

DAIMLER TRUCK

Daimler Truck Holding AG

Speech by the Chairman of the Board of Management Martin Daum

Annual General Meeting
on May 15, 2024



Advance copy of speech published on May 10, 2024, updated on May 15, 2024.
Check against delivery during the Annual General Meeting.

Dear Shareholders,

A warm welcome to our Annual General Meeting from me as well!

You may be surprised that I am not welcoming you in front of our truck. But from inside our truck. The good reason for this is that the cab of our trucks is a very important place for our customers.

It is the workplace where our customers earn money with our products. From this workplace, the drivers steer our trucks along the roads and highways of this world - day after day, in Europe as well as in the Americas or in Asia. From here, they supply our economy and society with all the goods without which life as we know it would come to an abrupt standstill. From here, our customers keep the world moving.

And there is a second reason why I have taken a seat in this driver's cab today. At our Annual General Meeting last year, I told you about the two strategic ambitions that we want to achieve as Daimler Truck. We want to make full use of our earnings potential. And we want to lead sustainable transportation.

And even if this is possibly my last Annual General Meeting as Chairman of the Board of Management of Daimler Truck, as Joe Kaeser has just said, I can assure you of one thing: I will continue to work towards these ambitions with full commitment until my last day at work. I would also like to make this clear by speaking to you today from this driver's cab - from the driver's seat, directly behind the wheel.

When we now look back on the past financial year, we at Daimler Truck are not doing so without pride. Because we did quite well in 2023. And that is a Baden "quite well". In plain German, it means: we did very well. And, as for me, I would even say "outstandingly".

2023 was a record year for Daimler Truck. It was the best year in our company's history to date. All key figures moved in the same direction - namely significantly upwards. At Group level, we generated an adjusted operating profit before interest and taxes of 5.5 billion euros. That was 1.5 billion euros more than in the prior year. And in our Industrial Business, we achieved an adjusted return on sales of 9.9 percent - a significant increase of 2.2 percentage points. We have therefore come very close to our ambition of achieving a double-digit return on sales in our Industrial Business by 2025 in a sunny market environment.

In view of this strong result, one thing is very important to me: these figures are a team success. I would therefore like to start by expressing my sincere thanks to our entire Board of Management, who are all here today; they have done an outstanding job over the past year. Namely as a team. The spirit of cooperation and cohesiveness on our Board of Management is a real highlight of my long career.

I would also like to thank the entire global Daimler Truck Team - each and every one made a decisive contribution to our record year 2023. Thank you very much for this!

Dear shareholders, as I would also like to show you the exterior of this beautiful truck, I am getting out now. After a short movie, I will be right back for you.

As owners of our company, you, dear shareholders, will benefit directly from our record-breaking journey. Today, we are proposing to pay you a dividend of 1.90 euros per share entitled to dividends for the past year. This is an increase of almost 50 percent compared to the previous year.

And the share price has also developed “quite pleasingly” - to again put it with a little Baden understatement. On December 10, 2021, when Daimler Truck went public, the issue price was 28 euros per share. Yesterday evening, one share cost 41.59 euros. This means that our share has increased in value by 49 percent in the past two and a half years.

With the aim of further increasing the value of your company, we also decided on a share buyback program in July 2023. As part of this program, we have acquired 18,858,268 treasury shares worth the equivalent of 594,139,141.82 euros to date, excluding incidental acquisition costs. This corresponds to 18,858,268 euros or 2.29 percent of the existing share capital. The treasury shares will be cancelled and the share capital will be reduced accordingly. Further information on the status of the share buyback program can be found on our website.

Dear shareholders, I am very pleased that you are benefiting from the positive development of Daimler Truck and that your trust is being rewarded - your trust in our company and in our work. I am also pleased that it is becoming increasingly clear, even beyond the financial world, what Daimler Truck is capable of and what potential this great company has.

After all, our record results last year do not represent a solitary peak in profitability. They represent a significantly higher level of profitability, which we at Daimler Truck now want to perpetuate. Our entire global team is determined to achieve this.

