

Hello. Welcome. I'll just make a few comments.

I'm incredibly excited by the sales and the interest in the Model X. When you introduce a product that is really groundbreaking and innovative, you don't necessarily know how customers are going to react to that, and they reacted incredibly well. From a customer standpoint, the Model X was clearly a homerun and they're (inaudible) with their dollars by putting down reservations on the Model X. And in fact, if anyone on the call is interested in Model X, I recommend putting down a deposit soon because this is by far the bestselling product in Tesla history by a significant margin. So it's, yeah, just great.

So, you know, that's the main thing I wanted to mention. And then the other thing being that we've begun work on our first full Mercedes powertrain. Previously we've done the battery packs and the chargers; now we're doing an entire powertrain for Mercedes. As is Tesla policy, we don't comment on the details of powertrain agreements. We leave that to our strategic partner. So that's (inaudible) when they want to speak in more detail about that.

But with those introductory comments, let's jump in to questions.

Question-and-Answer Session

Operator

Thank you. (Operator Instructions).

Our first question comes from Amir Rozwadowski at Barclays Capital. Your line is open.

Amir Rozwadowski – Barclays Capital

Thank you very much, gentlemen. And Elon, on the discussion of the Daimler contract, I realize that you folks don't provide too much color in terms of the partnership, but in the past you have highlighted that you have a number of these discussions underway. Are these the folks that you had suggested could ultimately end up being a pretty significantly sized opportunity? Or should we assume that that is with someone else at the moment?

Elon Musk

Tricky question. I have to break that question part a little bit. There are -- this -- I do expect that this deal will be significant and probably more significant than the sum of all deals we've done with Daimler to date. And that's about all I can say on that front.

And then, are there other fields of significance in discussion? Yes, there are.

Amir Rozwadowski – Barclays Capital

Okay, that's very helpful. And then if I may, you folks had provided some color in terms of where your revenue -- where you expect your revenues to be in 2012. And certainly as I think you've fairly been consistent, that it's going to be fairly back-half-weighted to the launch of the Model S. I was wondering if you could give us some color in terms of the mix of the Model S reservations that you have so far. In terms of running the numbers, it does seem as though you're going to be delivering on the high-end versions first, and I'd love to hear sort of mix potential, what you guys are factoring for ASPs for your deliveries for the year, or any color along those lines.

Elon Musk

Sure. So I do expect that is going to be weighted towards the higher-end versions of the Model S. And necessarily for the signature series which (inaudible) all the options -- the first 1,000 vehicles. But then even beyond that, we're -- we don't deliver regular series with (inaudible) mile range, and then we got to the 230-mile range. And then 160-mile range (inaudible) 2012, early next year. So that's necessarily going to shift the weighting towards the higher-end version of the Model S.

We'll have I think a much better sense (inaudible) precise sense for that in the coming months as we're, you know, release the configurator and see exactly what options we will take.

Amir Rozwadowski – Barclays Capital

Okay, that's very helpful. And lastly, if I may, there's been a lot of questions around concerns on cash positioning (inaudible) loans among the industry at the moment. It seems from your prepared comments you feel comfortable with your current cash position and liquidity. I was wondering if you could give us a little bit of color in terms of how you view that progressing through the end of the year and into the beginning of next? I mean, do you feel that with the trajectory of the Model S at this point, you feel comfortable in terms of how that's going to sort of pan out for your cash burn situation currently?

Elon Musk

Well, I feel confident saying that Tesla does not need to ever raise another financing round. It doesn't need. It's possible that we may choose that we may want to do so, but importantly, we do not need to do so, is my projection. So, yeah, we're in a strong cash position, our relationship with the DOE is very good. So I feel pretty secure on those fronts.

Amir Rozwadowski – Barclays Capital

Great. Thank you very much for the incremental color.

Elon Musk

Okay.

Operator

Okay, thank you. Our next question in queue comes from Jesse Pichel with Jefferies. Your line is open.

Jesse Pichel – Jefferies & Co.

Yes, good evening. Jesse Pichel from Jefferies. Congratulations on the launch last week. Thank you for hosting us.

My question is, from a branding and strategic perspective, how should we think about the Mercedes brand cannibalizing Tesla products? And what keeps Tesla differentiated from your customers in this particular supply arrangement?

