



# 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

**Think**

and act  
like a luxury  
brand

**Focus**

on  
profitable  
growth

**Expand**

customer base  
by growing  
sub-brands

**Embrace**

customers and  
grow recurrent  
revenues

**Lead**

in electric  
drive and  
car software

**Lower**

cost base  
and improve  
industrial  
footprint

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



Portfolio  
Plan

Technology  
Plan

Production  
Plan

People  
Plan

Financial  
Plan

“By 2025, our customers can choose an all-electric alternative for every model we make.”

Portfolio Plan

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# 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

2021



EQA



EQB



EQS

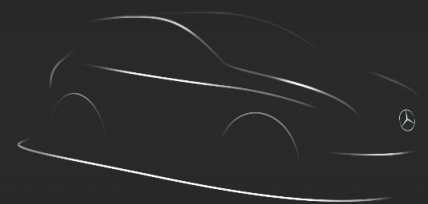


EQE

2022



EQS SUV



EQE SUV

# Electrifying our sub-brands: leveraging their full potential

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

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Launch of the **fully electric G-Class** in 2024

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**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.”

Portfolio Plan

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# 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



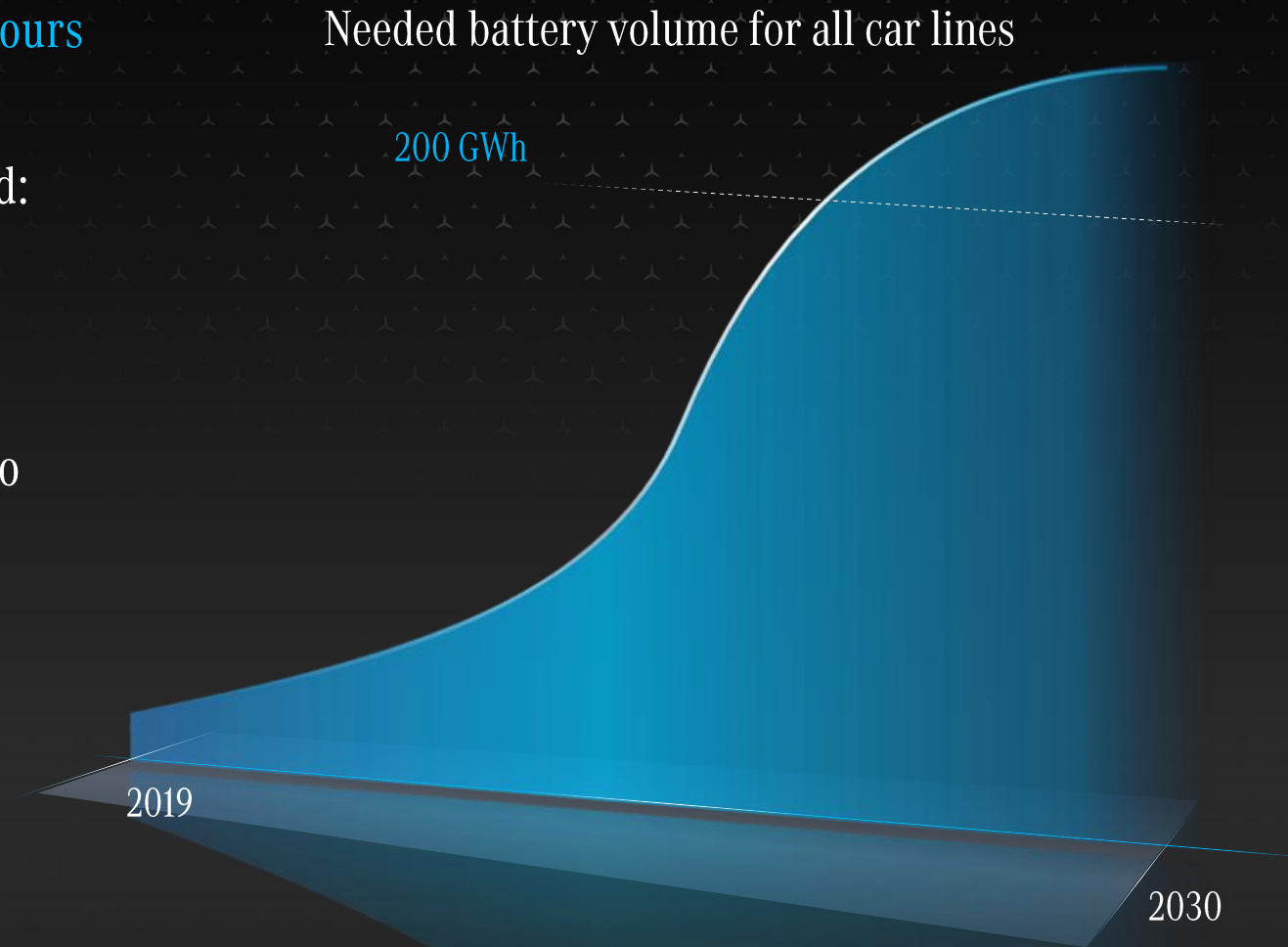
# We will expand our activities in battery cells and systems

