Mercedes-Benz

Press Information

May 16, 2023

Strategy Update: Mercedes-Benz Vans to further strengthen its position as leading manufacturer of premium light commercial vehicles

- The business unit leverages its strong competitive advantage due to its diversified portfolio, resilient business model and premium strategy
- Focusing on the Top-End segments and the most profitable use cases of the different light commercial vehicle industries
- The roll-out of the new purpose-built Vans Electric Architecture (VAN.EA) will secure Mercedes-Benz Vans' lead in electric drive and digital experience for customers in the premium light commercial vehicle segment
- Portfolio extension with VAN.EA: For the first time, luxurious private electric midsize vans will be introduced in the United States and China
- Mercedes-Benz Vans is targeting up to 20% BEV share by 2026 and more than 50% by 2030
- Financial ambitions: double-digit ROS (adjusted) at Mercedes-Benz Vans until end of decade; reduction of fixed costs of around 20% by mid of decade

Stuttgart, Germany. Mercedes-Benz Vans has outlined its focused strategy to target profitable growth in the private and commercial van segments. Key goals of the strategy include: further strengthening the brand's position in the upper market segments, raising ambition levels for cost and industrial competitiveness, and leading the industry in electric drive technology and digital experience. As a very successful and fully integrated business unit within Mercedes-Benz AG, Mercedes-Benz Vans is the founder and innovator of the light commercial vehicle (LCV) segment – the segment that bridges cars and trucks. Some 30 years ago, it created the "Sprinter" segment, and still today the Sprinter is the flagship of the portfolio. Mercedes-Benz Vans was also a frontrunner in electric vans: In 2010, the division introduced its first electric series production van in Europe, the Vito E-CELL. Now, Mercedes-Benz Vans offers fully electric variants in every segment, from small over midsize to large vans in Europe and China and earlier this year revealed the fully electric eSprinter in North America. With more than 40,000 eVans already sold worldwide, Mercedes-Benz Vans is targeting strong growth and an EV share of up to 20% by 2026 and more than 50% by 2030.

"Our strategic plan for Mercedes-Benz is clear: leveraging technology and the power of our brand to elevate our market positioning and profitability. This applies not only to our luxury car business but also to our

Mercedes-Benz AG, Stuttgart, Germany | Domicile and Court of Registry: Stuttgart, Commercial Register No.: 762873
Chairman of the Supervisory Board: Bernd Pischetsrieder
Board of Management: Ola Källenius, Chairman; Jörg Burzer, Renata Jungo Brüngger, Sabine Kohleisen, Markus Schäfer, Britta Seeger, Hubertus Troska, Harald Wilhelm

strategy for Vans. Vans is a successful, fully integrated business division within Mercedes-Benz with the freedom to make all the decisions necessary to cater to the individual needs of its customers. At the same time, the Vans business has full access to and the benefits from technology- and innovation-sharing with our cars business. Vans operates in an attractive business and enjoys a unique premium market position, enabling it to deliver strong returns that complement our luxury car business."

Ola Källenius, Chairman of the Board of Management of Mercedes-Benz Group AG

"As the leader of the premium van segment, it is our goal to offer our customers the most desirable vans and services. Today, we offer exceptional technology, outstanding reliability, and tailored solutions for customers across profitable markets and industries. And with VAN.EA, our new purpose-built electric architecture, we're setting the course to lead the light commercial vehicle industry in electric drive and digital experience."

Mathias Geisen, Head of Mercedes-Benz Vans

The Mercedes-Benz Vans strategy is based on four pillars:

TARGET premium segments and focus on profitable growth

Mercedes-Benz Vans will further target premium segments and focus on profitable growth. The division concentrates on growing high margin regions, channels, products, and industries. Serving both private and commercial customers, Mercedes-Benz Vans will pursue a differentiated approach to each segment. For private vans, this translates into the adaptation of the overarching Mercedes-Benz luxury strategy to make it an integral part of all products, services, customer interactions and digital experiences. This is why Mercedes-Benz Vans will further extend the top-end of its product portfolio moving forward – for example, with the upcoming new V-Class in Europe and China. Parallel to this, the division is pursuing a premium strategy for the commercial vans segment that represents around 80% of the division's sales share serving different industries.