Elon Musk

Yeah, absolutely. Well, as you may have heard me say on a few occasions, that (inaudible) catalyst for electric vehicles, so we want to do everything we can to advance of course electric cars whether that's cars we make ourselves or cars that we help others make. And at the end of the day, if (inaudible) engineering isn't up to par but our powertrain is, then obviously that would lend us to become more of a powertrain company.

No, I think that we do good (inaudible) and good powertrain engineering and that our products will find a place in the market. And that's as demonstrated by the customer interest really.

And then (inaudible) the new car market is something like 80 million vehicles a year. The Model S actual production is 20,000 vehicles a year. It's a very tiny portion of the market. We're certainly not (inaudible) the business away from (inaudible) business away from partners and nor are they taking (inaudible). So we're still at a small portion of the market.

And when comparing vehicles, I think it's important to think about comparing say premium sedans or premium SUVs rather than thinking of say the Model S, the Model X is competing against this (inaudible) all electric vehicles which range from golf cart to Nissan Leaf, to whatever the case may be. That's not really what people think of, you know, when somebody is

looking at buying a Model S, they're considering that against something like an Audi A6 or A8 or against probably Porsche Panamera or BMW 5 Series, 7 Series. That really tends to be the basis of comparison.

Jesse Pichel – Jefferies & Co.

Thank you very much.

Operator

Thank you. Our next question in queue is from Peter Christiansen with Bank of America-Merrill Lynch. Your line is open.

Peter Christiansen – Bank of America-Merrill Lynch

This is Peter in for Steve Milunovich. Elon, I was wondering if you can just give us some color on the range, the guidance range. Is that more of a function of Model S output or the timing of development services rather (inaudible) and how does that tie into your gross margin outlook?

Elon Musk

Yeah, I'll let Deepak answer most of that. But I'm going to -- certainly the bulk of the 2012 revenue is Model S related. Deepak?

Deepak Ahuja

Yeah, I mean there are three elements to this, Steve. Obviously the biggest one is our projection of 5,000 Model S's which drives it. And then we have our own growth to sales that we will have in Europe and in Asia. And beyond that, we have the powertrain components business with Toyota. And then some bit of development services revenue with OEMs.

Peter Christiansen – Bank of America-Merrill Lynch

Great. And then -- I'm sorry. And then I was -- I'm sorry. I was wondering if you can characterize the revenue opportunity of providing a full drive train solution versus some of your previous programs, notwithstanding a different batter size?

Deepak Ahuja

Are you referring to the Daimler program?

Peter Christiansen – Bank of America-Merrill Lynch

Yes.

Deepak Ahuja

The full -- well, clearly there is more revenue but it's, in our mind, it's the ability to provide to Daimler a much higher performing (inaudible) which includes the full integration of our systems, it allows us to provide a much more cost-effective and higher performing [ED] to Daimler rather than just our battery packs which is integrated into their system.

Elon Musk

Yeah, exactly. But (inaudible) is a really seamless integration, it's a better customer experience, and everything is really optimized with the other elements. And we demonstrated that for Daimler (inaudible).

Peter Christiansen – Bank of America-Merrill Lynch

Thank you. And just one last one, Elon, you just talked about the difference between needing additional financing or wanting one. And one would assume that could apply accelerating the Gen III program. If that were the case, what would be your thought process? Would it be driven more by the momentum and the confidence that you're experiencing right now, or possibly a response to some other competitive threats that you see from other OEMs?

Elon Musk

Well, I'm not too worried about competitive threats because the market is so big, that what we're really focused on is not what, say, anyone -- any other company is doing but rather, are we making the best possible product? Is there anything we can do to make a product that is going to amaze and delight customers more? And then that's I think the right thing to focus on.

We are going to do at the next significant vehicle -- the next major big announcement after Model X will be a Gen III. And I made (inaudible) to some of the media, but (inaudible) reaffirming that. Previously we were going to do a next-generation Roadster after Model X, but I'm absolute -- gained enough confidence that the technology will be scalable to higher volumes but maybe a bit [thinner]. And so we'll be able to go to our third-generation (inaudible) pricing kind of \$30,000 range. And if we were to accelerate that, there could be a (inaudible) argument for doing a modest capital raise.

Peter Christiansen – Bank of America-Merrill Lynch

That's great color. Thank you so much.

Elon Musk

You're welcome.

Operator

Thank you. Our next question in queue is from Dan Galves with Deutsche Bank. Your line is open.