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

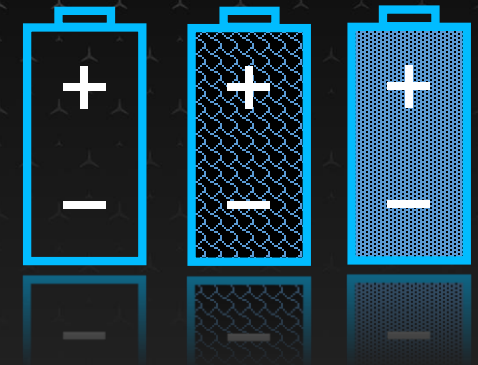
More than 90% of all future Mercedes-Benz vehicles will be based on a common battery platform

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

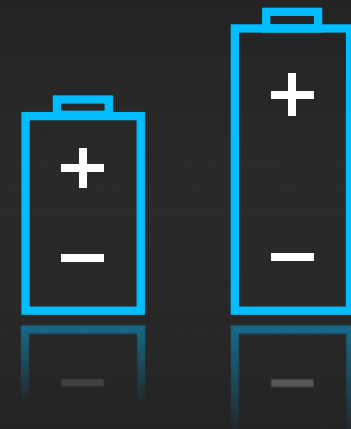
Only two differentiating characteristics will create the necessary variance in terms of range, charging and life performance: cell chemistry and size

Differentiating factors

Chemistry



Size



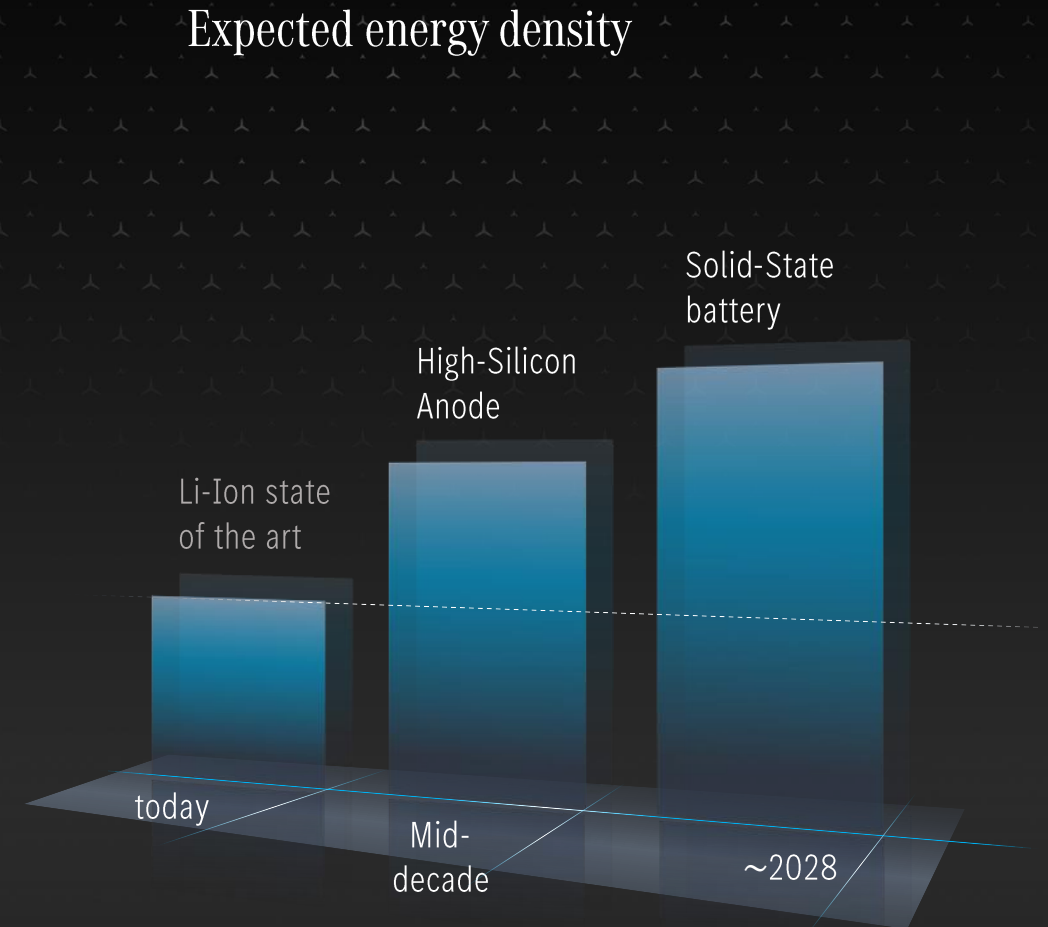
# Developing the next generation battery cell technology

