

“We will build  
the world’s most  
desirable cars.”

Ola Källenius,  
Chairman of the Board of Management  
of Daimler AG



# Dear Shareholders,

We have an extraordinary year behind us. The global pandemic had a considerable impact on society, politics and the world economy, and thus also on Daimler. We responded at an early stage at all our sites and took a number of effective counter-measures. Our top priority was, and still is, to protect people's health. At the same time, we secured our liquidity, continued to push forward with future projects, and set the course for our long-term development. Our financial results significantly exceeded expectations in 2020, due in particular to a strong fourth quarter. Overall, we successfully steered Daimler through difficult waters. I would like to thank my colleagues for this – for their tireless commitment, their great flexibility, and their strong cohesion.

In 2020, a total of 2.8 million customers chose to buy a vehicle from Daimler. Our revenue amounted to 154.3 billion euros. EBIT increased by 53 percent to 6.6 billion euros. Our net liquidity in the industrial business was 17.9 billion euros at the end of the year. The bottom line was a net profit of 4 billion euros. At the Annual Shareholders' Meeting, the Board of Management and the Supervisory Board will propose the payment of a dividend of one euro and 35 cents per share.

How did the individual divisions contribute to these results?

**Mercedes-Benz AG** sold 2.5 million cars and vans in 2020. In view of the challenging environment, we are satisfied with that. Mercedes-Benz maintained its position as the world's leading premium manufacturer. Our sustainable business strategy is increasingly reflected by our unit sales. We tripled the sales of our cars with alternative drive systems in 2020 and thus achieved the ambitious CO<sub>2</sub> limits in Europe. China continues to be our biggest market. With a twelve percent increase, we posted record unit sales there in 2020. The most important new product of the past year was the new S-Class. Demand for our flagship is at a high level. The new model drives off the assembly line in Factory 56. What has long been regarded as the production of the future is already a reality in this new factory, which combines flexibility, efficiency, digitization and sustainability. It is a flagship of the newly defined strategy of Mercedes-Benz. Our aspiration: We will build the world's most desirable cars.

Sales of our electric vans also developed positively. In Europe, we are the market leader in the segments of mid-size and large electric vans, each with a market share of more than one third.

Economic uncertainties are particularly noticeable in the commercial-vehicle markets. Compared with record year 2019, unit sales at **Daimler Truck AG** were down by more than a quarter in 2020. However, demand in our important US market picked up again. We were able to extend our market leadership in almost all of our core markets. At the same time, we set some important strategic markers: We will produce Mercedes-Benz trucks in China in a few years' time, enabling us to make even better use of that market's great potential. We are working with Volvo in a joint venture to bring hydrogen technology to production maturity even faster. And we have realigned our strategy for autonomous driving.

The development of automotive markets also had an impact on the business of **Daimler Mobility AG**. Contract volume decreased, but we continue to finance or lease half of the vehicles we sell.

Across all our divisions, we made significant progress with efficiency in 2020. We will continue along this path with the same discipline. The pandemic has once again made it clear that efficiency is a prerequisite for the ability to act effectively.

Looking ahead, we are pursuing two main strategic priorities: digitization and electrification. We are cooperating with strong partners in both fields. In this way, we are not only accelerating technological developments, we are also sharing the costs.

In terms of **digitization**, the latest generation of our MBUX infotainment system was launched in 2020. It will be followed this year by the next milestone, the MBUX Hyperscreen, a display that extends across almost the entire width of the cockpit. This allows us to combine design, technology and interaction in the vehicle in a way that is currently unique. Thanks to artificial intelligence, the system gets to know the customer better and better and delivers a personalized infotainment offering adapted to each situation.

At the same time, we are developing one of the most intelligent computer architectures for automated driving functions ever seen in a vehicle. We will roll it out across our car fleet from 2024 onwards. Customers will then always be able to access the latest software, the latest driver assistance systems or the latest generation of digital services long after they have bought their car. The idea is that the purchase of a car is no longer the high point between the customer and us, but rather a starting point.

We took the next step in **electrification** at the beginning of the year with the new EQA, the first all-electric Mercedes-EQ model in the compact segment. We will continue in the spring with the EQS: Our electric flagship in the S-Class segment has a range of around 700 kilometers (WLTP) on a single battery charge. The EQS will also change the way we think about cars. It is the first all-electric Mercedes-Benz that we have developed as an electric car right from the start. This opens up new possibilities, in vehicle design, for example. Next year, our portfolio will include eight all-electric Mercedes-EQ models. Production at our own car plants will then be completely CO<sub>2</sub>-neutral.

With the vans, we have developed a new platform for the next generation of the eSprinter. This gives us maximum flexibility, to implement numerous body variants, for example. Because whether combustion engine or electric drive, the individual needs of our customers are at the heart of everything we do.

We are also systematically expanding our range of CO<sub>2</sub>-neutral options for trucks. We are pursuing a twin-track strategy here. Series production of the battery-electric eActros starts this year. In parallel, we are developing fuel-cell trucks for long distances and heavier loads. We have provided a glimpse of the future with our Gen H2 concept truck. This is a heavy-duty truck with a range of up to 1,000 kilometers, equivalent to that of a diesel truck. We are leveraging synergies and systematically implementing our electrification strategy also at the Freightliner and FUSO brands.

All of these examples show that market environment and customer requirements as well as approaches to technologies and partnerships differ between cars and trucks. The ongoing transformation is increasingly intensifying these differences. To shape change successfully, we need speed, agility and full focus on innovation more than ever. This is why we intend to propose to you, at an Extraordinary Shareholders' Meeting in the fall, that a significant majority interest in Daimler Truck be transferred to the Daimler shareholders by way of a spin-off. In this case, it is planned that the transaction and the stock-exchange listing of Daimler Truck will be completed by the end of 2021.

In this way, we want to give our trucks and buses division full entrepreneurial freedom – and thus the opportunity to leverage economies of scale even more effectively, to further increase profitability, and to make even faster progress on the road to zero-emission goods transport. At the same time, we want to further sharpen the profile of Mercedes-Benz: as one of the leading suppliers of luxury cars and premium vans, with a strong brand, and with a clear strategic course towards technology leadership, especially for electric mobility and vehicle software. With independence comes maximum customer focus and even greater entrepreneurial responsibility. These are the best possible ingredients for creating added value for you, the shareholders, and for unleashing the full potential of the companies.

For the two companies, the future of mobility will be decarbonization and digitization. We set the strategic course for this long ago. The results can be experienced on the road today and will become even more visible this year. At the same time, we are confident that, given stable conditions, we will be able to continue the positive trend from last year in our business development. Because we are convinced that our future will be sustainably fascinating, sustainably climate-neutral, and, last but not least, sustainably profitable. We are shaping this change with courage, passion and responsibility. I look forward to you continuing to accompany us on this path.

Sincerely yours,



Ola Källenius