

**Speech**

**Dr. Dieter Zetsche**

**Chairman of the Board of Management  
of Daimler AG  
and Head of Mercedes-Benz Cars**

**“At Daimler, we take advantage of the opportunities  
that arise from change. That’s why we occupy the top spot  
today.”**

**Annual Shareholders’ Meeting of Daimler AG  
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**EMBARGO TIME: APRIL 5, 2018, Beginning of the Speech of Dr. Dieter Zetsche**

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## Introduction

Ladies and gentlemen,  
welcome to this year's Annual Shareholders' Meeting of your company!

Many of you have been part of the Daimler community for years. I thank you for your loyalty. Other shareholders have invested in Daimler only recently. In particular, Li Shufu's recent acquisition of Daimler shares has attracted public attention and a great deal of speculation. That's why I'd like to start by saying that our talks with Li Shufu have so far been very positive. He wants to have a long-term involvement with Daimler and he supports our successful strategy. What's more, China is our most important market. In our future discussions of the automobile business in China, we will be able to include our biggest shareholder. We will also explore the question of whether there are additional opportunities for cooperation. In China, we are open to all possible options that are compatible with the interests of our long-time partner, BAIC. The bottom line is that Li Shufu's acquisition of Daimler shares offers us many new opportunities.

And at Daimler, we take advantage of the opportunities that arise from change. That's why we occupy the top spot today. In recent years, we've demonstrated more than once that Daimler can do more. We've achieved more than many would have expected of us. And in some areas, we've even achieved more than we ourselves had planned. With Mercedes-Benz for example, we wanted to overtake our competitors by 2020. We already achieved that goal in 2016. In 2017, we consolidated our top position and extended our lead. In the past financial year, we increased the Daimler Group's revenue by 7 percent to €164.3 billion, our EBIT grew by 14 percent to €14.7 billion, and net profit rose by 24 percent to €10.9 billion. This course of profitable growth is also to your benefit: The proposed dividend has been increased by 40 cents to €3.65 per share, for a total payout of almost €4 billion. All of this has been made possible only by the untiring hard work of our colleagues at Daimler. I would therefore like to express my heartfelt thanks for their performance and enthusiasm!

## The transformation of the automotive industry and of Daimler AG

As you know, we have ambitious plans for the future as well. Daimler is undergoing the biggest transformation in its history. And once again, we're going to demonstrate that Daimler can do more. So we are concentrating on five strategic areas: We are further expanding our core business. We are the driving force in the CASE fields. We are continuing to develop our corporate culture. We are optimizing our corporate structure. And as we move forward in all of these areas, we are steadily focusing on our customers.

I'd like to talk first about our **CORE** business. This is our economic backbone, which we will strengthen even further. That's why we are investing above all in new products. For instance, in 2018, we will launch more than a dozen new car models. The first of them this year was the G-Class. It's more practical than ever for daily use on the road and even more effective for off-road driving. On top of that, we've preserved this icon's unique personality. We've sold almost 300,000 G-Class SUVs since 1979. About 80 percent of them are still on the road today. This success story benefits the Mercedes brand as a whole. The same is true of the A-Class. It has played a major role in the brand's rejuvenation. The new A-Class is now taking the next step. It has an uncompromisingly dynamic design while offering even more comfort. In terms of connectivity, it sets benchmarks not only for the compact segment. Four weeks ago, we presented the new four-door AMG GT in Geneva. With this model, we're opening up the sports-wagon segment for customers looking for a car they can use daily without missing the unique performance of a Mercedes-AMG. And those are the Mercedes highlights of just the past three months. Our product offensive is maintaining its fast pace. At Vans, the Sprinter is the innovation of the year. The demands placed on a van are just as individual as our customers. That's why one ingredient of the Sprinter's recipe for success is our ability to offer it in over 1,700 basic variants. In the future, the Sprinter, like the Vito, will also be available as an electric vehicle. You can see it here on the stage.