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

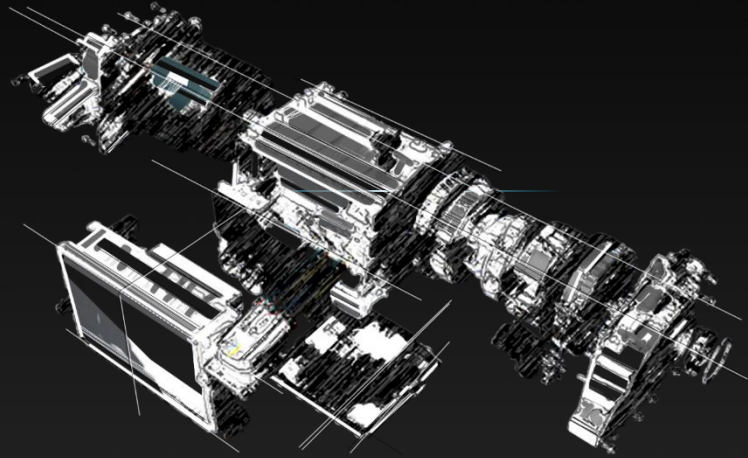
**Solid-State:** pushing energy density beyond limits of conventional lithium-ion cell, doubling energy capacity and reducing weight in same packaging space, enduring more charging cycles over lifetime

**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



eATS 2.0: in-house developed and built radial motor with outstanding performance for majority of key products

Ultra-high performance axial motors for our forthcoming AMG. 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