Dan Galves – Deutsche Bank

Good afternoon. I'm wondering if you could take us a little bit through kind of a near-term certification process or qualification process for the Model S. Just curious considering that you're still -- have some dies arriving in the next couple of months, what are the key bottlenecks that could come up and qualification? And what level of vehicles need to be used to qualify for driving on US roads in terms of whether it's a beta or a release candidate vehicle or something with dies production intent parts from the factory?

Elon Musk

Yes. Especially (inaudible) that before the dies are shipped from [Fujio] (inaudible) plant, they actually do send a number of (inaudible) so that we actually do get production body parts before the die is shipped and are making (inaudible) with those production body parts. That way when we receive the dies, then we put them into our (inaudible) presses and all we're doing is just clarifying that there's no meaningful difference between the (inaudible). But the die themselves are sorted out.

As far as risks for production timing, yeah, I can provide a little bit of color there. Previously I set a goal we expect to be five-star on average, but maybe we'll be four-star in some categories. It's looking increasingly like we will be five-star in all categories. That is looking increasingly optimistic.

This particular challenge was the fifth percentile female in the passenger -- preference passenger seat. And just had a meeting this morning which looks like we'll be able to achieve (inaudible) in that category, which is great news. We're going to be -- we'll be doing some pretty innovative things, working with (inaudible). So that's good.

Deepak Ahuja

And I think (inaudible) timeline is on track in terms of the specification that Dan was asking (inaudible) that certification is self-certification and (inaudible) production (inaudible) and as we mentioned, the dies in [Fujio] are producing the parts which allow us to make the body and get that

certification done. So, five-star (inaudible) suggesting that I should reaffirm that it's looking like we'll be five-star on -- in all categories. I don't want to say for sure sure, but that it's working like that's quite likely. So I just -- if there's any ambiguity, sorry.

Elon Musk

I think we've answered Dan's questions.

Dan Galves – Deutsche Bank

Okay. Thanks, it's very clear. Then my second question has to do with your R&D factor, if you will, with work probably winding down on the Model S coming off and ramping up on the Model X, will you have additional capacity in R&D? I guess my real question is, would you have the capacity with your current R&D staff to begin work on a Gen III vehicle let's say by early 2013 after the Model S is fully launched?

Elon Musk

Yes, I think so. That's the plan of action exactly.

Dan Galves – Deutsche Bank

Okay. All right, great. Thank you very much.

Operator

Thank you. Our next question in queue is from Patrick Archambault with Goldman Sachs. Your line is open.

Patrick Archambault – Goldman Sachs

Hi, good afternoon.

Elon Musk

Hi, Patrick.

Patrick Archambault – Goldman Sachs

My -- I guess -- my first question would be, as we think about -- I think reading through here, it sounds like if you look at the R&D and CapEx plan for 2012, it's largely model -- still Model S focused, unless I'm mistaken, right? I think the wording is that on the R&D front, by the end there is some X spending that picks up. How do we think about what that might look like both on a CapEx basis next year for, you know, where I'm presuming the R&D and the CapEx for that program is going to be really at its peak? How

should we think about that, maybe whatever you're comfortable talking about, maybe year-on-year comparison or a comparison of how it is visa vie what you spent on the S, presumably obviously it's a lot less because it's on the same platform. So, just helping the dimension on that.

Deepak Ahuja

(inaudible) firstly, the R&D spending on the S should reduce in the second half, as we have said in the letter, not just towards the end of 2012. Because once we go into the production of the S, a lot of our manufacturing expenses, pre-production which are presently in R&D will move into cost of goods sold. So there should be a substantial reduction. And we will be done with a lot of the spending we are presently incurring on building the prototype and casting them.

So, yes, there will be some ongoing R&D on S as we look to bring out a European version or fine-tune some other things, we'll be at a lower level. And then we'll see a pickup in the spending at that point.

The same goes for CapEx. A lot of our CapEx is in the first half, is heavily weighted. We (inaudible) suppliers both for tooling and equipment. The final payment is once we sign off on the tuning and the equipment.

Patrick Archambault – Goldman Sachs

And if I think about just how those things trend into 2013, one would expect that perhaps you get a bigger spike in R&D than you would maybe in CapEx because you can leverage some of the equipment. How do we think about that?

Deepak Ahuja

I think the leverage is there in both R&D and CapEx. I can't tell you specifically where the bigger leverage is. Our spending on the Model X is going to be very substantially lower overall than the S because we're leveraging every element of the manufacturing factory, the platform, the powertrain. So it's -- and there's quite a bit of communization of parts in areas where you can't see the differences between the S and the X.