Today, Europe is the division's strongest market – with a 60% share of total sales worldwide. In the United States, Mercedes-Benz Vans doubled its market share from 8% in 2018 to 16% in 2022, ensuring a strong market position as well.

Looking ahead, significant growth potential is seen in the United States for premium commercial large vans and in China for luxury private vans. In the U.S., Mercedes-Benz Vans is aiming to profitably and substantially increase sales by 2030 as well as to expand the portfolio by adding VAN.EA-based commercial vans to the line-up. For the first time in the United States, Mercedes-Benz Vans aims to offer VAN.EA-based private vans in an exceptional luxury positioning to strongly cater to the expectations of its sophisticated customers and will introduce a privately positioned midsize luxury van.

Mercedes-Benz Vans serves multiple industries spanning from basic Courier, Express and Parcel (Last Mile Delivery) vehicles to the highly profitable recreational vehicles (RVs). While they have their own specific requirements and demands, they are all important for keeping the world running smoothly.

The worldwide Last Mile Delivery market with an annual growth of 6% to 8% per year is a strong driver for fully electric intra- and inter-urban mobility. Mercedes-Benz Vans focuses on the upper price bands of the

Last Mile Delivery industry, where it intends to offer a VAN.EA-based Last Mile Delivery-specific version "built-from-factory" for the first time[1].

Mercedes-Benz Vans will also expand its portfolio of camper vans "build-from-factory" with a new model line of fully electric midsize and large camper vans, based on VAN.EA[1].The division aims to define the new industry standard with its international camper business partners around the world.

"The premium segment positioning for commercial vans and the luxury positioning for private vans will allow us to further strengthen our focus on high margin regions, channels, products, and industries. The broad range of industries we serve makes our business resilient – which is a strong competitive advantage."
Mathias Geisen, Head of Mercedes-Benz Vans

EMBRACE customers and grow lifetime revenues
Mercedes-Benz Vans is committed to fostering strong and long-lasting relationships with its customers – whether private or commercial. This level of loyalty is proven by the Sprinter repurchase rate in Europe, which was 74% in 2021. Additionally, the division's commercial customer service, which is the backbone of its business today, will become an even bigger differentiator in the future: Mercedes-Benz Vans will continue to expand offerings like its mobile repair service on-site at the customer premises, and with field technicians for complex repair cases.

The division aims to sell more than 20% of its vehicles online and to raise the proportion of direct sales in Europe to more than 75% by 2026 through an omnichannel sales experience. In addition, Mercedes-Benz Vans is focused on creating incremental lifetime revenues by offering a broad range of digital extras and benchmark-setting customer service to maximize vehicle uptime.

LEAD in electric drive and digital experience
With the 2010 launch of the Vito E-CELL in Europe, Mercedes-Benz Vans was the first to introduce electric in the Light Commercial Business (LCV). In 2023, Mercedes Benz Vans offers fully-electric variants in every segment, from small over midsize to large vans in Europe and China and recently revealed the eSprinter in North America - targeting an EV share of more than 50% by 2030 for both the private and the commercial model portfolio. All newly developed vans will be based on an innovative, modular and scalable electric architecture called VAN.EA. This architecture forms the foundation for the Mercedes-Benz claim to lead in electric drive. All future midsize and large vans will be built on it, whether for commercial use as versatile premium all-rounders or as private luxury vans. VAN.EA-based vehicles will focus on added value for customers and their individual needs. VAN.EA has been developed from scratch for a purpose battery electric vehicle (BEV) and will strengthen the focus on efficiency and performance. The introduction of VAN.EA in 2026 will be an important milestone on the way to achieving the division's Ambition 2039 goals – a net carbon neutral new vehicle fleet.

