

The background of the slide is a dark grey color with a repeating pattern of small, light grey Mercedes-Benz logos (three-pointed stars in a triangle) arranged in a grid.

Mercedes-Benz

Strategy Update

October 6, 2020

The following presentation contains forward-looking statements that reflect management's current views with respect to future events. Such statements are subject to many risks and uncertainties. If the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. For further details, please refer to the disclaimer at the end of the presentation.

Our statement of intent:

We will build
the world's most
desirable cars.

We will deliver on this intent with our refocused strategy

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

Sustainability as a guiding principle

Driven by a highly qualified and motivated team

Let us begin with our brand promise

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

Sustainability as a guiding principle

Driven by a highly qualified and motivated team

Luxury has always been part of our soul – and it's constantly evolving

It ties together our values and virtues.
It's who we are. It's what we do best.
Luxury is our home field advantage
and our leading edge.



Luxury has always been part of our soul – and it's constantly evolving

It's our job to define it
at each moment in time.



Luxury has always been part of our soul – and it's constantly evolving

And luxury of the future
will be sustainable.



Ambition
2039

Luxury is where we belong, and luxury is where the growth is

Global # of wealthy individuals

(private investable wealth > \$250k, individuals in million)



Per region

(private investable wealth > \$250k, individuals in million)



We will provide the luxury experience across all touchpoints

Brand touchpoints



Product substance



Digital experience



Setting new standards with the S-Class



Summing up pillar 1

Luxury is who we are
and we will use it to grow
economic value.

Now let's talk about our strategy and execution in the market place

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

Sustainability as a guiding principle

Driven by a highly qualified and motivated team

We will focus on profitable growth

Profit

Rethink volume ambitions –
profitability first

Price

Reorientate pricing
and channel mix

Portfolio

Reshape future product
portfolio to optimize returns

#1



Rethink volume ambitions: Profitability first

Reinforce our **contribution margins** with current portfolio – **shifting upwards** over time

Ensure volume targets focus on the **most profitable** models and regions



Reorientate pricing and channel mix

Markets primarily measured on **sales contribution** growth

Enhance positioning with optimized **product substance**

Manage **residual values** to determine new car supply

Get **stricter** about channel mix

Improve **lifecycle pricing**

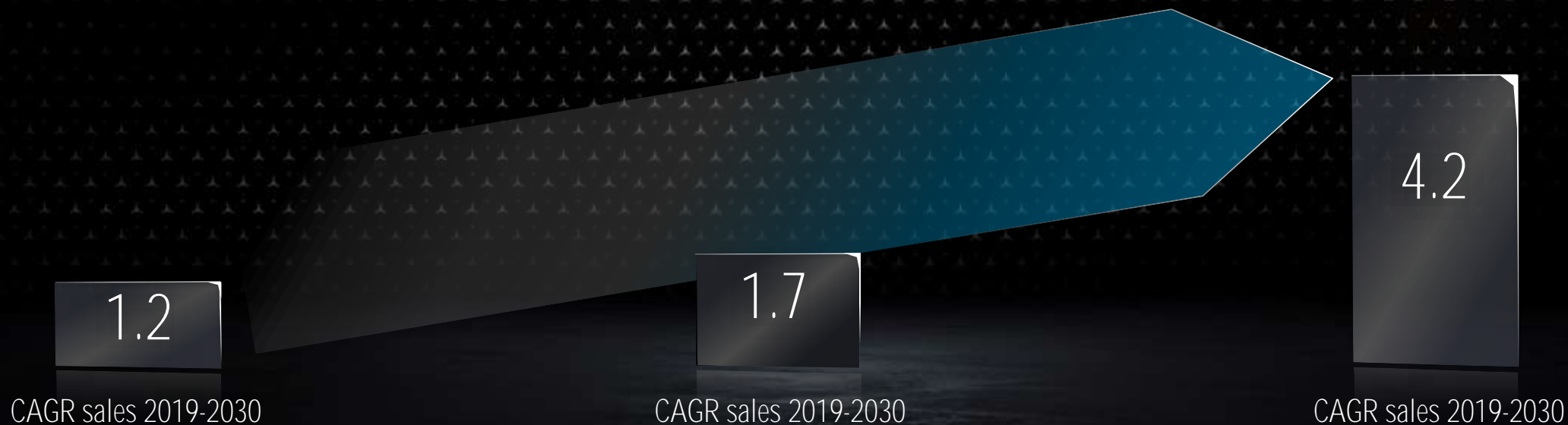


Reshape product portfolio: We will refocus product development resources to grow in the most profitable parts of our relevant segments

Overall global car market¹
will grow

Premium segment²
will grow faster

Luxury segment³
will grow fastest



¹ Total global LV market; ² Top 20 premium definition; ³ Large luxury vehicles over approx. US\$ 70k (w/o tax); Source: IHS 08/2020

Summing up pillar 2

We will pursue higher
portfolio profitability.

Let us explain how we will further target profitable customer segments

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

Sustainability as a guiding principle

Driven by a highly qualified and motivated team

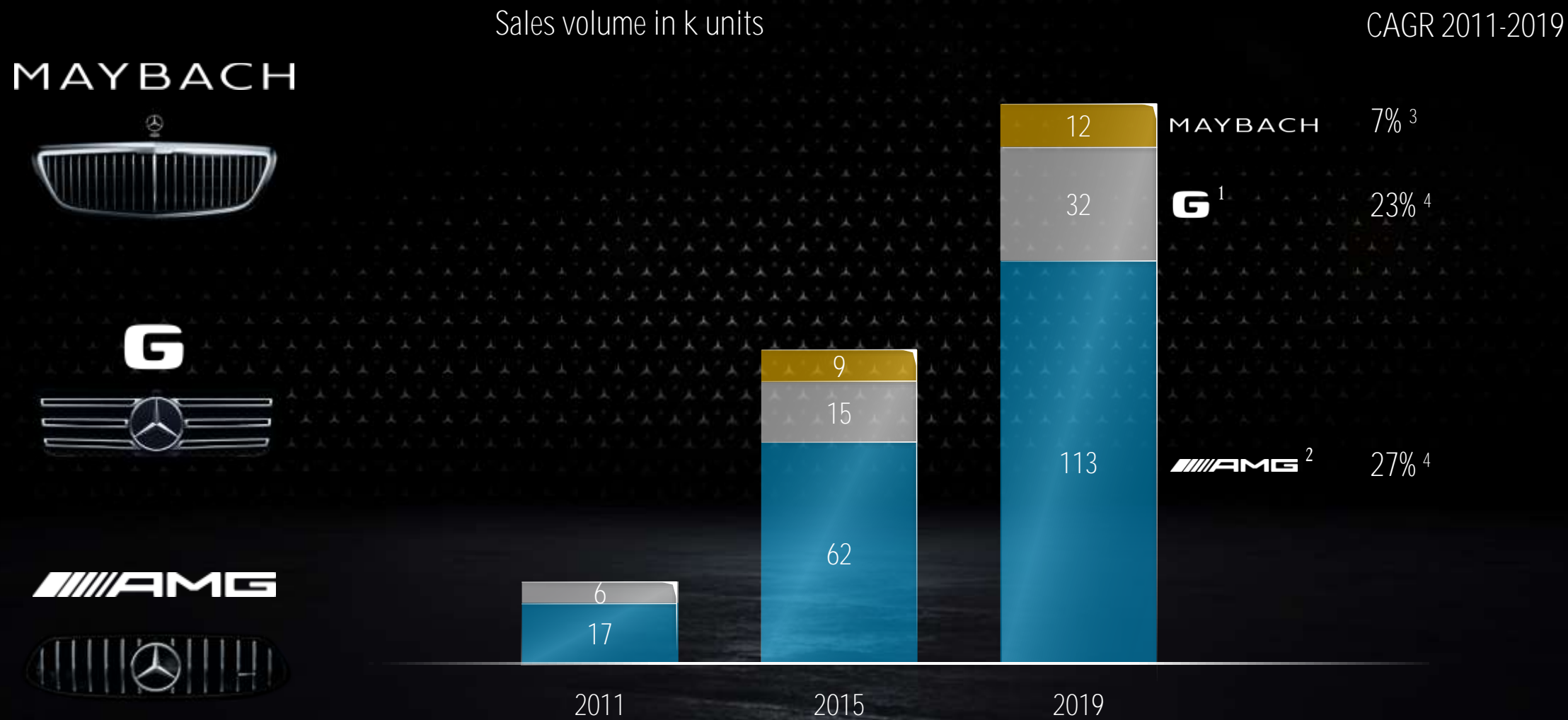
Mercedes-Benz is our master brand and will always be our guiding star



World's most valuable
luxury car brand¹

¹ Interbrand ranking "Best Global Brands 2019"

Rapid and highly profitable growth

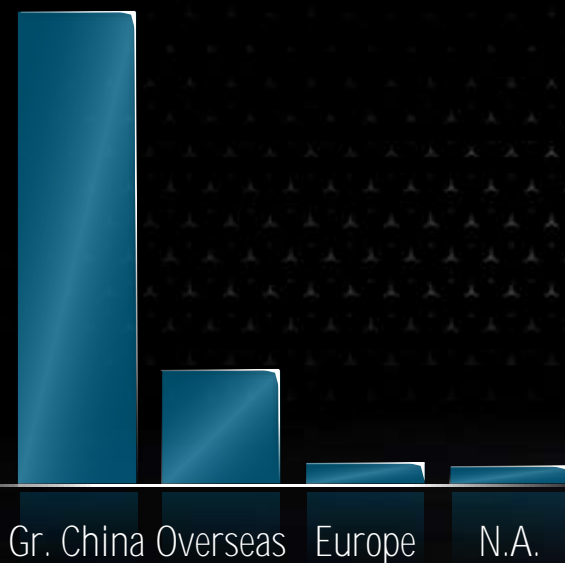


¹ G-Class without model 461; ² AMG without G63; ³ Maybach CAGR (2015-2019); ⁴ CAGR of AMG and G-Class with G63 (double counting)

