



Mercedes-Benz



## Importance of China for Mercedes-Benz Passenger Cars

Merrill Lynch, 17 May 2011

**Klaus Maier**

President and CEO of Mercedes-Benz (China) Ltd.





## Agenda

- 1 Mercedes-Benz Growth in China 2006-2011
- 2 Today's Importance of China from a Global Perspective
- 3 Major Drivers for Future Growth
- 4 Future Importance of China from a Global Perspective



## Agenda

1

**Mercedes-Benz Growth in China 2006-2011**

2

Today's Importance of China from a Global Perspective

3

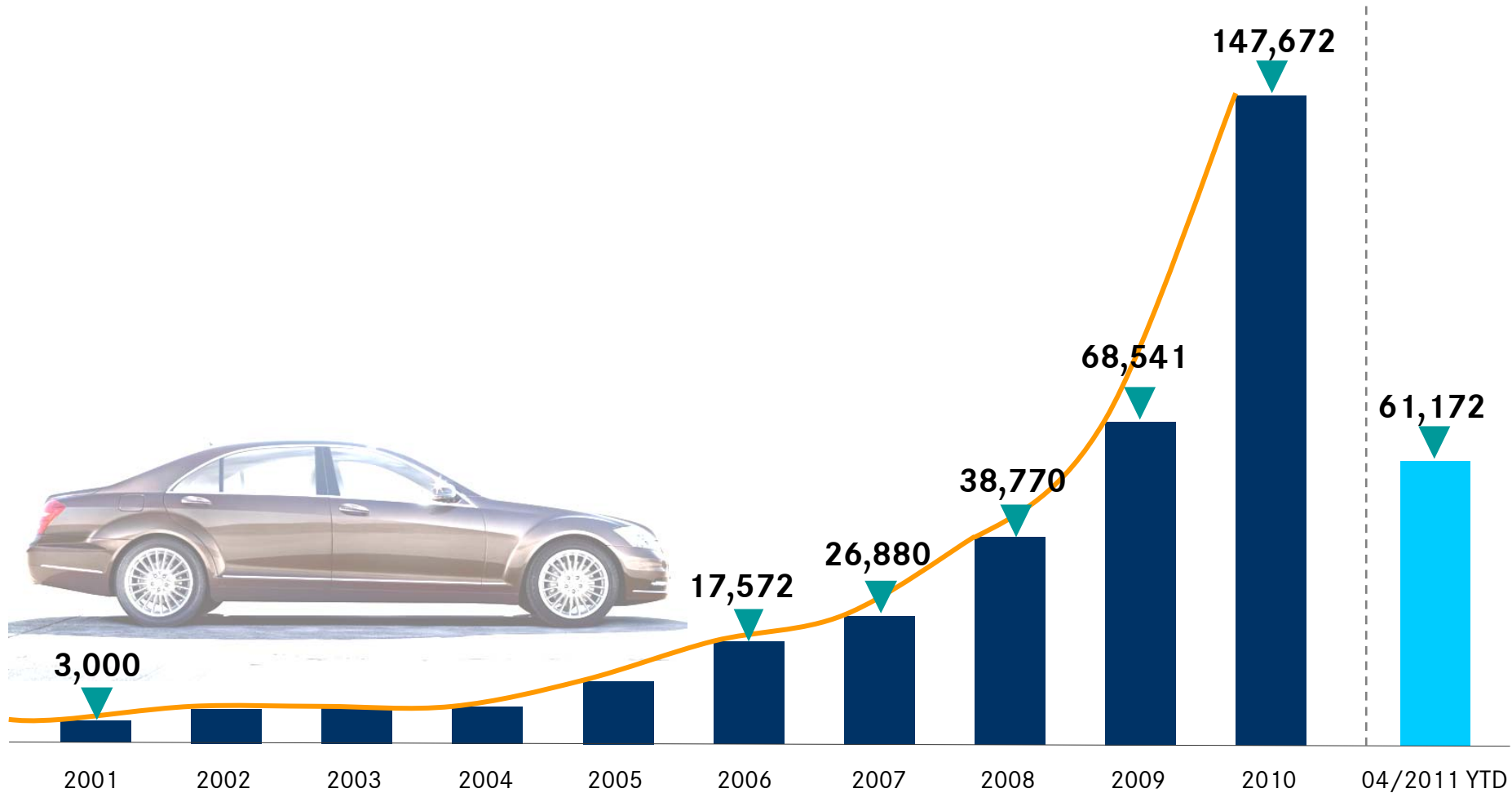
Major Drivers for Future Growth

4

Future Importance of China from a Global Perspective



## Development of Mercedes-Benz Passenger Cars (incl. smart) Retail Sales in China

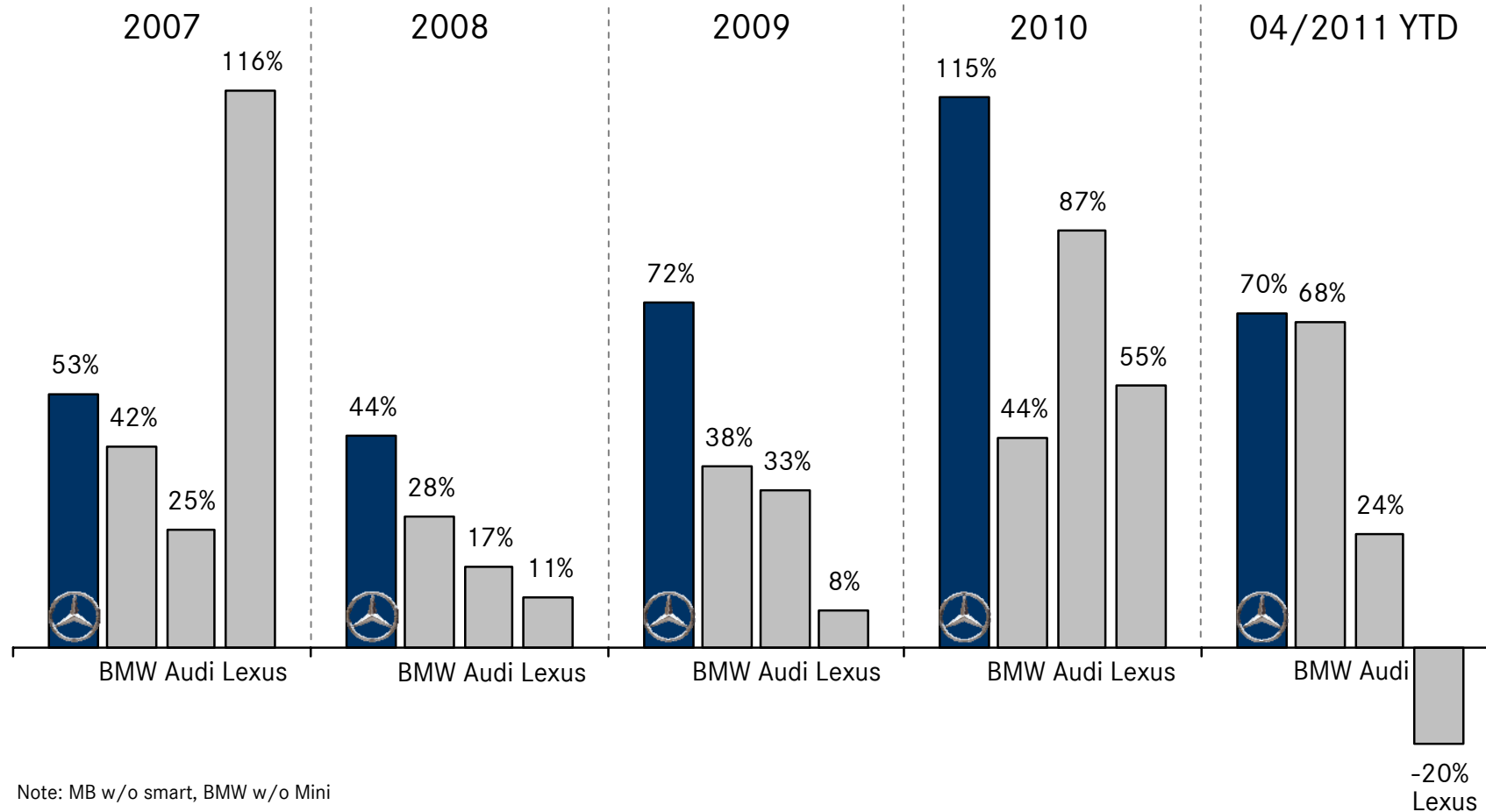


Source: MBCL Report



Mercedes-Benz has been the fastest growing luxury manufacturer in the past consecutive years