To date, the all-new Mercedes-Benz eSprinter is the most versatile and efficient Mercedes-Benz eVan. In October 2022, Mercedes-Benz Vans demonstrated its efficiency with a test drive under real-world conditions of an express delivery. The route led from Stuttgart to Munich and back on just one charge. Now, the all-new

[1] Country restrictions may apply. Some features or products might not be available and will depend on the respective market.

eSprinter [2] completed another special test in the United States: Equipped with the 113 kWh battery, the cargo van drove the demanding route from Las Vegas, NV to the Mercedes-Benz Tech Center in Long Beach, CA. This corresponds to 275 miles (443 kilometers)[3] – the eSprinter completed the drive without recharging.

Above and beyond this, commercial van customers will have access to the Mercedes-Benz High Power Charging network. It is planned to expand it to up to 10,000 high-power chargers worldwide by the end of the decade. Furthermore, B2B customers of the new eSprinter will have access to the digital service Mercedes me connect[3], which currently offers 60,000+ charging points across the U.S., and will be able to charge their vehicles comfortably and easily.

Mercedes-Benz Vans has already proven its expertise and strong track record in the development of vehicle software and digital extras. Today, the division offers a selection of around 30 digital extras via the Mercedes me connect app[4] and store and will rapidly expand and optimize this selection. Building on this, its digital strategy follows a comprehensive, straightforward, three-layer-approach to create software-enabled revenues. In the first layer, Mercedes-Benz Vans offers vehicle-related functions – for example, tailored navigation for oversized vehicles like recreational vehicles (RVs) that require special routing to accommodate road restrictions for large vehicles. The second layer consists of customer-specific digital extras, provided by a unique in-house developed device, the Onboard Logic Unit (OLU)[5], which enables customers to integrate the division's products into their own specific digital infrastructure. One example is the individual intelligent charging and load management that was developed with and for DPDHL. This digital solution is based on the Onboard Logic Unit[4] which enables the integration of our electric vans in the existing enterprise system of DPDHL in a seamless way. This way DPDHL can realize intelligent charging for their whole fleet. In the future, the third layer will extend Mercedes-Benz Vans' digital offerings with a selection of commodity services and third-party applications integrated into the operating system MB.OS that will be an integral part of all VAN.EA based vehicles from 2026 onwards.

Mercedes-Benz is currently developing MB.OS as its proprietary operating system, a flexible, modular and service-based chip-to-cloud architecture designed for its B2B-specific software offerings. MB.OS will enable Mercedes-Benz Vans to rapidly expand and optimize its digital extras and services in the future, allowing it to offer even more customized commercial applications for its customers. For the first time, Mercedes-Benz Vans will offer a comprehensive range of new and existing third-party apps that are relevant for commercial customers and the division's core industries. The operating system will also serve as the basis for a much faster and far-reaching Over the Air (OTA) update functionality and as an enabler for the development of automated driving capabilities from SAE Level 2 upwards. Based on MB.OS and its technical capabilities, the division wants to achieve SAE Level 3 for private customers by end of the decade. With the launch of VAN.EA-based vehicles, the company will provide SAE Level 2 capabilities. For the commercial segment SAE Level 4 is planned to be realized by end of the decade to address the business potential of driverless transportation.[6]

---

[2] The vehicle is currently still under development and is not yet available for sale.
[3] No EPA range estimate is available. Range depends on many factors and consumers may not achieve the same performance as observed in this non-scientific test.
[4] To use the Mercedes me connect services, you must create a Mercedes me ID and agree to the terms of use for the Mercedes me connect services. The services presented and their availability and functionalities depend in particular on time, the vehicle model, year of manufacture, selected optional equipment and country.
[5] Country restrictions apply. Some features might not be available and will depend on the respective market.
[6] The functions described are visions for the future, some of which might not be available at market launch and will depend on the respective vehicle model, the individual configuration and the respective market.

