

THE ECONOMIC CLUB

O F W A S H I N G T O N, D. C.

**Ola Källenius, Chairman of the Board of Management, Daimler AG
and Head of Mercedes-Benz Cars, discusses the changing nature of
the auto industry and his vision for carbon neutral mobility.**

**Ola Källenius
Chairman of the Board of Management, Daimler AG
and Head of Mercedes-Benz Cars
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DAVID M. RUBENSTEIN: Thank you very much for coming. We have the pleasure of having the – let me get it right – make sure I have it right – the chairman of the management board of Daimler, which is the same as being the CEO, OK? But you're also the CEO of the Mercedes part of Mercedes – of Daimler. Is that right?

OLA KÄLLENIUS: Yes, that's right.

MR. RUBENSTEIN: So, you have two jobs.

MR. KÄLLENIUS: Two jobs.

MR. RUBENSTEIN: OK. So, to make sure everybody understands, you are not a German, right?

MR. KÄLLENIUS: No, I grew up in Sweden. And I see that we have the Swedish ambassador here today as well. [Applause.]

MR. RUBENSTEIN: So, I mean, I can see you being the CEO of Volvo maybe – [laughter] – but how did you get to be the CEO of a well-known German company? Has there ever been anybody not German who's been the head of Daimler before?

MR. KÄLLENIUS: No. And of course, I was attracted by this three-pointed star. You got a little bit of a flavor here in the short clip that we've shown. But, yes, I'm the first non-German to take on this role.

MR. RUBENSTEIN: OK, so tell us, tell everybody, how you actually came to be the head of Daimler and Mercedes. So, you grew up in what part of Stockholm – or, Sweden?

MR. KÄLLENIUS: I grew up in Sweden. I grew up in the south, in Malmö, which is the third-biggest city of Sweden. But through my university studies I came in contact with the company and have been with the company for my whole career.

MR. RUBENSTEIN: And you joined in 1993, after you graduated from school and graduate school. Is that right?

MR. KÄLLENIUS: That's correct.

MR. RUBENSTEIN: OK. And did you start out saying: I think I can be the first Swede to be the head of Daimler? [Laughter.] Or did you think it was a realistic chance?

MR. KÄLLENIUS: I don't know if that was the very first thought that crossed my mind. [Laughter.] I guess I just wanted to try to find my feet around the company in the beginning. I was fascinated to develop the products. But this big company has given me a lot of opportunities, and many years later the greatest opportunity.

MR. RUBENSTEIN: So, your predecessor, Dieter Zetsche, was very famous. He's been here before, with a very big walrus-like mustache. Did you feel you needed to have that to get the job – [laughter] – or you didn't think you needed that? Did you ever consider growing a mustache?

MR. KÄLLENIUS: Well, up until this very moment I haven't considered it. [Laughter.] If it sells more cars, maybe I might. [Laughter, applause.]

MR. RUBENSTEIN: Yeah. Maybe you will. So, make sure everybody understands. Today the company is in three parts. You became the CEO, in effect the CEO, on May 22nd of last year. And the company has three parts. Can you describe what the three parts of Daimler are?

MR. KÄLLENIUS: Yes, we have essentially three businesses. The one business that I think everybody in the room knows is the car business, with Mercedes-Benz cars and vans -- the leading premium luxury brand in the world. And the first car. Our original founders, Gottlieb Daimler and Carl Benz, they invented the car. So that's what everybody knows. But of course, we are the biggest truck and bus maker in the world as well, which is our second division. And our third division are the financial and mobility services that support these industrial entities.

MR. RUBENSTEIN: All right. Let's talk about the car division for a moment. So, most people know it as Mercedes-Benz. But where did the name "Mercedes" come from?

MR. KÄLLENIUS: Well, originally the company, as was the name of the founder, was called Daimler. And he founded the company back in 1886. And about 15 years later came a famous Austrian industrialist. His name was Jellinek. He was a racing enthusiast. And he went to Gottlieb Daimler and his main chief engineer, Wilhelm Maybach at the time, and said: Make me a racing engine. I want to go to Nice, and I want to compete in this race, and I want to win. So, they made him an engine, and they made him a car. He won the race. And the prerequisite was they should be named after his daughter, Mercedes. And the rest is history. So, Daimler changed the name of the product, not the name of the company, changed the name – he just loved that name, Mercedes. And it became Mercedes.

MR. RUBENSTEIN: Suppose her name had been Josephine. Would we be calling it Josephine-Benz, or?

MR. KÄLLENIUS: It would have been a Josephine Benz. Even if it would have been Brunhilda, maybe that – [laughter] – we'll see. But Mercedes-Benz works quite well. And of course, the Benz came later on, as the companies merged in the '20s.

MR. RUBENSTEIN: So, Mercedes-Benz or Daimler-Benz was really one of the inventors of the internal combustion engine, is that right?

MR. KÄLLENIUS: Yes, you could argue that Gottlieb Daimler was part of that as well. But what they really invented was – they sat down and looked at the equation of transportation and thought: This could be done in a different way. And they – what one has to know is they only lived about 120 kilometers apart from each other. And history says that they never met. And that these two people in that corner of the world invented the automobile in the same year. One

took a horse carriage and put the combustion engine into it. The other, Benz, he said: Well, if I don't have the horse from the horse carriage; I don't need the horse carriage. He actually made a dedicated chassis. And that first Benz car is kind of the first real car.