At the same time, I can assure you: We are by no means allowing ourselves to be blinded by our current successes. Looking ahead, we are fully aware that our market environment has become more volatile and the risks have increased.

Because one thing is clear: demand was very strong last year, especially in our core markets for heavy-duty trucks in Europe and North America. Our environment was very sunny. Now, in the current year, demand is normalizing. The business weather is becoming noticeably gloomier.

Nevertheless, we are entering the remaining months and quarters of this year with confidence. For example, we are continuing to keep a very close eye on our costs. And we want to continue to increase our service revenue. This is because service income has the advantage that it is much less dependent on market fluctuations than vehicle sales. This makes Daimler Truck increasingly weatherproof. We are convinced that we will make 2024 a solid and good year for Daimler Truck despite a more difficult environment.

For our Industrial Business, we have targeted an adjusted return on sales of between 9.0 and 10.5 percent for the full year. We confirmed this outlook just two weeks ago when we presented our figures for the first quarter of 2024.

In the first quarter, we achieved an adjusted return on sales of 9.3 percent in the Industrial Business - so we have made a robust start to the current year.

Dear shareholders, over the past few minutes I have explained to you how we are advancing in making full use of our earnings potential. As I said, this is one of Daimler Truck's strategic ambitions. Our other ambition is to lead sustainable transportation. Next, I would like to tell you about the momentum we are generating in this area.

I would like to start with the number ten. We already have ten battery-electric product lines in series production and on offer for our customers. In concrete terms, this means that we can already supply trucks and buses that are emission-free in operation for many transportation tasks in many countries around the world. For example, fully electric trucks for waste collection and for distribution transport in cities and regions, as well as fully electric city and school buses.

It is important to note that we deliberately refer to our vehicles - our FUSO eCanter, our Mercedes-Benz eActros and our eCitaro - as product lines, because there are a large number of variants behind them. The best example is our eCanter, which we will also be launching in India in the coming months. We now offer this light electric truck in more than 100 different variants worldwide, with a wide range of payloads, lengths and wheelbases.

To be successful in our business, such diversity is crucial. Because our customers have very different requirements - and the fact that we can meet all these requirements so comprehensively is what sets Daimler Truck apart. And that applies to both conventional and zero-emission drives.

At the end of this year, we will take an important next step and increase the number of our all-electric product lines from ten to eleven. Then this truck here next to me, which is the pride of our entire team, will go into series production: our Mercedes-Benz eActros 600. It has the number 600 in its name because its batteries have a total capacity of more than 600 kilowatt hours. This means it can travel 500 kilometers without intermediate charging.

That makes it our first electric truck for European long-distance transportation. And that is a really important milestone. Because in order to decarbonize transport, long-distance transportation plays a decisive role. It accounts for the majority of all CO₂ emissions from heavy road freight transportation, around two thirds in Europe.

We now have a great technical solution for this key segment. That's not what we are saying. That's what our customers are saying. And they are acting on it: we already have more than 1,000 firm orders for our eActros 600, and the number of letters of intent is also in the four-digit range. What our customers appreciate about our truck is that it offers them the same high quality standards that they are familiar with from our conventional products.

Last winter, we tested our eActros 600 in the cold of the north of Finland at temperatures as low as minus 35 degrees Celsius. And in June, we are sending it on a European tour of more than 13,000 kilometers, during which it will once again demonstrate its stamina in weeks of continuous use. It will also make stops at the North Cape in Norway and in Tarifa in Spain, i.e. at the northernmost and southernmost points of our continent.

At the IAA Transportation in September, the most important European trade fair in our industry, the eActros 600 will then be the star in our hall. And I wouldn't be surprised if it even becomes the star of the entire trade fair.

Our eActros 600 is currently the brightest star on the road to sustainable transportation. More guiding stars made by Daimler Truck will follow.

A few weeks ago, we even successfully tested what is known as megawatt charging with this vehicle. This involves charging an electric truck at an output of 1,000 kilowatts, which significantly speeds up the process. A 30-minute stop at a megawatt charging station is enough for our eActros 600 to bring its battery charge level back up from 20 percent to 80 percent.

What I said earlier about our profitability also applies to the development of our zero-emission portfolio: we are doing very well here, too.

