



Joint Press Conference: Renault-Nissan Alliance and Daimler AG - 14.09.11

CHAIR:

Ladies, gentlemen, dear colleagues, welcome to the joint press talk of Renault-Nissan Alliance and Daimler AG. It is really great to have you all here. When Daimler and Renault-Nissan announced their strategic co-operation in April last year in Brussels we promised to keep you informed about the progress of our co-operation. Last time we met in Brussels for this purpose and now, one and a half years later, it is at the IAA and Frankfurt.

In the next minute, Dieter Zetsche, Chairman of the Board of Management of Daimler AG and Carlos Ghosn, Chairman of the Board of Management and CEO of Renault-Nissan, will give you an update on the projects of the co-operation and outline the perspective for future co-operation areas. Afterwards my colleague, Rachel Konrad, Director of Communications of the Alliance, will open the Q&A session. Before we get started I would like to extend a warm welcome to Jacques Verdonck and Leopold Miculik, co-ordinators of the co-operation as well as all other colleagues from the Alliance and Daimler who have joined us today.

And now it is your turn Dieter.

DIETER ZETSCHE:

Thank you, good afternoon. Yes, one minute, it's good afternoon to all of you, we're very glad that you are joining us here for an update on our partnership. There have been quite a number of Franco-German press conferences lately, their common theme was euro safety nets and debt crisis and what have you. It was mostly about crises and that's where Carlos and I take even more pleasure to invite you to a Franco-German press conference where it's about the opposite of crisis, it's about a great partnership which has developed in the last almost two years between Renault and Nissan on the one hand and Daimler on the other hand.

So why is this co-operation so important to us? When you spend some time at this motor show you see what's going on. We have a tremendous move in this industry, there's a full hall of electric cars and all of us have them on our sense. The fuel consumption goes every month to the next lower limits, there are bits and bytes, almost a world of themselves. Probably we haven't seen so much change in our industry in decades as we have to face right now and obviously this transformation of our industry represents both on the one hand quite a challenge but at the same time, of course, a tremendous opportunity. If you change faster and in the better direction than your competition, you'll be ahead for quite some time and vice versa, obviously your perspectives are pretty bleak.

Now the good thing is that here sitting are the heads of two companies or an alliance in the case of Carlos, who are strong, who can face this challenge and this opportunity on their own with a very good perspective but the even better thing is, by doing it in certain areas together, you are even stronger. So it's not a desperate need which you would have for each other but is a great incremental opportunity this partnership presents to us. Obviously what can we do together? We can pool know-how in certain areas, we can accelerate the access to new markets, depending who is stronger in one market than another, and we can reduce the cost on RD and on production by joining forces in certain areas. Last but not least of course we can taste great French wine, sometimes a glass of beer and even Japanese sake together.

Seriously, the partnership has developed at least significantly beyond my expectation when we established it a relatively short time ago and we even share press conferences now. Let me become a little bit more specific, and then I'll hand over to Carlos in a moment, about two early projects which were let's say the founding stones on our partnership, one being small cars and the other one being small engines.

Smart, 15 years ago, has kind of created a new segment of micro cars, as much as Twingo was the first of a series of [inaudible] and both became kind of icons. We are now going to the next generation on a combined architecture which obviously gives us tremendous benefits in costs, in development costs, in CAPEX but on this combined architecture we'll have products on both sides which are totally unique and representative for the different brands and the history they are representing. So beautiful cars with a very strong character of each other with lower cost and more benefits to the customer.

We are on time with this project, we will build the first prototypes this month, we will begin preparation for volume production by mid of next year in our Hamburg plant and in Renault's Novo Mesto plant in Slovenia and we will bring these new models to market early 2014.

On small engines, Mercedes is developing below our current range, in this placement below, small four cylinder engines and three cylinder engines based on Renault-Nissan engines. This is faster, this is lower development cost than if we did it all on our own. Where will we use these engines? First in the Smart and respectively the Twingo models I was just talking about in the three cylinder version, but we will use these engines as well as entry level engines for the new

Mercedes compact cars where the first one, the B Class, we are just launching here. This will not be at start of production but the first units will be introduced into these new cars during the time of next year.

We will use these engines as well in Mercedes vans, the Vito and the Viano and in the new City Van which then will not only have this mutually developed engine but the City Van in itself is part of our co-operation and that's where I will hand over to Carlos to give you more information about that one and then go on.