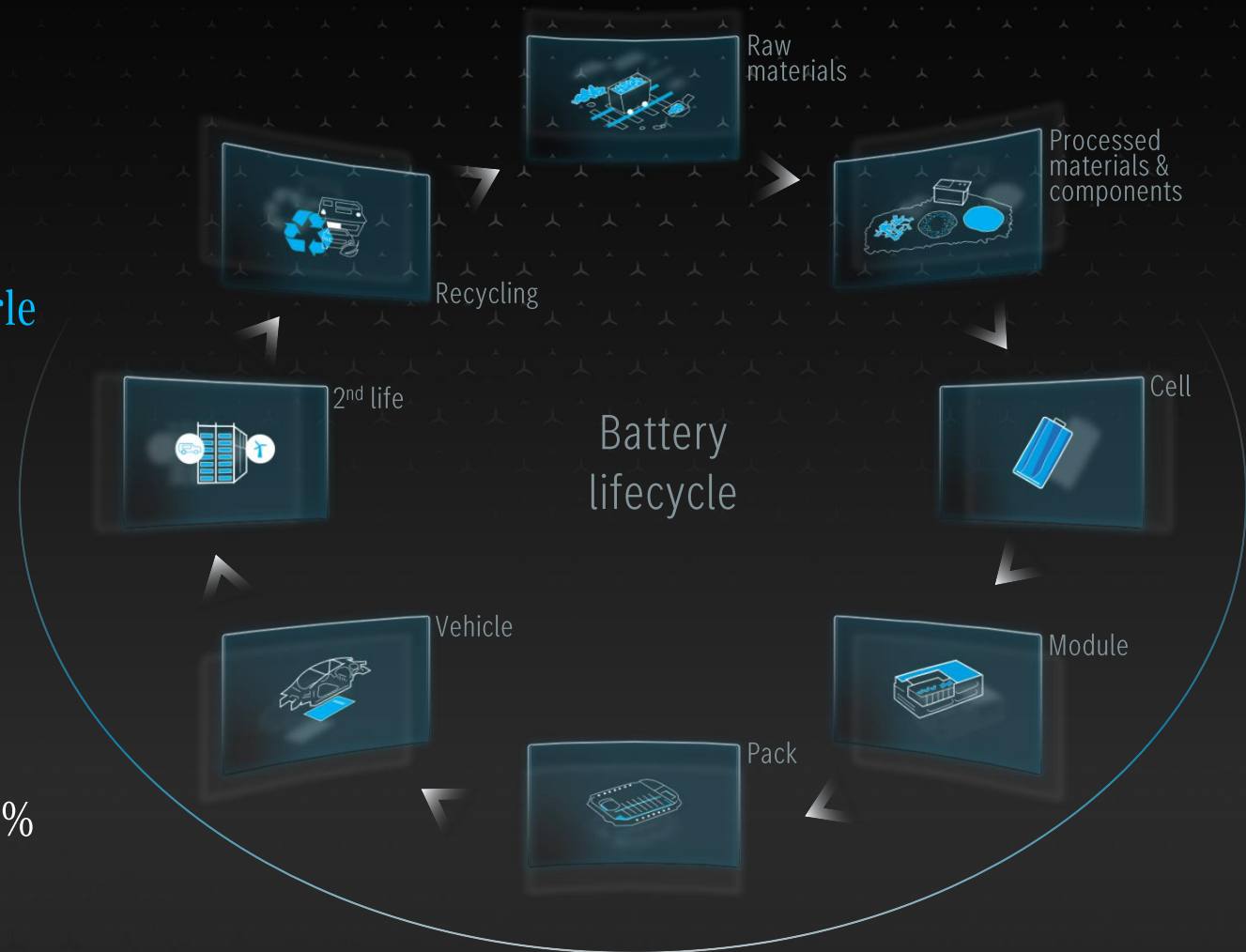
# We are establishing a green and CO<sub>2</sub> neutral supply chain

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 CO<sub>2</sub> in lithium production

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

2020: **Big River Steel** reduced CO<sub>2</sub> emissions by >70%  
2021: **Salzgitter AG** reduces CO<sub>2</sub> emissions by >60%  
2025: CO<sub>2</sub> 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

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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

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

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World premiere in **early 2022**



“We are adapting our global  
production network for all-electric output.”