Elon Musk

But you're probably right, but as Deepak said, just maybe if -- there's saving in both, but relatively speaking, there's probably more savings in CapEx than there are in R&D.

Patrick Archambault – Goldman Sachs

Okay. Taking a step back in terms of more of a product question, how are you thinking about sort of higher mileage vehicles in your product cadence? I think at the Detroit Auto Show you had put up a slide suggesting it would not be inconceivable to get your cost per kilowatt-hour to I want to say something like 200, if I'm remembering correctly. You've mentioned the next-gen and perhaps after that maybe a new Roadster, but might there be an interim demand for an S or an X with even higher mileage capabilities just given the availability of cheaper batteries?

Elon Musk

Yeah. Well, just like that phrase in Texas Hold 'Em, like you never know what the (inaudible) going to be. Well, you never know. It could be.

Patrick Archambault – Goldman Sachs

Okay. And I guess last one, just I know you guys have reiterated thus far, but the four, but just to remind myself, what kind of IP protections do you have in place when you do these programs with other OEMs? What kind of restrictions are there to prevent them from leveraging what they learn from working with you? And doing it in -- doing something independently?

Deepak Ahuja

Our relationship with Toyota and Daimler where we have these programs has been such that they're very respectful of our IP, and certainly we don't see any issues where this relationship is based on their desire to do things the wrong way. I mean we feel very comfortable. And as we grow that business, we'll work at, and if we get to very high volumes, we'll look at licensing and other opportunities to manage that growth. But at this time we're not concerned about our IP in these relationships.

Elon Musk

Yeah. I must say, if I could, it's been really great working with Toyota and Daimler. I mean they're really (inaudible) companies. There's been no indication at all of them wanting to (inaudible) IP. And we've got pretty clear agreements delineating what IP (inaudible) which company, and we really have no (inaudible) at all. So it's quite a bit of mutual trust there.

We do of course have patents and we've got quite a few patents. But it's never really even been a point of contention amazingly, so. And we've actually said that we're open to licensing IP as well, so (inaudible) we necessarily have to be the ones manufacturing (inaudible) want to do that, then we can license the IP. And at a certain volume, like getting 100,000 units or something, that makes a lot of sense.

So (inaudible) model in that sense. But yes. I should say (inaudible) able to hear what (inaudible) but the -- I think the (inaudible) card is going to be the Supercharger, when people really see how (inaudible). It's (inaudible). We'll unveil that with all the elements of the Supercharger later this year.

Patrick Archambault – Goldman Sachs

And that's just for -- that's the stage three charger, correct?

Elon Musk

It's beyond stage three.

Patrick Archambault – Goldman Sachs

All right, very good. Well, congratulations on all the benchmarks met so far, and thanks for taking my question.

Elon Musk

Welcome.

Operator

Thank you. The next question in queue comes from Himanshu Patel with JPMorgan. Your line is open.

Himanshu Patel – JPMorgan

Hi. Good afternoon, guys. A few questions. Just I wanted to clarify on the R&D, you did \$208 million in full-year 2011. You're sort of indicating about a \$70 million annualized reduction from the sort of falloff on Model S and Fremont-related costs. Kind of gets you to a run rate of \$138 million, and then you're kind of indicating some uptick from there related to the Model X in the second half. I guess, could you just simplify all of this and just give us a 2012 R&D number that you're thinking? And then also what -- any sort of dimensioning you can do on sort of just the run rate of that number prospectively, either in absolute terms or as a percentage of sales?

Deepak Ahuja

I think, Himanshu, we'll see some increase in Q1 and Q2 because we're just adding a lot more people in our manufacturing facility. And as we indicated in our letter, there's about \$15 million to \$20 million of manufacturing-related expense that comes out in the second half once we've moved the cars, and then when you add in a bit of Model X. I think we are specifically

not giving a guidance, but giving you sufficient granularity and trend here that I'm sure you can work it out reasonably well in your model.

Himanshu Patel – JPMorgan

But Deepak, I just wanted to be clear, it sounds like there's two issues going on with the R&D costs. There's a reduction happening from just an accounting reallocation from R&D to COGS and then there's another, sounds like another reduction happening from just the kind of turning off, if you will, of elevated costs related to the Model S launch and the Fremont factory. My understanding was the \$15 million to \$20 million per quarter reduction which was kind of the genesis of my \$70 million annualized comment, is that related to the latter or the former?

