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Daimler plans expansion of Mercedes-Benz Cars production network

- **Expansion of production capacities for transmissions to safeguard the Mercedes-Benz 2020 growth strategy**
- **Transmission production in Stuttgart at full capacity, build-up of additional capacities planned at Romanian subsidiary Star Transmission**
- **More than 300 million euros to be invested**
- **Andreas Renschler: "The expansion of our production network to include an additional location for transmission assembly is designed to perfectly complement our existing capacities. Our goal here is to serve the high customer demand with even greater flexibility in the future."**

Stuttgart – The Daimler AG Board of Management has decided to expand the Mercedes-Benz Cars powertrain production network. Following approval by the Supervisory Board, additional capacities for transmission assembly are now planned to be established at the Romanian Daimler subsidiary, Star Transmission. For the production of a new generation of automatic transmissions more than 280 million euros shall be invested in Romania. Overall, the company plans investments of more than 300 million euros there.

Andreas Renschler, Member of the Daimler Board of Management for Manufacturing and Procurement Mercedes-Benz Cars and Mercedes-Benz Vans, explains: "The expansion of our production network to include an additional location for transmission assembly is designed to perfectly complement our existing capacities. Our goal here is to serve the high customer demand with even greater flexibility in the future."

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Additional capacities will be built up in view of the high capacity utilization as well as the lack of space for further expansion of transmission production in Stuttgart. "Star Transmission has been a reliable partner of our German powertrain locations for over 10 years. According to the current planning status and based on our excellent experience with Star Transmission, the preferred option for providing the additionally required assembly capacities in a flexible manner is to expand the activities there," explains Peter Schabert, Head of Powertrain Production and Head of the Mercedes-Benz Untertürkheim plant, referring to the plans for the future production network for transmissions. "Our Stuttgart transmission plant will remain the heart of transmission production for Mercedes-Benz Cars and will act as the center of competence in this production network."

Wolfgang Nieke, Chairman of the Works Council for the Mercedes-Benz Untertürkheim plant and Passenger Car Development: "The plant management and works council agreed two years ago, to set up the production of the new automatic transmission and an assembly module at the Stuttgart-Hedelfingen location. The Board of Management thus reaffirmed its commitment to the in-house production of our transmissions. The second assembly module in Sebes will be supplied from our production location. The increased demand for transmissions ensures the long-term capacity utilization of our transmission production at the Stuttgart-Hedelfingen location."

In order to transfer the Swabian expertise appropriately the Romanian employees will undergo a special qualification program. They spend several months at the Untertürkheim parent plant in quality, maintenance and logistics teams in addition to the production areas.

Daimler subsidiary Star Transmission was founded in 2001. At the moment, the company and the roughly 800 employees at the Cugir location produce components for current Mercedes-Benz car engines and transmissions as well as older generations of transmissions for the spare parts business. The decision has already been made to start production of the 5-speed automatic transmission from the middle of this year at the new location in Sebes until its discontinuation. Starting in 2014, the current generation of front dual clutch transmissions will also be assembled there. This will thus provide additional assembly capacities to complement Stuttgart, where the assembly has been concentrated to date. Subject to the support of the Romanian government for the expansion of the production capacities, it is planned that a new generation of automatic transmissions for cars will also be produced in the new production network involving the locations in Stuttgart (full production including assembly) and Sebes (assembly only) starting in 2016.

The reason for these plans is the expected, continually increasing demand for transmissions in line with the Mercedes-Benz 2020 growth strategy. The Stuttgart-Hedelfingen transmission plant, which is part of the Untertürkheim parent plant from an organizational perspective, is today already at full capacity. All available space has gradually been developed in recent years so that the site – due to its special geographical location in the upper Stuttgart Neckar Valley – has reached its maximum possible expansion level and no meaningful options for further expansion of the facilities exist there.

At the same time, any type of capacity expansion at Mercedes-Benz Cars should also contribute decisively to increased profitability in light of the fierce global competition in the premium segment. This premise naturally also applies for transmissions, which are produced in-house in contrast to the approach preferred by the competition. Overall, the future production network for transmissions is designed to ensure that the required unit figures can – even in the future – be provided in a reliable and extremely flexible manner in line with customer expectations while fulfilling the set cost targets.

About the Mercedes-Benz Cars powertrain production network

The Mercedes-Benz Cars powertrain production network consists of several locations in Germany and is being complemented by international production plants in close connection with the increasing production of Mercedes-Benz vehicles in close proximity to markets and customers. The central location here is the Mercedes-Benz Untertürkheim plant, which produces engines, transmissions and axles in a total of six plant sections. In the past fiscal year, Daimler has invested over 900 million euros here alone in the expansion and conversion of the powertrain plant sections as well as in the startup of new products and production technologies and, as a result of high customer demand, has been able to create 350 new jobs. The company is investing more than 800 million euros at the location in 2013.

The Mercedes-Benz Berlin plant produces engines and powertrain components, while the Mercedes-Benz Hamburg plant is responsible for the production of axles and various additional components. Our subsidiary MDC Power in Köllda/Thuringia is another important engine production location; it recently received the prestigious "Factory of the Year" award. When it comes to the international locations, the Romanian subsidiary Star Transmission is responsible for the production of engine and transmission components as well as replacement transmissions. Starting this year, the Beijing

production location (BBAC – a joint venture between Daimler and the Chinese partner BAIC) in China will start engine production in order to supply local production of Mercedes-Benz cars and vans. Starting in 2014 in the USA, Daimler and Nissan will – as part of the strategic cooperation between Daimler and the Renault-Nissan Alliance – start the joint production of 4-cylinder gasoline engines based on Mercedes-Benz technology at the Nissan plant in Decherd/Tennessee. One of the main customers for these engines will be the future C-Class production at the Mercedes-Benz plant in Tuscaloosa/Alabama.

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 worsening of the sovereign-debt crisis in the euro zone; a deterioration of our funding possibilities on the credit and financial markets; events of force majeure including natural disasters, acts of terrorism, political unrest, industrial accidents and their effects on our sales, purchasing, 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 limits our ability to achieve 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; 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.

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