But state-of-the-art combustion engines are also helping to further reduce CO<sub>2</sub> emissions in road traffic. The diesel engine in particular is playing a major role here. It's absolutely clear that we automakers are responsible for reconciling individual mobility with climate protection and clean air. That's why I'd like to say three things about this topic. First, we are making every effort to bring more facts and greater objectivity into the discussion of the diesel engine. Second, we're placing our emphasis on innovation rather than driving prohibitions. We advocate technically practical and financially responsible ways to further reduce the emissions of vehicles that are already owned by customers. The software updates we have announced for more than three million vehicles are an effective and comparatively quick solution. On average, they will reduce the vehicles' NOx emissions by 25 to 30 percent. And third, we offer our customers state-of-the-art diesel vehicles. By updating our model range, we will further reduce nitrogen oxide emissions. In the drive-system mix of the future, the high-tech diesel engine will not be the problem – it will be a key part of the solution.

We are preparing for a mix of drive systems also at our production plants. Our goal is to be able to produce every model on every production line – whatever its drive system and its architecture may be. Today, we already have a global production network in which individual plants help each other out depending on current demand. In the coming years, we will have new production plants in countries including Poland, Hungary, Russia, and China. Our global presence helps us to deal more effectively with currency fluctuations and barriers to trade. As a company, we have to adapt to the prevailing political conditions. At the same time, we are strong advocates of free trade. More than 119,000 men and women work for Daimler outside Germany. Fair and free markets also serve the interests of those colleagues.

And that brings me to my second topic, which will be crucial for our future success: **CASE**.

For a long time, our business model was clearly defined: We develop, build, and sell outstanding vehicles. We'll continue to do that. But it's no longer the whole story.

Connectivity, autonomous driving, shared mobility, and electric mobility are opening up infinite additional opportunities to thrill our customers. Let me give you just a few examples.

For more and more customers, connectivity is becoming a strong reason to buy a specific model. That's why our new MBUX infotainment system is being launched at just the right time. After we presented it at the Consumer Electronics Show in Las Vegas, even media that are generally critical of automobiles were calling it a new benchmark. MBUX automatically navigates you to your next appointment. It reminds you of the next birthday that's coming up. And thanks to artificial intelligence, it knows what kind of music you like to hear while you drive home from work. The car doesn't merely know its owner – it thinks ahead. For example, if you say, "I'm feeling cold," it turns up the temperature. The great thing about MBUX is that you can speak to it just as you please. The system even understands dialects. For our truck customers, connectivity is a key competitive advantage. For example, by monitoring and analyzing our trucks' vehicle data, we can do preventive maintenance. Almost 500,000 Daimler trucks are already online, and that number is rapidly increasing.

Autonomous driving is developing just as dynamically at Daimler. The experts call our goal "Level 5." This means that a vehicle can drive autonomously anywhere in the world, at any time, under any kind of road and weather conditions. That's what we're working on, but we haven't yet achieved our goal. A colleague at Waymo recently said, "Not even human beings have managed to reach Level 5." Two tragic accidents that occurred in the United States have triggered a critical discussion about autonomous driving. Our motivation is clear: We want to further improve road safety. And that's why we're forging ahead with the development of autonomous driving. It will significantly reduce the number of road accidents. At Daimler, we are doing everything we can to achieve this goal. A central principle of autonomous driving is redundancy: Everything is safeguarded many times over. We're working with cameras, radar sensors, laser scanners, and highly precise maps. If one system fails, another one will step in. I'm convinced that autonomous driving will change our mobility in positive ways.

That also applies to another megatrend in our industry – shared mobility. At Daimler, we initiated the transformation from an automobile manufacturer into a mobility provider about ten years ago. Almost 20 million people use our digital mobility services today. But that’s only the beginning. In the future, Daimler and BMW aim to join forces as mobility services providers. For decades, BMW has been one of our toughest competitors. We want things to stay that way. We’re still competitors in terms of our vehicles. Nonetheless, we now want to work together as we take our mobility services to the next level. That way, we can offer our customers a complete package that ranges from car sharing to ride sharing, parking, and charging. We’re also going to discuss how autonomous driving will change urban mobility. Our goal at Daimler is to put the first driverless taxis on the road in the early 2020s. All of the cars in those fleets will have electric drive systems.