Deepak Ahuja

The former.

Himanshu Patel – JPMorgan

I see. How much of -- so that's just -- those costs don't actually go away entirely, they just kind of get reallocated from R&D into cost of goods sold?

Deepak Ahuja

That's right.

Himanshu Patel – JPMorgan

Okay. And is there a reduction, sort of an overall cost reduction in the corporation regardless of where it gets [binned] on the P&L. Just related to the fact that the Model S development is behind you, you indicated that the X is going to be considerably lower cost, presuming a lot of the costs related to getting Fremont now may have been hitting the R&D line as well. What is the sort of reduction associated with that regardless of where it's sort of cost side on the P&L?

Deepak Ahuja

Yeah, there is a reduction related to that, you're absolutely right, and that will be partially offset by some spending in X that we talked about. There are some cannibalization there which is we have a sense of it but it depends on how our spending goes by quarter. So we aren't giving any specific numbers. But I think overall we'll be in the 200 or so range for R&D. And we can -- I think when you run the models, you come somewhere there.

Himanshu Patel – JPMorgan

Two hundred for this year?

Deepak Ahuja

Yeah.

Himanshu Patel – JPMorgan

Okay. And then the next question is just the Roadster, what is the long-term plan for that? Will that be reincarnated at some stage or is this just kind of being -- going into sunset forever?

Elon Musk

Well, with the Roadster, first version Roadster, was really to create a real collector's item. It's obviously the first 5.0 electric car (inaudible) and I think it's likely to be one of the first true collective cars of the 21st century, and we want it to be that, that's why we kept volume at 2,500. There will be at some point a new-generation Roadster, but from my earlier comments, that's going to come after the third-generation vehicles. So that's pushes it out probably about four years or so.

Himanshu Patel – JPMorgan

And then, Elon, just kind of going back to one of the earlier questions, there's sort of this theoretical curve, if you will, on prospective cost per kilowatt-hour reduction that I'm sure you've got some historic data to sort of support, and then there's sort of the stuff you're working on right now that may just be invalidation and there's just -- it's a matter of time before you actually get there. Can you just mention for us how much of that kind of \$200 per kilowatt-hour number is sort of in the bag from the engineering efforts that you can see and know that the organization has pretty good visibility on right now versus something that you haven't really figured out exactly how you're doing it but you sort of know over time that will happen?

Elon Musk

Well, I'm not sure we've actually ever said anything about, you know, we probably (inaudible) so I mean I wouldn't want people to assume that we have. I do think that cost per kilowatt-hour at the [cell] level will decline below that, below \$200 in the not-too-distant future. But I don't want to -- that's -- then there's incremental cost per pack, the cost at the [cell] level (inaudible) cost at the pack (inaudible) systems and -- are included.

So, obviously the cost per kilowatt-hour of the battery pack is a higher proprietary number. So that's something we guard pretty closely in terms of where it is at any given point in time.

Himanshu Patel – JPMorgan

Okay. Maybe just one last question, what was the kind of thought process on opening up the reservation book for the X at this moment, or would you -- I mean clearly there's some demand for it, but any risks that there could be some cannibalization of S volumes?

Elon Musk

Yeah, that's a good question. Actually we're concerned that perhaps there would be some cannibalization of the S. In fact, the opposite occurred. We've seen higher Model S reservations, not lower. And I think it's kind of like when people see that you've got more than one product in the lineup, that that actually is complementary. Kind of like you go into a store and it's kind of better if the store sells pants and shorts, not just being a shorts store. So I mean that's what we see.

I think people saw the press and pictures of the X and then some of them came to the website and said, well, X was really cool, but I prefer a sedan, and bought the Model S. And we've actually had customers who decided to buy both. So that's -- really the objective (inaudible) is that it's complementary, not competitive.

Himanshu Patel – JPMorgan

Okay. Thank you.

Operator

Thank you. (Operator Instructions).

Next question is from Andrea James with Dougherty & Co. Your line is open.

Andrea James – Dougherty & Co.

Hi there.

Elon Musk

Hi, Andrea.

Andrea James – Dougherty & Co.

So what needs to happen before you can offer a test drive on the Model S to a customer? And I guess, what seems to be the position of those first 5,000 customers? Will they all need to test drive or will some be happy to take delivery without that?