MR. RUBENSTEIN: So, of the cars – how many cars a year does Mercedes-Benz now sell?

MR. KÄLLENIUS: Now we are up to about 2.4-2.5 million.

MR. RUBENSTEIN: OK. So roughly there's 80 million cars sold a year around the world. I think it's something like 17 million in the United States, 28 million in China, and Europe is roughly the same as the United States.

MR. KÄLLENIUS: Exactly.

MR. RUBENSTEIN: OK. So, you sell a relatively small percentage of the 80 million cars. But you're so well known. Is that because of the premium brand name, or? Why is your brand name so well known?

MR. KÄLLENIUS: I think it's, next to being, of course, the original inventor and maybe the original startup in the business, it's been a brand that's always good for innovation. We talk about an attitude as one of our purpose principles, an inner unrest for what's next. You never rest on your laurels. You always – when you have invented something you keep on going. And for 134 years now, many of the innovations that you have in the auto industry, especially on the safety side, have come from us. And of course, luxury, premium, it's aspirational. Many people dream about this car. And many people when they buy a Mercedes it's, like, I've arrived. I've finally made it.

MR. RUBENSTEIN: OK. So, by the way, I noticed in this car here, usually in the Mercedes they have this little triangle that stands up from the hood. You don't have that anymore. You get rid of those or?

MR. KÄLLENIUS: No. We have had both versions for a long time. You can have – you can have the star on the hood. That was the traditional way cars were made. But the sporty version of it is you put the star in the grille.

MR. RUBENSTEIN: And do people steal those things lots of times when they're sticking up?
[Laughter.]

MR. KÄLLENIUS: Back in the day they did. [Laughter.] And I guess every now and then that happens. It is a – it's a premium symbol. But don't worry. If it does happen to you, we have a spare part. We will take care of you. [Laughter.]

MR. RUBENSTEIN: OK. Well, I only buy a car every 22 years, so I wouldn't worry about it. But so –

MR. KÄLLENIUS: We can change that. [Laughter.]

MR. RUBENSTEIN: Well if it's a \$1,000 I might, but – [laughter]. So, let me ask you, are the cars that you produce every year – 95 percent, I assume, are internal combustion, carbon-using engine cars, is that right?

MR. KÄLLENIUS: At this stage, because, of course, the combustion engines work so well. Yes, that's true. But we're on the verge of a new era of mobility. So gradually, that will change.

MR. RUBENSTEIN: When will your electric cars really hit the market?

MR. KÄLLENIUS: Well, you could say that we actually were there before the market was there. We were the ones that put, in Europe, to start with the first volume production electric car into the market, which was our urban brand, Smart. That was back in 2007. We were there, but nobody else was there. So maybe we hesitated for a little while. But now we're in a massive product offensive. This car is in the market now. We will bring it to the states beginning of next year. In the next two to three years there will be a whole family of cars in this so-called EQ range.

MR. RUBENSTEIN: OK. So, the theory behind electric cars being better is it's better for the environment, I assume. Is that the main theory behind it?

MR. KÄLLENIUS: Well, we're on a – we're on a journey. And the journey is this beautiful invention that has given us freedom, individual self-determined freedom, has a side effect of CO2. And we have made a clear decision that we need to get to CO2 neutral mobility. And that's why now we're going into technologies that will then gradually replace the combustion engine.

MR. RUBENSTEIN: All right. But today most of your cars are, you know, carbon-using engine cars. And are you trying to be carbon neutral by, was it, 2036, or something like that?

MR. KÄLLENIUS: We have – we have set an ambition that we call Ambition 2039. What does that mean? The key was we launched this last year to say in 20 years' time we want to provide our whole new car fleet carbon neutral. Technology agnostic but carbon neutral. So that's where the 2039 comes from. And because that seems far away for many people, even though that is a massive industrial change for the business, we have made an interim target, by 2030, to have at least 50 percent of that fleet either fully battery electric or plug-in hybrids with a decent range.

MR. RUBENSTEIN: Now, Tesla has made a big start in the electric car business. And in fact, Tesla's market capitalization is now \$86 billion and yours is, like, \$59 billion. So, is it embarrassing to you to have Tesla have this big market cap? [Laughter.] And it shouldn't be just to you. General Motors and Ford together, their market cap is not the same – as high as Tesla. So why are all the big car manufacturers kind of being left behind by Tesla?

MR. KÄLLENIUS: Maybe it should be an encouragement. Of course, it's the job of every company to create value. We want to create value for our shareholders. And we're not going to

sit back and just say: Is that market cap enough? We're going to – we're going to go for it. But there's a lot of uncertainty. The whole business is in transformation. There's a lot of investment coming with this, uncertain markets, pressure on costs and margins. So, I understand that there is a certain nervousness in the market. But if another startup that is going for the new thing can generate those kinds of market caps, then maybe there's potential for us.

MR. RUBENSTEIN: So, if I had to buy some stock today, should I buy stock in Tesla or in Daimler? Which one's likely to go up? [Laughter.]

MR. KÄLLENIUS: I don't think you will ever have me recommend stocks of competitors. [Laughter.] And I'm a true believer in the company that I'm working for. So, go with us. But of course, read the fine print. This is an unsolicited piece of advice. [Laughter.] We have a lot of disclaimers and financial information you need to read before you make a decision. [Laughter.]