Now it's time to accelerate the growth

MAYBACH

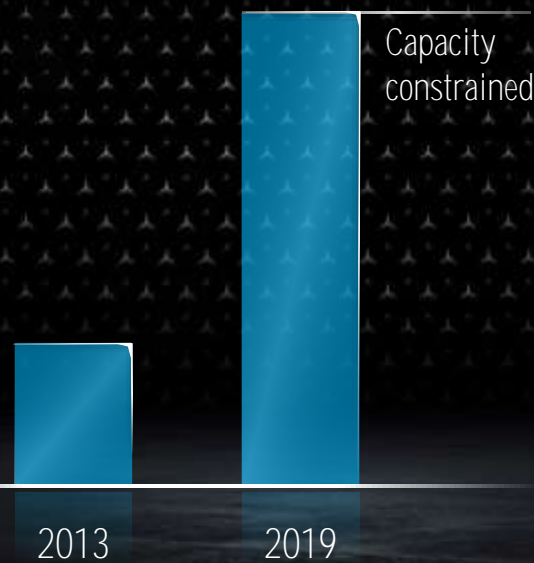
Sales actuals 2019



Global opportunity

G

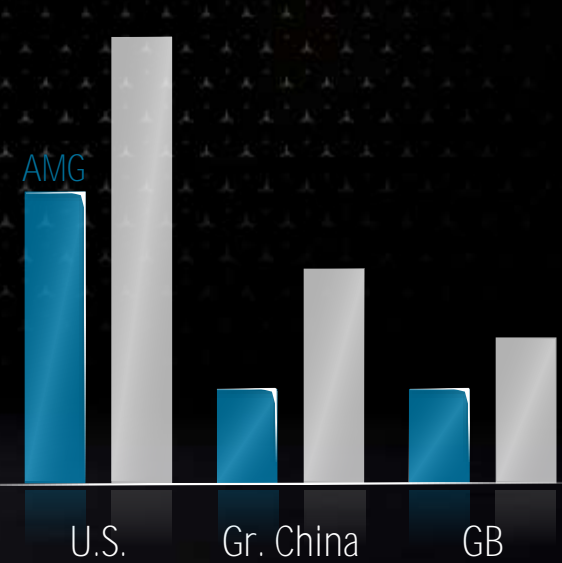
Demand ahead of capacity



Increasing demand

AMG

Sales vs. key competitor 2019



Conquest potential

Our sub-brands will allow us to target specific “tribes” better

“Brands need to light the fire we can gather around...”

JP Kuehlwein

We will unlock the potential of our sub-brands

Mercedes-Benz



Modern
Luxury

G



Adventurous
Luxury

EQ



Progressive
Luxury

AMG



Performance
Luxury

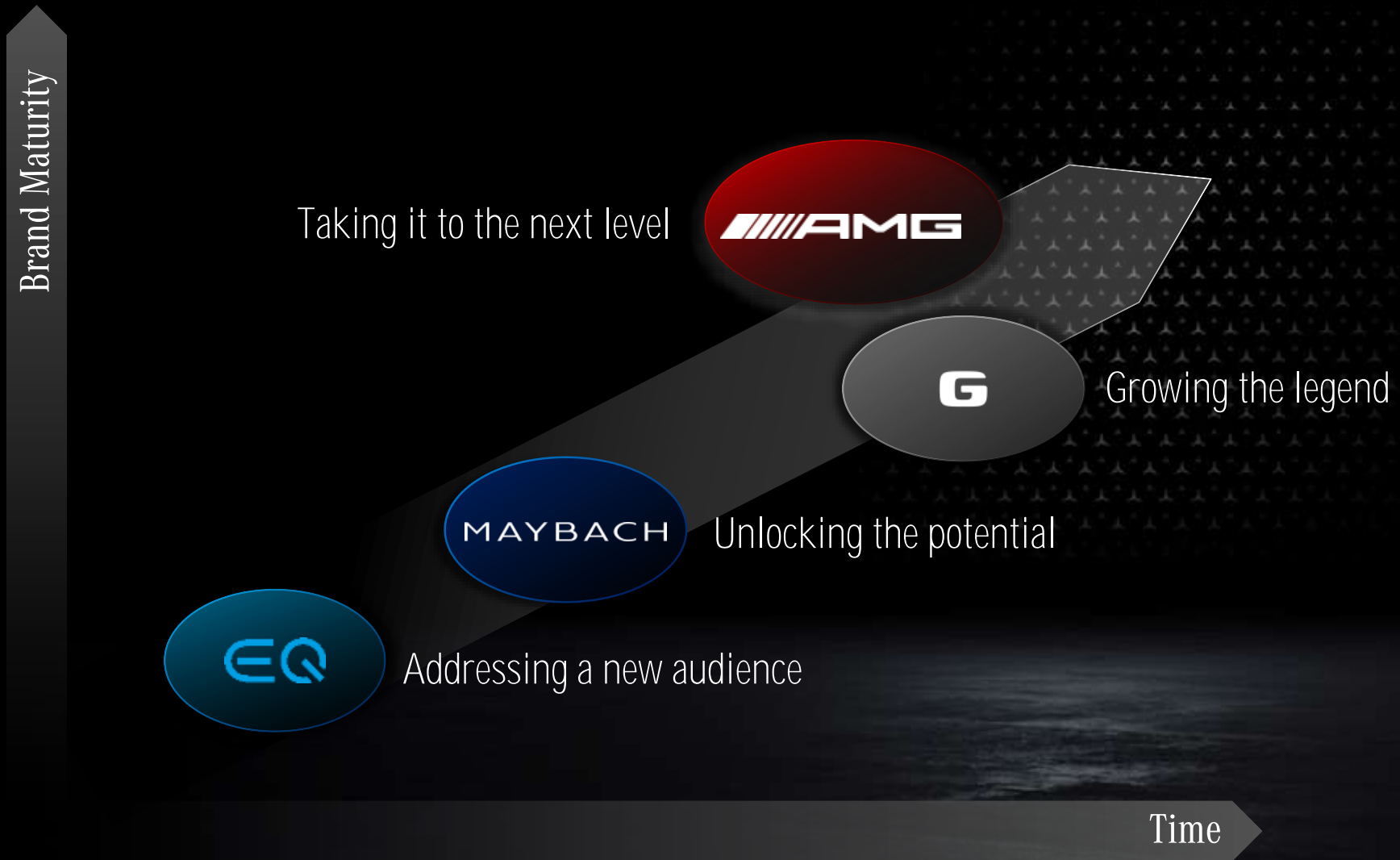
MAYBACH



Sophisticated
Luxury

Mercedes *me*

Clear growth plan for every sub-brand



AMG: Significant growth and high-performance electrification



In 2021, the links between AMG and Formula 1 will intensify



Maybach: Global opportunity, double in size, go electric



G: Grow the legend, go electric



EQ: Addressing a new audience



Summing up pillar 3

We will seek
substantial EBIT growth
via our sub-brands.

Pillar number four – our lifetime approach to customers

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

Sustainability as a guiding principle

Driven by a highly qualified and motivated team

The value of monogamy: Life-long relationships with our customers



It's about owning the customer relationship and leveraging our car parc and customer base

Embrace customers

Grow recurrent revenues



Luxury experience,
greater concentration

Significant
acceleration

Personalized
relationships

Still significant profit
growth ahead

OTA
upgrades

It's about owning the customer relationship and leveraging our car parc and customer base

Embrace customers

Grow recurrent revenues

Physical retail



67%

would pay more for a great experience

Direct sales



25%

online sales target in 2025

Data-driven connection



+20%

customer leads¹

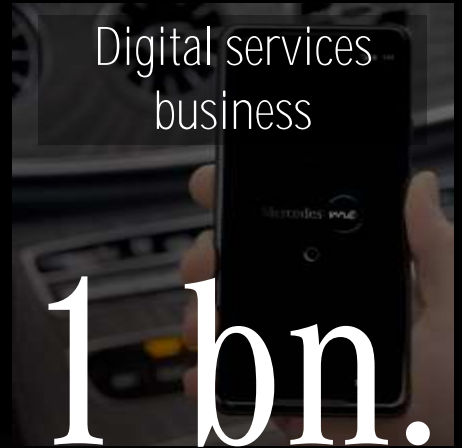
Service & parts business



80%

data driven workshop business target in 2025

Digital services business



1 bn.

€ EBIT target by 2025

¹ UK trial

Summing up pillar 4

We have one of the world's most valuable customer bases – we intend to make the most of it.