Portfolio Plan

Technology Plan

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Financial Plan



# 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**



 EV production  
 Battery production

# 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

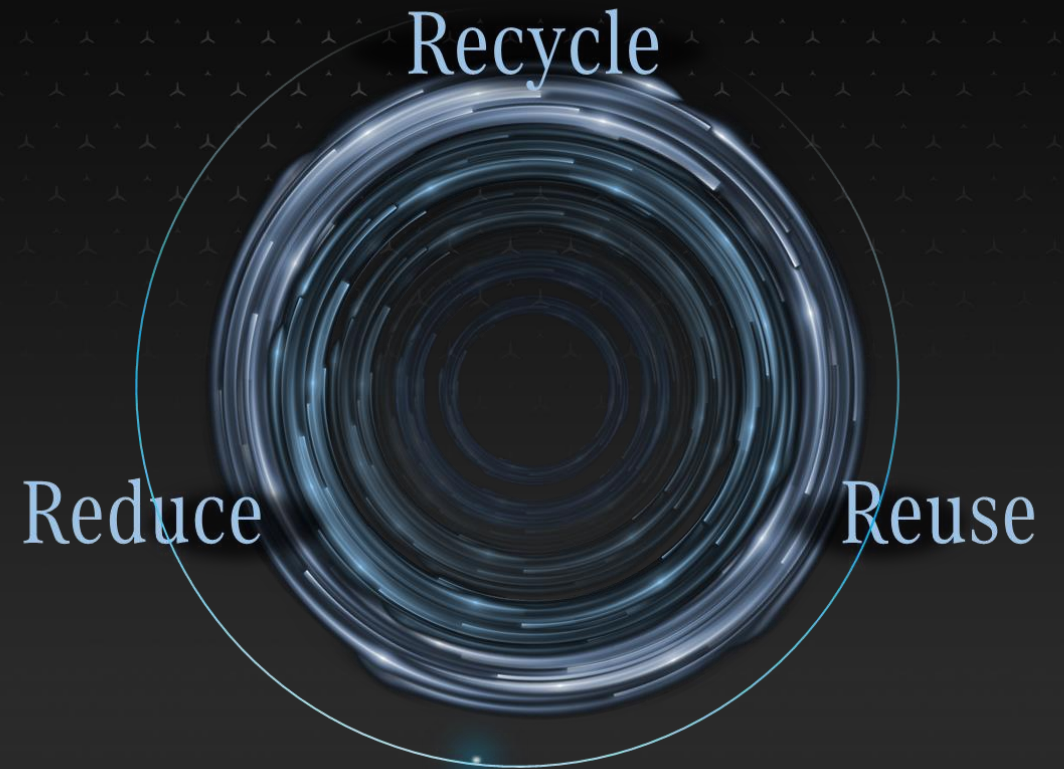


# Closing the loop: from value chain to value cycle

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.”

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# 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.”

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# 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

