilot line for the production of lithium-ion battery cells and for the assembly of batteries. This is planned for our Mannheim site, which is our competence center for battery technologies.

At Daimler Truck, however, we are convinced that trucks and buses will not be exclusively powered by batteries in the future. They will also be powered by **fuel cells**. To be more precise: by hydrogen-based fuel cells. For the energy transition to succeed, Europe must be able to import, transport and store green energy. And the medium that makes this possible is hydrogen. So, Europe must use hydrogen on a large scale for its economy – and our industry will therefore also use hydrogen for trucks and buses.

In parallel with battery drives, at Daimler Truck we are also developing fuel cell drives. We are already intensively testing our fuel cell truck on public roads. The first test fleets will be launched in the middle of the decade. Our fuel cell truck is scheduled to go into series production in the second half of this decade. With its two hydrogen tanks it will have a range of 1,000 kilometers.

One thing is important to know: The fuel cell system for this vehicle will come from our cellcentric joint venture. cellcentric will put one of the largest European production facilities for fuel cells into operation by 2026 in Weilheim, in the Stuttgart area. A total of 800 people are to be employed there, and 450 new jobs are to be created.

This clearly shows that the sustainable transformation of our economy is not only rich in challenges – it is also rich in opportunities. I am therefore very confident: Should Germany and Europe move resolutely forward with the transformation, jobs and prosperity can be secured.

As said before, however, regarding the emission-free transport of the future one thing is crucial: In addition to the right vehicles, a functioning mass market must have the right charging infrastructure. In order to create a suitable infrastructure as quickly as possible, we are in intensive talks with government representatives and energy companies.

And we are also helping to launch pioneering pilot projects ourselves, with a number of strategic partnerships. To support battery-electric vehicles in long-distance transport, we want to set up a European high-performance charging network together with the Volvo Group and TRATON Group. When it comes to infrastructure for fleet operators, we are cooperating with Siemens Smart Infrastructure and the energy supplier ENGIE. In North America we are working with Power Electronics, a leading provider of high-tech energy storage, on charging stations.

We also have an entire range of initiatives associated with hydrogen. We have signed agreements with the energy groups BP, Shell and TotalEnergies for the construction of hydrogen filling stations. In total, more than 300 filling stations are set to be built in Europe by 2030. We also took a stake in H2 Mobility Germany, an operator of hydrogen filling stations.

Finally, we are planning a joint venture with NextEra Energy Resources and BlackRock Renewable Power. The aim here is to set up a nationwide infrastructure in the U.S. - for both battery-electric and hydrogen-powered vehicles.

As you can see from that long list: In the transformation of our business, we consciously use partnerships as a strategic lever. And not just for infrastructure projects. Because through partnerships we can accelerate our transformation and, at the same time, share the necessary investments among several parties.

Advancing autonomous trucks

Now we come to the second key technology, which, along with zero-emission drives, is crucial for the transformation of our industry: I'm talking here about the automation of our vehicles. Again, we'll begin with a short video. A few weeks ago I went for another drive in one of our autonomous test trucks and I can tell you: When you sit in such a high-tech truck the technology quickly convinces you. Self-driving trucks can make transport even safer and more efficient - and thus more sustainable. Last but not least, self-driving trucks enable very attractive new business models. They have very significant economic potential for us as a company and for our customers.

We are therefore driving their development forward with strong conviction and determination. And we are making important progress. In North America, we already supply our partner Waymo with special Freightliner trucks: We duplicate critical systems on these trucks, such as steering and braking, to ensure maximum safety. These trucks are now ready for the installation of the hardware and software systems for autonomous driving. We call this "autonomous-ready."

At the same time, we are working with our subsidiary Torc Robotics to develop our own software solution that enables autonomous driving. Freightliner trucks are testing this software on public roads in several U.S. states. Here we recently took the next step: Torc Robotics formed an advisory board with leading U.S. logistics companies. The aim is to involve our customers closely and at an early stage. Because the more precisely we understand our customers' requirements, the more purposefully we can develop autonomous transport.

One thing is clear: We are pursuing an ambitious development schedule. Equally clear: We will only bring autonomous trucks to the market once they are tested so extensively that we are absolutely convinced of their reliability. Specifically, we have the goal of starting series production of autonomous trucks for long-distance transport before the end of this decade. As a first step, they are planned to run on American highways between large logistics centers.

Concluding remarks

And that brings me to the end of my remarks. Dear shareholders, Daimler Truck, your company, is already one of the world's leading manufacturers of trucks and buses with strong teams, brands and technologies around the world. And we will continue to gain strength. Or as I said at the beginning of my remarks: Our batteries are fully charged – and we will now fully use this energy. And I'm convinced everyone will benefit: our customers, our employees, and, of course, you, our shareholders.

In more normal times that would be my final word. However, these times are anything but normal. So, I'd like to add one or two more thoughts. The war against Ukraine is dominating public debate. And it should.

But what's also true is that the transformation of our economy – in particular the combined effort to combat climate change – have not become any less important since February 24th of this year. And no less urgent. We must therefore not play one off against the other. The need to jointly act against climate change remains urgent. We also have no time to lose here.

That means: we must tackle both challenges at the same time – and even reconcile them if possible. In concrete terms, if we are now reorganizing Europe's energy supply in order to become independent of Russia, we should also strengthen green energies – at the same time. Designing new liquid gas terminals in such a way that we can later also use them for hydrogen is just one example.

And there is another issue that is important to all of us: The future of globalization. Globalization is currently being questioned from various sides. I warn against simply accepting this. Open borders, the unhindered exchange of goods and a global division of labor have brought great prosperity to the world's population in recent years and decades.

We must preserve those achievements. We at Daimler Truck are committed to global cooperation every single day. We do so within our worldwide organization, where borders and nationalities simply do not matter. And we do this in our work. Our motto is: For all who keep the world moving – and we are very proud of that.

Thank you very much!

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