Mercedes-Benz Strategy Update: electric drive

July 22, 2021
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Focus of this strategy update

Our goal: We will build the world’s most desirable cars

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<th>Think</th>
<th>Focus</th>
<th>Expand</th>
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<td>and act like a luxury brand</td>
<td>on profitable growth</td>
<td>customer base by growing sub-brands</td>
<td>customers and grow recurrent revenues</td>
<td>in electric drive and car software</td>
<td>cost base and improve industrial footprint</td>
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Driven by a highly qualified and motivated team

Sustainability, integrity, and diversity as our foundation
With our Ambition 2039 we put a stake into the ground

Our ambition: carbon-neutrality by 2039

Now it’s time to accelerate with the full and rapid electrification of our products
Mercedes-Benz will be ready to go all-electric within this decade
“By 2025, our customers can choose an all-electric alternative for every model we make.”
Our electric product rollout is running at full speed

Deliveries of PHEV and BEVs up 300% in H1, accounting for over 10% of overall sales

In 2021 alone, we are introducing four new battery electric vehicles

Next year we will present SUV versions of our EQS and EQE

By 2022, we will have battery electric options in all segments we serve
Electrifying our sub-brands: leveraging their full potential

Launch of a sophisticated luxury electric Mercedes-Maybach SUV in 2023

Launch of the fully electric G-Class in 2024

AMG will go electric and will redefine high performance with a completely new electric architecture
At the end of the decade, our focus will be on BEV only

By 2025, our customers will be able to choose an all-electric alternative for every model we make

It’s our ambition to drive the plug-in hybrid & BEV share up to 50% in 2025. By the end of the decade, we will be ready to go all-electric

We will use our unique brand position to grow economic value
- enhance product mix and pricing
- focus on most profitable models and regions
- drive loyalty and grow recurring revenues
- increase revenue per unit
“All new architectures will be electric-only from 2025 onwards.”
We will launch three EV-only architectures in 2025

Following the launch of MMA, the compact “electric first” architecture in 2024, all new Mercedes-Benz vehicle architectures will be electric only.

**MB.EA**: will cover all medium and large size cars. Scalable modular system as electric backbone for our EV portfolio.

**AMG.EA**: dedicated performance electric vehicle architecture.

**VAN.EA**: ushers in a new era for purpose made electric vans and Light Commercial Vehicles.
We will expand our activities in battery cells and systems

We will install a capacity of more than **200 Gigawatt hours**

We will set up **8 battery cell factories** around the world: one in the U.S., four in Europe - with our existing strategic partners and with a new partner

We are looking at broadening our partnership portfolio to **produce future cells and modules in Europe**

We will engage in the **raw material** supply chain
Our batteries will be highly standardized

More than 90% of all future Mercedes-Benz vehicles will be based on a common battery platform

We are aiming for a modular battery system that consists of uniformly designed components and standard interfaces to the entire vehicle

Only two differentiating characteristics will create the necessary variance in terms of range, charging and life performance: cell chemistry and size
Developing the next generation battery cell technology

**High-Silicon Anode**: increasing energy density by using silicon-carbon composite in the anode

**Solid-State**: pushing energy density beyond limits of conventional lithium-ion cell, doubling energy capacity and reducing weight in same packaging space, enduring more charging cycles over lifetime

**Several cooperations** with existing and new partners to accelerate development of both technologies

Continuously integrating most advanced cell technology in our production cars, increasing range during lifecycle
In-house electric motors are a key part of our strategy.

Ultra-high performance axial motors for our forthcoming AMGs. Axial flux technology allows for unmatched power density, performance, and acceleration.

Electric motor and power electronics company YASA Ltd. will be a fully owned subsidiary of Mercedes-Benz. Acquisition will take our electric drive tech to a new level.

eATS 2.0: in-house developed and built radial motor with outstanding performance for majority of key products.
We are establishing a green and CO₂ neutral supply chain

In the future, raw materials for battery components only from IRMA-certified mines

Intention to partner with lithium producer Albemarle for future lithium supply, lithium recycling and reduction of CO₂ in lithium production

Direct sourcing of battery raw materials like nickel and cobalt under consideration

2020: Big River Steel reduced CO₂ emissions by >70%
2021: Salzgitter AG reduces CO₂ emissions by >60%
2025: CO₂ free steel from H₂ Green Steel
We want to provide a premium charging experience

**Mercedes me Charge** currently comprising more than 530,000 AC and DC charging points worldwide. We will expand and enhance our charging network with partners like Ionity and ChargePoint.

Mercedes-Benz customers will get enhanced access to the **Shell Recharge** network consisting of over 30,000 charging points by 2025 in Europe, China, and North America – including over 10,000 high-power chargers globally.