Now let's talk about our technology strategy

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

Sustainability as a guiding principle

Driven by a highly qualified and motivated team

Ambition 2039: Our societal responsibility

2022

Carbon-neutral
production globally

2030

>50% xEV share

2039

Carbon-neutral



... and our supply chain will follow our ambition

Our economic responsibility

Our challenge

Contribution margins on EVs

Technology and eDrive investments

Legacy activities

Our answer

Driving down powertrain costs

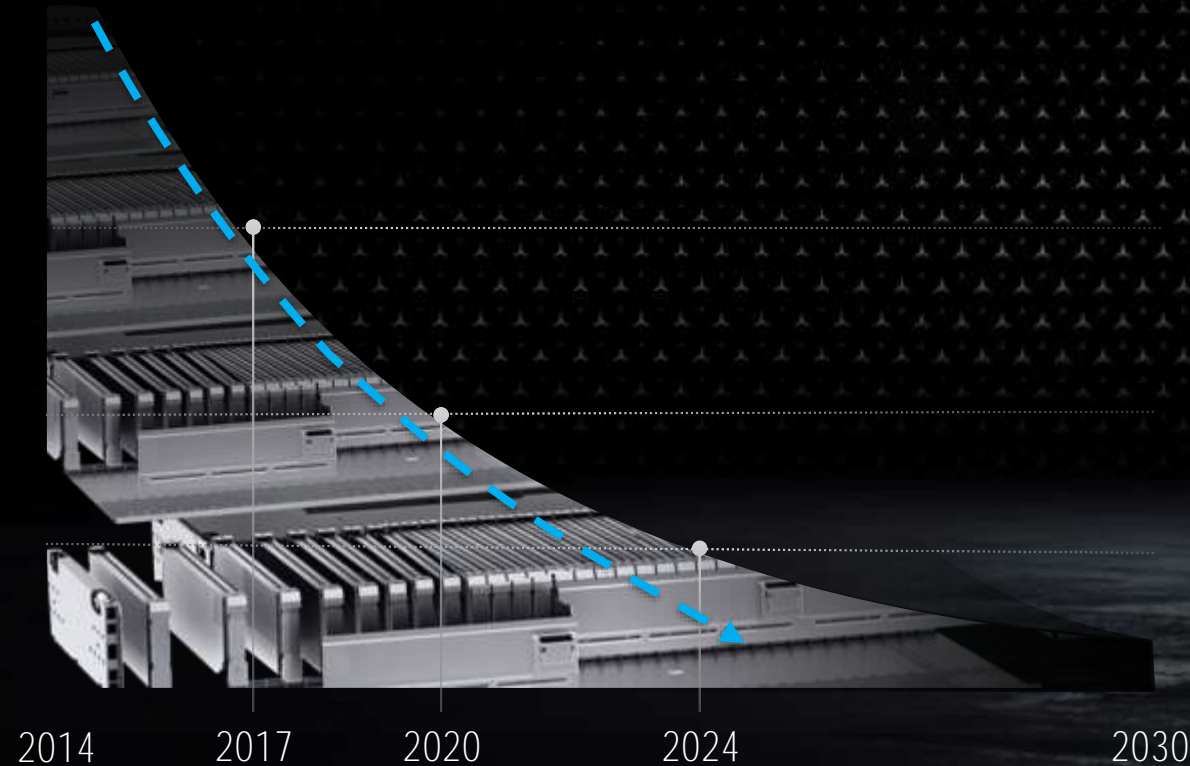
Intelligent platform strategy

Clear plan for the transition

Our path to higher EV profitability

Costs of batteries coming down faster than originally expected

(€/kWh)



Other measures

Significantly **below €100/kWh** system level by mid-decade (cell/module/system)

Simplified Modular Strategy will drive economies of scale

Partnerships and **supply secured beyond 2025**

Targeting strong **contribution margins** for all new architectures **from 2025**¹

New high-end EQ products target **solid profitability from the start**

¹ Without governmental incentives

Our aim is to lead in electric drive



We will rapidly
expand our portfolio of
luxury xEVs



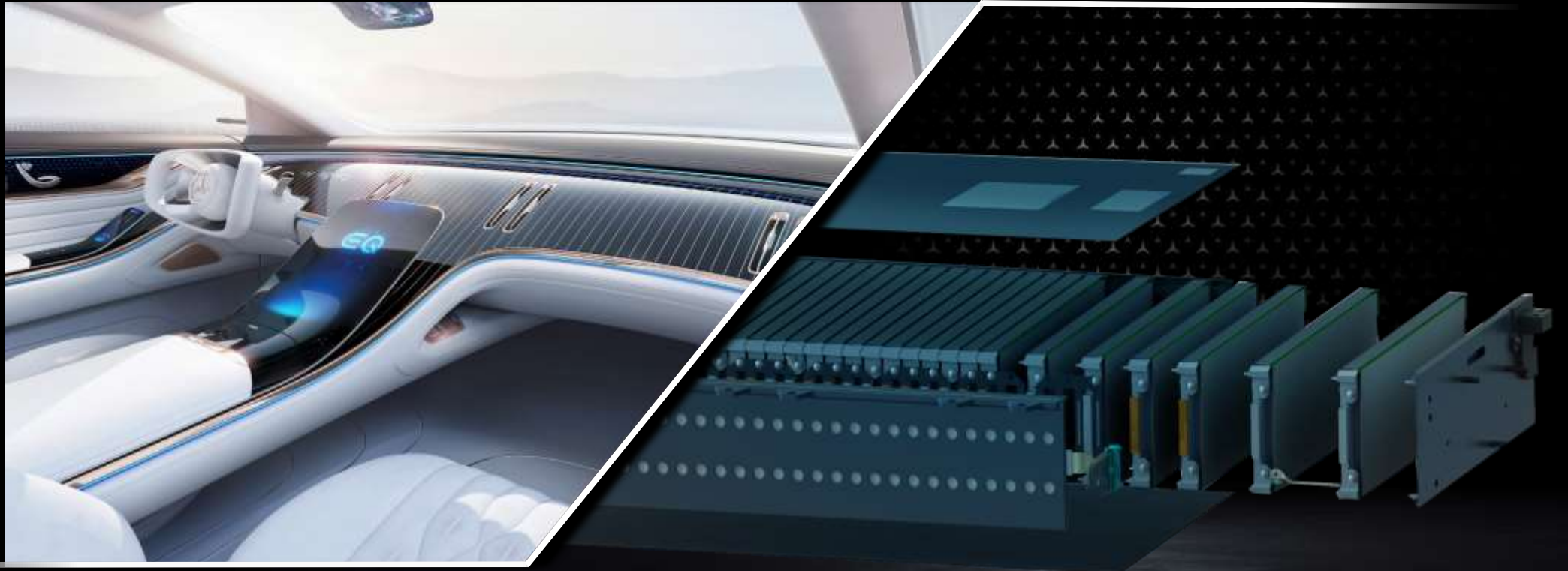
We will accelerate
range and efficiency



We will offer a
state of the art
charging experience

We will build the world's most **desirable** electric cars

Aiming to take the lead in EV with a true Mercedes-Benz luxury experience – the combination of aesthetics and technology