CARLOS GHOSN:

Thank you Dieter. Well we even share the same speech so I am going to follow on the different point here so we don't forget any one of them. Obviously the Mercedes new City Van will be produced in Renault plant of Maubeuge in France. The new offering obviously will have an advantage to add an output of tens of thousands of units and will help to secure the plant workload and help to secure the existing workforce even at the global micro-economic situation for all auto makers is becoming challenging.

Daimler's City Van will be the first tangible common realisation, the first concrete output coming from the agreement that we signed eighteen months ago. Small commercial vans are important, as you know, for fleet and small business owners and they will also increasingly move to our zero emission vehicles as urban areas further restrict CO2 emissions. Renault will launch the all-electric Kangaroo Zero Emission in October, next month, and we are currently studying collaboration in zero emission LCVs with our partner in Daimler.

Our co-operation in light commercial vehicles is also a good example of how the Alliance and, more specifically Renault, has met Mercedes' very demanding expectations in terms of reliability and quality. I am pleased to say today that Renault has passed all Daimler's quality milestones on schedule without any delay.

In addition to the smaller engines which Dieter mentioned to you, we are also collaborating on larger engines such as the Mercedes V6 and the In Line Four gasoline and diesel engines. As of 2013 Infiniti will have access to these world class premium power frames so Infiniti can meet customer needs as it expands rapidly. Small cars, LCVs, engines: these were the original three pillars of the strategic co-operation between Daimler, Renault and Nissan. Each of these programmes has been set, they are progressing on schedule within the original time frame and Dieter and I agree that teams are showing lots of motivation and openness in working together. In fact it is fair to say that our strategic co-operation is moving on a fast track and has now responded well beyond the initial framework.

One of the most promising additional R&D collaborations is the zero emission mobility. As you know, Nissan has already sold more EVs than any other auto

maker ever with nearly 14,000 Nissan Leafs and 14,000 Leaf owners today world-wide. Renault will launch three new EVs in the next three months with the fourth model due next year. In 2014 we will have another EV, the next generation of Twingo and Smart, will also have a 100% electric derivative. Renault will be producing the electric motor and power electronics, and the battery for this project will come from Daimler. While we expect EV to represent, as we've said constantly, 10% of the total industry volume by 2020, we are also joining our R&D efforts in other breakthrough technologies that will also play their share to making greener cars and greener roads.

Now we will hear more details from Dieter about the scope of our combined work on advanced research as well as some of the other behind the scene areas that we want to deepen our collaboration.

DIETER ZETSCHE:

As one further example where we can leverage this co-operation beyond our original intent, I can refer to a vehicle we have down there on our display which is the B Class E Cell Plus which is a range extender and obviously we need a combustion engine for this vehicle which goes for a range of about 600 kilometres and the engine I was referring to before, based on Renault and developed by us, is a perfect component for exactly that vehicle, so that is another extension which we agreed upon more recently.

When we talk about our experiences in working together with our teams in these last 18 months, it's just fun to see how things are developing. Talking about language for instance, of course English is the language we use together but we learn that we are not always talking about the same by using the same word. For instance target has a somewhat different meaning for each of us and you only learn that by using it, by doing it and in consequence it's funny just to listen and to see that meanwhile some other words are sneaking in to our conversation. Meanwhile colleagues from Japan and from France are perfect fine in using [*ecotype*] for instance in their sentences, defining a starting point in a range of vehicles within one model. We are still having tough time to work on the pronunciation of fournisseur or other words so we find our own co-operation language which is not necessarily English in all its aspects but in this process we are understanding each other better and better and this is of course not just about these more funny things but it is about processes where you have to get into synch.

We all have some experiences in co-operation from the past. I haven't experienced one where the whole things is just so constructive and driven by the mutual objective to come to results and produce benefits for all parties. To talk about another technical aspect in this progress we're making, I was already referring to the new B Class vehicle we have on display down there. This is a brand new architecture which is very flexible, it allows us to go for five new Mercedes models in the compact car but this flexibility can go beyond and that's what we are investigating right now. That's not potentially a starting point for the

use of a third party as well, and when we are talking about third parties of course we think about our strategic partner. In this regard it looks like we would have found a good starting point for another major extension of our partnership, we are on our way there. There are no final, final decisions but it looks very promising.