Retail Sales 2006-2010

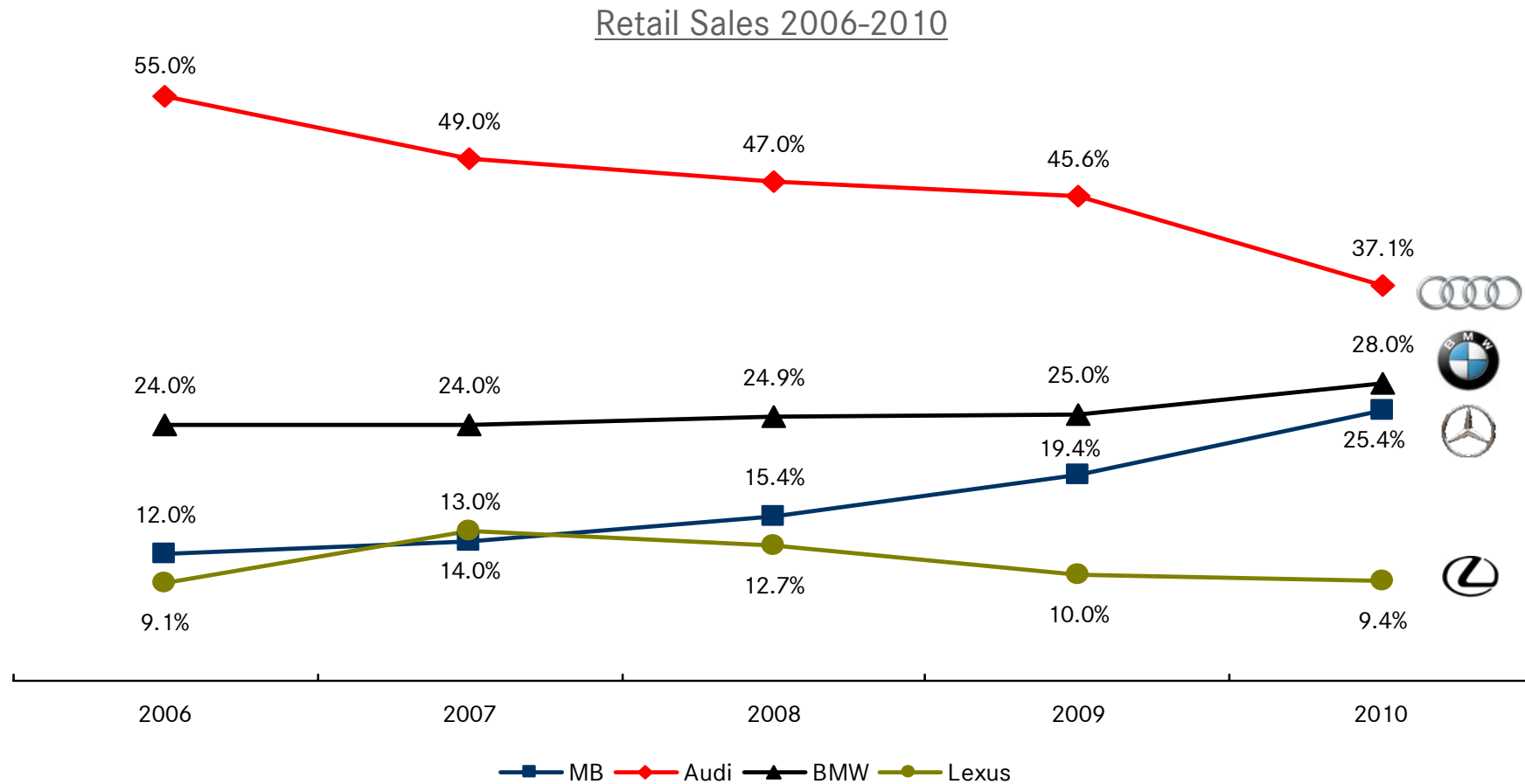


Note: MB w/o smart, BMW w/o Mini

Source: MBCL Report



Mercedes-Benz significantly increased market share from 2006 to 2010 in luxury car segment\*

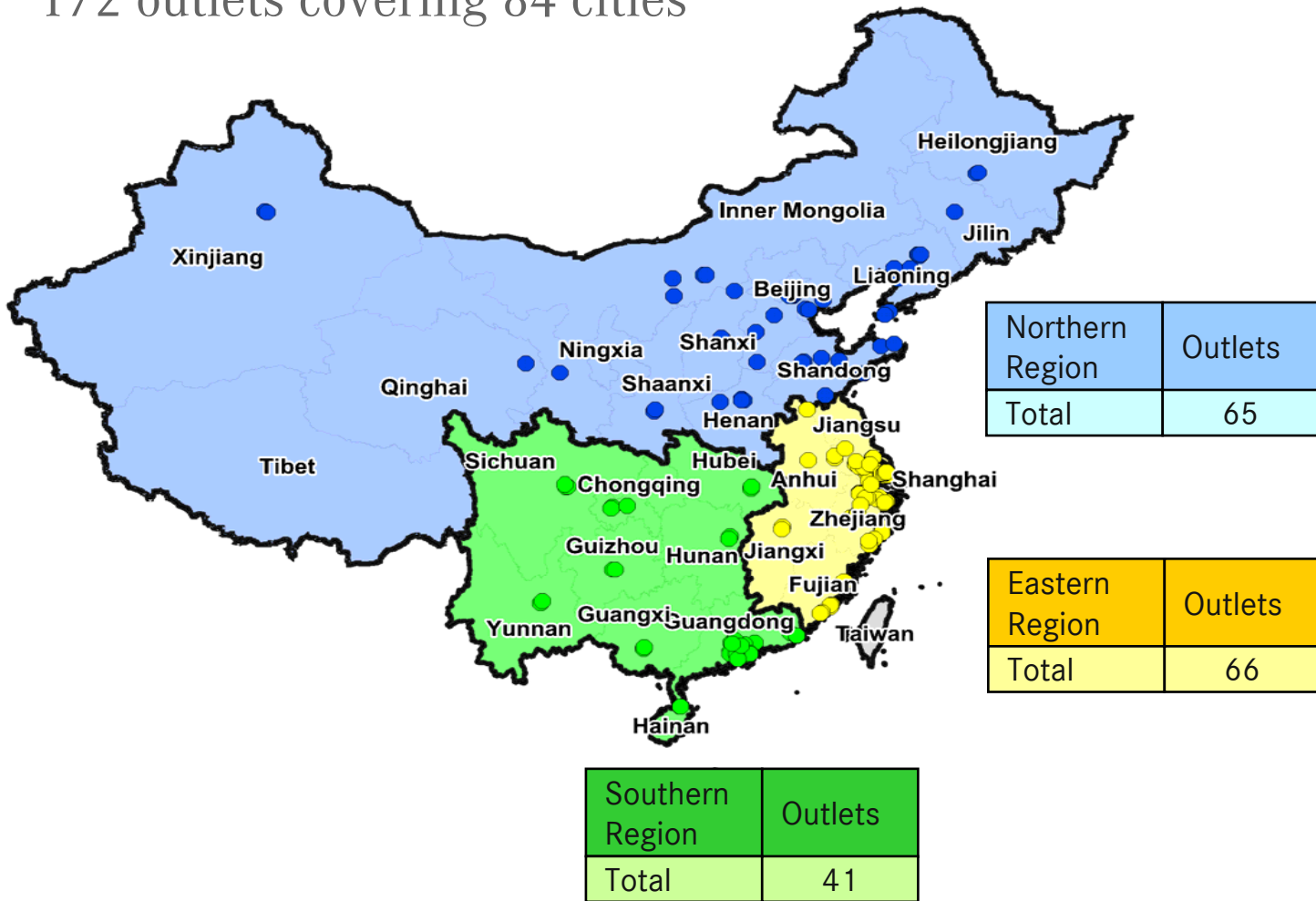


\*Luxury car segment: MB w/o smart, BMW w/o Mini, Audi, Lexus

Source: MBCL Report



The Mercedes-Benz Passenger Car retail network in China comprises of 172 outlets covering 84 cities