MR. RUBENSTEIN: Right now, the biggest market for cars in the world is China. I think I said they sell 28 million, or something like that, last year. So, is that where your biggest market is as well?

MR. KÄLLENIUS: It is, for our passenger car division, by far and away our biggest market. With last year we sold about 700,000 cars in China.

MR. RUBENSTEIN: And those cars, are they manufactured in China?

MR. KÄLLENIUS: Most of them are manufactured in China, and some of them are manufactured in other places. In fact, with our operations here in Alabama in the U.S., we are one of the biggest industrial exporters to China. So, we rest on local production, but also a global production network.

MR. RUBENSTEIN: And how many cars do you sell a year in the United States?

MR. KÄLLENIUS: The U.S. last year was about 320. [300,000]

MR. RUBENSTEIN: OK. So, a lot of the manufacturers from overseas, when they set up facilities here, they set them up in seems to be southern states. And their companies are not unionized. Is there a reason why those companies, your company, is not unionized in the United States?

MR. KÄLLENIUS: With regard to the team members in our factories here in the U.S., whether they want to have representation or not, it's up to them. Of course, we have – since we're the biggest truck producer in the U.S., Freightliner is a Daimler subsidiary – we have both union plants and non-union plants in the U.S. For the Southeast, with our passenger car operation in Alabama, we have very, very strong team relations. And in this case the team members have decided that the model that we're running is the one that they prefer.

MR. RUBENSTEIN: So if I had a car that was manufactured in Alabama, an identical one manufactured in Stuttgart, and I asked you to go in it, could you tell the difference between those two cars just by telling, you know, how it looks, or something like that?

MR. KÄLLENIUS: No, I couldn't, because it is the same. And we switched actually more than 25 years ago away from a made in Germany, which is of course a seal of quality, to say, made by Mercedes. So, if it's made by Mercedes anywhere in the world, it's exactly the same standard. Same standards in every plant.

MR. RUBENSTEIN: OK. So, a typical car, let's say this one, how many parts does it actually have in in?

MR. KÄLLENIUS: The parts that come to our factory that we assemble maybe is 4-5,000. But if you would actually take it apart in every little subassembly, you are well over 10,000.

MR. RUBENSTEIN: So how long does it take to assemble a car? Do you do, like, eight-hour shifts, and then people go home, and they come back and fix it the next day? Or do you just keep working through the clock and just get it done that way?

MR. KÄLLENIUS: The line keeps on rolling, yeah. So, you never – you never really stop the line. But a sophisticated electric car like the one I'm looking at here is maybe net production time 40 hours or so.

MR. RUBENSTEIN: Forty hours?

MR. KÄLLENIUS: Yeah.

MR. RUBENSTEIN: OK. So, at the end of 40 hours somebody goes in and tests it to make sure everything – all the parts are there?

MR. KÄLLENIUS: Yes. You do a final test to make sure everything is perfect. And then you send it off to the customer.

MR. RUBENSTEIN: Now I know that new cars are very appealing to some people because when you get in them, they smell new. [Laughter.] Do you try to do something that makes the car smell new? [Laughter.] And is that part of appeal? And is there some places where smelling a new car is not appealing?

MR. KÄLLENIUS: It is part of the appeal. In traditional markets, like Europe and U.S., yes, you love that. It's, of course, the leather that you mainly smell. But you have this new-car smell and people love it. It feels fresh. Maybe like buying a very nice new handbag, or something.

One country is different. It's China. They want to have a neutral. They want to have the car neutral, not smelling like anything. So, there we actually go out of our way to engineer it such that when you step in you just have a neutral space, in terms of smell.

MR. RUBENSTEIN: Really? OK. So today when you manufacture a car in the United States, let's say, the workers are – how many workers does it really take to work on – to produce a car? Is it 50 workers assembling it, or something like that?

MR. KÄLLENIUS: You can use a rule of thumb. In our operation in Alabama, where we make the SUVs, that's an operation that turns out somewhere between 250-and 300,000 cars a year. And we have in our plant about 3,000 people doing that. But if you multiply it with the supplier effect, you end up with a multiplier of at least 10. So, the jobs that it induces is probably a factor of 10 to what we have.

MR. RUBENSTEIN: Now you've lived in the United States as part of your career at Daimler?

MR. KÄLLENIUS: Yes, I've been twice in Alabama. I actually started out my career after the trainee period in Alabama. And I came back later on as CEO of that operation.

MR. RUBENSTEIN: And you became a big Alabama football fan, or not?

MR. KÄLLENIUS: I became a very big Alabama football fan. So, on Monday of next week watching LSU play Clemson is very difficult for me. [Laughter.] But because we have been spoiled with so many championships, I guess we're going to have to stand down on this one, yeah. [Laughter.]

MR. RUBENSTEIN: So, let me ask you about the buying of a car. So, when you go to buy – when somebody goes to buy a car, they go in. They say, I want a car with this color, this thing, all these options. Do you have those cars made up in advance, or people get them made specifically for their tastes, these days?

