



Mercedes-Benz

Press Information

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Mastering Transformation: Making Mercedes-Benz leaner, faster and stronger

- **Way forward:** Mercedes-Benz readies its biggest ever product and tech launch campaign with dozens of new or refreshed models until 2027.
- **Design language:** Mercedes-Benz to introduce a coherent, status-oriented design language across the entire portfolio.
- **Intelligent modularization and cutting-edge tech:** Mercedes-Benz Operating System (MB.OS) lays foundation for all domains, especially infotainment and automated driving functionalities. Electric drive units and batteries designed to be modular and highly scalable.
- **Performance:** Comprehensive performance enhancement plan (Next Level Performance) aims to raise the competitiveness and resilience of Mercedes-Benz.

Stuttgart (Germany) - Mercedes-Benz Group AG (ticker symbol: MBG) delivered solid financial results for 2024 and unveiled its biggest ever product and tech launch program as well as performance enhancement measures designed to deliver exceptional value to customers and shareholders.

“As the custodians of this iconic brand we ensure that Mercedes-Benz continues leveraging its full potential. We're launching the company's biggest ever product and tech campaign and a comprehensive performance enhancement program.”

Ola Kaellenius, Chief Executive Officer of Mercedes-Benz Group AG.

Building the most desirable cars

A Mercedes-Benz is a Mercedes-Benz – no matter how it's powered. This means: Every Mercedes is extraordinary. Its status derives from exceptional design, advanced technology, superb refinement and craftsmanship, a sublime ride and drivetrain, world class safety systems and outstanding digital solutions – be it a battery-electric vehicle (BEV), a hybrid, or a car with an electrified high-tech combustion engine (ICE). Mercedes-Benz will apply a coherent, status-oriented design across the entire portfolio and customers will primarily decide on a model – and then choose their preferred drive type. The all new CLA, which will be offered as both a BEV and an ICE variant, takes a big step in this direction. And there is more to come. The concept offers drivetrain flexibility in the form of a pure electric car with benchmark range, consumption and charging performance; in addition to a highly efficient ICE variant using small transverse high-tech electrified engines.

Even though the designs will be almost identical, in the Core and Top-End Vehicles (TEV) segments, the rear-wheel drive cars will be based on separate, uncompromised BEV/ICE concepts. Cutting-edge BEV and ICE models can exploit their respective strengths, without sacrificing space, elegance, convenience, or efficiency. Thanks to intelligent modularization, Mercedes can offer best-in-class roominess and perfect proportions while keeping a tight grip on costs and manufacturing flexibility.

By focusing on the most promising segments, Mercedes-Benz retains the ambition to defend margins as the BEV share increases. Mercedes-Benz plans to expand and protect the share of Top-End Vehicles (TEV) and aims to leverage the potential of its luxury brands such as G-Class, as the undisputed icon of adventurous luxury; Maybach as the epitome of sophisticated luxury and Mercedes-AMG as the performance luxury brand. The legendary G-Class family will be expanded with a new smaller version. Mercedes-AMG plans to outgrow the performance market, thanks to a heavily refreshed model lineup from 2026 onwards and a strategic evolution of its portfolio, which will include a next-generation, high-tech electrified V8 and dedicated high-performance electric models based on AMG.EA.

Biggest ever product launch campaign

Beginning with the all-new CLA this year, Mercedes-Benz will start the most intense product launch program in its history, including the major upgrade of the S-Class in 2026 as well as a string of launches at Mercedes-AMG. Overall, Mercedes-Benz plans for dozens of new or refreshed models to reach markets until 2027.

The CLA will be offered with an electric drivetrain or a 48-volt electrified high-tech four-cylinder engine, paired to an electrified eight-speed dual-clutch transmission. The electric variant sets new standards in its class in terms of range, consumption and charging power, thanks to know-how transferred from the VISION EQXX technology program. The product substance in this class will be elevated, while at the same time, the portfolio complexity of its family will be reduced from seven to four variants.