And this is not limited to the vehicle level, but also applies to value creation. I would like to give you an example of the strategy we are pursuing. We want to open our first battery cell factory in 2027. And it will be in the US state of Mississippi. As a global company, we can and must act globally when making such strategic location decisions - and we have found the best conditions there, in the USA.

Just as importantly, we are not shouldering this investment alone, but together with partners. This enables us to gain additional expertise, spread the investment requirements and achieve higher volumes and therefore lower costs.

And there is something else I would like to point out: We intend to make integration of battery modules into our battery-electric trucks completely uniform in future - around the globe, in our Freightliner trucks as well as in our Mercedes-Benz trucks. Without the need for vehicle-specific adaptations that cost time and money.

This means that the switch to an all-electric product portfolio offers a great opportunity to place our vehicles on globally standardized platforms even more consistently than was possible with conventional drive systems. This will enable us to achieve a strong cost and competitive position for our next-generation vehicles.

So much for battery drives. This technology is currently at the center of most public discussions. And that's understandable, because it marks the start of the decarbonization of transportation. But it must also be clear that battery drives cannot achieve decarbonization on their own. This also requires hydrogen-based drives, which are therefore also an integral part of our technology strategy.

I am now being asked less often why we are pursuing this dual strategy at Daimler Truck and whether hydrogen is really needed. But I still get asked too often. I would therefore like to explain the most important reasons again very briefly:

Firstly, hydrogen will definitely be used in Germany and Europe, completely independently of commercial vehicles. Because in order to make entire economies CO₂-free, a global trade in an energy source that can store and transport green energy must emerge. And this energy carrier will be hydrogen.

Secondly, there clearly are transportation tasks where it is more economical for our customers to use battery drives. But there will also be transportation tasks where they will opt for hydrogen. Trucks with hydrogen drives have important advantages: The fuel cell enables long ranges, as we demonstrated last fall with our fully loaded fuel cell truck's record-breaking 1,047-kilometer trip. The hydrogen combustion engine, on the other hand, is technically very similar to the diesel engine, so that it can be used as a cost-effective CO₂-free solution in the coming years, for example in construction site vehicles.

Thirdly, and this may come as a surprise at first: building two energy infrastructures - for batteries and for hydrogen - is cheaper than building just one, and is also much quicker. After all, there are currently six million trucks over 3.5 tonnes in Europe. In order to run so many trucks on batteries in the future, we would have to upgrade the power grid to an extremely high level - and that would be extremely expensive and time-consuming. It is therefore cheaper to invest in a hydrogen infrastructure at the same time.

For all these reasons, I am convinced that hydrogen will play an important role in transportation in the future. We are therefore continuing to work consistently towards bringing hydrogen-based vehicles onto the market in the second half of the decade.

And as with batteries, we are also building an efficient value chain for hydrogen. Here too, we have teamed up with a partner, the Volvo Group. Together, we have founded the company cellcentric, which will build one of the world's largest production facilities for fuel cells. In this case, the location is not in the USA, but in the Stuttgart region of Germany. This is because we want to benefit from the valuable fuel cell expertise that we have built up there over the past 30 years.

Dear shareholders, as you can see: We are making very good progress in creating a highly attractive offering of zero-emission vehicles for our customers. Let's now take a look at how demand for these vehicles is developing.

First of all, I have some good news: the market is picking up steadily. In 2023, we sold and delivered 3,443 zero-emission trucks and buses worldwide - that's almost four times as many as in the previous year. And we will continue to grow this year.

Nevertheless, we must be clear about this: So far, zero-emission trucks and buses are a niche market and not yet a mass market. One explanation for this is the higher costs. This is because the manufacturing costs for us - and therefore the acquisition costs without potential subsidies for our customers - make zero-emission trucks and buses significantly more expensive than conventional vehicles.

And that will remain the case for the foreseeable future. Even if, as described above, we do everything we can to produce zero-emission trucks and buses with global platforms as cost-effectively as possible, and even if manufacturing costs fall as the number of units produced increases, one thing is certain: These effects cannot compensate for the high cost of the high-performance batteries we need for our electric vehicles.