MR. KÄLLENIUS: It's different from market-to-market. Our experience here in the U.S. is that most times when a customer wants to buy a car, they – after they have done the research on the 'net and done all these things and they actually get to the dealer, they want to drive home. So, you have to have – you have to have the car finished and inspected there. So, the dealers, with all the intelligence that they have gathered, they're guessing your preference, in a way, and ordering from us. But if you want a tailor-made suit, it's not a problem. And that's very often the model in Germany. You want to sit down, you want to look at this endless list of options, and pick and choose your perfect combination. So, the tailor-made suit is available as well.

MR. RUBENSTEIN: And that takes how much longer to get that?

MR. KÄLLENIUS: Depending on which model and what the demand is, but usually I would say at least three months you would have to wait if you get that.

MR. RUBENSTEIN: OK. So if I go in and wanted to buy a car, and I negotiate, and the salesman says I have to go back and meet my manager in the back to talk about – [laughter] – whether I can negotiate that price, what are they really doing back there? [Laughter.] Are they – are they really negotiating, or are they just doing other stuff? [Laughter.]

MR. KÄLLENIUS: Let's call the bluff on that one, and – we're not usually the dealer. And I met some of our value dealers here today, so you can ask them later on. But I guess he goes back there, waits for five minutes, and comes back and says: Because it's you, David, I'm going to do a little bit special for you. [Laughter.]

MR. RUBENSTEIN: OK. Well, good. [Laughter, applause.] Well, good. But to be realistic about it, the dealer probably has on an average car that you sell maybe a \$1,000 - \$2,000 profit, or something like that. And everybody kind of knows what they're paying now because everything's on the internet. So, there isn't that much bluffing anymore, because everybody kind of knows everybody's prices. Is that right?

MR. KÄLLENIUS: Yeah. There is a high level of transparency in the market, absolutely. And we're even going into some markets, including my own home country in Sweden, and trying new distribution models, where actually we sell directly from the manufacturer and the dealer acts as an agent. And in those cases, you have complete price transparency, and it's controlled by the manufacturer. So actually, take away the haggling situation. You don't want to sell a price. You want to sell a product. And that's what we're trying to do.

MR. RUBENSTEIN: OK. So, what's the most popular color that you make for your cars?

MR. KÄLLENIUS: Well, in Formula One we race with the Silver Arrows. And silver has always been the color of Mercedes. So, it's silver.

MR. RUBENSTEIN: Now today when you go to buy a car, most of the options that you used to have pay for, they're sort of in there right now. Are there – what are the most exotic options you have that aren't part of the standard package?

MR. KÄLLENIUS: Well, of course, never underestimate the creativity, ingenuity of the engineers. So, once we make something standard, we come up with something new. One fun feature on the SUVs that we just launched last year is what we call an electronic chassis system that can actually individually regulate the height of each wheel instantly. And a camera reads the road in front of you. So, when it sees a bump, it adjusts before you hit it. So, it's like being on a flying carpet. That's one of those things.

MR. RUBENSTEIN: OK. Well, all right. I'll take a look at that. [Laughter.] But so today – when people buy new cars today, is it possible that you could have a feature that says if somebody's drunk they can't turn the ignition on? Or is that part of what you have?

MR. KÄLLENIUS: There are some technologies that are developing in this. But this space is still an open innovation space. We will see what happens. I think it's going to probably be a combination, maybe, between physical engineering and artificial intelligence that can detect the behavior of the person driving. And in fact, we invented something like that already some years ago, that depending on how you act and move and so on in the car, the car feels if you're tired or not, and actually recommends to you to take a stop or have a cup of coffee. So, some of those technologies are in development, but –

MR. RUBENSTEIN: How do you circumvent that? Suppose you're tired but you still want to drive? [Laughter.]

MR. KÄLLENIUS: Well, it's still a free country. So, you can make your decisions, but you have to live with the consequences. But we will help you.

MR. RUBENSTEIN: OK. So why should somebody buy a used car? You have all these new cars out there. If they're buying used cars, is that a good idea?

MR. KÄLLENIUS: It is a good idea if you buy a certified preowned from Mercedes. [Laughter.] Of course, they are made – they're made with good quality, so they will last forever and a day. And as I said, it's a – it's an aspirational brand for many. And especially in the German market, the first Mercedes for many is a used Mercedes, because you get into the price bracket where maybe you can – maybe you can do it.

MR. RUBENSTEIN: OK. Well, supposed somebody is aspirational, and they say: I want to say I have a Mercedes, but I don't actually have that much money. What is the cheapest price that you can pay to get a Mercedes?

MR. KÄLLENIUS: Around \$30,000.

MR. RUBENSTEIN: How much?

MR. KÄLLENIUS: Around \$30,000.

MR. RUBENSTEIN: Thirty thousand – \$30,000. So, some dealers here will say that they will sell a Mercedes for \$30,000, right?

MR. KÄLLENIUS: Very bare-bones, entry model.

MR. RUBENSTEIN: OK. Does it have a steering wheel and everything? [Laughter.]

MR. KÄLLENIUS: Yeah. It will move – it will move from A to B. And since it's Mercedes, it will move from A to B in style.

MR. RUBENSTEIN: All right. Let's suppose I say: I'm not that cost constrained. I want to impress my friends with the best Mercedes I can possibly get, with every option, every feature. What would that cost? \$35,000, or? [Laughter.]

MR. KÄLLENIUS: In that case, you got to go for it. And of course, the flagship of our range is the S-Class, the upper end. And if you want to be a little bit more ostentatious, you can do the Maybach S-Class. And then we're talking \$250,000.