By launching all-new electric GLC and C-Class models, Mercedes-Benz will close a gap in its electric core segment. An all-new fully electric E-Class will round out the picture.

The pace of BEV adoption will continue to be determined by market conditions, infrastructure and customer needs. Boosted by new BEV model introductions, the Mercedes-Benz Group AG is targeting an xEV share of more than 30% in 2027.

“We will excite our customers with a full rollout of uncompromising cars. They will be an intelligent part of their life. All of them come with a fully integrated tech stack and leverage the latest developments in AI. They will be packed with advanced technologies like the latest ADAS systems and innovative tech features like a new steer-by-wire system. It all starts very soon with our new CLA, our first software-defined vehicle powered by our very own in-house operating system MB.OS. It will be followed by our new electric GLC, which is a turning point in our mid-size segment. This is the all-electric SUV our customers have been waiting for.”

Markus Schaefer, Member of the Board of Management of Mercedes-Benz Group AG. Chief Technology Officer, Development & Procurement

Intelligent scalable modules

With the launch of the CLA, all new Mercedes vehicles will run on the proprietary AI-enhanced Mercedes-Benz Operating System (MB.OS), a chip-to-cloud software operating system which covers infotainment, automated driving, comfort as well as driving & charging. By having full control of all sensors and actuators, Mercedes-Benz will be able to deliver a superior product experience. MB.OS is scalable to fit every segment and can be tailored to each region. For example, with navigation, Mercedes-Benz will use Google in western markets, AMAP for China and TMAP in Korea.

The BEV drivetrain portfolio will make use of highly modular electric drive units and batteries which are scalable for all segments, including cost-effective Lithium-Iron-Phosphate (LFP) and advanced Nickel-Manganese-Cobalt (NMC) batteries, as well as high-performance round cells.

For the batteries used in the CLA, the cost per kilowatt hour has been cut by about 30% compared to its predecessor generation. Further improvements in energy density and cost efficiency are being worked on, in

addition to advances in cell chemistry. Lithium-Manganese-Oxide (LMO)/NMC blends will lower costs while increasing energy density to NMC levels.

The newly developed, flexible Electric Drive Unit 2.0 (EDU 2.0) will offer two and four-wheel options across all segments.

To also ensure a comprehensive portfolio of electrified high-tech combustion-engine vehicles, Mercedes-Benz already has a full range of future-proof EU-7 ready engines and transmissions ranging from four to eight cylinders. In selected markets, 12-cylinder engines will continue to be offered.

Lead in tech

Mercedes-Benz continues to push boundaries with cutting-edge technology, including a new steer-by-wire system and a fully integrated tech stack, which includes a water-cooled supercomputer. With the all-new CLA, Mercedes-Benz will introduce not just MB.OS, but also the MBUX Virtual Assistant, which incorporates multi-agent AI functionalities. Using the latest Large Language Models (LLM) and incorporating conversational as well as behavioral AI, it makes the user experience more proactive and human like. It can even answer follow-up questions in a natural way for up to an hour, thanks to memory.

MB.OS also supports next level automated driving, including Level 2++ point-to-point navigation which handles complex urban traffic. This feature will be available in the all-new CLA as soon as legislation permits. Speeds for SAE Level 3¹ conditionally automated driving are increasing on Germany highways², and the goal is to get a 130 km/h system on the road by the end of the decade. Mercedes-Benz became the first international car maker to gain approval for testing SAE Level 4 highly-automated driving in Beijing on designated urban roads and highways.

Winning in China

The S-Class remains the undisputed market leader in its segment, and Mercedes-Benz continues to lead the segments for vehicles priced 1 million RMB and above. China is already home to Mercedes-Benz's biggest and strongest research and development network outside of Germany. Local facilities in Beijing and Shanghai allow Mercedes-Benz to take full advantage of the local ecosystem and supplier landscape. This enables Mercedes-Benz to combine upholding its high internal standards while innovating at "China speed." Mercedes-Benz is already setting standards in navigation with lane-level navigation and 3D maps.

