

**Address by the Chairman of the Board of Management**

**Ola Källenius**

**on the occasion of the Annual General Meeting of**

**Mercedes-Benz Group AG**

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Check against delivery!

Ladies and Gentlemen,

What's the first thing that comes to mind when you think of climate protection? Problems? Bans and restrictions? Going without?

Or do you think about possibilities and opportunities? Improvements? A new economic era?

About six weeks ago, the United Nations published its new Intergovernmental Panel on Climate Change report. The panel's chairman, Hoesung Lee, called it a "message of hope".

He said: "***If we act now, we can still ensure a liveable and sustainable future for all.***"

On the one hand, Hoesung Lee conveyed a sense of urgency.

**It's serious. The clock is ticking.**

At the same time, the message was: **We can do it.**

And he made it clear: Science, technology and cooperation are important elements of the solution. We at Mercedes-Benz share this conviction.

Let me give you a number: 278,000 – that's how many patents were registered worldwide last year. An all-time record. Showing how the pioneering and inventive spirit of humankind is unbroken.

This also applies to our own engineers.

Day after day, they prove that innovation is the key to success.

The shift to CO<sub>2</sub> neutrality comes at a time of great geopolitical challenges. A few days ago, for example, we were able to officially announce that we had sold our Russian business. We had already put our activities there on hold shortly after the war began.

At the same time, our assistance to Ukraine continues: Mercedes-Benz is donating 14 Sprinters to Caritas and SOS Children's Villages to support their relief efforts in Ukraine.

The vehicles have a value of around one million euros. This adds to our company's previous donations of around six million euros since the beginning of last year.

The consequences of the attack on Ukraine have once again made it clear that we need to become less dependent on fossil fuels.

This is another reason why, at Mercedes-Benz we feel an obligation to accomplish this. Our sustainable business strategy points the way towards the future.

Three things are crucial when navigating our way there:

First, knowing precisely where we're starting from today.

Second, setting a clear destination.

Third, finding the best route.

### **Starting point**

Let's begin with our starting point: Where do we stand today?

Together, we have successfully developed Mercedes-Benz further in recent years.

We have the most valuable luxury car brand in the world.

Our products are at the forefront of technology and in high demand in the market.

This drove our strong results last year:

We increased our car sales by 5 percent.

There was also an increase of 8 percent for vans.

Sales reached 150 billion euros.

Adjusted EBIT increased to 20.7 billion euros.

Free cash flow increased to 8.1 billion euros.

We are proposing a dividend of 5.20 euros per share.

We've also had great results for the first quarter of 2023, and exceeded the expectations of the capital market, particularly in terms of free cash flow.

We have become significantly more resilient as a company.

At the same time, the transformation is in full swing.

That's something the whole Mercedes team can be proud of.

So to all those who have played a part in our success: **Thank you!**

At the same time this has to be said: We are not there yet. We still have a lot to do.

This brings me to my next point: *Where* do we want to go?

## **Destination**

**We want to build the most desirable cars in the world.**

In the future, too, this will require the attributes that have made Mercedes strong in the past. For example: safety, comfort, quality and emotional design.

What's new to this mix is a digital customer experience that will transform the car into an ever-more personal space in which to feel completely at ease. We are also striving for technological leadership in electric drive.

In the end, of course, it is our customers who will decide how quickly the shift to electric will happen.

But we've set ourselves some ambitious milestones:

Electric cars and plug-in hybrids are expected to account for up to 50 percent of unit sales by mid-decade.

From today's standpoint, mid-decade means 2026.

By 2030, we want to be ready to go 100 percent electric – wherever market conditions allow.

And by 2039, our entire fleet of new vehicles across all stages of the value chain will be net carbon-neutral.

In doing so, we're standing by our ambition to be a company with a double-digit margin in the electric world, and to increase the value of the company in the long term.

This will also allow us to continue being a good employer in the next decade.

And to live up to our role in society.

That brings me to the next question:

*How do we want to achieve our goals?*

Our course at Mercedes-Benz, this begins with trailblazing products.

## **Route**

### I. e-mobility

We currently have ten all-electric vehicles in our portfolio, including the AMG models.

In 2022, Mercedes-Benz more than doubled its sales of all-electric cars. And we expect this year's figure to be approximately double as well.

The first quarter went well:

We sold almost 90 percent more electric cars.