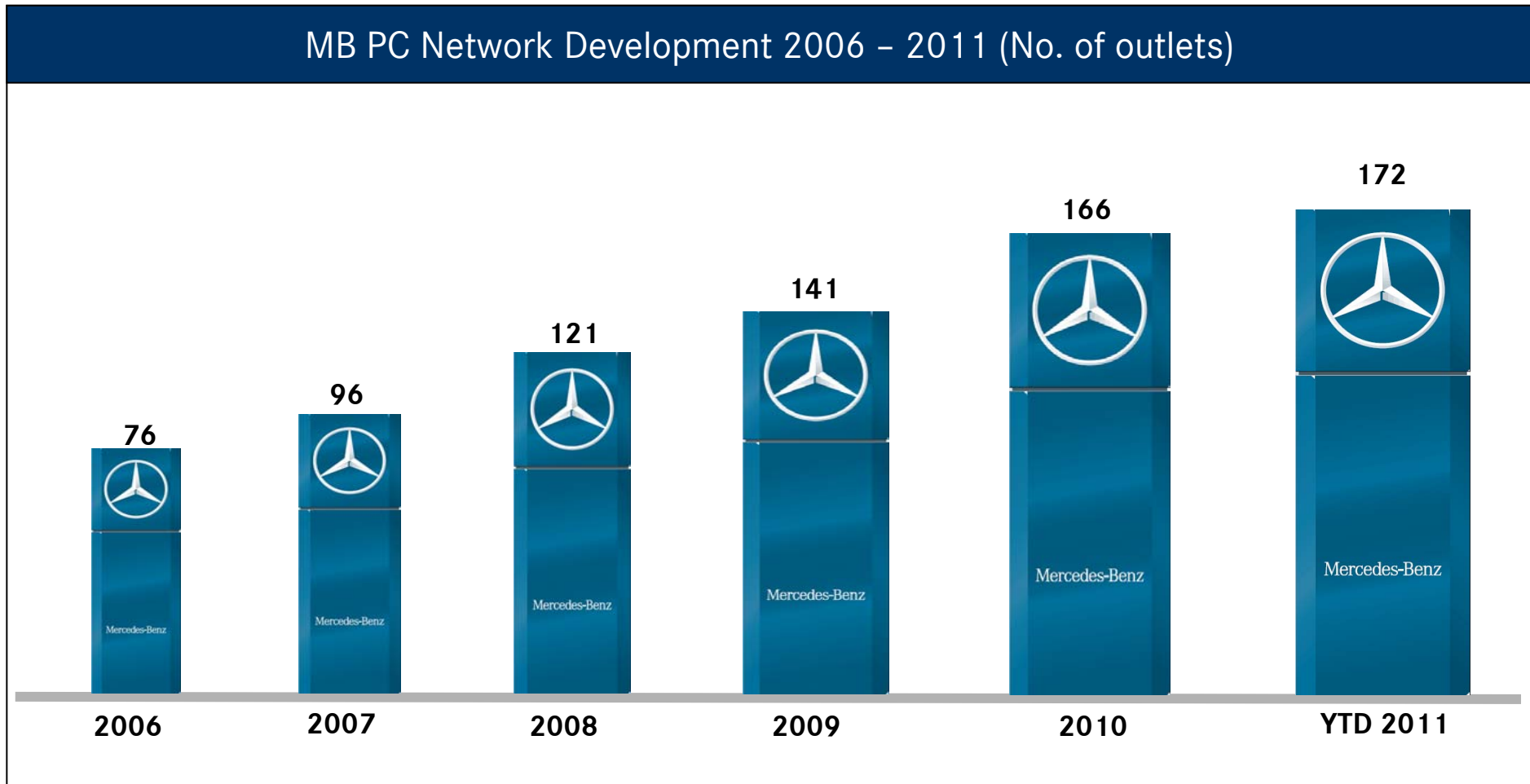


Status: April 2011



MB retail network will continue its fast expansion to support the strong sales growth

MB PC Network Development 2006 – 2011 (No. of outlets)



Status: April 2011





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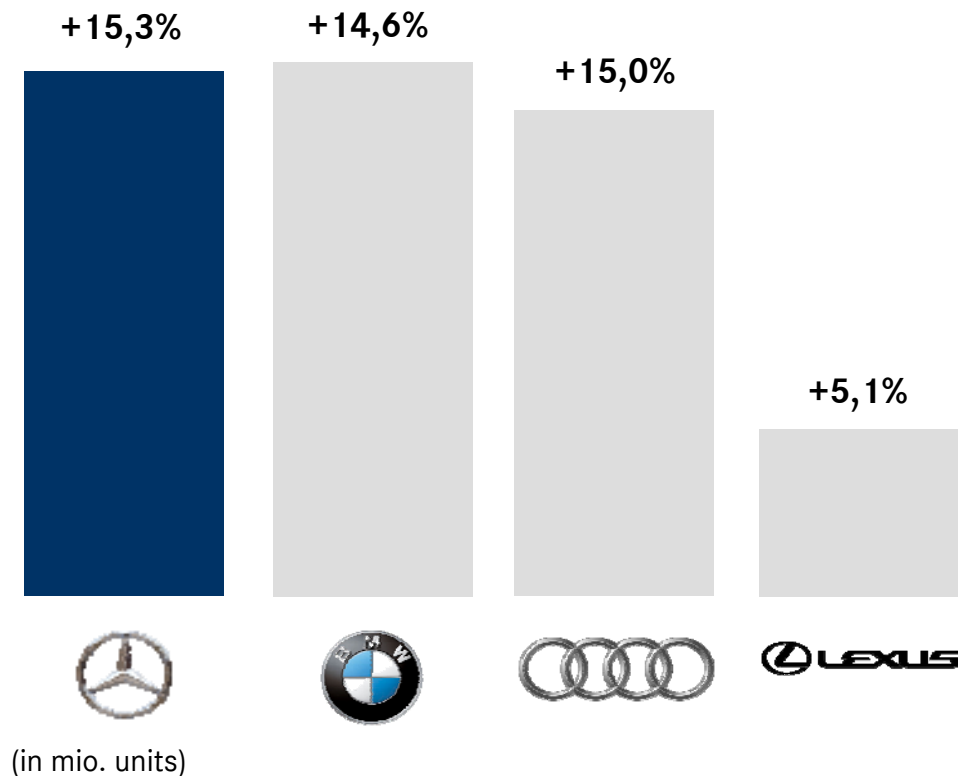


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Mercedes-Benz was globally the premium brand with the highest growth rate in 2010

### MB Retail Growth Rate 2010 (w/o smart)

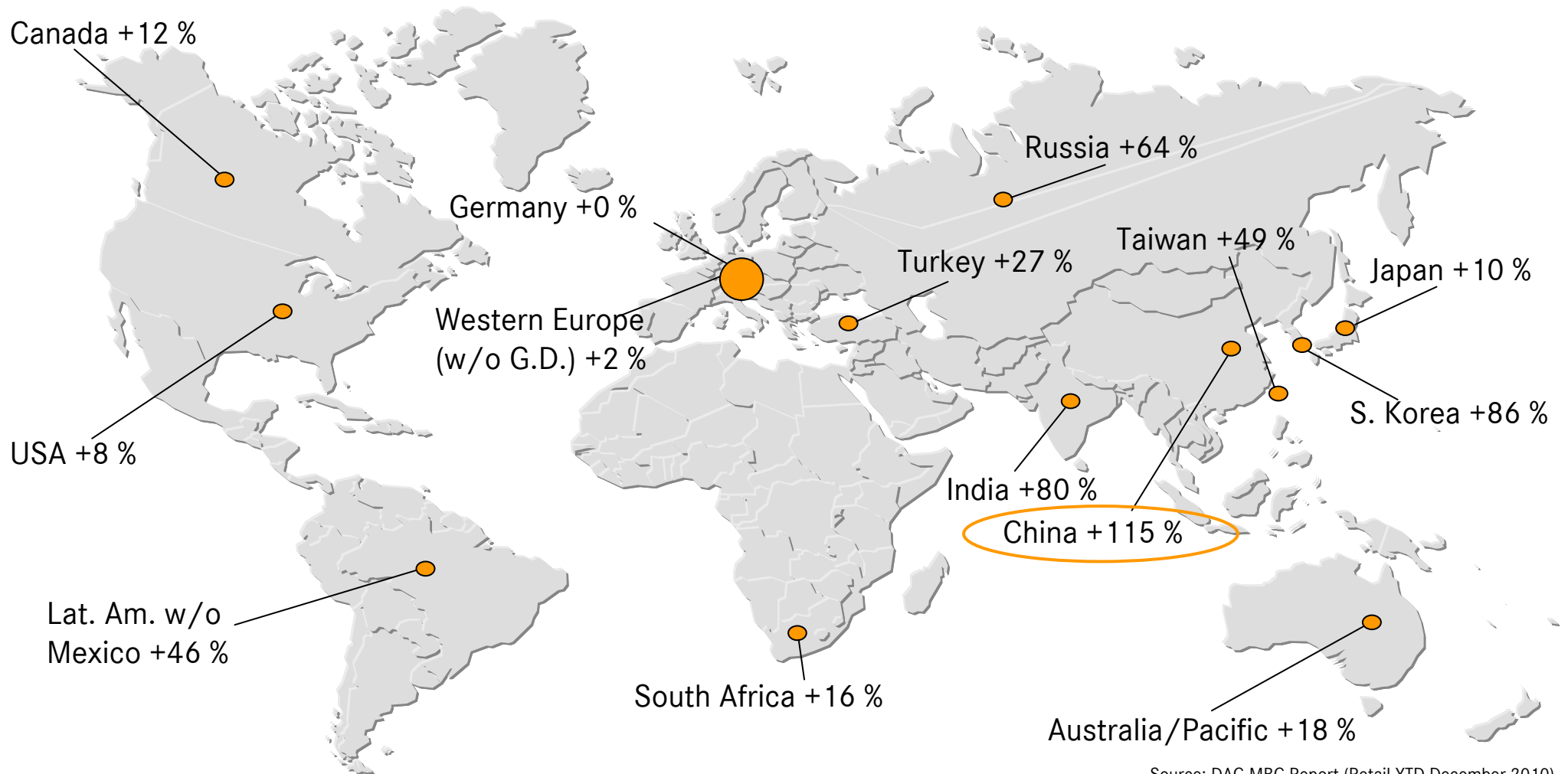
- In comparison to PY -



Source: DAG MBC Report (Retail YTD December 2010)