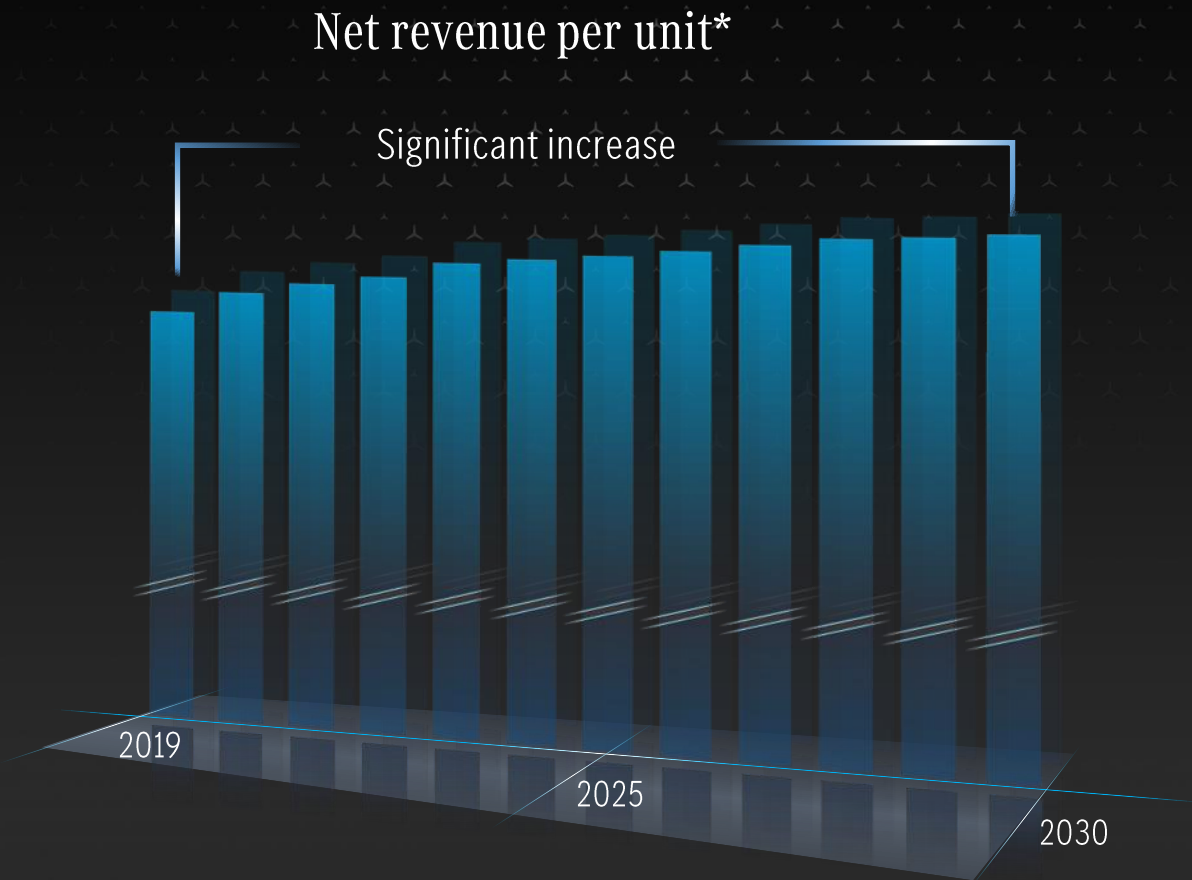
## Key levers

Net pricing performance

Positive mix from high end electric vehicles

Digital services revenue

Direct sales model



\* schematic graph



# BEV cost reduction focus

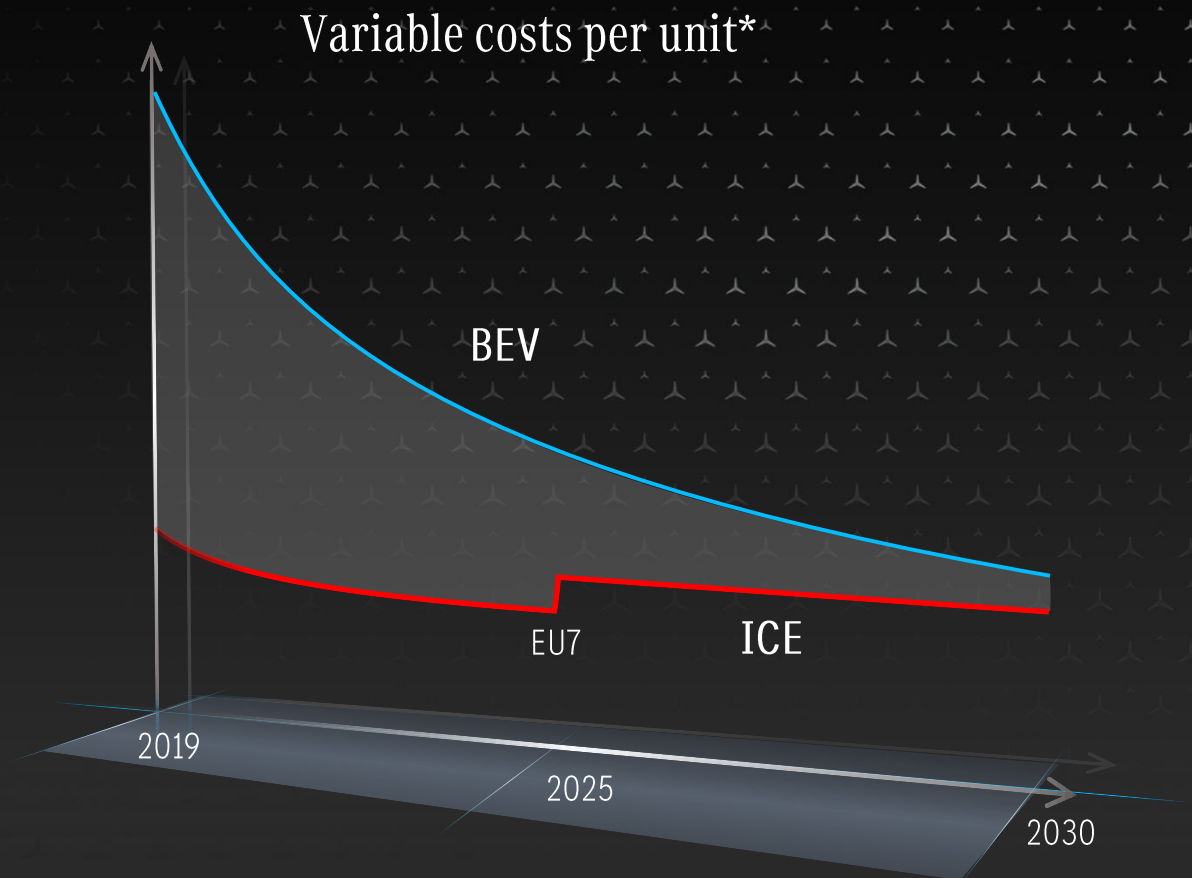