If I would have to give a school grade to our partnership it would be clearly one with a star and as far as I know, in French Facebook language this means gem. Thanks Dieter. Before we open this up to Q&A with all of you, let's go a little deeper into the last topic which was mentioned. Infiniti intends to base a premium compact vehicle on the Mercedes MFA architecture starting in 2014. Renault is also studying use of Mercedes modules for future upper range offering. This is a media lunch, not a product launch, so we are not going to tell you all the details about these products but if you have time I urge you to visit the Terra concept car that you can see on the Infiniti stand across the street. This gives you a good idea of Infiniti's intention for this very promising segment.

Now let me wrap it up by talking about how and why the Renault Nissan Daimler co-operation is moving forward. We began this co-operation only last year with three very specific projects and we pursued the projects with the strong commitment at every level of the company starting right here from the top. Dieter and I both participate in frequent co-operation committee meetings, frankly we thought at the beginning we would need to arbitrate a lot of topics. We didn't. I was surprised by the very limited number of arbitrage that we have to make which means the co-operation at all the levels of the company is going very well. I also took part in Daimler's annual management summit this summer in Istanbul and Dieter will be our guest at the Renault-Nissan Alliance town hall meeting in Paris next month. Many German Daimler engineers are working full-time on Smart Twingo development at Renault's techno centre near Paris and we have numerous Renault and Nissan people spending half their time or more in Stuttgart. In ways large and small, the partnership has touched thousands of employees in Paris, in Stuttgart, in Yokohama and beyond.

We all read the headlines that you write. The last decade, even just this past week, has been treacherous or difficult for partnerships in our industry. The only major cross-cultural, cross-company collaboration that has survived the shake-out is the Renault-Nissan Alliance that we formed in 1999. We made the Alliance on the principles of transparency and respect, respect for fellow colleagues, respect for different corporate cultures, respect for the deep brand identities from different companies. In fact the success of the Renault-Nissan Alliance has led many car makers to approach us in the past. For instance executives at Dongfeng, Nissan's valuable partner in China, were interested in working with us specifically because of our ability to collaborate with partners across cultures and borders and respecting their autonomy and respecting their identity. Our partner in Russia, AvtoVAZ, said the same thing.

Thanks in part to these partnerships, the Renault-Nissan Alliance is one of the fastest growing automotive groups in the world, [inaudible] and you will hear quite a bit more about our emerging market growth story in the next weeks. We have some major announcements planned but for now at the conclusion of the Frankfurt, at least of the first part of the Frankfurt Motor Show, I'm happy to say

that the Alliance has established a very successful strategic co-operation with Daimler right here in the heart of Europe. Our friends in Stuttgart are excellent partners and Daimler has become not only a proof point but also in a certain way, a new demonstration of our common ability to work well, get results, deliver on our commitments and continue to pursue collaboration without any pre-conceived idea, but always to be determined in function of the benefit that each one of us is getting from it.

Our long term commitment with Daimler is already delivering results and generating opportunities far beyond the scope of our initial talk last year. Dieter and I look forward to meeting with you again next year with our first products on the road. We will host another media lunch at the Paris Motor Show and hopefully we will establish with you a tradition where every year in Frankfurt, Dieter will host the event and in Paris I will be hosting the next one. Now I know you have a lot of questions so we are going to open it up to you.

RACHEL KONRAD:

We have time for Q&A until about 1pm and then both executives will be available for some individual television interviews in multiple languages and you can get the television crews after that. So I'll open it. The first question, Paul Eisenstein from Detroit.

PAUL EISENSTEIN:

Gentlemen, can you first talk about the challenges you've faced and what you have tried to do to make sure that you didn't have some of the failures that we've obviously seen over the past few years? What's made this work better than before and how far, as you look forward, could you see the co-operation going?

CARLOS GHOSN:

You know, the basic rule was we have been from the beginning extremely pragmatic. We established this co-operation eighteen months ago after we identified very specific projects that would make sense for both companies. We did not start with principles, we started with projects, and the projects were very specific at the beginning. It was a Smart Twingo co-operation, very specific. The second one was the possibility to build for Mercedes a light commercial vehicle and the third one, exchange of [inaudible 22.35] plants, very specific. Then we said we have enough elements on the table to start a co-operation and this is how we started the co-operation. We start with the project, we outline the project then we say OK, we have enough meat to make this co-operation work, we start with this.