**Plug & Charge**: no authentication required, automatic payment. Service going live with EQS market launch this year.

**Green charging**: facilitating charging with clean electricity at all public charging points in the Mercedes me Charge network in Europe and North America. Further markets being evaluated soon.
VISION EQXX: efficiency is the new currency

Our Vision: a real range of over 1,000 kilometres with a compact car segment sized battery

Our target: single digit kWh per 100 km
Reducing consumption with extraordinary efficiency improvements in almost all areas. Integrating new technologies in future Mercedes-Benz road cars

Rapid technology innovation leveraging Mercedes F1 electric powertrain expertise and working practices

World premiere in early 2022
“We are adapting our global production network for all-electric output.”
We are ready to accelerate EV production

Ready to scale up: our largest plants in Beijing, Bremen, Kecskemét, Rastatt, Sindelfingen, and Tuscaloosa are all capable of building EVs and are currently assembling 5 different BEVs

2022: 8 EVs will be produced on 3 continents with batteries from our worldwide network

Factory 56: blueprint for our worldwide network in terms of flexibility, efficiency, digitalization, and green production

Stuttgart-Untertürkheim & Berlin-Marienfelde: two of our major powertrain plants are already accelerating their transformation toward a zero-emissions future
Our new cooperation with GROB

We plan to cooperate with GROB, a global leader in highly innovative battery production and automation systems.

Strengthening our battery production capacity and know-how

Focus of cooperation on battery module assembly and pack assembly.
Closing the loop: from value chain to value cycle

2022: carbon-neutral production at all Mercedes-Benz AG passenger car and battery assembly sites

Establishing remanufacturing processes and repurpose of key components, e.g. batteries can be reused to help balance electricity grid

Planned battery recycling factory in Kuppenheim, Germany. Start of operations in 2023, depending on promising discussions with public authorities
“Our team is determined to win.”
The transformation of our workforce

Re-shape
Streamlining our organization in a responsible way

Re-skill
Developing future-oriented qualifications

Re-charge
Meeting the Mercedes-Benz standard as an employer

Continue effective process of cost reduction working together with employee representatives

Focus on staff fluctuation and fair solutions

Mercedes-Benz Drive Systems unit enables and supports the transformation of our plants

Ensure that motivated and qualified people remain at the heart of this fundamental shift

Internal tech-academies and other trainings

Employees are gradually being shifted from conventional drives to electric drives

New technologies require a new area of expertise

Create 3,000 new jobs for software engineers

Attractive contractual framework offering innovative employment conditions
“We are committed to our margin target – also in the BEV world.”
Our transition plan to go BEV-only

What we told you

- 2025 BEV alternative for every model
- Ready to go all-electric by end of decade
- Faster ramp down of ICE vehicles
- PHEV transition technology

What we are going to do

- New BEV models
- New BEV architecture MB.EA, AMG.EA, VAN.EA
- New battery factories
- New cooperations

How we steer our financials

- Net revenue
- Variable costs
- Contribution Margin
- R&D / CAPEX
- Fixed costs
- Return on sales
- Cash Flow
Revenue quality rising – driven by mix and pricing

Key levers

**Net pricing** performance

Positive mix from **high end electric vehicles**

**Digital** services revenue

**Direct sales** model

* schematic graph
BEV cost reduction focus

Key levers

Material and manufacturing cost reduction of 1% until 2025

Further cost reduction on electric drivetrain from 2025 to 2030

Decreasing cell costs and common battery platforms

Scalable modular electric only architectures
Radical shift in capital allocation – from EV-first to EV-only

Key levers

**Additional** investments for new BEV architecture MB.EA, AMG.EA, VAN.EA and **intensified battery footprint**

**Radically reduced** non-BEV investments

**CAPEX share of investments decreasing**

>20% investment reduction until 2025 and further decreases afterwards
Fixed cost reduction targets stepped up

Key levers

Covid 2020: significant fixed cost reduction

2021: temporary effects replaced by permanent measures

>20% fixed cost reduction until 2025 vs. 2019

2025ff: digitization of all business areas

After 2025 further net reductions

* schematic graph
Our financial ambitions for MB AG 2025

2021: On track towards double digit RoS despite supply constraints

Market environment/revenues

Contribution margin

Fixed costs  > -20% vs. 2019  > -20% vs. 2019  > -20% vs. 2019 on track

CAPEX and R&D (CF impact)  > -20% vs. 2019  > -20% vs. 2019  > -20% vs. 2019 on track

RoS MB AG  Mid to high single digit  High single digit  Double digit on track

Cash conversion  0.7–0.9x on track
We are committed to our margin target – also in the BEV world

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Mercedes-Benz accelerates into a zero-emissions and software-driven future
Disclaimer

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