## Key levers

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



\* schematic and before mix change

# Radical shift in capital allocation – from EV-first to EV-only

## Key levers

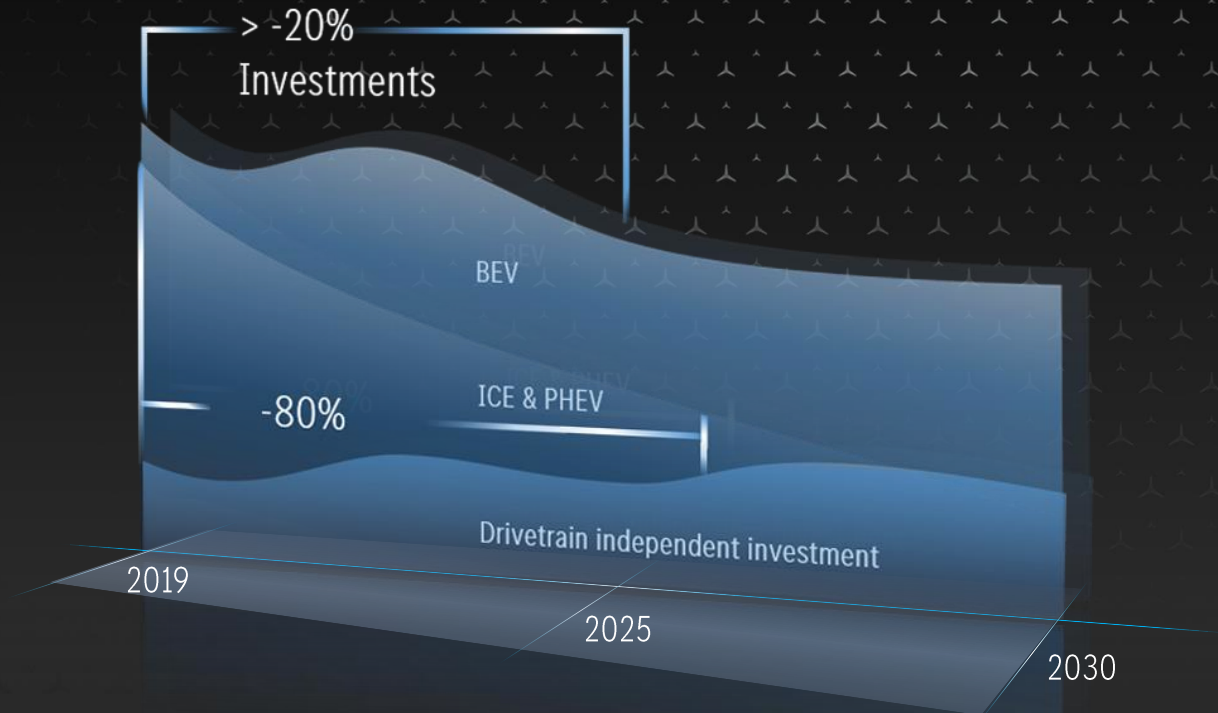
Additional investments for new BEV architecture MB.EA, AMG.EA, VAN.EA and intensified battery footprint