Quality & craftsmanship

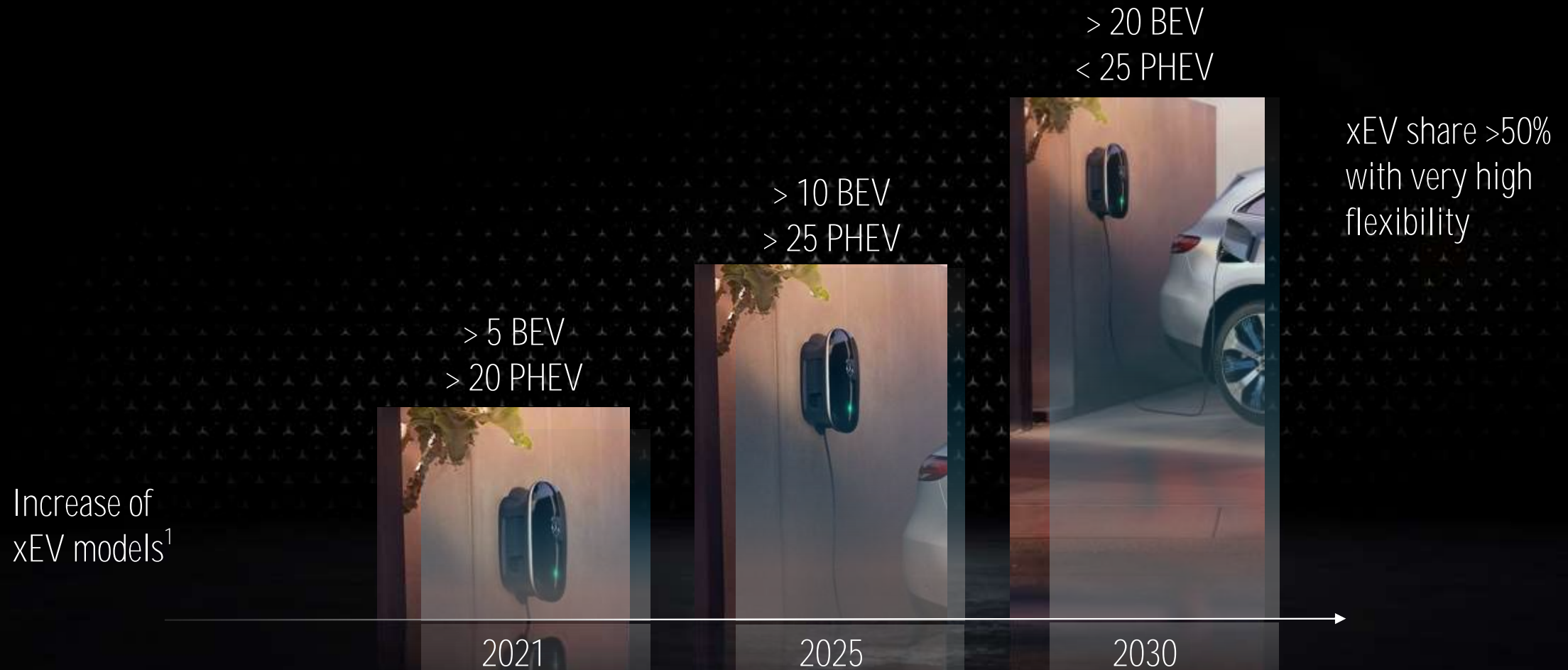
Luxury refinement

Sublime ride & drive

World class safety

Exceptional digital experience

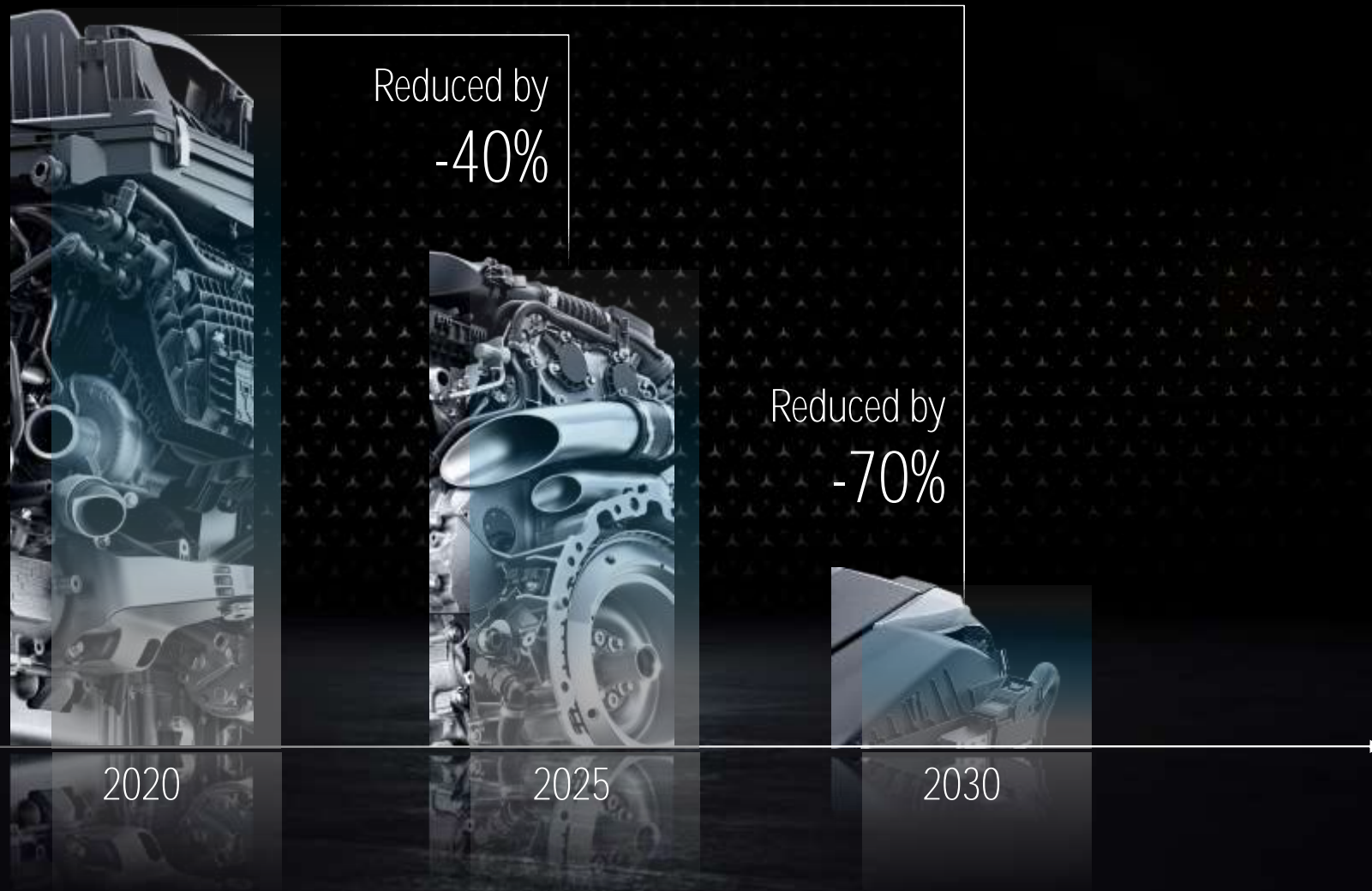
An electric future: We will rapidly expand our electric portfolio



¹ MB xEV models, incl. EQV and T-Class, w/o smart

An electric future: We will significantly reduce our combustion engine variants

Reduction in variants
of combustion engines



Attractive PHEV products will support reaching CO₂ targets



¹ Worldwide harmonized light vehicles test procedure - low, equivalent all electric range - combined

We are fully committed to dedicated electric architectures

Today

Powertrain flexible architecture



EQC



EQA



EQB

Dedicated large electric platform (EVA)



EQS



EQE



EQS SUV



EQE SUV

Dedicated compact and mid-size electric platform (MMA)¹



Stay tuned!

¹ "Electric First" skateboard, intelligent modular strategy with body variants for electrified ICE

Launching in 2021: Our dedicated EVA platform for large cars will deliver high-tech performance and luxury

Dedicated electric skateboard architecture

Proprietary Mercedes e-drive technology

Production in Germany, China and U.S.



True luxury experience; exceptionally quiet ride

>700 km
WLTP range

Up to 500kw

The next step: MMA compact and mid-size car electric platform – uncompromising ‘Electric First’ EV-architecture and modules

Exceptional range

Benchmark high power charging

Highly energy efficient drivetrain & vehicle



Very competitive e-drivetrain costs

Luxury: aiming to offer best noise and comfort in the industry

State-of-the-art digital experience

Optimized investment & cost structure

Range through efficiency: Focus on all relevant levers and total vehicle optimization



Next generation of our e-drive unit developed in-house

Electric-motor

PMSM-technology¹

Increase active diameter

Optimized oil cooling concept

Scalable e-motor length

SiC-Inverter

Reduction of switching loss (specific transistor)

Combined control unit - saves costs & weight

Variable switching frequency

2 speed gearbox

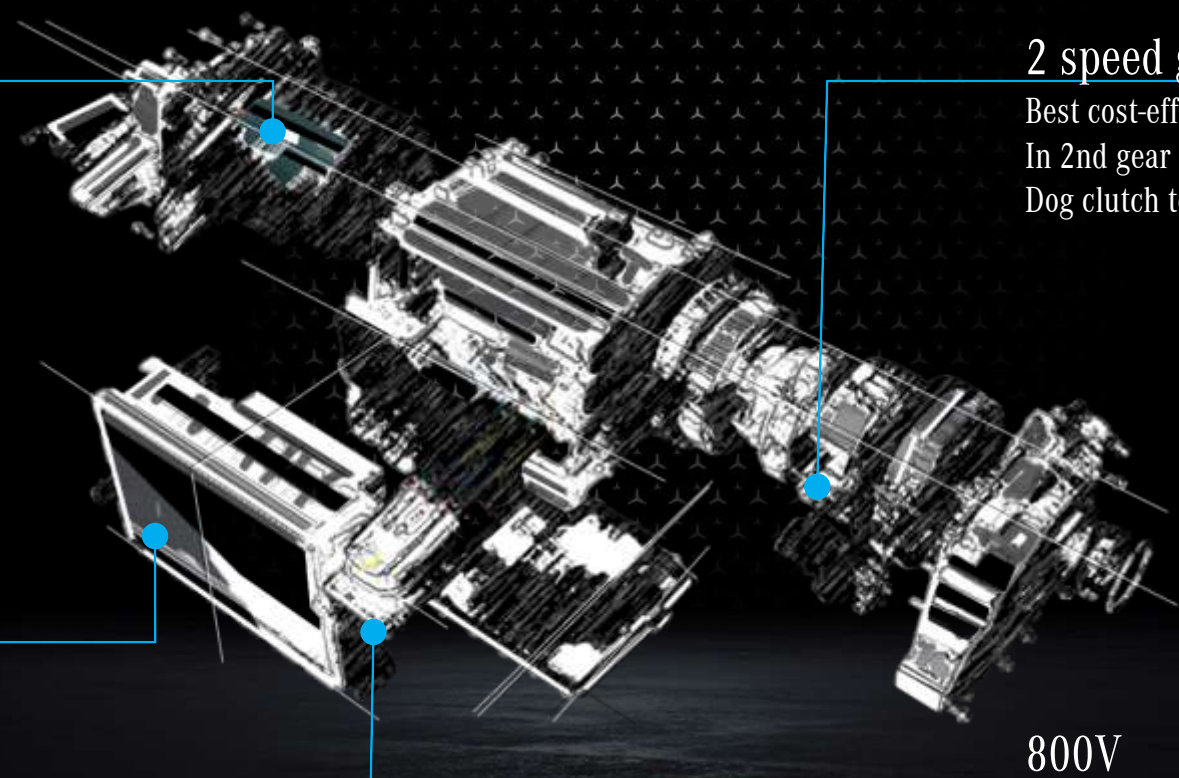
Best cost-efficiency-ratio on system level

In 2nd gear one planetary gear active

Dog clutch to reduce drag loss

800V

Reduction of current & energy losses
with same power output
for cost & weight savings



¹ PMSM = Permanent-magnet synchronous motor


Mercedes-Benz has extensive in-house battery R&D, and also works closely with key strategic development partners