Among all other countries Mercedes-Benz Passenger Cars in China acquired the highest volume growth rate in 2010



Source: DAG MBC Report (Retail YTD December 2010)



Within 10 years Retail Sales of MB China (w/o smart) has leapfrogged in the worldwide Country Ranking & expanded its global share from 0,3% to 12,3%

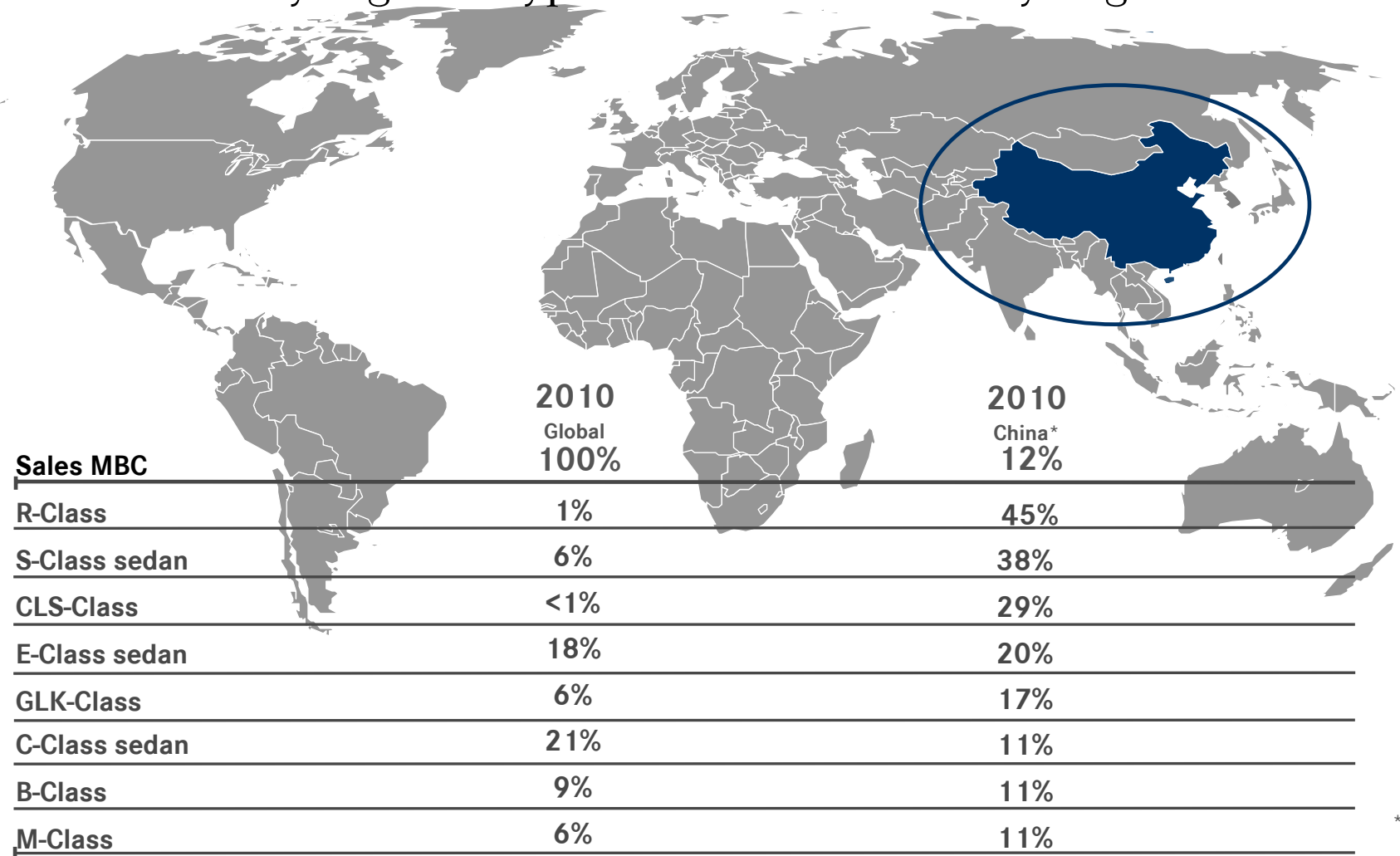
| Rank 2010 | Country      | MBC Retail 2010 w/o smart (total 1.167.700) | %-share of total sales 2010 | %-share of total sales 2000 | Rank 2000 |
|-----------|--------------|---|-----------------------------|-----------------------------|-----------|
| 1         | Germany      | 265.000                                     | 22,7                        | 37,1                        | 1         |
| 2         | USA          | 216.400                                     | 18,5                        | 19,4                        | 2         |
| 3         | China        | 143.800                                     | 12,3                        | 0,3                         | 22        |
| 4         | UK           | 74.000                                      | 6,3                         | 6,2                         | 3         |
| 5         | DCAA*        | 62.200                                      | 5,3                         | 3,3                         | 7         |
| 6         | Italy        | 53.000                                      | 4,5                         | 5,9                         | 4         |
| 7         | France       | 46.400                                      | 4,0                         | 4,5                         | 5         |
| 8         | Japan        | 30.300                                      | 2,6                         | 4,0                         | 6         |
| 9         | Canada       | 28.100                                      | 2,4                         | 1,2                         | 13        |
| 10        | Spain        | 27.000                                      | 2,3                         | 2,2                         | 8         |
|           | <u>Total</u> | 946.200                                     | 80,9                        | 84,2                        |           |

\* DCAA contains Africa w/o South Africa, partly Eastern Europe, former Soviet Union w/o Russia, South-East Asia

Source: DAG MBC Report (Retail YTD December 2010)



China accounts for 12% of the MBC sales worldwide with market leading positions for many segment types and a clear tendency to grow in others



\* rounded MB retail sales



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**Major Drivers for Future Growth**