We flipped the switch to electric mobility long ago. At Mercedes, we will be offering at least one electrified variant in every segment by 2022. In North America, our smart cars are already completely electric. Europe will follow suit by 2020. At the same time, we are electrifying our vans, trucks and buses. And we have many more plans – also going beyond our products. But the transformation to emission-free mobility is also a challenge to our business operations. An increase in electric cars is good for the CO<sub>2</sub> balance, but it’s not so good for our Group’s balance sheet – at least in the short term. That’s why we’re not easing up in our drive for efficiency. We want to have a sustainable efficiency culture at Daimler.

But of course our corporate **CULTURE** involves a lot more than striving for greater efficiency. We are basically fostering the spirit of change throughout the Group. That’s why we launched the Leadership 2020 program over two years ago. Initially, the focus was on changing processes, rules, and instruments. Everyone realized that it was more than just a call for action. Things are really changing. This year, we’re focusing more on the foundation of Leadership 2020: the principles by which we aim to guide our cooperation. If we want real change, it’s not enough simply to revise our guidelines. Above all, it requires the right internal mindset. Here at Daimler, we’ve got 289,000 people who are experts in their respective fields. We want to strengthen their ability to take the initiative instead of waiting for instructions, and to actively participate rather than administer. Today, Leadership 2020 has thousands of ambassadors all over the world who are promoting change in their respective work environments. There’s still a lot more to do. But what we’ve already accomplished in terms of cultural change is unique in the long history of our company.

We want our corporate structure (**COMPANY**) to support the entrepreneurial spirit we are promoting with Leadership 2020. We want our internal mindset and our external structure to complement each other. That's why we plan to continue developing our divisions into legally independent entities with their own entrepreneurial responsibility. We are convinced that if we allow them more freedom of action in smaller units, we will become more agile as a whole. We'll be able to work in a much more focused way with regard to our each customer. We will also create greater transparency for the individual divisions' business operations, and we'll become more competitive. All of this will boost our impact and make us even more attractive to partners and investors. If the Board of Management and the Supervisory Board ultimately decide in favor of this new Group structure, it will of course also need to be approved by the shareholders at an Annual Meeting.

As you can see, Daimler is changing in almost every respect: technologically, economically, culturally, and structurally. But one thing was, is and will remain the same: The focal point of our strategic thinking is the **CUSTOMER**. In the future, the extent of our success will depend on the success of our products and services in the market. The qualities that attract our customers are also good for our employees, our business partners and you, our shareholders. The changes at Daimler therefore have one overall objective: making sure that we continue to fulfill our customers' wishes and requirements to the best of our ability.

## Conclusion

No one can say for sure what these wishes and requirements will look like in the future. This means that we need a guiding principle all the more – a long-term orientation for our decisions and our actions. Over the past few months, we have asked ourselves some fundamental questions. What truly motivates us, above and beyond our profitability targets? Why are our employees, customers and perhaps also you, our shareholders, proud to be part of Daimler? Why does this company exist? We think the answer to these questions is a combination of what we can do and what the world needs us to do. Since we invented the automobile, the world has changed. For millions of people, the automobile has become a personal declaration of independence. But the more people enjoy the independence a vehicle brings, the more urgently we need a new kind of independence – from oil, from emissions, from accidents, and from rigid models of ownership. The success of the automobile has become its biggest challenge. Our task is to solve this paradox. And that's why we're so enthusiastic about the opportunities offered by connectivity. That's why we want to be pioneers in the field of autonomous driving. That's why we are promoting urban mobility. And that's why we are forging ahead with electric mobility. Our passion to create a better future is part of our DNA. We know this is a very ambitious goal. But that's exactly what our founding fathers stand for. And this passion still drives us today. And it's good to know that you are at our side. Thank you.

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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 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 or of investigations requested by governments 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.