Overall, 10 percent of passenger car unit sales were electric.

We have also launched the **EQE SUV**.

It has a range of almost 600 kilometres according to WLTP.

The air suspension guarantees a unique driving experience on almost any terrain.

And thanks to rear-axle steering, the SUV's turning circle is smaller than that of many compact cars. In terms of equipment and comfort, it holds its own with the EQS SUV.

At the International Motor Show (IAA) in September, we'll be previewing the first model on our new MMA platform.

This car will be an unequivocal declaration of intent: that compact models will remain important for Mercedes-Benz in the future. They will become even more attractive.

Looking at our Vans business: we have already electrified the entire product range and thereby reached a strategic milestone.

In 2022, we were able to increase sales of our electric vans by 15 percent – and saw 22 percent growth in the first quarter of 2023.

The new eSprinter will have its market launch before the end of this year. During test drives under real-life conditions, it covered the 475-kilometre route from Stuttgart to Munich and back on just a single battery charge.

We also want to produce our sustainable vehicles in a sustainable way.

We are therefore aiming to significantly reduce CO<sub>2</sub> emissions in production by 2030. By no less than 80 percent compared to 2018.

Moreover, we are also investing in the expansion of our charging infrastructure.

We want charging to be easy and convenient for our customers. Among other things, we are working on establishing our own global fast-charging network.

We will be putting the first charging points into operation in North America and Europe before the end of the year. The goal is to have 10,000 by the end of the decade.

## II. Top-end products

We want to increase the share of electric cars. Simultaneously, we want to grow primarily at the upper end of the market.

Our new **Mercedes-Maybach EQS SUV** combines both goals.

Two weeks ago, we celebrated its world premiere. The first all-electric Maybach stands for automotive excellence in the age of electromobility.

This car combines innovation, craftsmanship, exclusivity and sustainability:

Rear-axle steering and air suspension ensure maximum comfort when driving.

With the support of our partners Burmester and Dolby Atmos, we have transformed the car into a concert hall on four wheels.

We use recycled materials, and its production in the USA is net carbon-neutral.

On request, the typical hand-applied, two-tone paint finish is available.

Our traditional Mercedes-Maybach brand is thus electrified. For the G-Class, that time will come next year.

We first launched the G-model in 1979. The G-Class is one of the longest-built car model series in our history. To keep it that way, it will become electric.

The technology and drive system will set standards in the electric era.

A battery with a new type of silicon-based anodes chemistry will be optionally available at a later date. This will mean even longer range.

Naturally, we are also electrifying our performance brand, AMG.

AMG stands for top performance, driving pleasure and dynamism.

Anyone who drives an AMG expects that something special.

For the electrification of our sports cars, we are therefore developing everything from the ground up: the stand-alone AMG.EA platform, the special high-voltage batteries and the unique drive technology.

**AMG will remain AMG – even with electric drive.**

### III. Software

We also see an opportunity to distinguish ourselves from the competition when it comes to software.

That is why we are opting for our own operating system – of which we are the architects. The system is called MB.OS. It will serve as the central nervous system of our cars. Our goal: delivering an outstanding customer experience.

New assistance systems will contribute to this, as will navigation, entertainment and intelligent charge planning.

The car and its software must be ideally integrated. This is only possible through access to all hardware and software components.

Which is why we are combining the expertise of our team with a carefully chosen selection of the world's best partners.

For example, we announced a partnership with Google in February. MB.OS will utilise the most up-to-date navigation data and route planning functions from Google.

The so-called “chip-to-cloud architecture” also allows decoupling of the software and hardware cycles.

This makes our development process much faster. And ongoing updates will ensure that a Mercedes “ages” like fine wine: **It will get better and better over time.**

This is where new business models lie. It will also open up new opportunities to personalise the customer experience.

Though one thing remains of paramount importance: the privacy and protection of our customers’ data have the highest priority.

The new E-Class offers a taste of all this.

It celebrated its world premiere a few days ago.

With the MBUX Superscreen, it has a new interior. At the same time, it gives us a preview of MB.OS. This makes the new E-Class a unique symbiosis of hardware and software.

One thing is certain: the best cars will increasingly be measured by the digital experience they offer. MB.OS serves as an important foundation for exceeding the expectations of our customers.

#### IV. Capital allocation & cost discipline

That is why we are investing billions in digitalisation at all levels. And in new technologies for electric and automated driving.