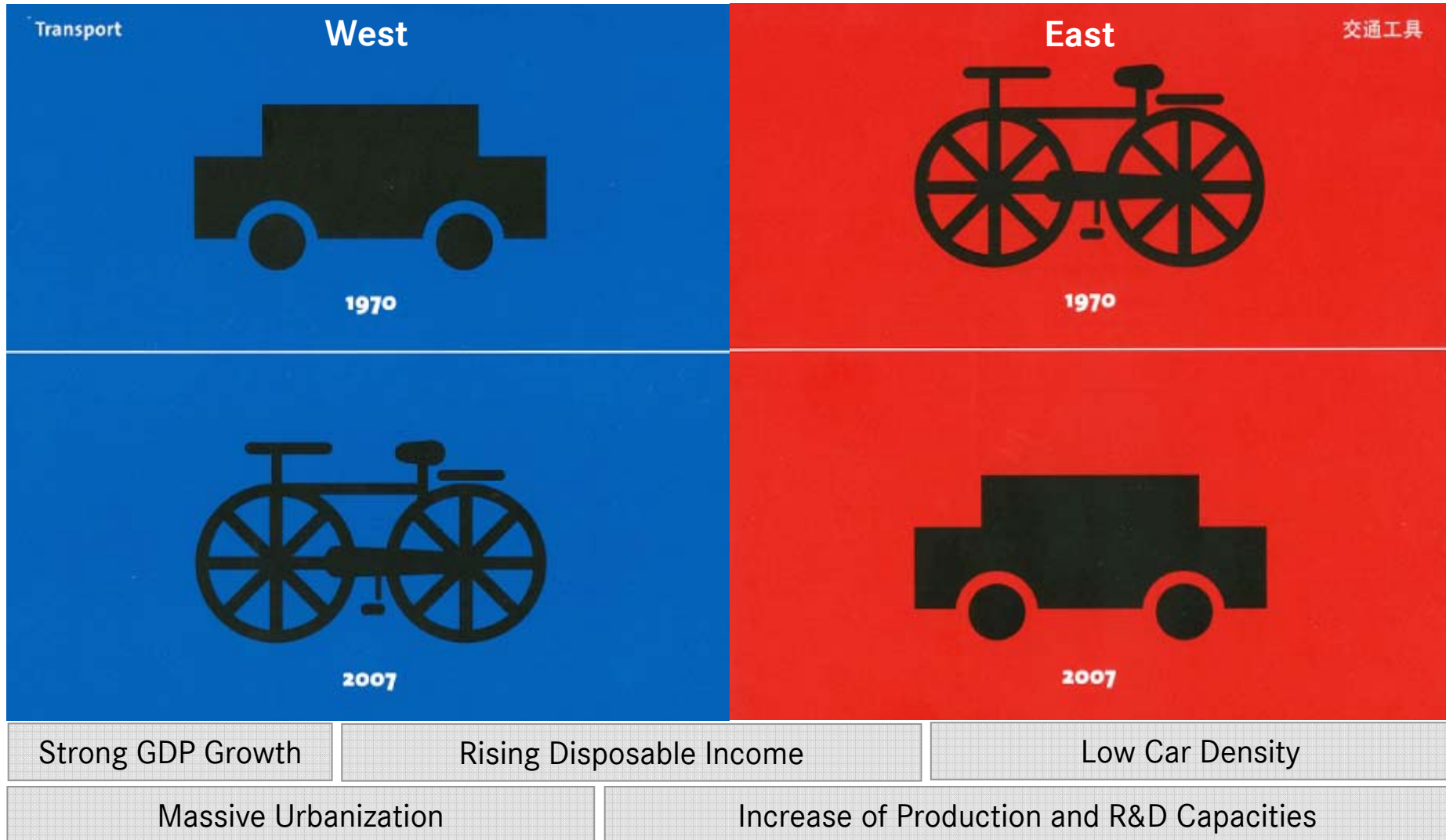
4

Future Importance of China from a Global Perspective



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## Major Drivers for Passenger Car Market Development in China

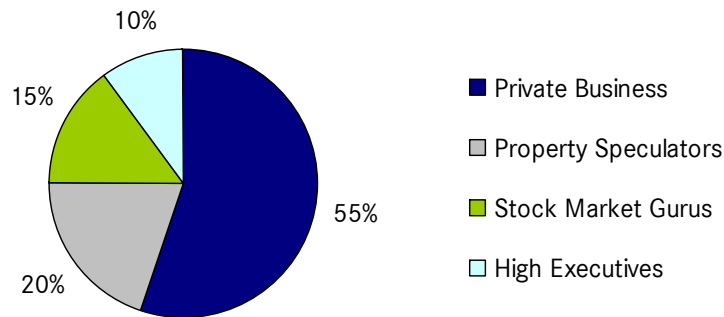


Source:  
Liu Yang,  
*East meets  
West*



New luxury car customers will continue to be introduced into the market for years to come as the number of affluent households in China increases steadily

Source of Wealth



Chinese Millionaire – A General Profile



...is 39 yrs old

...full 15 yrs younger than their Western counterparts

...30% are female

**No. 1**

China is expected to become the largest market for luxury goods in the next years

**960,000**

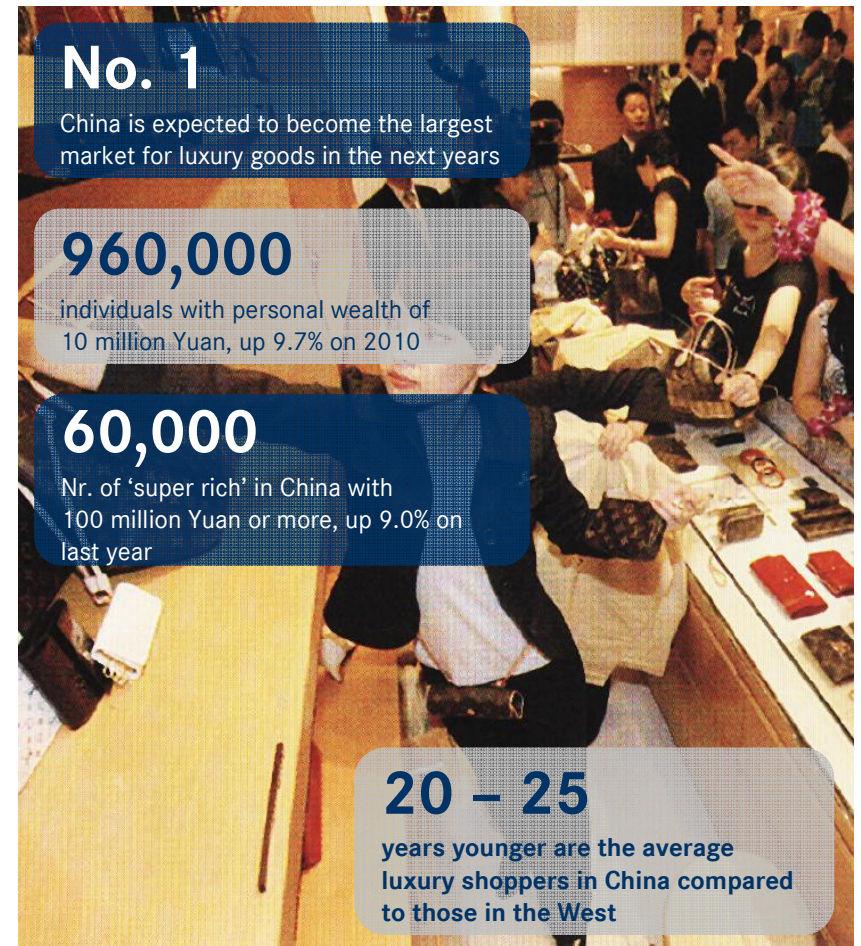
individuals with personal wealth of 10 million Yuan, up 9.7% on 2010

**60,000**

Nr. of 'super rich' in China with 100 million Yuan or more, up 9.0% on last year

**20 – 25**

years younger are the average luxury shoppers in China compared to those in the West



Source: The GroupM Knowledge - Hurun Wealth Report 2011, chinadaily.com





# Chinese consumers demand is becoming more diversified for cars

Before early 90s

Mid 90s – early 00s

Mid 00s till now & Future Outlook



1983 – first Santana available for mass market.

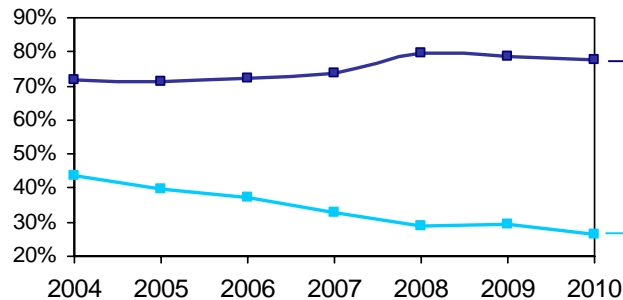


Birth of the **1st breed of successful entrepreneurs who bought their first cars for business purposes (business sedans)**

- Concept of “**Private Car**” emerges
- **Diversified consumer needs** for mobility & cars alongside the development of overall car market



*Chinese luxury car consumers' attitude on cars*



Consumers perception of **treating cars more than just mean of transport**, is rising.

Importance of using car as a **symbol of reflecting social status and wealth** is reducing throughout the years.