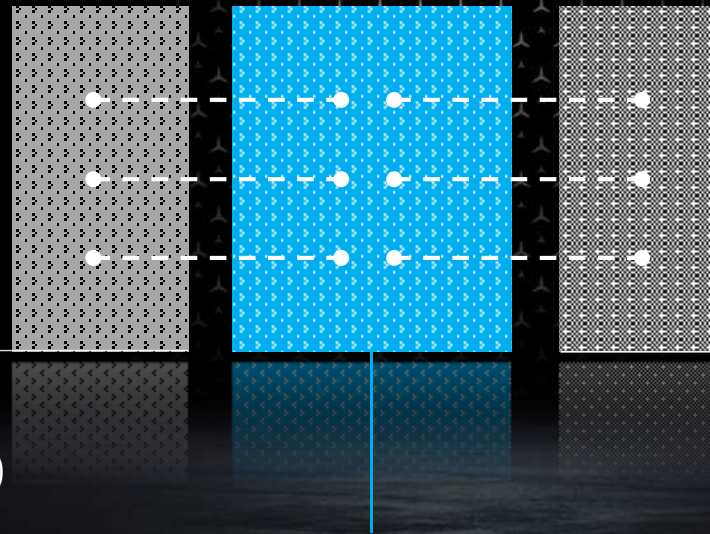
Next-gen battery development

Cell format and production

- Continuous assessment of different cell architectures
- Internal design of new manufacturing techniques and joint development of processes with strategic partners

Anode - increase energy density

- Silicon based anodes: strategic partnership with  (specific anode material, capacity, and energy density)
- Lithium metal anodes (specific energy density on cell level)



Simulation - speed up battery development

Improvement of simulation methods by digital twin simulation (physic based models, matching model vs. reality, multilevel simulations)

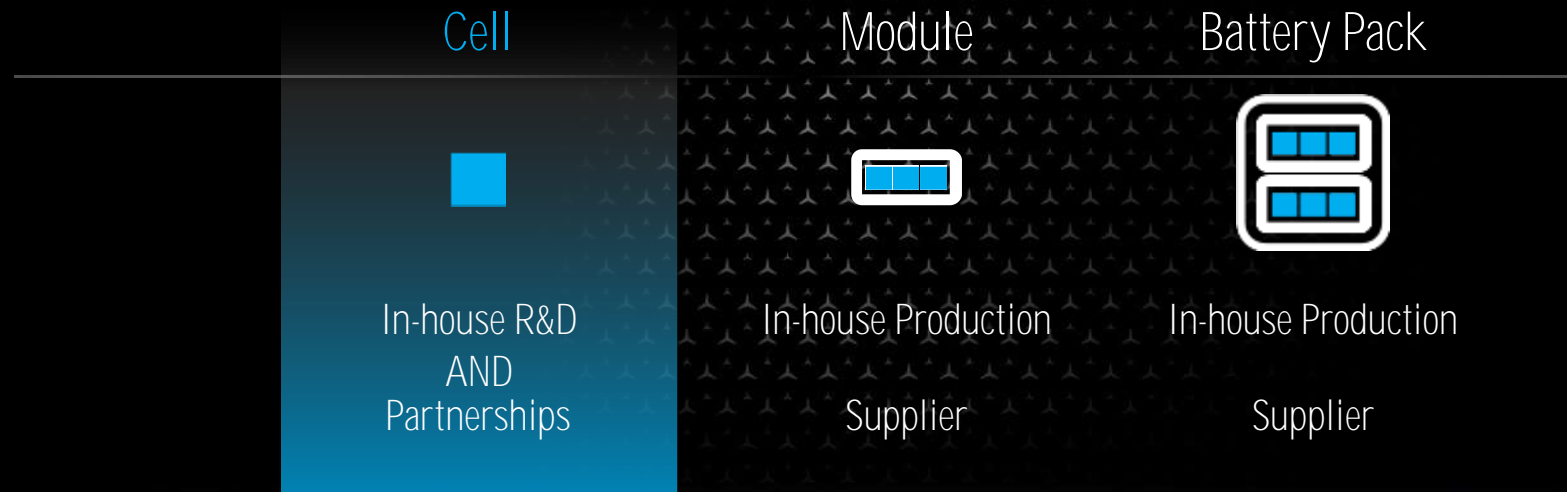
Cathode - sustainability and cost reduction

- Reduction of cobalt as our contribution to sustainability by increase of nickel-rich cathodes
- LFP cathodes as cost optimized entry type option

Electrolyte - increase safety

Optimized electrolytes to significantly improve overall cell performance (lifetime, power) and solid-state electrolyte for high energy density chemistries and intrinsic stability

Careful capital allocation: We drive innovation via in-house R&D and partnerships – but leverage strategic suppliers for cell production



Our software delivers a seamless and easy EV-charging experience

80% of public infrastructure is accessible via Mercedes me in almost all markets

Over 350,000 charging stations worldwide
one contract, one invoice



The new EQS will offer high speed charging, enabling long distance capability



>250 km

in 15 min¹

¹ Preliminary forecast based on WLTP indicated range

Range: Towards the next frontier



VISION EQXX

Now let us explain our software strategy

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

Sustainability as a guiding principle

Driven by a highly qualified and motivated team

We have already made huge strides in our software competence and technology offer

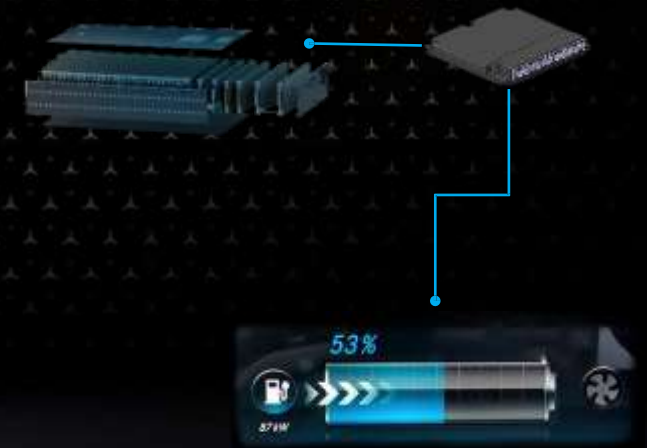
MBUX Software



ADAS Software



Battery Management Software



The digital user experience in the S-Class sets new standards

Crystal clear
OLED display and
3D instrument cluster

Biometric authentication
for personalized settings

Over the Air
updates

Augmented Reality
head-up display

Intuitive
gesture control



Natural voice
interaction in
27 languages

Personalized infotainment
on each seat

In 2021, we aim to take automated driving to the next level



L3 Drive Pilot¹



L4-ready Parking System:²

Intelligent Park Pilot incl. 3D view



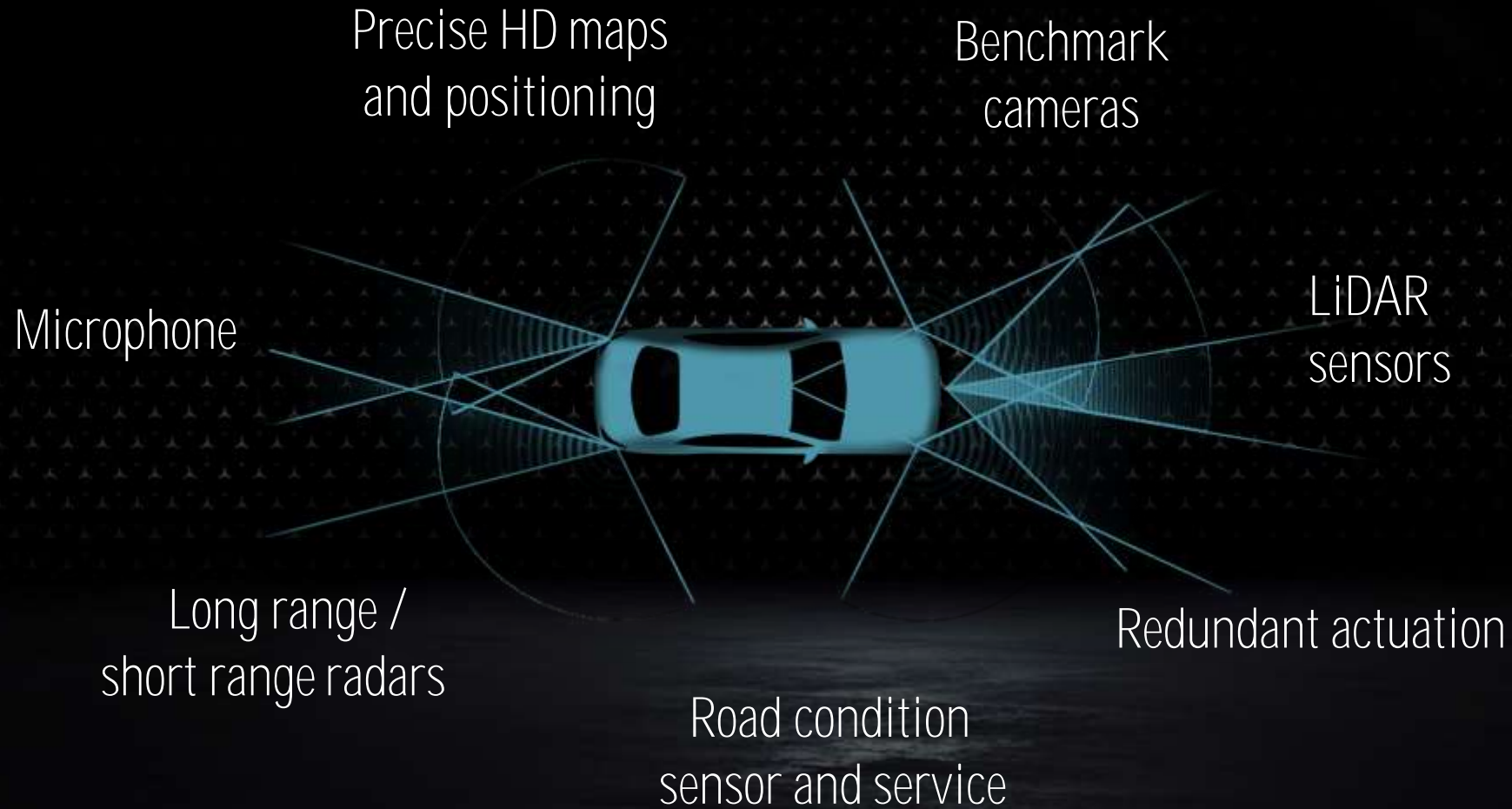
OTA-based learning
Automated Driving functions



Augmented Reality
Automated Driving experience

¹L3 System according to ALKS, planned for Germany first; ²This parking function will be available for use on public roads as soon as regulations and infrastructure allow.