Then we said we don't move further, we don't open the scope until these three projects are on track, so we didn't try to open it up even though there were a lot

of ideas coming from both Daimler, Renault and Nissan about co-operation in completely different fields. We said no, no, no, first we concentrate on these three items, make sure we are on track, we make sure we have contracts, we make sure we have engagement and then we open it up. So we have had a very gradual approach, opening up immediately after we put on track the projects.

Another principle that we have adopted is absolutely no sacred cows, everything can be discussed. It doesn't mean that it is going to lead to positive decisions but I can tell you, you are going to hear about a lot of projects being discussed between the Alliance and Daimler. Discussing a project allows us to look at the merits for each partner and then at the end of the day we say we're going to do it or we don't going to do it. So that is the different between projects analysed and decisions made because we want to make sure we have the freedom to say I am comfortable with this project, we're going to go ahead with it or not. We both share the principle that we are here to avoid overlapping investment, we are here to avoid overlapping technology, we are here to make sure that by joining forces in some specific areas we are going to use our scale, our global scale, in order to expand. You know that when we combine, our R&D budgets are probably the largest force in the industry. When we see how much money we dedicate for technology development between Renault, Daimler and Nissan, we have more resources than any other car manufacturer. So if we can do it in a way where we are not overlapping each other, we are all going to benefit from it. So this is about why it is succeeding.

Now let me tell you also something. You are always successful based on your past experience and your past experience is always made of failure and successes. Often failures help you more than successes to find the right way. I always said that one of the reasons for which Renault was successful with Nissan, is somehow Renault learned from the lesson of the failure between Renault and Volvo. The Renault-Volvo failure prepared for the success of the co-operation between Renault and Nissan and now between Renault and Nissan and Dongfeng and AvtoVAZ etc, we build the know-how. We know how to make sure that when we are working with a partner, how we are going to make sure we are not going to discuss anything else than specific projects and get the benefit out of them.

So the industry needs this kind of co-operation, we need it, but recent events show us that even though it is rational and it's needed, it's not easy to make it work.

DIETER ZETSCHE:

Without repeating any of what Carlos said, with which I fully agree, I will just add on the second last point about history and experiences. Some people might consider some of the examples of partnership at Daimler not having been a success and exactly what Carlos said, that's what we are learning from and what we did there is the exact opposite of what we are doing now. Our former cases, we first said let's join forces in whatever form, merger, acquisition, whatever and

when we have done that now let's sit together and see if we can do something together and the outcome was not perfect. Now we do the exact opposite, we have a very clear understanding of what we want to do together and based on that, our co-operation develops naturally and depending on how much common ground we are finding. That seems to be a very pragmatic but very promising approach.

QUESTION:

[Name inaudible] from Stuttgart. I have two questions for Mr Zetsche, your engines for the compact class, will they be for the A Class or for which model will you use them? And for Mr Ghosn, you said you want to use components of Mercedes Benz for Renault upscale models but read some time ago you said that the technology of Mercedes is quite expensive so do you think Renault can use this expensive parts and which parts do you want to buy, engines? Can you give some examples? And one more question for Mr Zetsche please, you said that Daimler will deliver engines for Infiniti cars, could you give a rough number and will they be produced in Stuttgart- Untertürkheim or where will they be produced?

DIETER ZETSCHE:

To your first question, timing wise these new small four cylinder engines will be available at the time when we launch the A Class but the use will not be limited to the A Class but they will be available to most of the five family members we will have in the compact car segment in the future. To your last point, the use of Mercedes based or Mercedes engines in mainly Infiniti vehicles, at that point of time we'll use or will be supplied from Mercedes factories. How this develops into the future again is a question of economies, of a business plan. With the volumes we are discussing today it is possible and feasible to use existing capacities and the next steps, we'll see. But we are not talking about one or two engines, we are talking about – without giving a very specific figure – about a significant five digit figure.