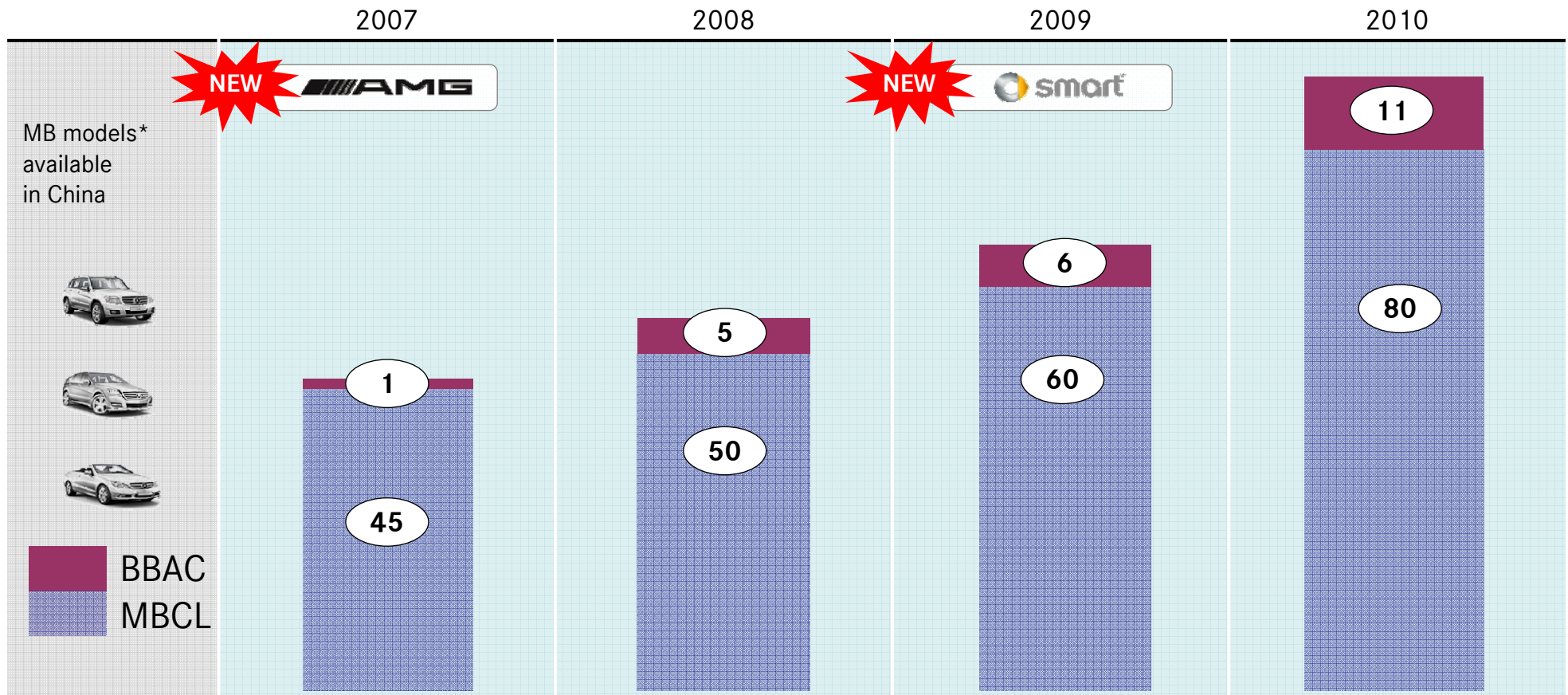
*Lead to a more diversified consumer needs on mobility*

Source: MBCL consumer Insight Report



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Mercedes-Benz product portfolio has been expanded massively with a rich model mix available for the Chinese consumers. In addition we also introduced AMG cars and smart in China



\* MBCL+BBAC (MB PC + smart + Maybach), incl. Special Editions, Trim Lines

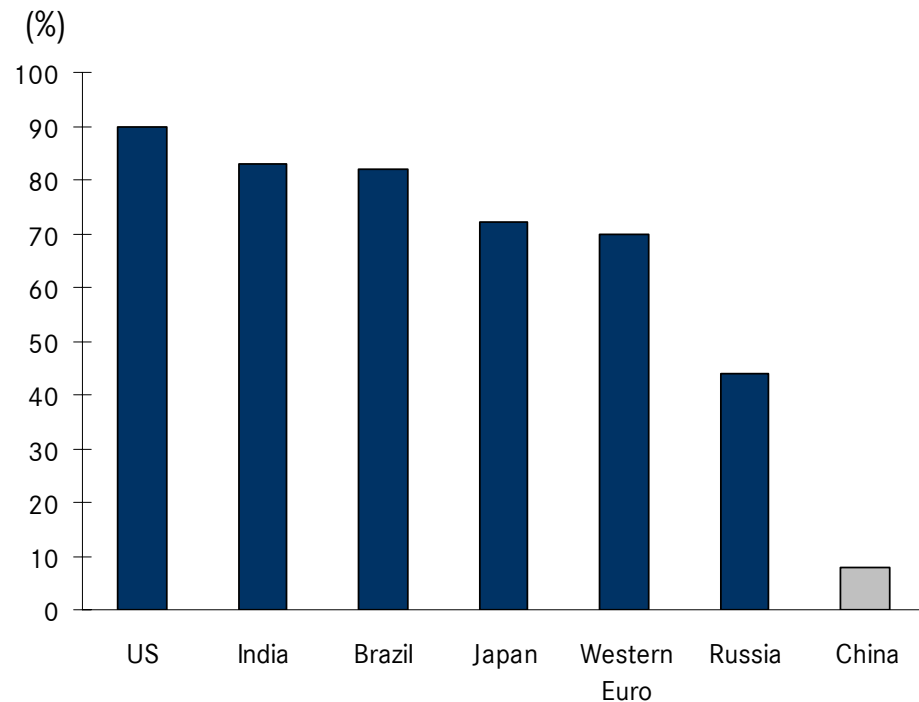
02/2011

Source: MBCL Product Management



Auto financing in China is taking off with more and more customers leverage loan to buy cars. This should boost auto demand over the long term

Auto Finance Penetration Rate (by country)



Source: Nomura research, 2009



**No. 1**

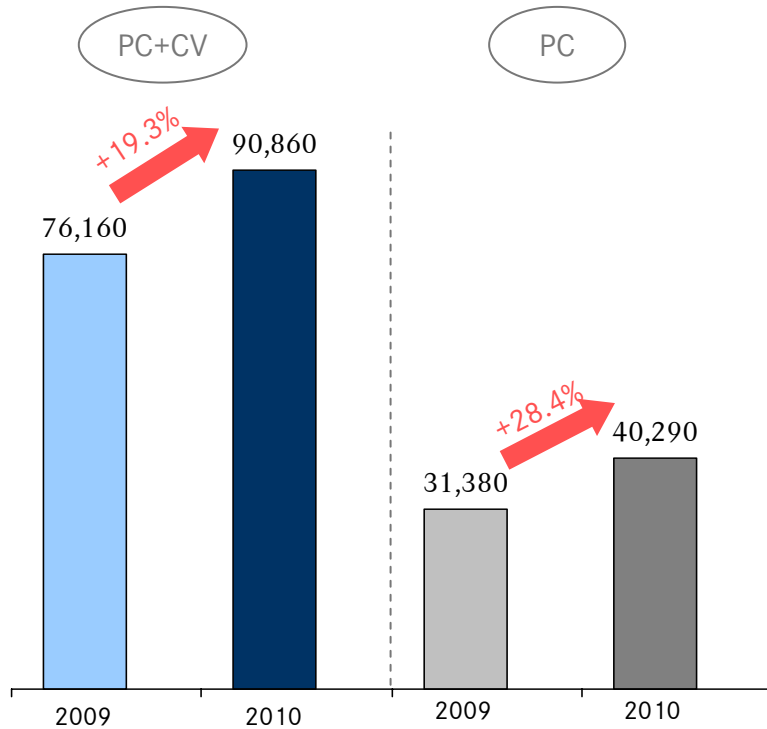
MBAFC is the first-comer in China providing auto financing for PC in luxury segment since 2005. We have the highest penetration rate among the luxury competitors.



As the car market is maturing, the fast growing vehicle parc will lead to prosperity in the Chinese After-Sales market

### Vehicle Parc 2009-2010

(Thousand Units)