MR. RUBENSTEIN: And how fast does that car go?

MR. KÄLLENIUS: The car could probably go above 300 kilometers an hour, but we put in a restrictor in it, so it won't go faster than 250.

MR. RUBENSTEIN: OK, well, that's –

MR. KÄLLENIUS: It's enough. It's enough.

MR. RUBENSTEIN: That might be OK for me. But OK. So, what kind of car do you drive?

MR. KÄLLENIUS: I drive the S-Class.

MR. RUBENSTEIN: OK. And you test off all the models that you guys are making, or?

MR. KÄLLENIUS: It's one of the privileges of the job. If you like cars, and you like engineering, you have a lot of – you have a very big sandbox that you can play in. And we test our cars all the time. So, on a regular basis we drive all the prototypes of the things that are in the pipeline.

MR. RUBENSTEIN: OK. So, what's the best new feature you're working on that's going to excite people in a year or two, or something like that?

MR. KÄLLENIUS: If I told you that, we would have to do the Men in Black thing. [Laughter.] So, we have some spectacular things, obviously. But you keep your cards close to the chest. And then when you have a big reveal you go, ta-da, here it is.

MR. RUBENSTEIN: OK. So, at CES, the Consumer Electronic Show, earlier this week, you unveiled a kind of new futuristic car with James Cameron. He's the producer and director, I guess, of Avatar. So, does he really know a lot about cars? And why were you doing a joint venture with him?

MR. KÄLLENIUS: He knows a lot about technology. His company, Lightstorm, is an absolute innovator in the film business, kind of moving the boundaries of technology in film, as is our ambition on the car side. So, we really had a meeting of the minds in terms of innovation. But what we also had a meeting of the minds on – and I think that's the – I would say the serious undertone message of his movie is sustainability. How do you create the harmony between man, nature, machine? And on our quest to go CO₂-free, we share a lot of that vision. And of course, Hollywood is a great platform to get the message out. And that's how this partnership formed.

MR. RUBENSTEIN: OK. Now, speaking of futuristic, what about self-driving cars, so-called autonomous cars? When are we going to get those?

MR. KÄLLENIUS: You will have partial autonomy I think very soon. Already today – if I take the – in this car here, if I take the sophisticated driving assistance system in this car, and I take away the inhibitors – you know, we have inhibitors in there because you are still liable and responsible when you drive this car – it could go autonomous for miles if the circumstances were correct. You would actually feel, wow, it's autonomous. But you might be lulled into a false

sense of security and take your eyes off the road. We don't want that because safety is in our DNA.

So, the first step is what the engineers call level-three autonomy, where in some circumstances the car, the computer takes over, and the liability goes to us. We are on the cusp of that. And I see that in the next couple of years. Full autonomy, which we're also working on, and other players as well, before every car in Washington, D.C. is full autonomy, I think it will be a few years. But I think we will get there. And it can be an absolute game-changer for the auto industry.

MR. RUBENSTEIN: What about flying cars? Do you have any of those?

MR. KÄLLENIUS: [Laughs.] Well, actually the three-pointed star, when Daimler invented that he says: land, sea, and air. We have concentrated on land, but we have a small stake in a startup in Germany called Volocopter who are working on a kind of an electric urban air taxi. So, we can see that segment may be coming also here in this decade. But it's early days.

MR. RUBENSTEIN: Now, you have another division, I guess part of your car division, that's called Smart. These are little cars.

MR. KÄLLENIUS: Urban cars, yeah.

MR. RUBENSTEIN: Or, urban. So why – what do they cost?

MR. KÄLLENIUS: There you can get into one for about 15,000 euro.

MR. RUBENSTEIN: OK. So, are they safe? They're so small if you crash it doesn't look like it would be that safe.

MR. KÄLLENIUS: They are safe. There's a safety – (inaudible) – around that vehicle as well. So, you maximize the amount of technology you use to keep the passenger safe.

MR. RUBENSTEIN: But you're not driving that car.

MR. KÄLLENIUS: Occasionally.

MR. RUBENSTEIN: Really?

MR. KÄLLENIUS: Yeah. Occasionally. We have a mobility service in Stuttgart called ShareNow. So, if you want to go into town, you can actually just pick up the car, drive into town, and maybe if you want to have a glass of wine in the evening you take a taxi back, or something. So occasionally I drive it, but not as my main car.

MR. RUBENSTEIN: OK. So now your parents are alive. They're living in Sweden, is that right?

MR. KÄLLENIUS: Yes.

MR. RUBENSTEIN: So, do they drive Mercedes?

MR. KÄLLENIUS: They do. I think the atmosphere at Christmas dinner would be somewhat suppressed if they didn't. [Laughter.] But I – they give me the impression that they're very convinced customers.

MR. RUBENSTEIN: OK. So, do they ever call you and say you should make this car better, that's not working so well, or anything like that?

MR. KÄLLENIUS: I do get occasional advice, as I get from many friends that drive a car. But my mom has been very complimentary. Maybe she wants to make me feel good. [Laughter.]

MR. RUBENSTEIN: OK. All right. So, if I said, look, I'd like to buy a German-made car. I think – why are the German-made cars so good at luxury things. BMW or Porsche, or Mercedes. Why are the Germans so good at that?