CARLOS GHOSN:

On the point that you mentioned, frankly you would be very surprised if in five or six years the co-operation, the strategic co-operation between Renault, Nissan and Daimler would lead to co-operate on small cars and nothing happened in the upper end, you'd be very surprised. You'd say, come on, you guys have strength into the small cars and you're putting this strength to serve this partnership and how come that Infiniti is working with Mercedes to try to find some win-win situation and no one do it? You would be surprised so we are obviously going to co-operate. This co-operation will take into consideration the specificity from one

side of the Mercedes brand versus the specificity of the Renault brand. It doesn't mean that this co-operation will extend on many modules or many components but what we are reviewing, we are being very pragmatic about how can you avoid investing by using existing components and by increasing the scale of the orders, cutting the cost and reducing the price. So yes, some of the components used by Mercedes are compatible with the price of the Mercedes cars, which makes them prohibitive for other brands but there are many cases where if you select in a very cautious way some components and you add to the volume and eventually modify the specification, you can get very competitive. But we are going to be more specific when we have specific examples to make.

What I want to tell you is I don't think it would be very realistic to say that Renault, which has ambition to have a much stronger upper range, would not in a certain way look at some potential collaboration with Mercedes to make at least one model come out of it.

RACHEL KONRAD:

The next question is from Pete Brown.

PETE BROWN:

Mr Ghosn, just to address part of what I was going to ask you, there are places you compete and places you don't compete. Have you identified places where you really do compete and you may not want to help each other and have you defined limits on what you could do? Do you know some things today that we will never do?

DIETER ZETSCHE:

To your first part, probably the closest we are getting is between some Infiniti models and some Mercedes models. What we have found so far is that cross-consideration between the brand of Infiniti and the brand of Mercedes is extremely limited. It is for instance more pronounced between Nissan and BMW and it is stronger between Mercedes and Lexus. That is just a given which is certainly helpful. Are there dogmas, are there areas we can't touch? Just as Carlos said before, every question, every proposal is acceptable to be put on the table and then we try to look in a rational way to its merits and rationality of course includes brand considerations, it's abstract but it becomes very real when you talk about values and about assets. So everything can be proposed, then we discuss it and if we see there are merits for both sides, if one sides benefits and the other side sees disadvantages, then we can't proceed but if we see benefits for both sides, then of course we will and in one case the one side will have a higher benefit and the other case the other side, but that's perfectly fine, we don't have to sit there with our pencils every day and add up, that's not the kind of strategy or tactic we are following.

So no, we have not defined any area of no-go, you never can talk about it. That would be difficult for the atmosphere of a partnership like this. But we have a clear rule at the end that there must be added value for all partners involved, it's very simple.

PETE BROWN:

Can you give a hypothetical example of something that might benefit one to the disadvantage of the other and therefore you wouldn't do it?

CARLOS GHOSN:

We won't do it anyway. I can't discuss with Dieter something like, oh I'm sorry Dieter you are going to lose a little bit here and then we are going to do the reverse because our experience shows that when you start this kind of project – let's suppose we impose it top down, we say okay, I agree I'm going to lose, you're going to win next time and we're going to reverse it. People will always remember when they lost, never when they win! So after five years this is going to explode because people are going to be full of resentment, you know, you imposed on me this and that and they forgot about what was. We have enough experience, we have enough baggage in this industry between Dieter and myself to say there are a lot of things we are not going to do but what we want to tell you is there is no off-limits project. I will never say don't come and talk to me about this or that, no. Everything is on the table, look at it pragmatically and at the same time we have a good enough relationship to say Dieter, I'm sorry we're not going to do that or he will tell me, Carlos, I can't do it and we give an explanation for why. So at least when he says no I understand why and the other way around, because we want this partnership to stay for the long term.

Let me tell you another explanation. I don't consider Daimler as a competitor, I don't. Frankly inside Nissan and inside Renault I don't think anybody considers Daimler as a competitor, even the people working in Infiniti don't consider Mercedes as a competitor because of what Dieter says. The cross shopping between Infiniti and Mercedes is peanuts so that's why I think this collaboration will continue to do very well because we are very complementary, we are not so much competing. And on top of this, when you take a look at when Daimler, Renault and Nissan joined forces, the size of this virtual, I would say virtual great association, is the largest in the industry. So if we make this happen it can serve each one of us extremely well, both in terms of technology and in terms of investment and in terms of scale and in terms of access to the existing resources globally.