Elon Musk

I think the assumption of customers is that they're just going to take delivery. There's no presumption of a test drive before delivery. There may be a few that want to do that, but my sense is, in talking to those customers, really is that they just want the car as soon as possible.

In terms of test drives, we have to wait until the car is fully (inaudible) and so that's really effectively going to be at the point that we're delivering the first production cars. So that's (inaudible) this year is when people will be able to take a test drive.

Deepak Ahuja

And over time we'll have a lot more cars out there, Andrea, so clearly any customer who wants so a test drive before (inaudible) that should not be a problem at all.

Elon Musk

Yeah, absolutely. In fact, given the fact that there's excess demand for the Model S, even if somebody doesn't like the Model S, they are probably -- should probably take delivery and then sell it, because I expect that the cars will sell for more than the [nominal class].

Andrea James – Dougherty & Co.

Okay. So it sounds like from your view, given the choice of delivering a car to a customer or setting that car aside for test drive, you would just do the delivery?

Elon Musk

Yeah. We're going to do a little bit of both, so there won't be cars that are -- lock-in cars that are delivered to the stores for test drives. That's (inaudible) delivered to (inaudible) customers.

Andrea James – Dougherty & Co.

Okay. And then moving on just Toyota, how has your communication gone with them, as far as them saying this is what we need and when, and do they give you hard targets or moving targets? And also just, you know, you

said you're going to do a shipment in Q2. Is that in line with the rev recs on that contract? Thank you.

Deepak Ahuja

Toyota, as you can imagine, has very established processes and systems. So they -- and they have suppliers globally. So they have a fairly stable production plan which they share with us in advance. So have full clarity and visibility of what they need. And clearly the components that we will supply to them in Q2, the revenue on those wouldn't be recognized when we deliver those components like any other supplier.

Andrea James – Dougherty & Co.

Okay. And you think it'll be kind of lumpy there then?

Deepak Ahuja

No, I don't think so. I think there's going to be a ramp-up as we take up the production rate, but it won't be lumpy.

Andrea James – Dougherty & Co.

Okay, thank you. That's all for me. Thanks so much.

Operator

Thank you. The next question in queue comes from Adam Jonas with Morgan Stanley.

Adam Jonas – Morgan Stanley

Thanks, Matthew. Good evening guys.

Elon Musk

Hey, Adam.

Adam Jonas – Morgan Stanley

Hey, Elon. Just to follow up on the test drive question. Would the magazines' first chance to drive the Model S also coincide with deliveries to customers in the middle of the year or would there be an opportunity before?

Elon Musk

Probably coincide, yeah. We definitely don't want to -- I mean we (inaudible) before we get it to any auto/motor journalist to test drive.

Adam Jonas – Morgan Stanley

Understood. Deepak, in 2011, it looks like your cash was just under negative \$300 million or \$290 million. Can you at this point confirm, given the assumption of 5,000 in its deliveries of the Model S, that cash earned in 2012 should be significantly less than this amount, or still negative but less negative?

Deepak Ahuja

Yes, it will be. Our cash flow from operations here, clearly we have reservations in play as well as working capital needs, and in our case as we ramp up, we can have some benefits in working capital given the difference in payments to our suppliers versus payments that we collect from our customers. So, yes, it'll be less than that.

Adam Jonas – Morgan Stanley

Great. Just a follow-on, the CapEx outlook, the \$200 million to \$220 million, any rough split of how much of that is related to final spending on the Model S versus early spending on the Model X or the other buckets which include retail or development work or early Gen III? Any idea of a roughly split?

Deepak Ahuja

Well, we have, as you clearly said, we have the buckets of spending on putting new stores out there, service centers. We are also going to do some super-charging installations, as Elon mentioned, and then spending on the X. It's going to be the majority is I would say S, I'd leave it at that. And I think that gives you enough granularity.

Adam Jonas – Morgan Stanley

I appreciate that. And just finally on the Model X reservations, it'd be nice if we could continue that daily amount. But looking at that split, I know it's early data, but how does the reservation amount compare to the roughly \$11,000 per reservation that you're giving on average to the Model S?

Deepak Ahuja

I guess you may be getting into that average because we collect \$40,000 on the signature series and 5,000 on general production. We have a combination of signature and general production reservations on the X. I don't have that number off-hand, what that breakdown is, but we're getting substantial signature reservations, no doubt about that.