LOWER total cost base and improve industrial footprint

To improve profitability and increase competitiveness, Mercedes-Benz Vans has implemented a comprehensive cost initiative on a company, operations and product level. On the company side, the division intends to reduce fixed costs especially by streamlining and digitalizing processes – aiming for a reduction of around 20% by mid-decade compared to 2019. In addition, Mercedes-Benz Vans will further strengthen its competitive advantage through synergies with Mercedes-Benz AG.

Mercedes-Benz Vans aims for significant improvements throughout its production processes and lower production costs. The increase in performance will be driven by reducing the complexity of the product portfolio, focusing on efficiency in the core production processes by reducing hours per vehicle up to 25% by 2025 compared to 2019, optimizing energy consumption and using digital technology to increase efficiency across all owned operations.

With the focus on an appropriate capital allocation and an optimized fixed-cost structure, Mercedes-Benz Vans has also reorganized its global industrial footprint. The division is transforming its global production network to make it more efficient, flexible, and geared towards an electric future of mobility. VAN.EA vehicles will be built in the plants located in Jawor/ Poland, Vitoria/Spain and Düsseldorf/Germany and others will follow. This will be accompanied by transformational changes that enhance productivity. The multi-site footprint also maintains the ability to react to rapidly changing market conditions, while optimizing the cost position.

In Ludwigsfelde, Germany the division will continue to produce Sprinter and eSprinter. The plant will also become a competence center for eVan customization, for example recreational vehicles (RVs).

The first electric only Light Commercial Vehicle (eLCV) plant in Jawor, Poland, aims to set new standards in terms of productivity, lean operations, and sustainability for the manufacturing of premium eLCVs worldwide. The production at Jawor will be net carbon-neutral – as all of Mercedes-Benz Vans' owned plants. However, for the first time, Mercedes-Benz Vans plans to cover 100% of the plant's energy needs through renewable energy.
Mercedes-Benz aims for a combination of different renewable energy sources to cover the electricity and heat requirements. These are expected to include electricity from maximized use of photovoltaics, wind power and heat generation via air heat pumps, geothermal and solar thermal energy and, if necessary, as fallback in peak times, a small amount of biogas.
The newest plant will foster leaner and more cost-efficient production and will go hand-in-hand with the other significant changes to the division's manufacturing footprint. All these measures combined will lead to significant improvements in the cost structure, and will lay the groundwork for a profitable, 100% electric drive portfolio in the future as well as our ambition of double-digit return on sales (adjusted) till end of decade.

"Our success factors are: a product and service portfolio that is geared towards the luxury and premium segments, a broad mix of industries served as well as the highest level of pricing power and customer loyalty. Besides a clear focus on the most profitable market segments we concentrate on cost measures to further improve our cost position. We are thus focusing on a clear way forward – with a highly ambitious technology roadmap to lead the industry into an all-electric future."

Mathias Geisen, Head of Mercedes-Benz Vans

The Mercedes-Benz Vans strategy is underlined by three guiding principles: sustainability, digitalization, and a highly motivated team.

As a part of Mercedes-Benz AG, Mercedes-Benz Vans is fully committed to the Group's sustainable business strategy. One of the most important transformation goals for the Group is decarburization, which is a firm component of its sustainable business strategy. This goal is reflected in "Ambition 2039" and the "electric-only" approach. Aiming for an EV share of up to 20% by 2026 and more than 50% by 2030, Mercedes-Benz Vans is targeting a significant reduction in CO2 emissions across the entire lifecycle in new vans.

Additional information on the first strategic update fully dedicated to Mercedes-Benz Vans will be available at: https://media.mercedes-benz.com/2023-strategy-update-mercedes-benz-vans

# # #

About Mercedes Benz

Contacts:
Andrea Berg andrea.a.berg@mercedes-benz.com
Cathleen Decker cathleen.decker@mbusa.com