DIETER ZETSCHKE:

I can give you an example, in the direction of what your question was asking for. The City Van was introduced by Carlos in to our discussion and quite frankly in

the beginning there was not too much enthusiasm on our side but we said let's study it, let's see if there couldn't be a benefit in it. I can tell you today the opposite is true, my guys can't wait for the date of introduction, our sales force is extremely eager to get this addition and things are now considered as a real asset, a benefit in our organisation. So the important point is that early on we can voice our concerns, they can put their arguments in favour on the table and weigh them and we can come to a conclusion, and I am very glad that in this case, in spite of the early reluctance on our side, we finally saw that overall the positive arguments were convincing and today we see nothing but positive arguments.

QUESTION:

[inaudible 38.00] Mr Ghosn, please allow me to ask you a very region specific question. This new premium compact model by Infiniti which will be based on the B Class, can you give us some ideas as to where you will be producing it and also has the recent surge of yen been giving you any fresh lights as to where you will allocate your resources?

CARLOS GHOSN:

Okay, we are still in a very advanced phase of engineering and development of the product and usually, typically the location where it is going to be assembled comes much later, so we are not in this discussion yet but it would be fair to say – I am not going to avoid the question – that with the yen to the dollar at 77, there is no way we are going to continue to position our Infiniti cars only in Japan, no way. So this situation is leading us now to make decisions to position the next generation of Infiniti cars outside Japan because at the end of the day this is a very competitive market, we can't on top of this take the burden of an extremely uncompetitive and, in my opinion, unrealistic exchange rate, out of Japan. So very likely it will be made outside of Japan.

RACHEL KONRAD:

Next question from Harry again.

HARRY:

I have one more question, this new compact car, there was a discussion if it will be assembled in Hungary, the new Daimler plant, would that be a possibility?

DIETER ZETSCHE:

I can answer that question. Independent of a final decision, as Carlos said it is too early to make that decision, from our today's perspective this is not an option just because of a lack of capacity. We are so confident about demand for the products we have on the Mercedes portfolio that the new plant is fully filled and we would have to add another plant there.

CARLOS GHOSN:

What it is important for you to know is, for example if I ask Dieter to make a car for us and the other way round, it is based on commitment. I say look, this is the cost I need, that's the quality I need, then it's up to you to decide where you want to do it. As long as you are committing to a specific performance, it's the partner who decides where the location will go.

JOHN REID:

John Reid from the FT, is there any thought of increasing your mutual stake holding either now or in the future?

DIETER ZETSCHE:

As I just said, I think the merit of this partnership is that we have not set a top down long term framework and said try to fill it but just the opposite. Early on we said still it's good to give a signal, perhaps even more internally than externally, that this is not happening by accident but that we think strategically it makes sense to look for areas of co-operation, that's where the 3% cross share-holding came from. This is still valid, at this point of time there are no discussions or visions if and where this could go beyond that. Both of us are, I do believe, not in the first place seen as visionaries who live somewhere on cloud seven or eleven, but more pragmatic guys. We have a very strong intention to win and to succeed and make progress but in a more realistic and pragmatic form.

RACHEL KONRAD:

Any more questions? At the back, Christian.

QUESTION – CHRISTIAN:

Just on that note about the Infiniti compact car, you were saying that the yen might force you to build it elsewhere. Do you plan to build this at a Daimler plant or at a Nissan plant or somewhere else? Would this car also be sold outside of Europe, in other words in the US? And what kind of volumes do you expect from it? The second question I'd like to ask is on the Smart Twingo electric vehicle,

you said that Daimler would be supplying you with the batteries. You currently source batteries for your Nissan Leaf, what was the business decision why you thought there was more of a benefit to switch to Daimler batteries for this project? Thank you.

CARLOS GHOSN:

On the first question, obviously we are not going to tell you today what is the forecast for volume for this car because we know that these numbers are wrong and that they are going to change and we are still far away from this car coming to the market. I can tell you, we have a very solid business case to make it happen. I would like also to tell you that we are both short of capacity whenever it comes to the upper segments so the discussion today is not so much about can we do it but it is where can we find the place or where can we invest, one can invest or the other can invest or jointly invest, in order to be able to produce this car? Independently of what the turmoil that is taking place today in the market, and particularly concentrated in Europe, we are still very bullish on the perspective of the industry beyond this turmoil. We don't think that we are in an environment where for whatever reason the demand on cars, particularly these particular cars, is going to go down. In fact it is going to go up and we are going to have to add a lot of capacity.

