Daimler Expands Activities in China

- Framework agreement covering investments of about 2 billion euros signed with joint venture partner BAIC:
  - Production of several models of the new compact cars and the GLK
  - Construction of an engine plant for passenger cars and vans and expansion of its technical capacity to 250,000 units
  - Foundation of an R&D center
- Dr. Dieter Zetsche: “With this framework agreement, we are laying the essential strategic foundations for our long-term and significant participation in the growth of the key market China.”

Berlin, Germany – Daimler AG and its Chinese partner Beijing Automotive Industry Corporation (BAIC) today signed a strategic framework agreement to further expand their cooperation in China. The signing ceremony was held in the presence of German Chancellor Dr. Angela Merkel and the Chinese Prime Minister Wen Jiabao. Attending were Dr. Dieter Zetsche, Chairman of the Board of Management of Daimler AG and Head of Mercedes-Benz Cars, Ulrich Walker, Chairman and CEO of Daimler Northeast Asia, and Xu Heyi, Chairman of BAIC.

With this agreement, Daimler is further expanding its activities in China and the successful cooperation with BAIC. About 2 billion euros will be invested in the Joint Venture Beijing Benz Automotive Co, Ltd. (BBAC).
Dr. Dieter Zetsche: “With this framework agreement, we are laying the essential strategic foundations for our long-term and significant participation in the growth of the key market China. The projects agreed upon are further central elements of our China strategy for the sustainable development of our business. As early as 2020, at least one in five premium compact cars is expected to be sold in China. In the light of this enormous growth potential, we are resolutely switching to attack mode with the local production of our new compacts.”

The agreement includes the following projects:

Local passenger car production for the Chinese market will be expanded to include the GLK compact SUV as of 2011 as well as three models of the new generation of Mercedes-Benz premium compact cars. The first of these models will be produced as of 2013; the two others will follow step by step.

Current production capacities of about 80,000 units for the C-Class and the E-Class long version will be further expanded in line with market demand.

As of 2013, a new engine plant will produce 4-cylinder gasoline engines, which will be used in locally produced Mercedes-Benz passenger cars and vans. The planned technical capacity of this engine plant will be expanded to 250,000 units, of which up to 100,000 units per year will initially be utilized. Further capacity utilization can be ramped up in line with further sales growth.

A new R&D center will be established, which will mainly focus on vehicle testing and adaptation as well as R&D activities with suppliers.
These investments are part of the overall investment program, according to which Daimler and its partners will invest a total of about 3 billion euros in China in the next few years.

Especially in China, there is an enormous growth potential in the premium compact segment. While in 2010 some 770,000 Chinese customers decided to buy a vehicle of that segment, the company expects this market to grow to more than 2 million units annually by 2020. This would boost China’s share of global premium compact sales to more than 20 percent from the current 12 percent and make it the largest market for premium compacts worldwide.

“We laid the foundation of our success in the premium compact segment in China when we successfully introduced the current B-Class to the market. Responding to the immense growth of demand, we lately also brought the current A-Class to China. Together with the C-Class, the GLK, and the smart, the A-Class and the B-Class constitute the 'Young Mercedes' product family in China, which today accounts for about 40 percent of our sales,” adds Ulrich Walker. “With these projects now agreed upon – especially those related to our passenger cars business – we are forging ahead with our clear strategy for profitable growth.”

Says Xu Heyi, Chairman BAIC: “BAIC and Daimler are long-term strategic partners. These projects are important steps of the two partners to expand local production in China, and will become a benchmark of Sino-German economic cooperation.”

About Daimler Northeast Asia

Daimler Northeast Asia, located in Beijing, includes Mercedes-Benz (China) Ltd, Mercedes-Benz Auto Finance Ltd, Daimler Northeast Asia
Parts Trading & Services Co., Ltd., the Joint Ventures Beijing Benz Automotive Co., Ltd. (BBAC), Fujian Daimler Automotive (FJDA), Shenzhen BYD Daimler New Technology Co. Ltd., as well as sales organizations in Hong Kong, Korea, and Taiwan.

Local production of Mercedes-Benz passenger cars began in 2006 at the 50/50 joint venture BBAC with the predecessor of the current E-Class. In spring 2008, the C-Class joined local production as the second model. Since May 2010, BBAC is producing the current E-Class as a long-wheelbase version especially customized to meet the requirements of the Chinese market.

On the sales side, Mercedes-Benz passenger cars are represented in China with the full product portfolio. In 2010, more than 148,000 vehicles were sold, surpassing 2009 sales by 112 percent. From January through May 2011, 75,896 vehicles sold — an increase of 62 percent compared to the corresponding period in 2010. The sales network included more than 160 dealerships in about 80 cities and will grow by more than 30 new dealerships in 2011. The brand is thus continuing to strengthen its presence — also outside of tier-1 metropolitan areas.

Other activities in China include the joint venture Fujian Daimler Automotive Ltd., which started production of Mercedes-Benz vans in April 2010. Also in 2010, Daimler expanded its industrial activities with the signing of a joint venture agreement with the Chinese truck manufacturer Foton Motor to produce medium and heavy-duty trucks. Since 2009, Daimler Financial Services has offered vehicle leasing through Mercedes-Benz Auto Finance China. In addition, Daimler and BYD maintain the joint venture Shenzhen BYD Daimler New Technology Co. Ltd for the development of an electric vehicle for the Chinese market. The joint venture was officially approved in March 2011.
This document contains forward-looking statements that reflect our current views about future events. The words “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend,” “may,” “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 funding possibilities on the credit and financial markets; events of force majeure, including, amongst others, natural disasters, acts of terrorism, political unrest, industrial accidents and their effects on our sales, purchases, production or financial services activities; changes in currency exchange rates; a shift in consumer preference towards smaller, lower margin vehicles; or a possible lack of acceptance of our products or services which may limit our ability to implement prices as well as to adequately utilize our production capacities; price increases in 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 of companies in which we hold a significant equity interest, most notably EADS; 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 governmental investigations and the conclusion of pending or threatened future legal proceedings; and other risks and uncertainties, some of which we describe under the heading “Risk Report” in Daimler’s most recent Annual Report. If any of these risks and uncertainties materialize, or if the assumptions underlying any of our forward-looking statements prove incorrect, then our 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. Any forward-looking statement speaks only as of the date on which it is made.

Further Investor Relations information on Daimler is available on the Internet via http://www.daimler.com/investors and on handhelds via http://www.daimler.mobi/ir.

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