Source: China Statistics Bureau 2010, china.com.cn

**61%**  
of the vehicle parc will be over 3 years old in 2015, generating the highest After-Sales revenue

**150 Million**  
total vehicle parc forecast in 2015, leading to a huge After-Sales market potential

**80 Billion RMB**  
After-Sales Market Potential in 2015

**Let's Embrace the Future !**



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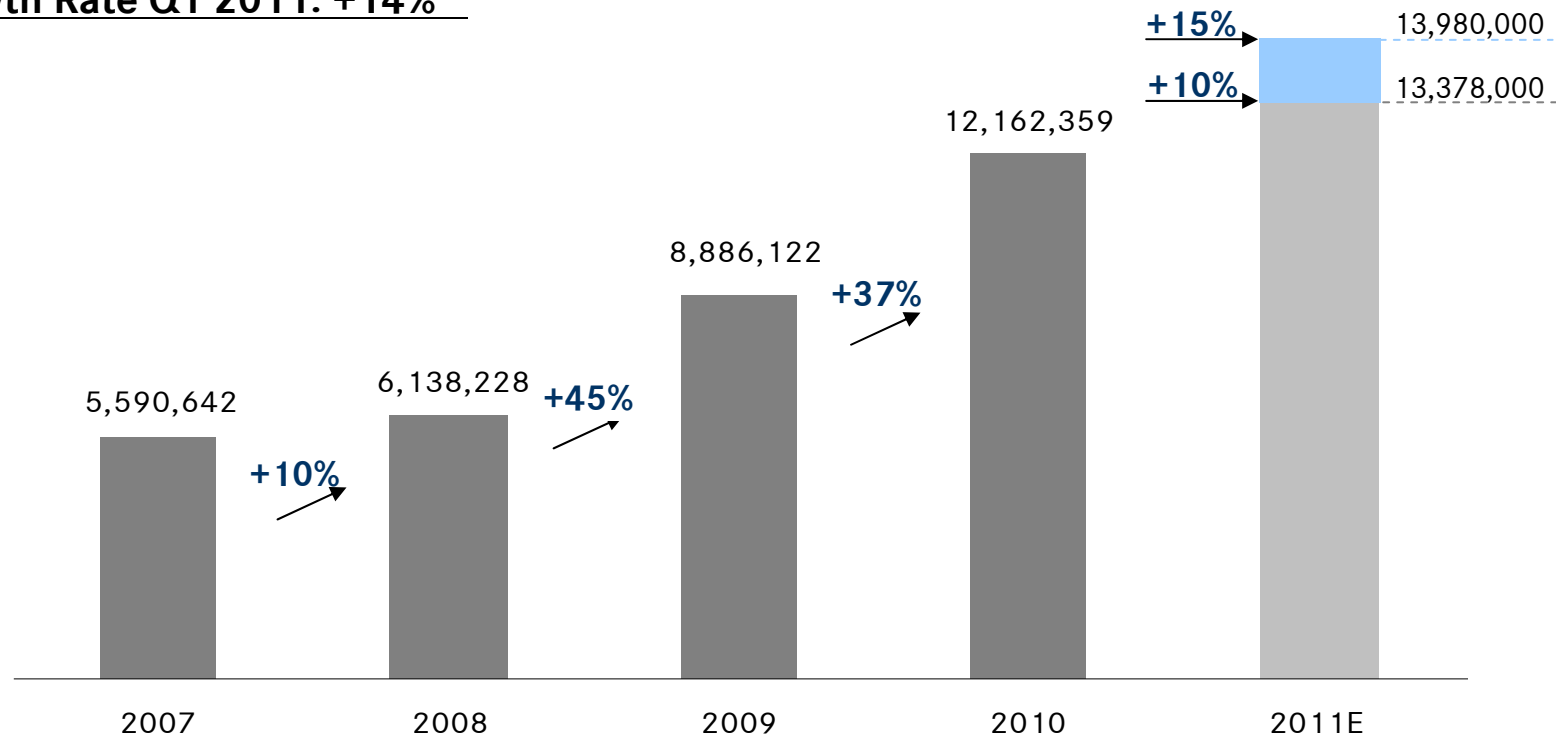
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**Future Importance of China from a Global Perspective**



## China Passenger Car Market will increase between 10%-15% in 2011

### Growth Rate Q1 2011: +14% \*

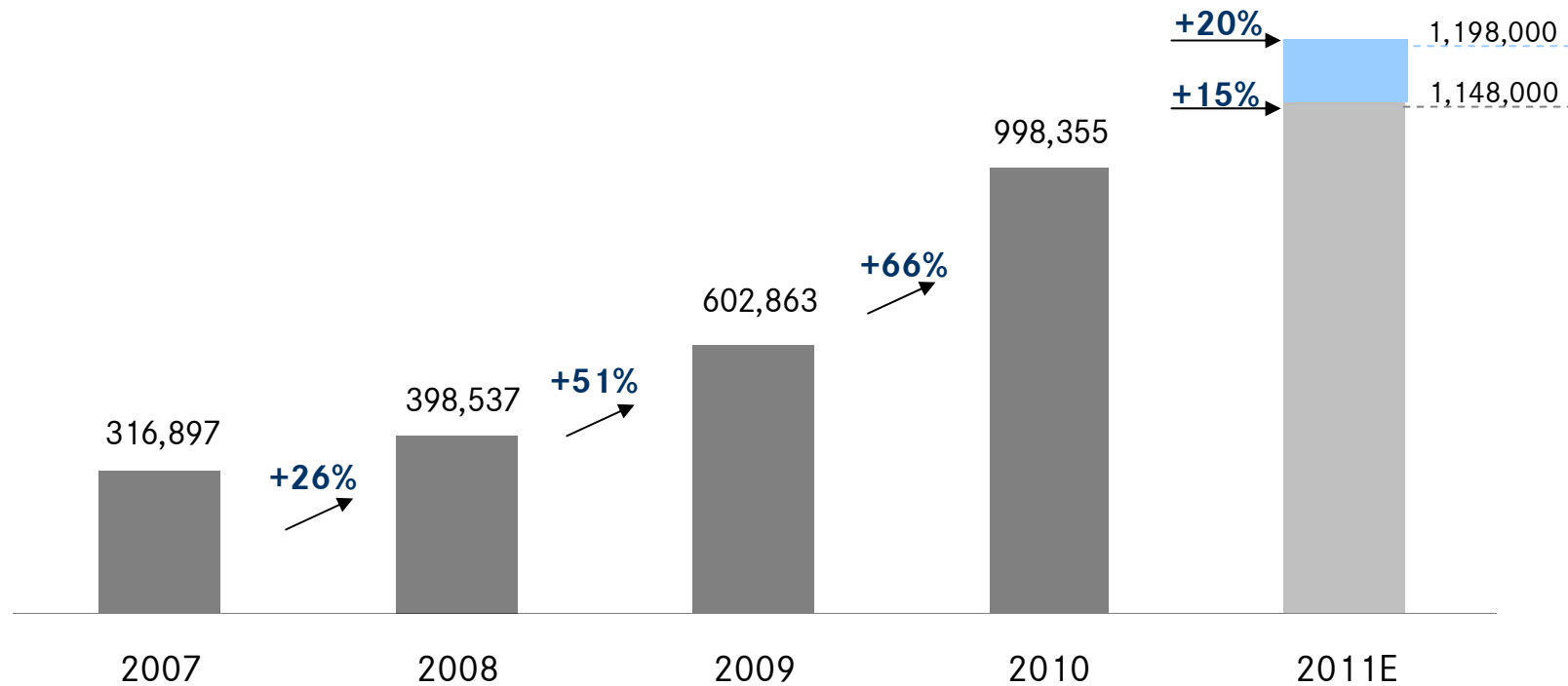


Source: Historical data - China Automotive Industry Newsletter (CAAM), 2007-2010 Sales = Domestic wholesales + Export + Import + Pick up  
Forecast 2011 - MBCL S&M internal analysis (Sales Planning Department)



## Luxury Car Market in China will grow faster than PV Market

**Growth Rate Q1 2011: +30% \***



Source: Historical data - China Automotive Industry Newsletter (CAAM), 2007-2010 Sales = Domestic wholesales + Export + Import

Forecast 2011 - MBCL S&M internal analysis (Sales Planning Department)

Note: Definition of Luxury Car Market (MBC Addressable Market) in line with DAG Segmentation OP11-12