Adam Jonas – Morgan Stanley

For the X?

Deepak Ahuja

For the X, yes.

Elon Musk

Yeah. Excuse me. Yeah.

Adam Jonas – Morgan Stanley

And presuming with the order of magnitude difference on the upfront reservation for signature X would be comparable to a signature S versus the higher batter non-signature S?

Elon Musk

For the Model S, there's kind of regular series which is a \$5,000 reservation, and then there's signature series which is \$40,000, the same for the Model X. And the \$5,000 number is (inaudible) of the configuration of the Model S.

Adam Jonas – Morgan Stanley

Understood. Okay. Thanks very much.

Operator

Thank you. Next question in queue is from Ben Kallo with Robert W. Baird. Your line is open.

Ben Kallo – Robert W. Baird

Hi, good afternoon, guys. A lot of attention is being paid on the number of dies that you have in Fremont. Is it possible that you don't have all dies there at the manufacturing plant and you're still stamping some parts with your partner yet still delivering vehicles? I know that's not your best-case scenario, but is that an option you would have to meet your delivery timeline?

Deepak Ahuja

I think we have enough gap in between that we don't see that as a possibility. We expect just (inaudible) the dies if not all of them to be here by early Q2, which is enough time to fine-tune them and use them for the production [card].

Ben Kallo – Robert W. Baird

Okay. But would that be a possibility if something came up where you can't get the dies?

Deepak Ahuja

There's always the possibility, yes.

Ben Kallo – Robert W. Baird

Okay.

Deepak Ahuja

We could always have a lot of possible (inaudible) while the die is coming, but clearly that's not part of the plan.

Ben Kallo – Robert W. Baird

Okay. And could you talk about how you get to the 10,000 to 15,000 delivery number outlook for 2014?

Elon Musk

For the Model X?

Ben Kallo – Robert W. Baird

Yeah, for the Model X.

Elon Musk

Yeah, we're just scaling that as roughly two-and-a-half to three-quarters of Model S. And it could be higher than that. I mean I -- I think this, based on the demand we've seen thus far, probably will be higher than that. But we don't know -- I think it probably will be higher than that. So (inaudible) exact number but it's --

Deepak Ahuja

Maybe should put it as a good conservative projection.

Elon Musk

I would say conservative projection, yeah.

Ben Kallo – Robert W. Baird

Okay, great. And then actually finally, could you just talk about your five-star rating and the timing around that? Do we don't need that five-star

rating before the cars get actually sold, is that correct? It sounds like that could come after you start marketing the cars.

Elon Musk

Yeah. I mean, you do everything that's necessary to achieve the five-star rating and then it is officially awarded at some point after start of production, yeah. But I mean you pretty know in advance what it's going to be, yeah.

Deepak Ahuja

And to your point, you're right, we don't have to have a five-star rating to get at the time of the production. It's our goal to get there.

Elon Musk

Yes.

Deepak Ahuja

There's no regulatory requirement.

Elon Musk

No, no, absolutely. Really our goal with the Model S was to create the safest car on the road. To be the safest car on the road, you really -- you want to aspire to have five-star in every category, and actually there isn't a six-star but we've aimed for kind of a virtual six-star to achieve the highest possible safety rating.

Ben Kallo – Robert W. Baird

Okay, great. Thank you guys.

Operator

Thank you. The next question in queue comes from Carter Driscoll with Capstone. Your line is open.

Carter Driscoll – Capstone Investments

Good afternoon, gentlemen. First question is around potential financing options. Obviously maybe not quite as relevant for the S or the X but maybe you could talk about what you're attempting to line up for more of the mass market Gen III vehicle?

Elon Musk

Sure. I mean we'd expect to have the full range of leasing and financing options that people are used to seeing for cars. And probably working with a number of large financial institutions to make that happen. We've had some very promising talks. And yeah, we definitely want to make sure that the cars are as affordable as possible.

And I think there's an argument actually that the appeal of electric cars on the leasing side is going to be greater than on the [production] side, which we certainly see that in solar. It's much more appealing to have a solar system on a lease basis because people come in, compare that correctly with the costs that they're paying for the utilities. And since the cost of electricity is so much less than the cost of gasoline, it's really sort of we're talking about an order of magnitude difference. By leasing the car and adding that cost to electricity versus -- compared with leased cost with gasoline car and the (inaudible) gasoline which is likely to be increasingly expensive, the value proposition to customers on purely economic level is going to be that much more compelling.