MR. KÄLLENIUS: I think there is, for a long, long time, a tradition in Germany of this craftsmanship, especially the precision on the mechanical side, it's really second to none. And that tradition has grown into the products.

MR. RUBENSTEIN: All right. So, if I said I want a nice German-made car, even if it's made in Alabama or somewhere else, South Carolina, wherever it might be. But I just don't want to buy Mercedes, because I just want to try something else, what should I buy? Should I buy a Porsche, or should I buy a BMW? Which would be the best one, do you think?

MR. KÄLLENIUS: Is walking an option? [Laughter, applause.]

MR. RUBENSTEIN: OK. Do you ever – do you ever try some of your competitor's cars now?

MR. KÄLLENIUS: Yes, we do. We do, as part of our development process. We drive competitor products. So, you want to see what the other – what the other guys are up to, and you assess them. But what you don't do is you don't try to chase features and say, let's just piecemeal together a product from what you have seen others doing. You got to know your own DNA, your own soul. And a Mercedes needs to feel like a Mercedes. But you do get inspiration from competitors, as well.

MR. RUBENSTEIN: OK. So, you make a lot of cars in the United States, but you make some outside the United States. So, are tariffs something you care about very much?

MR. KÄLLENIUS: Tariffs are very important to us because, of course, we rely on global supply chains in every direction. If you're in the premium luxury business, it wouldn't make economical sense – we talked about the S-Class, which is a very high-end model but relatively low volume – if you would slice that factory and make three factories, one for Europe, one for the United States, one for China. It would not be economical. So, we rely on being able to build

a car in one place and export around the world – like we’re doing with the SUV’s in Alabama – and have goods going back and forth. So yes, of course, global open markets are very important for us.

MR. RUBENSTEIN: So, when you’re in Washington, for example, do you ever talk to government officials and say, by the way, we don’t like tariffs that much?

MR. KÄLLENIUS: Everywhere we go we have the same message. If we want the cake to be bigger, open markets have been a very, very good way to make a bigger cake. So, whether we’re here in Washington, or in Beijing, or in Brussels, or in Berlin, it’s the same essentially.

MR. RUBENSTEIN: So, in the manufacturing of cars today how does artificial intelligence or robotics make a difference in a car that you manufacture today compared to 10-15 years ago?

MR. KÄLLENIUS: It’s becoming hugely important, both in the product itself – you couldn’t do autonomous drive without artificial intelligence. The algorithm to figure out what the car needs to do in driving situations. But not only there, even in the infotainment side, the car gets to know you. And before you even know what you want to do, it actually makes suggestions to you. So that’s happening. But also, in the production processes, we use artificial intelligence for predictive maintenance. A lot of data gets gathered, and it can see in a very sophisticated manufacturing environment maybe if some machine is about to break, and that you can in a preventive way go, you know, fix that before you have an interruption in production. So artificial intelligence has been a gift, another tool, to the engineers to move the game on.

MR. RUBENSTEIN: So, what’s the biggest challenge that Daimler faces today? Is it Tesla? Is it U.S. regulations? Is it just competition from other companies? What’s your biggest challenge?

MR. KÄLLENIUS: There are so many. It’s, of course, juggling a lot of balls at the same time. But I would say the overriding transformation, almost disruption, of the auto industry is going CO2-free. That’s a technological challenge. It’s, of course, an industrial footprint challenge. But it’s – during the many years that we will do this, it’s also a financial challenge. So, to balance that out, I would say it’s the biggest one.

MR. RUBENSTEIN: And who’s your biggest competitor?

MR. KÄLLENIUS: Well, we have the traditional Germans. For some reason in southern Germany you have four brands – us, plus three others – that like to push each other. But you have sometimes new players like the one from California and others. We watch carefully what’s going on in the competitive landscape but try to make sure that our position as a brand that stands for the promise of the future, that we’re always in the lead in this competition.

MR. RUBENSTEIN: So, let’s say you’re in the United States or in Germany, do you ever go into a Mercedes dealership and say: I’d like to talk about buying a car. They don’t know who you are. Do you ever go in that way, just to see whether they know what they’re selling?

MR. KÄLLENIOUS: Yes, I do. I often go, obviously, announced ahead, and they roll out the red carpet, and that sort of stuff. But I did a couple of years ago go into our own factory-owned dealership in Manhattan when we were there with the family. And I walked around for a little while, and nobody spoke to me. And then the guy who runs the case he saw me and said, Ola, you're here! Why didn't you tell me you were coming? I said, well, I've been here now for ten minutes and nobody has addressed me yet. And he was saying with a smile on his face, but you don't look like a Mercedes customer. [Laughter.] So, yes, I do. I go in and visit our –

MR. RUBENSTEIN: Wow. Does he still have a job? [Laughter.]

MR. KÄLLENIOUS: He still has a job. He still has a job. I see these gentlemen here. He has a job in Canada, where they come from. [Laughter.] So yes. But you need to every now and then just go and see what happens on the ground.

MR. RUBENSTEIN: You mean he got shipped to Canada? [Laughter.]

MR. KÄLLENIOUS: Is that a demotion?

MR. RUBENSTEIN: I don't know. So, OK. So today when you are running your company, what percent of your time can you spend it in Stuttgart, and what percentage you have to be on the road?