Radically reduced non-BEV investments

CAPEX share of investments decreasing

>20% investment reduction until 2025 and further decreases afterwards

CAPEX and R&D investments\*



\* schematic graph

# Fixed cost reduction targets stepped up

## Key levers

Covid 2020: significant fixed cost reduction

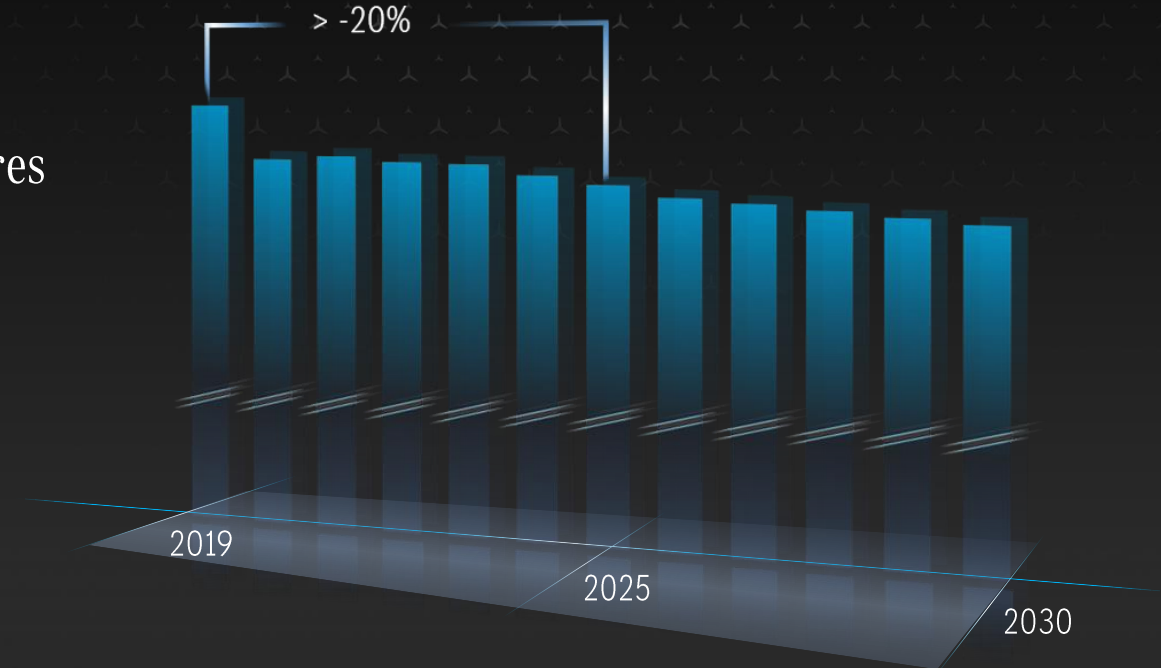
2021: temporary effects replaced by permanent measures

>20% fixed cost reduction until 2025 vs. 2019

2025ff: digitization of all business areas

After 2025 further net reductions

Fixed cost development\*



\* schematic graph

# Our financial ambitions for MB AG 2025

2021: On track towards double digit RoS despite supply constraints

Market environment/revenues



volume



Profitable growth



mix & pricing

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

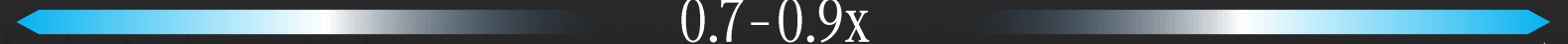
RoS MB AG

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

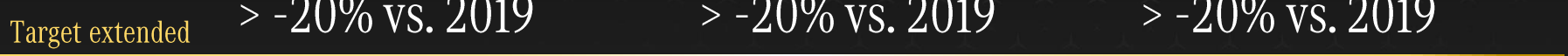
Market environment/revenues



Contribution margin



Fixed costs



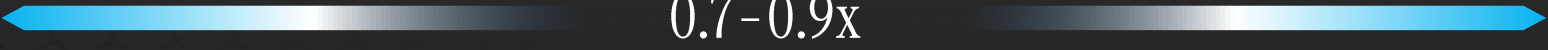
CAPEX and R&D  
(CF impact)



RoS MB AG



Cash conversion



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





# Disclaimer

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, pandemics, 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 and tariff regulations; 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 or latest Interim 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.