In order to compensate for the cost disadvantage in purchasing, the operation of zero-emission vehicles must therefore be significantly cheaper. Otherwise our customers will not buy them in large numbers. Energy prices are an important factor here. In the long term, our customers need low prices for green electricity and green hydrogen in order to be able to operate emission-free vehicles cost-effectively.

But even that will not be enough to catch up with diesel. Politicians must also make the operation of diesel vehicles more expensive. This can best be achieved through the pricing of CO₂, i.e. with an instrument such as the CO₂-based toll. Germany introduced this new toll system on December 1, 2023, thereby setting clear incentives: the toll is waived for zero-emission trucks and increases for conventional trucks.

Only instruments like this will make zero-emission vehicles competitive in the long term and ensure that they are not dependent on subsidies. The CO₂-based toll should therefore be extended to the whole of Europe as a matter of urgency. We are arguing strongly for this in discussions with politicians.

So much for costs. There is another success factor for sustainable transportation which we are also engaging in dialog with politicians and energy companies on: the development of a comprehensive charging and refueling infrastructure for battery and hydrogen vehicles. Since the introduction of the CO₂ toll, we have unfortunately seen far too often a situation where customers would like to buy emission-free vehicles, but then don't because they can't charge them.

This problem threatens to get worse in the coming years - and that would mean that we would only make progress towards zero-emission transportation at a snail's pace.

The figures are sobering: by 2030, we will need 35,000 high-performance charging stations for battery-powered trucks in Europe. There are currently perhaps 50, so 400 need to be added every month. To be more precise: they should be added. Because even this month we are miles away from that - and so the backlog is getting bigger and bigger. The situation with hydrogen filling stations is similarly unsatisfactory.

I would therefore like to make an urgent appeal at this point: With a view to the European climate targets, we cannot afford to waste time here. The clock is ticking relentlessly. Regarding energy infrastructure, Germany and Europe therefore urgently need a strong energy boost.

But we at Daimler Truck don't want to just urge. We also want to help kick-start things and have therefore launched a number of pioneering infrastructure projects. Our joint venture Greenlane in the USA, for example, is planning the first charging corridor between Los Angeles and Las Vegas and will open the first charging park on this route before the end of the year.

In Europe, our joint venture Milence has already put its first two charging parks into operation. And we have signed a memorandum of understanding with the energy company Masdar to examine the export of liquid green hydrogen from Abu Dhabi to Europe.

Dear shareholders, as you can see: We have a clear strategy for building a comprehensive, emission-free product portfolio. A strategy that will put us in a very good technological and economic position in all relevant drive systems of the future. That will enable us to cover all of our customers' transportation needs. And to be right on time.

We deliver. We are not too early, and we are not too late. We will be on the market with our zero-emission vehicles when both are there - customer demand and infrastructure.

And I would like to emphasize something else at the end of my remarks: Yes, the road to emission-free transportation is a major effort. For everyone involved: for society, for politicians, for the energy sector, for our customers and for us manufacturers. But this path also opens up enormous opportunities. For everyone who is looking forward to a better, more sustainable world. And also for Daimler Truck.

We are convinced that the path to sustainable transportation can lead to sustainably profitable growth for our company. Specifically, we assume that Daimler Truck will be able to increase its revenue by 40 to 60 percent in the second half of the decade. A key driver here will be the transition from conventional to zero-emission vehicles, together with supplementary services tailored to our customers' needs.

In parallel with revenue, the adjusted return on sales in our Industrial Business is also set to increase further by 2030, namely to 12 percent in a sunny market environment.

And you can easily work out that rising revenue coupled with a rising return on sales should result in a "quite respectable" profit. Which brings us back to the Baden understatement. To put it plainly: I am convinced that 2023 will not be the last record year you have seen from us.

Because we have everything we need to become even better: We have loyal customers who value our products. We have the right technologies for every transportation task. We have great brands worldwide, in all major markets. We have a strong drive, in our vehicles and within us. And we have the shared confidence in a great future.

This is Daimler Truck - your company.

Thank you very much!

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