Utilizing the China R&D network will allow Mercedes-Benz to elevate the intelligence of its products while at the same time greatly lowering complexity and cost. Products made for the Chinese market will be locally developed and loaded with China-specific apps and content, including dedicated infotainment and automated driving features. As part of the announced product launch campaign there will be seven models dedicated to China across all segments and drivetrains.

Despite a challenging year 2024, the Mercedes-Benz China Joint Venture operations achieved a strong return on sales. Mercedes-Benz plans to optimize the BBAC joint venture together with its partner. A 10% reduction in material costs is targeted through deeper localization of parts in the China supply chain. Variable production costs and fixed costs are set to be reduced as well. Potential adjustments to the dealer network and production footprint are also being evaluated.

R&D costs

Mercedes-Benz is prioritizing global R&D resources with a laser focus on the customer. The company will continue investing in the Mercedes-Benz Tech Stack to defend and expand its position in software and hardware. The vertical integration of MB.OS will allow for a continuous, iterative approach to product

¹ SAE Level 3 (conditional automated driving): The automated driving function takes over certain driving tasks. However, a driver is still required.

² Availability and use of future DRIVE PILOT features on motorways depends on options, countries, and relevant laws.

development with an increased emphasis on software. The use of digital tools also allows Mercedes-Benz to achieve greater levels of efficiency in its use of hardware and test fleets.

Investments are expected to reach their peak in 2025 due to the massive product launch plan and will ease from 2026 onwards. The majority of investments for the CLA family of vehicles, the electric GLC and C-Class as well as AMG.EA models will be completed by 2027, with products on the road. Investments into combustion engine technology will remain limited, thanks to a reduction in powertrain complexity and the use of intelligent modularization between BEV and electrified high-tech ICE products. The highly efficient four-cylinder engine for the all-new CLA was developed and designed by Mercedes-Benz and is being industrialized with a partner in China.

Next Level Performance:

Production: Mercedes-Benz Group is adapting its cost base with a raft of measures. The company plans to cut production costs by 10% until 2027 after using the past years to adjust its nominal production capacity. This, among other factors, resulted in an exit from plants in Hambach (France), Iracemapolis (Brazil) as well as CKD plants in Russia and Indonesia. A powertrain plant in Poland is being transformed into a future production site for Vans and the sale of a Van plant in Argentina is another step towards adapting the company's global production footprint. Global production capacity for passenger cars is planned to be reduced from 2.5 million in 2024 to between 2 - 2.2 million units by 2027, while retaining the flexibility to readjust, as the product launch campaign gains traction. There are no plans to shut down plants in Germany. Production capacity at each German plant is being balanced at an average 300,000 units. A core segment model will be added to the production lineup in Kecskemet (Hungary), where capacity is being added to take advantage of factor costs which are roughly 70% lower than in Germany.

Mercedes-Benz will make greater use of digitalization and AI, adopting a 'digital first' approach. Thanks to digital twins, Mercedes-Benz can plan potential moves of models between plants, including ramp up times and retooling of the plant without having to significantly interrupt real-world production.

Local for local: By 2027 the share of local-for-local production is planned to be increased from 60% to 70%. An additional Core segment model could be allocated to the United States and a long-wheelbase version of the GLE will be localized in China by mid-2026.

Material Costs: Suppliers are engaged in a dialogue with Mercedes-Benz procurement and engineering teams to reduce material costs by challenging specifications and the design of components to identify where cost can be reduced through standardization and technical refinement. One result is earlier and deeper integration of key suppliers in the development process. Material costs will be tackled in close collaboration with suppliers. The BEAT26 program aims to jointly achieve long-term and sustainable changes to cost structures in procurement for both Mercedes-Benz and its partners.