MR. KÄLLENIOUS: I would say still most of the time is in Germany and around Germany because engineering, some of the manufacturing. So, everything that goes on around the product mainly is happening there. But of course, with operations around the world you have to – you have to make sure that you are present in other places. So, a lot of Asia, and a lot of North America. And of course, also inside Europe.

MR. RUBENSTEIN: And when you have a board meeting in Germany do you have to speak German? Or suppose you were – if you were – you speak German, right?

MR. KÄLLENIOUS: Yeah.

MR. RUBENSTEIN: So, if you could not speak German, would you have risen up? Or could you have risen up?

MR. KÄLLENIOUS: The official corporate language is English. So, we speak English around the world. But I have to say, in Germany, in a German context, it helps a lot if you speak German. So, I would – I would make that a prerequisite. Where you come from doesn't matter. But speaking the language. And if you don't speak it, I'm sure you can learn it.

MR. RUBENSTEIN: So, you've been in the United States this week. I assume you have a big corporate jet to take you around to all your places, right?

MR. KÄLLENIOUS: I could. I try to, because we are trying to be frugal and double-down on cost efficiencies, so this week I've traveled commercial.

MR. RUBENSTEIN: Commercial? So how did you like it?

MR. KÄLLENIUS: It was – it was good. [Laughs, laughter.]

MR. RUBENSTEIN: OK. All right.

MR. KÄLLENIUS: We got up very early a couple of times.

MR. RUBENSTEIN: So when you fly Lufthansa, they know who you are, I assume?

MR. KÄLLENIUS: Lufthansa we flew over, and done some of the American airlines inside the U.S.

MR. RUBENSTEIN: OK. So, as you look at the automobile industry, let's suppose somebody is in college now. They are saying I want to join a nice industry. Why should somebody want to join the automobile industry?

MR. KÄLLENIUS: Well since I just came from the CES in Las Vegas, which stands for this is what happens tomorrow at the electronic show. If you go to that – if you go to that now, compared to 10 years ago, even the tech companies use cars to demonstrate their future technologies. So, I don't know if there's a more exciting business than the auto industry. And we're always going to want to go from A to B, or transport goods from A to B. And now we have more technological tools. So, this is an industry in motion, in transformation. And what's more exciting than that?

MR. RUBENSTEIN: OK. Now, we didn't talk about the other part of your company, which is the truck business. So, are your trucks better than anybody else's trucks?

MR. KÄLLENIUS: Of course, they are.

MR. RUBENSTEIN: Right. And what's so special about your trucks?

MR. KÄLLENIUS: Well, if you start here in the United States, our trucks are Freightliner trucks. So, we are the biggest truck producer in the U.S. in the Class 8, the big truck segment. We have about 40 percent market share. And you don't achieve a 40 percent market share in a cutthroat business like trucking, where it's all about total cost of ownership, if our customers didn't feel that we had a superior product.

MR. RUBENSTEIN: Now, another part that we mentioned earlier is your mobility business, also your financial services. So, what percentage of people that come in to buy a Mercedes car actually need financing?

MR. KÄLLENIUS: If you take a worldwide average, it's about 50 percent. So, every second customer of ours either get a financing package, or a leasing deal, or some kind of a flexible

model. So, to have a very well-run financial services division is hugely important in the auto industry.

MR. RUBENSTEIN: So, if somebody says, look, I'll pay cash, I don't need to borrow any money, do they get a discount?

MR. KÄLLENIUS: We'll take your cash. [Laughter.] And in the ultimate negotiation, if we go back there, it's down to the dealers. And there are some from Washington here. Maybe we need to hook them up with you afterwards.

MR. RUBENSTEIN: OK. So, who are better negotiators, women or men, when they come in to negotiate the prices of things?

MR. KÄLLENIUS: Difficult to say. No stereotypes. In my family it's probably my wife.

MR. RUBENSTEIN: OK. But when somebody comes in to buy a car, can you – do they usually buy a car on the first visit to a dealership, or they kind of come back three or four times to make themselves feel like they know what they're doing?

MR. KÄLLENIUS: Now, they do now. Earlier, years ago, it was these three or four visits of, let's call it, tire kicking. Now all of the tire kicking happens in the virtual world. So, the customer, as you say, there's price transparency through the information on the internet. And they have gone through the whole experience virtually. And usually now when they come in, they know exactly what they want. And it's about them finalizing the transaction.

MR. RUBENSTEIN: Now, for carbon-related cars, internal-combustion engines, there's always a fight about what the mile per gallon standard should be in terms of what governments require cars to do. So, in this country there's been a debate – there's certain Obama standards, there was – Trump has different standards, there's California standards. What is your position on what the mile per gallon standard should be?

MR. KÄLLENIUS: With Ambition 2039, that we presented last year, we have made kind of a mental switch, and a very clear decision that our ambition is to provide CO2 neutral mobility. We know it's not easy. We know that there are a lot of challenges on the way there. So, we're on that – we're on a journey. And that is a worldwide journey. So almost regardless of which standard you have in different markets – the toughest one right now is in Europe – we feel that we will meet every one of those standards. And that's why that is almost now a secondary debate to us. And we will, of course, apply the same strategy across the world.

MR. RUBENSTEIN: So, you are – you became the CEO when you were only 50 years old. Well, you're only 50 now, right, 50 years old?

MR. KÄLLENIUS: Yes.