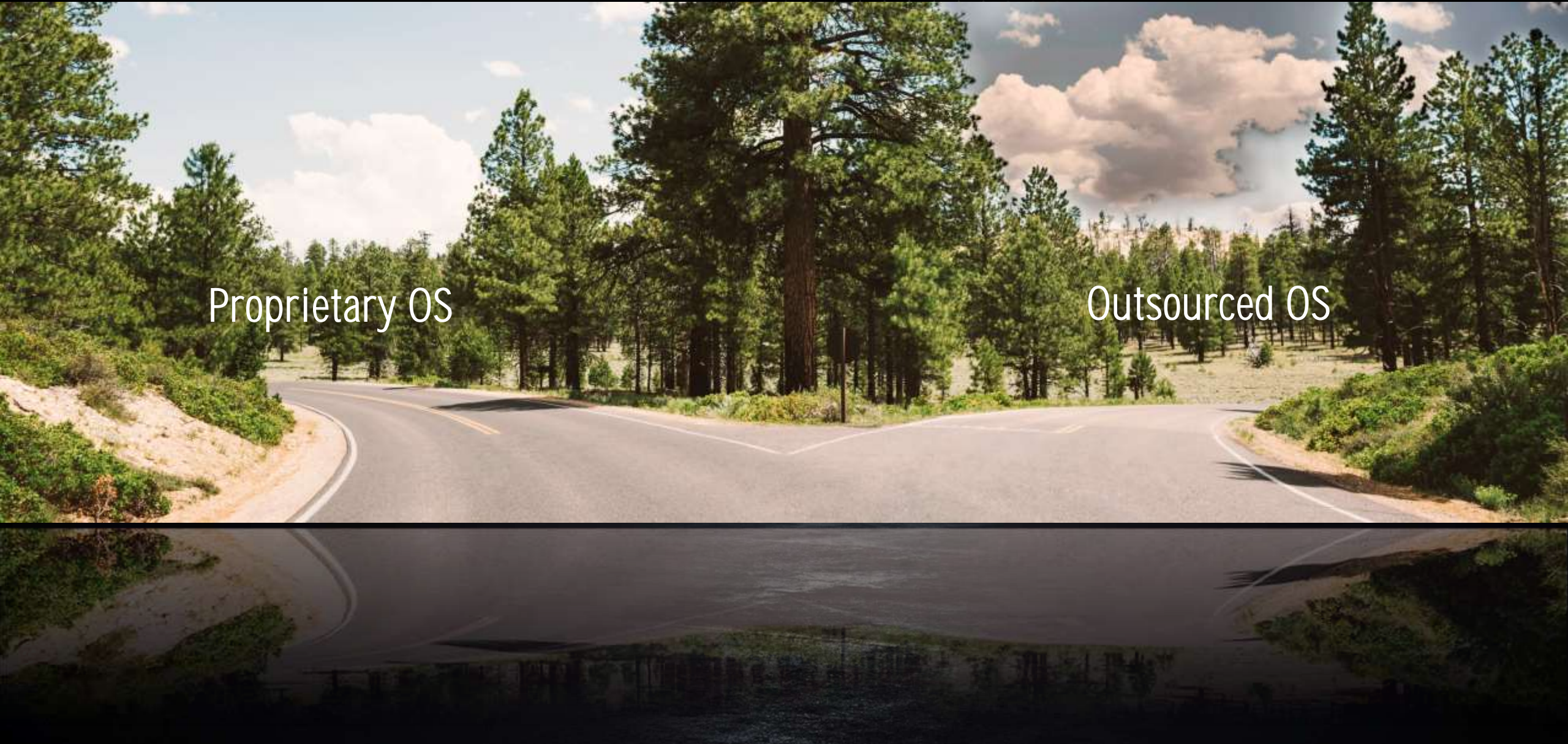
L3 S-Class: Technology suite including LIDAR and high definition maps



Decision time for the industry: Which software path to choose?

Proprietary OS

Outsourced OS



Our own proprietary operating system will deliver an extraordinary customer experience

MB.OS

Compelling luxury experience

Speed of execution

Higher customer loyalty

Scalable, lower variable costs

Lower complexity

Recurrent revenues

What exactly is MB.OS? And what will Mercedes-Benz develop?

Vehicle software

Frontend Layer
100% in-house

Applications Layer
Mainly in-house¹

Middleware Layer
Partially in-house

Infrastructure Layer
Partially in-house

Cloud/ IoT

5 domains:

Drive train
Autonomous Drive
Infotainment
Body control
Communications

Full integration by Mercedes-Benz

Vehicle hardware

Sourced from suppliers
but chipset specifications
defined by Mercedes-Benz
(key strategic partners)

Consolidated hardware
strategy away from
many ECUs

¹ Automated Driving co-developed with Nvidia

We will deliver MB.OS by 2024 by further expanding our international software development network – **but remember “smart teams are better than big teams”**

24 hours from idea to new function as prototype

3 months to series release

Seattle
Sunnyvale

Berlin
Stuttgart
Tel Aviv
Beijing
Bangalore
Seoul
Tokyo



Co-inventing: Teaming up with the best



nvidia®

Summing up pillar 5

Leadership in electric drive
and proprietary car software will
be essential for our future success.

Finally, let's talk about our financial framework

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

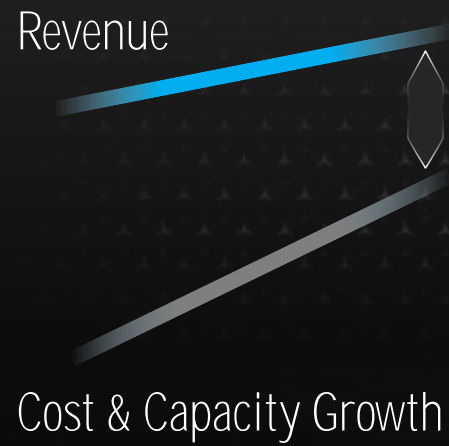
cost base
and improve
industrial
footprint

Sustainability as a guiding principle

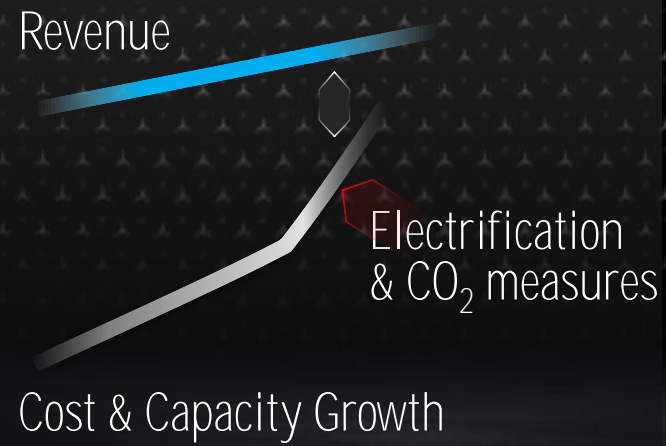
Driven by a highly qualified and motivated team

The challenges are clear

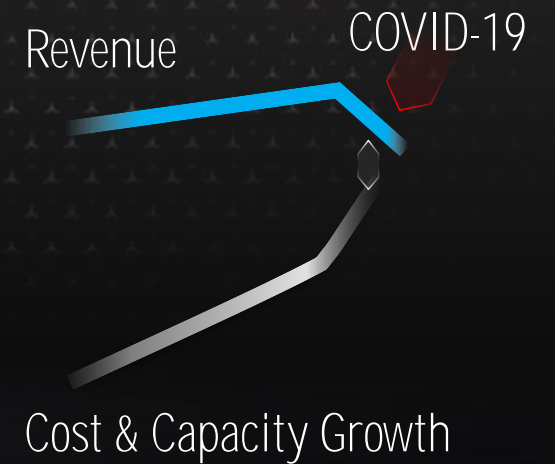
Our initial challenge ...