Fixed Costs: Mercedes-Benz achieved a 19% reduction in fixed costs between 2019 and 2024, net of inflation. An additional reduction of more than 10% is being targeted over the next three years. To achieve this, the company is constructively discussing measures with its works council. Moreover, opportunities are being evaluated to determine how Mercedes-Benz sales and financial services organizations can work more closely together, to cater to customers across the different touchpoints more efficiently. In addition to selling its own retail business in Germany to experienced dealer groups, the company plans to further reduce management positions and increase the use of digitalization and generative AI to streamline processes.

“To ensure that the company can weather an even more dynamic geopolitical environment as well as challenging markets, efficiency measures are being intensified across the board. Paired with strong product substance and our product launch plan, Mercedes-Benz is well positioned to recalibrate its operating point and to return to double-digit margins in the near future.”

Harald Wilhelm, Chief Financial Officer of Mercedes-Benz Group AG

Link to capital market presentation: <https://group.mercedes-benz.com/results-2024/>

Pictures of the event will be available here: group-media.mercedes-benz.com

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Further information about **Mercedes-Benz Group** is available at:

media.mercedes-benz.com and group.mercedes-benz.com

The figures in this document are preliminary and have neither been approved yet by the Supervisory Board nor audited by the external auditor.

Forward-looking statements

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 negative change in market conditions 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, customs and foreign trade provisions; changes in laws, regulations and government policies (or changes in their interpretation), particularly those relating to vehicle emissions, fuel economy and safety or to ESG reporting (environmental, social or governance topics); price increases for fuel, raw materials or energy; disruption of production due to shortages of materials or energy, labour strikes or supplier insolvencies; a shift in consumer preferences towards smaller, lower-margin vehicles; a limited demand for all-electric vehicles; a possible lack of acceptance of our products or services which limits our ability to achieve prices and adequately utilize our production capacities; 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; the resolution of pending governmental investigations or of investigations requested by governments and the outcome of pending or threatened future legal proceedings; and other risks and uncertainties, some of which are described under the heading “Risk and Opportunity Report” in the current Annual Report or in the current Interim Report. If any of these risks and uncertainties materialises 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.

Mercedes-Benz Group at a glance

Mercedes-Benz Group AG is one of the world's most successful automotive companies. With Mercedes-Benz AG, the Group is one of the leading global suppliers of high-end passenger cars and premium vans. Mercedes-Benz Mobility AG specialises in financial and mobility services. The products range from financing, leasing, vehicle subscription, rental and fleet management to insurance, innovative mobility services, digital payment solutions as well as products and services around charging. The company founders, Gottlieb Daimler and Carl Benz, made history by inventing the automobile in 1886. As a pioneer of automotive engineering, Mercedes-Benz sees shaping the future of mobility in a safe and sustainable way as both a motivation and obligation. The company's focus therefore remains on innovative and green technologies as well as on safe and superior vehicles that both captivate and inspire. Mercedes-Benz continues to invest systematically in the development of efficient powertrains and sets the course for an all-electric future. Mercedes-Benz is consistently implementing its strategy to transform itself toward a fully electric and software-driven future. The company's efforts are also focused on the intelligent connectivity of its vehicles, autonomous driving and new mobility concepts as Mercedes-Benz regards it as its aspiration and obligation to live up to its responsibility to society and the environment. Mercedes-Benz sells its vehicles and services in nearly every country of the world and has production facilities in Europe, North and Latin America, Asia and Africa. In addition to Mercedes-Benz, the world's most valuable luxury automotive brand (source: Interbrand study, 10. Oct. 2024), Mercedes-AMG, Mercedes-Maybach as well as the brands of Mercedes-Benz Mobility: Mercedes-Benz Bank, Mercedes-Benz Financial Services and Athlon. The company is listed on the Frankfurt and Stuttgart stock exchanges (ticker symbol MBG). In 2024, the Group had a workforce of around 175,000 and sold around 2.4 million vehicles. Group revenues amounted to €145.8 billion and Group EBIT to €13.7 billion.