Carter Driscoll – Capstone Investments

That's helpful. That's what I was kind of driving at is in terms of the volatility of the residual value and using a much more constant coop power [ph] price nationally than certainly differences regionally in gasoline prices.

My next question is maybe you could, in your own opinion, Elon or Deepak, talk about the different model options you expect people to take in the different models or maybe even compare and contrast the Model S versus the X, and so we could kind of drill down into what you think an ASP might look like, a final ASP might look like, and not necessarily just the base price, at least your best guess?

Deepak Ahuja

I think Elon sort of answered that at a higher level in one of the earlier questions that initially we will have the signature series which 300, or the 85 kilowatt-hour battery pack, and then we'll have the base 85 kilowatt-hour battery pack. In addition, we're going to offer the performance version which we expect to have a fairly significant database given the specs on that. So, between that and the options, we wouldn't be surprised if there's on average a \$10,000 to \$15,000 pickup above the base price, which is really normal in the premium segment.

And then in 2012 it becomes a mix of sales -- or 2013 rather, becomes a mix of sales in Asia and Europe. The pricing structures are different and the content. What's standard versus optional is different. As we sort that out for

2013, and I will provide more granularity, but I think 2012 is fairly clear given our plans of launching the different series [for a time].

Elon Musk

Okay, just keeping an eye on the time here, we probably have time for questions for maybe one more analyst. So, operator, just one more please?

Operator

The next question then comes from Michael Lew with Needham. Your line is open.

Pardon me. One moment please.

Okay, thank you. And I'm sorry, Michael, your line is open now.

Michael Lew – Needham & Co.

Okay. Thank you and good afternoon in California.

You had mentioned other potential supply agreements in partnerships in the pipeline, and I realize Daimler and Toyota are solid partners, but could you give us a sense of how many other ongoing powertrain development discussions are going on with other automakers and are they for more mainstream vehicles or luxury-type of offerings?

Elon Musk

I'm sorry but I can't give any color on that.

Michael Lew – Needham & Co.

Okay. And also just -- wanted to follow up on your comments regarding a Gen III mainstream model. Would this be an EV targeted more at the emerging markets like say China or a broader-based type of offering?

Elon Musk

It would be targeted worldwide. Certainly includes China. Well, I mean I would say every country in the world, but certainly China. It's pretty hard to ignore China as a market these days. And I think we'll -- in fact we expect to be selling the Model S and the Model X in China.

Michael Lew – Needham & Co.

Okay.

Elon Musk

And yeah, we're -- we think that there could be a lot of appeal, interestingly, for the Model X, in China. So, yeah.

Michael Lew – Needham & Co.

Okay. Also regarding your prior comments on sales -- cost reductions from the current kilowatt-hour pricing. How much -- would it be sort of scale-driven versus a material change driven? Like what would be the split on that?

Elon Musk

A few question, even without any material changes (inaudible) scale, you can get a kind chemistry below (inaudible) kilowatt-hour. But that's -- I think you will see material changes over time that amplify that opportunity.

Michael Lew – Needham & Co.

And how long would it take to let's say qualify and enhance the material-driven change if you want to implement on let's say the Model S or an existing model at that time?

Elon Musk

Well, I think you'd kind of see most of the material change is coming because you have to implement them at large scale. So it's not (inaudible) coming that's just like working in a lab and then very rapidly, you know, very rapidly bring that to full-scale production. Plus you have to assess things like calendar life degradation and particularly as well as cycle life degradation. So you tend to see [self-chemistry] changes coming from a few years away. And we've got a roadmap of changes that looks pretty interesting and (inaudible) steady improvement year over year. But that's not to say we're going to implement a new chemistry every year. I think we'd probably look to implement new chemistries probably every three years, something like that.

Michael Lew – Needham & Co.

Okay, got it. Thank you.

Elon Musk

Okay.

Operator

Thank you. I'd like to turn the call back to our presenters for any concluding remarks.

Jeff Evanson

Okay. Thank you everyone for joining us. We look forward to seeing many of you over the coming weeks as we attend conference. In particular we will be at the Jefferies Growth Conference next week in New York City. And the week after that, we will be at the Morgan Stanley Technology Media and Telecom Conference in San Francisco. So we look forward to seeing many of you at those events. Thank you. Goodb