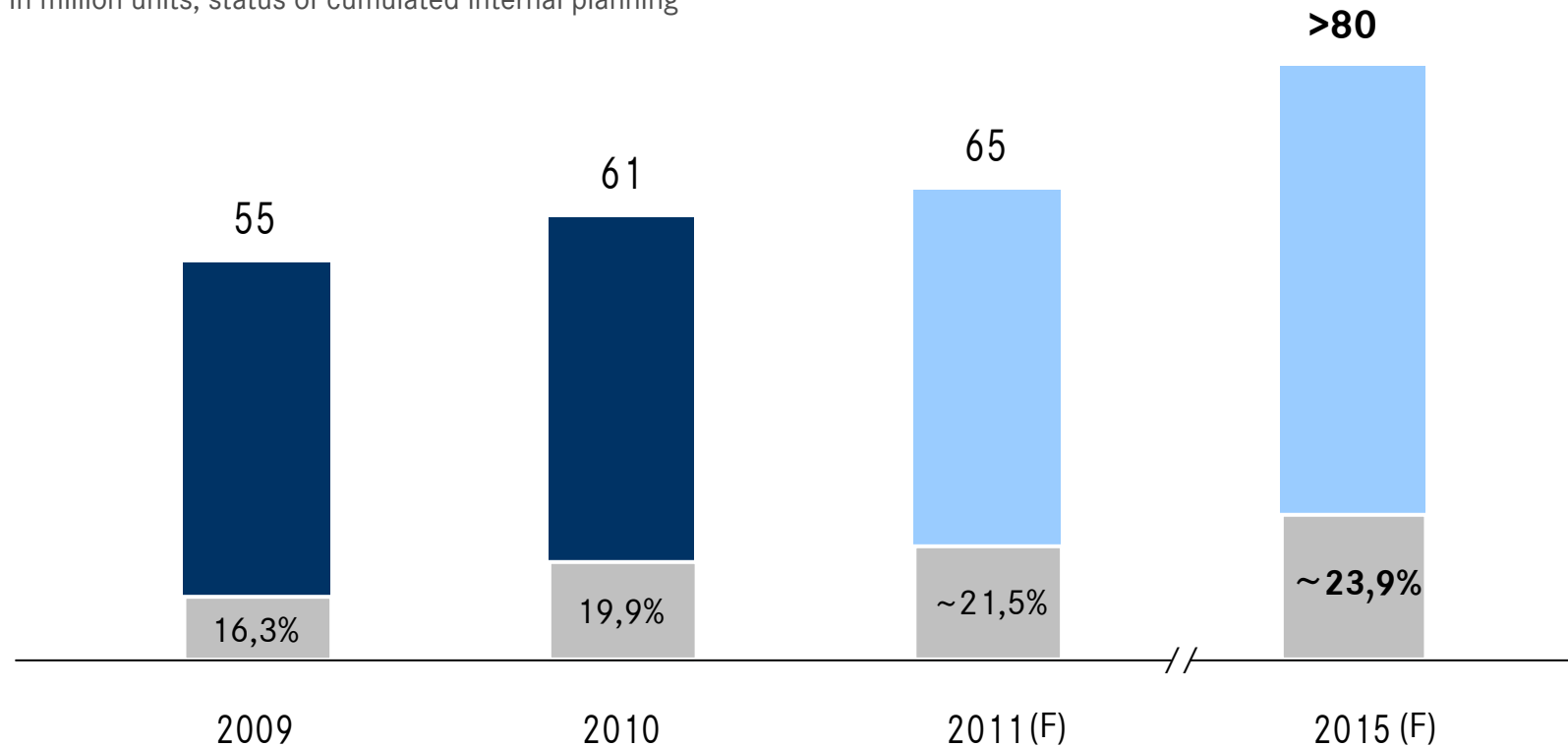


## Like other regions, China is one of the drivers for the total car market growth until 2015

World: total market volumes

In million units, status of cumulated internal planning

■ China's Share of Total Market



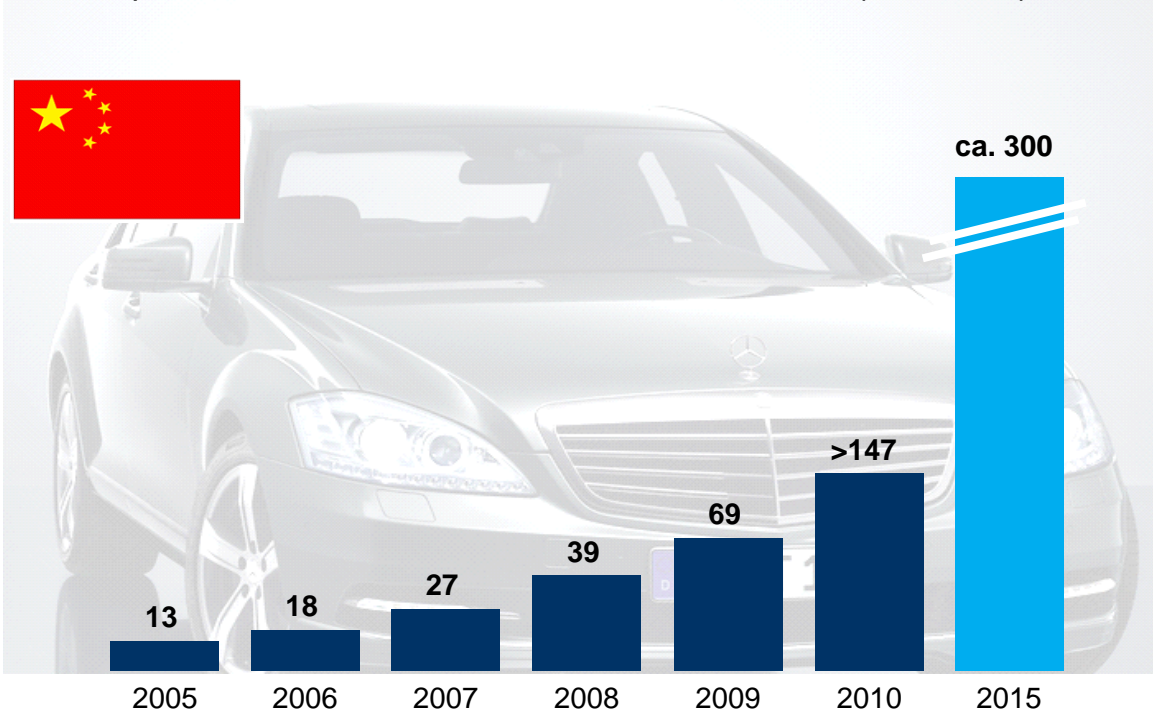
Source: Economic & Market Intelligence (S/EM)





## Moving forward to reach our ambitious target

### Development of Mercedes-Benz Cars retail sales (w/smart) in China



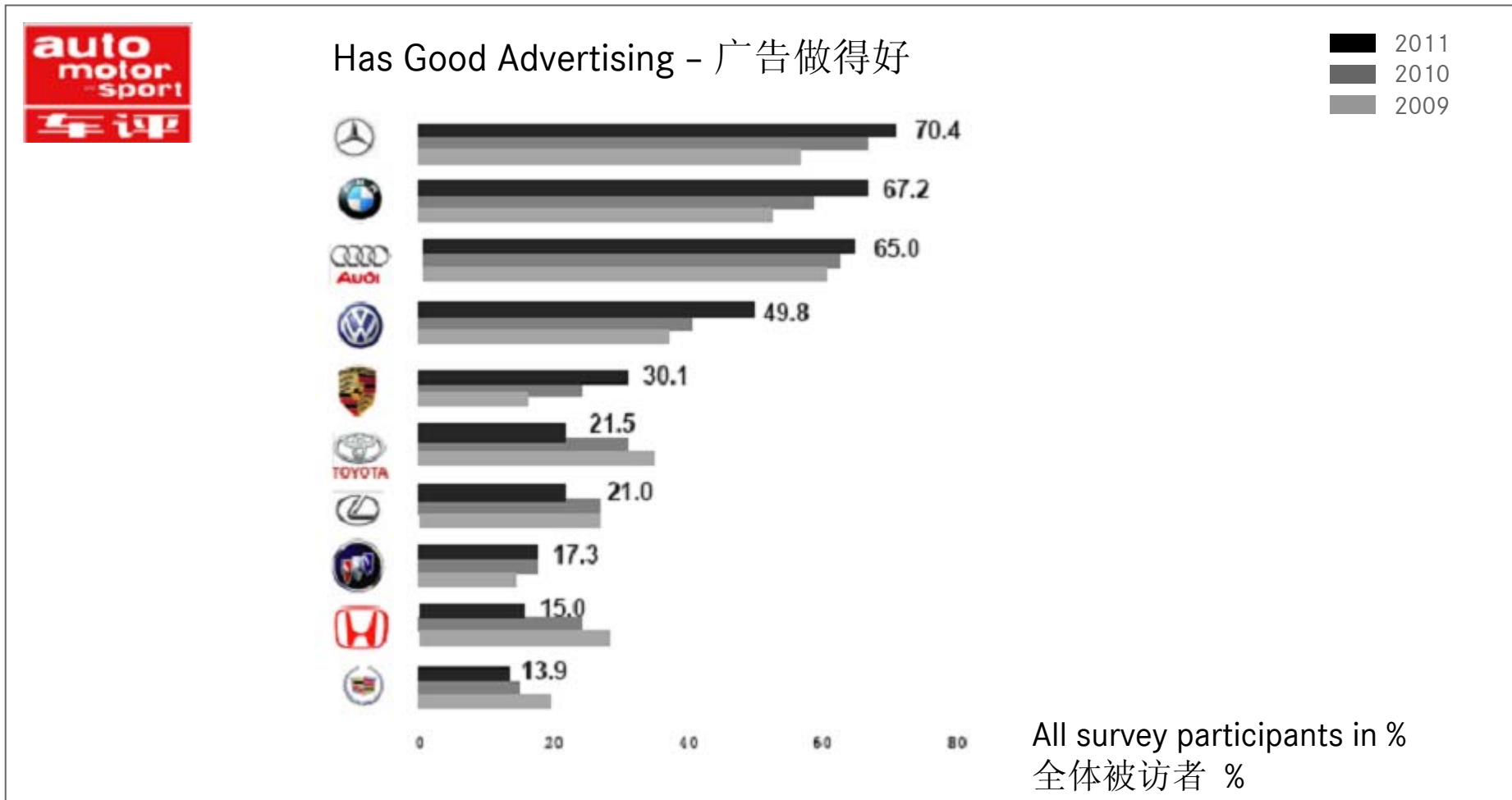
Mercedes-Benz Cars sales in China  
[‘000 units]

### Key Success Factors:

- 1 “Leading premium automotive brand” positioning
- 2 Localization of products
- 3 Dealer Network Expansion
- 4 Highest customer satisfaction
- 5 Leading Corporate Social Responsibility programs
- 6 Local talent development



# Readers of “auto motor sport” in China ranked MB No.1 in Advertisement





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Four principles are the framework for the all brand communication activities of Mercedes-Benz in China

### Driven by emotion



### Appeal to the young



### Fully integrated



### Innovative formats





Fully explore the existing MB platforms and utilize the exclusive & premium opportunity to create ‘money-cannot-buy’ experiences for customers





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Thank you for your attention!  
Your questions?