MR. RUBENSTEIN: So very young. By my standards, I'd say, like a teenager, practically. [Laughter.] So how long can you do this job? You can do this for – there's no age limit. So,

you could do this for 15 or 20 years. Your predecessors both did it for about a dozen years or so, each.

MR. KÄLLENIUS: I'm not thinking about that so much right now. Now it's about doing what I do today and then tomorrow and navigate through this transformation. So, it's not on my mind, but I know it's going to be a very exciting journey here as the whole company is in transformation over the next years.

MR. RUBENSTEIN: So, when you go – when you're buying – you're driving a car in? You drive your own car in in Stuttgart?

MR. KÄLLENIUS: Yes, I do.

MR. RUBENSTEIN: So, do people, like, stare at you when they see you're the CEO of Daimler, you're driving your own car? Or do you pump your own gas at the gasoline stations, and so forth?

MR. KÄLLENIUS: Well, I – during the week I have also access to drivers. So, I have that – I have that benefit. And being at the Schwaben company, that's part of Germany which has kind of the same as the Scots, we pinch pennies, we can actually gas up a little bit cheaper on location inside our plants. So, I very seldom actually go to an external gas station. But should I need it, yes, I would do it.

MR. RUBENSTEIN: So if you were giving advice to somebody that wants to buy a car today, what would you give the advice to them about how to negotiate the best price, and make sure they're getting the deal that they want, and the car they want?

MR. KÄLLENIUS: As I said before, don't buy the price, buy the product, and look at the product features. So, I'm slightly biased here, but if you think about safety, quality, exciting technology, efficient power trains and so on, think about that. And whether it's \$1,000 up or down, in the end that matters less. And perhaps in total cost of ownership buying a more expensive car, in the end, with residual value, might even be the better buy.

MR. RUBENSTEIN: And the residual value, is that holding up for Mercedes better than other cars, or?

MR. KÄLLENIUS: Pretty good. It's pretty good. So, the second-hand market of Mercedes is a very attractive one.

MR. RUBENSTEIN: I have this car I got in 1997. I'm still driving it. What do you think the residual value might be of that? [Laughter.]

MR. KÄLLENIUS: Well, here's a little-known fact. If you would have gone back to, let's say – you said 1997?

MR. RUBENSTEIN: '97, right. It's 23 years old.

MR. KÄLLENIUS: Yeah. So that is what we call a young timer. It's a young timer. But it's on the verge of becoming an old-timer. If you had, in 1997, invested your money in classic Mercedes cars – the right classic Mercedes cars, that's the old SLs and so on – and you look at the index of that over the last 25 years, it beats the S&P 500 and most other asset classes that you could have picked. So, my advice now would be hold on to that one, because it will – it will come into its own. And like a Bordeaux wine, it will then get better over age.

MR. RUBENSTEIN: OK. Well, now I'm going to hold onto it. OK. So, now, you have three children. Do they drive Mercedes cars?

MR. KÄLLENIUS: Not yet. They are not yet at their first job, so –

MR. RUBENSTEIN: They're priced out of the Mercedes right now. Can't they get a Smart car or something like that? Or?

MR. KÄLLENIUS: Yeah. That would – that would be it. And of course, when they visit with us, and the youngest one is still at home, they get to use our cars.

MR. RUBENSTEIN: So, what would you like most people to know, or anybody watching this, about Daimler? What is the most important message that you want to convey to people, and I'd say, to anybody watching?

MR. KÄLLENIUS: If I look at this journey, we invented this beautiful machine. We're now going to reinvent the beautiful machine. So, in our speak, modern luxury becomes sustainable modern luxury. And that's the journey that we're on. So, all the benefits that you have from a Mercedes, this freedom, we're going to make that freedom sustainable. And through innovation and technology. So, watch this space.

MR. RUBENSTEIN: All right. Well, good luck on doing that. Thank you for your time today. And I'll go to look at my car – and I'll keep my car, I think, now that you've told me it's a good buy. [Laughter.] Let me give you a gift if I could. [Applause.] This is an antique map of the District of Columbia.



Ola Källenius leads a global mobility organization with 16 brands of cars, trucks, and vans and nearly 300,000 employees. He is also Chairman of the Board of Management of Mercedes-Benz AG and Chairman of the Supervisory Board of Daimler Truck AG. Ola's focus on electric and autonomous vehicles has made him an industry leader as Mercedes-Benz plans to invest more than \$12 billion into the company's new line of battery-powered vehicles. In 2020, Mercedes-Benz will launch the first member of its new EQ line of fully electric vehicles, with nine more slated to launch by 2022.

Before becoming the Chairman of the Board of Management in May of this year, Ola spent more than two decades with Mercedes-Benz, including as the President and CEO of Mercedes-Benz U.S. International in Tuscaloosa, Managing Director of Mercedes-AMG GmbH, and Head of Group Research & Mercedes-Benz Cars Development. He has been a member of the Board of Management of Daimler AG since 2015.

Ola Källenius was born on June 11, 1969, in Västervik, Sweden. After obtaining Abitur (university entrance examination) at Grammar School of Danderyd (Sweden), he did his military service in the Swedish army in 1988/89. From 1989 until 1993 he studied at the Stockholm School of Economics (Master in Finance and Accounting) and the CEMS Program (Master of International Management) at the University of St. Gallen. He joined the then Daimler-Benz AG as Trainee within the International Management Associate Program in 1993.