Around 60 billion euros will be invested in the future of our company by 2026.

We invest more in research and development per vehicle than any other major automaker. More than eleven billion euros will be invested in the German locations alone over the next five years.

At the same time, new competitors are challenging us – some of them with drastically leaner structures.

We know that innovative strength is based upon financial strength. Meaning: profitability and efficiency don’t just go together – they belong together.



Without consistent attention to our cost structures, we would not be where we are today. And looking ahead, this will become ever more important.

The steadily growing share of our electric cars in total unit sales is accompanied by a structural challenge.

This is because the variable costs of electric cars will remain substantially higher than those of combustion engine models for the time being. And the bulk of the transformation is still ahead of us.

In addition, general cost pressure is increasing. The energy crisis has triggered cost inflation.

At the same time, raw material prices remain high.

On the revenue side, we rely on the principle of “margin before volume”: Profitability is more important than volume at Mercedes. We want to ensure appropriate pricing for excellent products.

However, this also means that not only our product portfolio must be convincing. We must also live up to our responsibilities as a company in a comprehensive manner. Modern luxury is sustainable. That is what ever more customers expect – and investors, too.

## V. Sustainability

That is why these three letters have long played an important role for us: ESG. They stand for Environmental, Social and Governance.

Mercedes-Benz is committed to these values. They promise long-term value creation. So what are we specifically doing? A few examples:

Our own plants operate net carbon-neutral and purchase 100 percent green electricity. In parallel, we are becoming a producer of energy. Over the next few years, we will install more than half a million photovoltaic modules worldwide, and we are planning a wind farm.

To ensure we're using resources as effectively as possible, we want to close the recycling loop. The end of each product should be the start of a new one.

A recycling factory will go into operation this year, in Kuppenheim, in southwest Germany. The ground-breaking ceremony took place at the beginning of March.

As the centrepiece of an electric car, the battery contains many valuable raw materials. We want to recycle more than 96 percent of them.

When it comes to raw material extraction, we take the entire value chain to task. Priority is given to protecting the environment and safeguarding human rights.

We are also expanding our social commitment.

For example, we make donations to fund the “beVisioneers” aid programme. The goal: implementing the sustainable ideas of young people.

The seed money for this came from the auction of the Uhlenhaut Coupé. This iconic Mercedes was auctioned off a year ago, for 135 million euros. This makes it the most valuable car in history. And it makes a lot of charitable deeds possible.

The sponsorship programme is managed by a non-profit organisation. It will start in a few weeks.

Young people from India, South Africa and Europe are among the participants.

After the initial start-up phase, the programme will provide support for up to 1,000 recipients per year by mid-decade.

## VI. Team

We also want to do more to promote innovation and creativity within the company.

Because in order to successfully shape technological change, we have to transform ourselves.

More than 65,000 employees have received further training relating to electrification and digitalisation since 2020.

In Germany alone, we will be investing more than 1.3 billion euros in employee training by 2030.

Shaping the transformation in a socially acceptable way is our task – as an employer and as society as a whole. We want to bring people along with us and open up new opportunities for them at an early stage.

This is the goal we have set ourselves.

And one we're working towards in cooperation with the Works Council.

For our body and powertrain plants, for example, we have defined target profiles to ensure these locations have long-term prospects.

We are also creating new jobs in some fields.

Here too, we benefit from the power of the Mercedes star:

Mercedes received a six-figure number of applications in 2022 – in Germany alone.

We are one of the 10 most sought-after addresses among engineers worldwide.

This is particularly true in the software sector. We have already successfully filled 3,000 newly created positions in this area.

They will be part of a strong, diverse team.

We have people from around 150 nations working for our company.

And today, almost 25 percent of our managers are women. Our target for 2030 is 30 percent.

During the pandemic, we learned to work differently. We have become more agile and efficient in many ways. We will continue with this.

But it's also good that in a global company like this, we can meet up and interact in person again.

Over the past few months, I have visited our teams in the USA, India and China. I had the chance to talk with many people. And I kept hearing the same thing from everyone:

We have an outstanding brand.

We offer outstanding technology.

And we have an outstanding team.

## **Closing**

This is what we're building on to create the profitable, all-electric and software-driven future of Mercedes-Benz.

**We haven't reached our destination just yet!**

**But we are well on the way.**

We're thrilled to be taking this journey together with you.

Thank you very much!

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