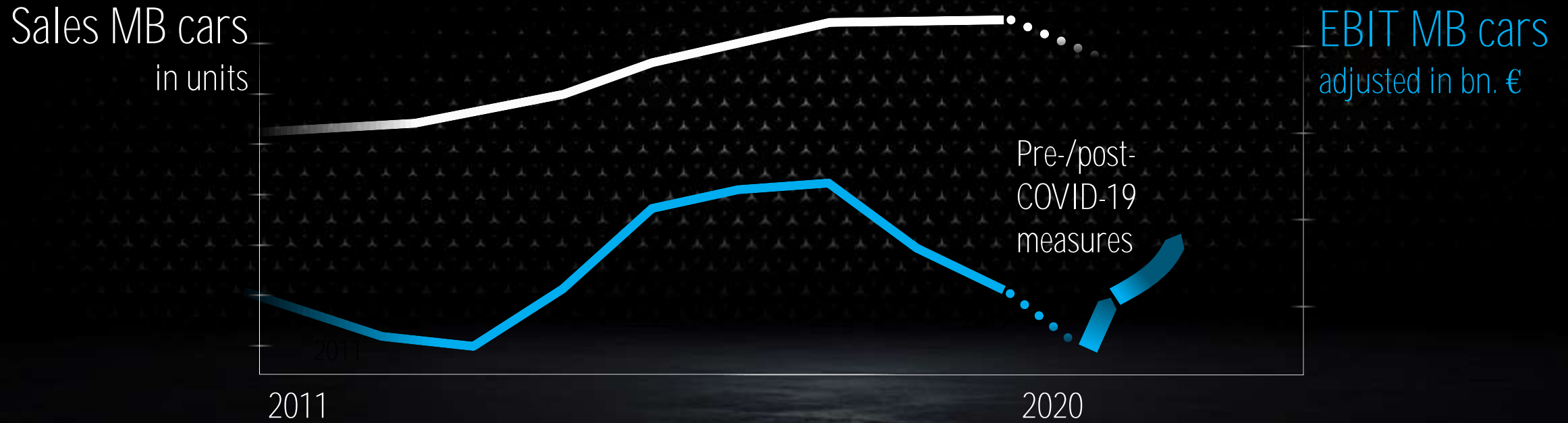
... got reinforced ...



... and amplified.



Our break-even point is too high



In response we have stepped up our cost reduction and capacity adjustment measures

Significant **short-term cost reduction** and **cash preservation** measures implemented and being continued

Substantial cost reduction and capacity adjustment measures to **lower break-even point** initiated:

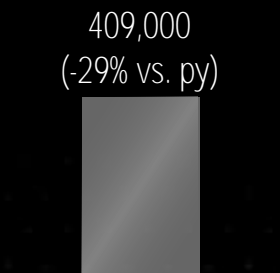
- CAPEX and R&D
- Fixed costs
- Variable costs (internal & external)
- Capacity adjustment and powertrain transformation

Driving continuous **performance improvement culture**

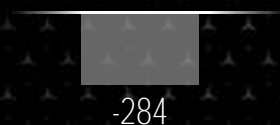


Indicators of change

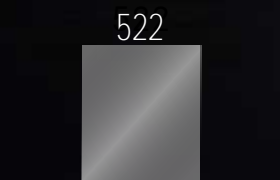
Q2 Sales
MB cars
in units



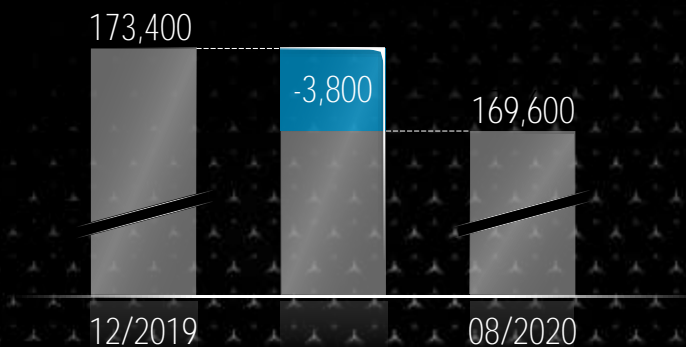
Q2 EBIT
MB AG
in mn. €, adjusted



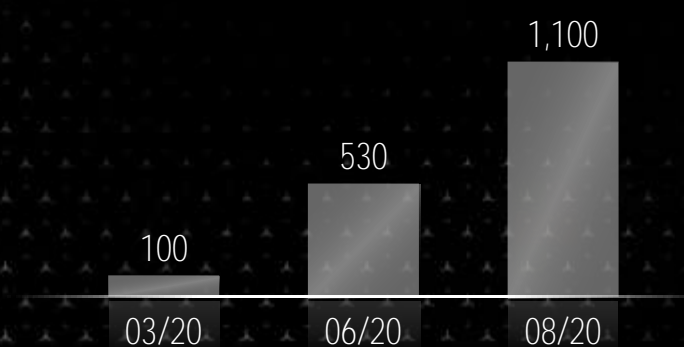
Q2 CFBIT
MB AG
in mn. €, adjusted



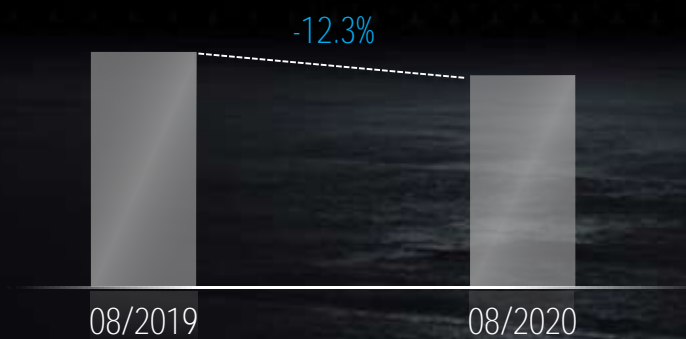
Accelerating headcount reduction
Headcount (rounded)



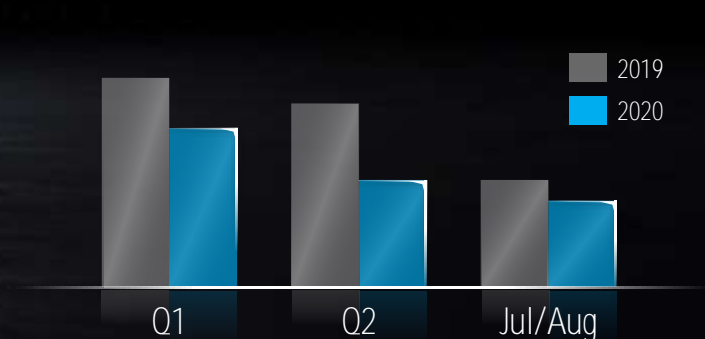
Increase in exit packages signed
Contracts signed, cumulated



Fixed costs coming down
YtD Jan-Aug 2019 vs. 2020



Reducing external spend (purchase requisition)
Indirect spend, Jan-Aug 2019 vs. 2020



We will lower CAPEX and R&D

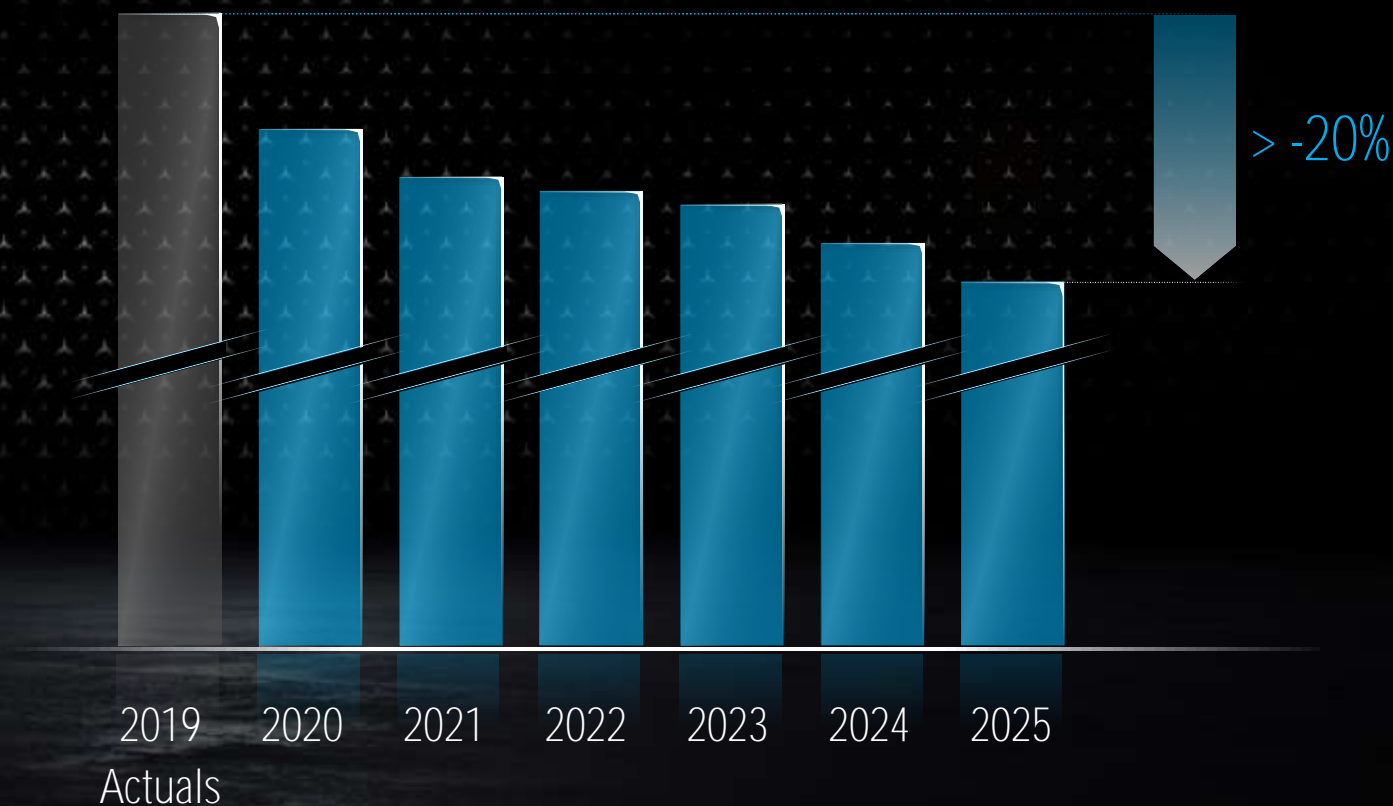
Key levers

Reduction of platforms/portfolio,
and vehicle complexity

Reduced spending on conventional
powertrain and highly standardized
EV architectures

Streamlined industrial footprint

Absolute € budgets year by year
for CAPEX and R&D (not % of sales targets)



We will significantly reduce our fixed costs

Comprehensive fixed cost optimization scope, including

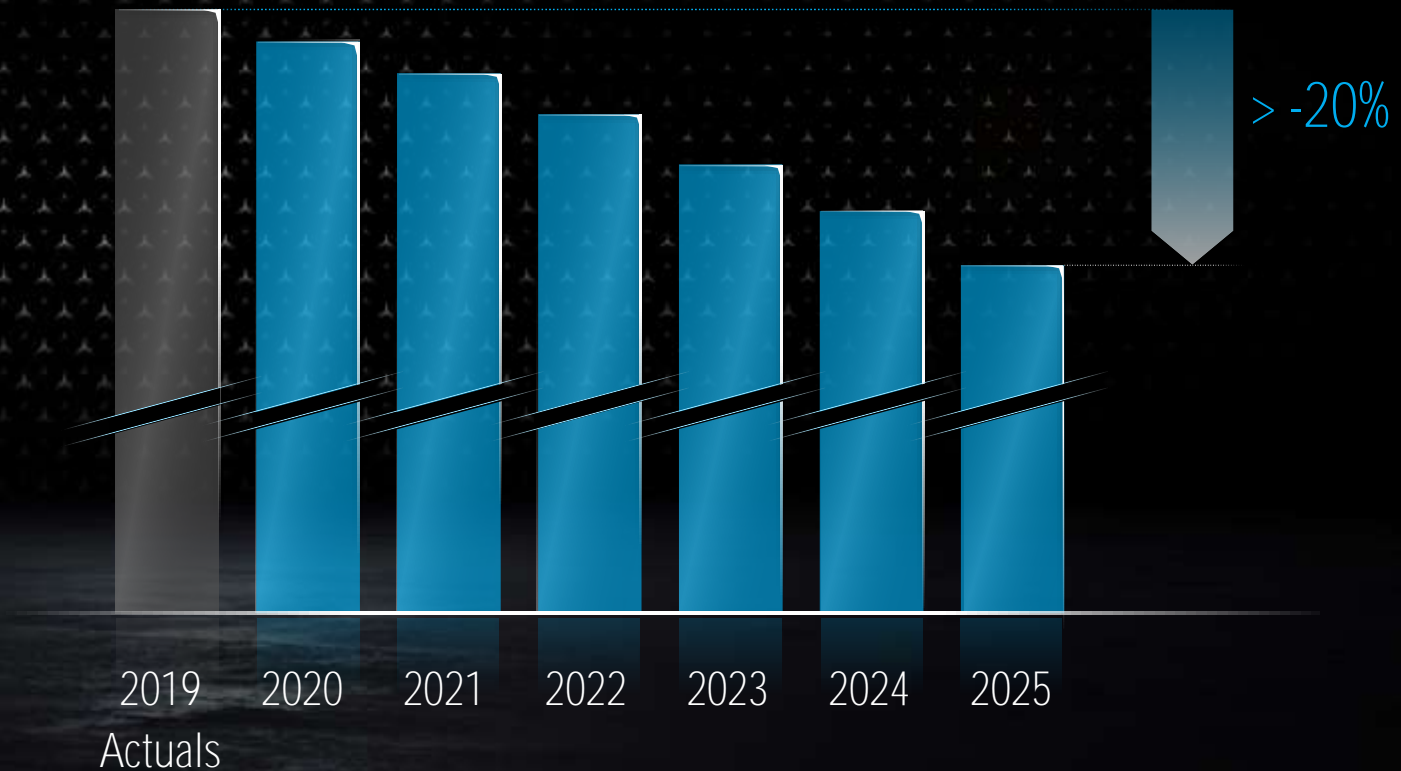
Absolute fixed cost reduction

Personnel cost reduction targets continued through to 2025

Adjustment of production capacity

Structural change in marketing & sales

Sustainable implementation of COVID-19 learnings, e.g. travel, consulting, facility management, etc.



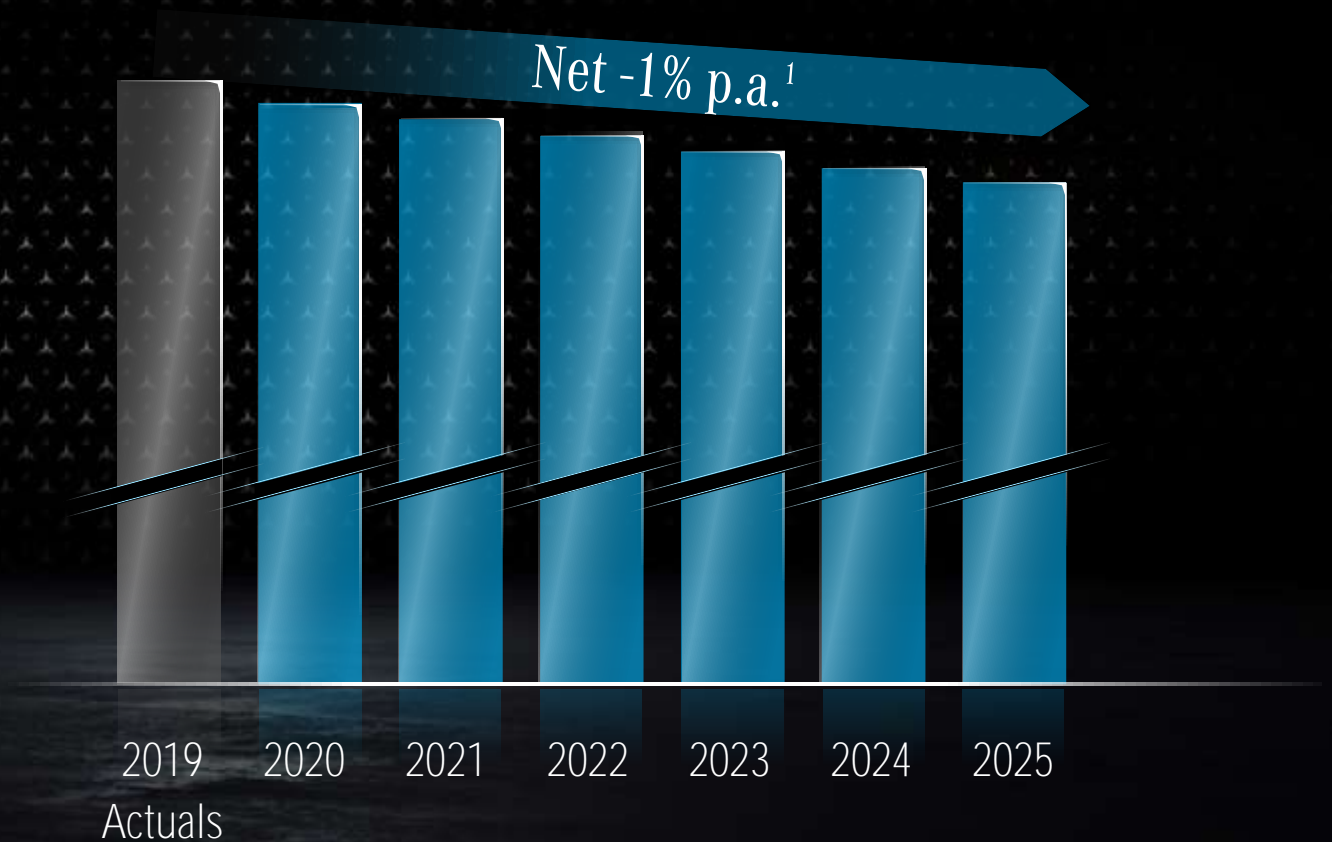
We will reduce variable costs to mitigate CO₂ burden

Comprehensive optimization of all external and internal variable cost levers, including

Increased saving targets for material costs

Ambitious targets for variable manufacturing costs

Reduction of variable sales costs






¹ Before mix change from xEV

We have initiated a series of transformational actions to drive down costs

Lower cost base and improve industrial footprint



Our financial ambitions for MB AG 2025

Market environment/revenues			
Contribution margin	Profitable growth		
Fixed costs	> -20% vs. 2019	> -20% vs. 2019	> -20% vs. 2019
CAPEX and R&D (CF impact)	> -20% vs. 2019	> -20% vs. 2019	> -20% vs. 2019
RoS MB AG	Mid to high single digit	High single digit	Double digit
Cash conversion	0.7 - 0.9x		

In summary: Our refocused strategy

Think

and act like a luxury brand

Grow economic value

Focus

on profitable growth

Higher portfolio profitability

Expand

customer base by growing sub-brands

Substantial EBIT growth

Embrace

customers and grow recurrent revenues

Significant profit streams

Lead

in electric drive and car software

Leverage technology

Lower

cost base and improve industrial footprint

Absolute cost reduction

In summary: Our refocused strategy

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

Sustainability as a guiding principle

Driven by a highly qualified and motivated team

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.