So my point to you is, the capacity can be anywhere. You mentioned the United States, you mentioned Europe, it can be China, it can be anywhere and we did not make decisions yet because we are still in an advanced phase. What I want to tell you is that there is absolutely no off-limits or regions which are forbidden. We are very pragmatic here to say who should invest, who should OEM, should we invest together – everything is on the table and we are trying to do the best decision for both companies again trying to avoid overlapping of investment.

DIETER ZETSCHE:

The beauty is to obviously have a feasible operation you need a certain size. It is desirable to be with certain products close to certain markets and customers but you have to overcome this threshold of economic feasibility. Now when you are looking at this picture together, obviously the likelihood that you come to the threshold is much higher so the chance to get access with a local production base to more markets is increasing with this partnership and that's a good thing.

CARLOS GHOSN:

Now with the batteries, what you need to know is at the moment one of the bottlenecks of the expansion of the electric car is battery production so at the end of the day is not to sell the battery but to sell the car so what we are doing today

is because this is a bottleneck, the capacity for example to assemble Nissan Leaf is much higher than our capacity to assemble batteries that go into the Nissan Leaf. That's one of the reasons which we say with the development of our investments on batteries and because the demand on electric cars is very strong, we are going to be facing a situation where we maintain a monopoly for AESC which is our own joint venture to deliver batteries or we give priority to the development of the electric car and then we accept to take batteries which are not made only by AESC and that's why as you know we have homologated LG Chemical for batteries for Renault to make sure that the Renault sales of electric car are not being handicapped by our capacity to increase our production of batteries. So I don't want you to think it doesn't make sense, you are investing in batteries and you are not using them in all your cars, it's not. Our objective is to sell electric cars, that's our objective and we are making the batteries to facilitate it and to make sure that the electric car is affordable but now we are in a situation where with the maximum capacity used in AESC, we still need more batteries and it is in this logic that we ask our friends of Daimler if they can provide and supply the battery for their electric Smart. That is why we also, in order not to break the development of the electric car of Renault, we ask LG Chemical to be another supplier of batteries.

DIETER ZETSCHE:

By the way, we are investing in batteries and we are using Tesla batteries as well which follows the same rationale.

QUESTION – KEN CHOI:

Yesterday you said you are open to other alliances, you already have alliances with Mitsubishi and Suzuki Corporations and with the Russian company and so on and Daimler has a relationship with Tesla and so on. I am just wondering if you open up further co-operation with other companies, how will your two alliances work with them? Is it going to be Mitsubishi with Daimler or the Russian company with Daimler? Is this going to happen or is it simply kept between Daimler and Renault-Nissan?

CARLOS GHOSN:

You know, we divide corporations or exchanges between car manufacturers into different categories. You have, in our definition you have the alliances, you have the strategic co-operation, you have the co-operation and then you have the contracts, okay, so you have four categories and we cannot put everything in the same bag because then we are completely confused. An alliance is what exists between Renault and Nissan where you have a major relationship and shareholding, a major co-operation and exchange with practically no limits between the two companies.

Strategic co-operation is what we explained with Dieter where we have a minor shareholding exchange, very high level of autonomy and independence of the different parties and everything is based on a win-win co-operation with capacity to say no, we don't want this and we don't want that.

Then you have the co-operation, that's what exists between Nissan and Mitsubishi, where we have no exchange of shareholding but there is a common joint venture working specifically on two items, Key Cars in Japan and collaboration in the south-east of Asia in terms of pick-up trucks and capacity.

Then you have contracts and contracts can be OEM contracts between us and Mazda or between Suzuki and Nissan or between Renault and Peugeot. So we can't put everything in the same bag and I think when you want to analyse co-operation between car manufacturers you are going to have to have different categories and try to see what category they are in. Renault-Nissan is on the first category, co-operation with Daimler is in the second, Mitsubishi is in the third and Suzuki is in the fourth and we don't mix them. We deal with them in a completely different way and it's not chaotic, it's not messy and that's why in fact we are getting results out of it.

When I say we are open for co-operation, I am saying we are open on each one of them, each one of them, but these co-operations have to have a sense, you need to know why you are co-operating. With Mitsubishi we are co-operating on Key cars and we are co-operating on capacity on south-east of Asia so we started by outlining the interest and then after this we make the deal. As long as we continue into this direction, being very pragmatic and outlining the area of co-operation, I think we are going to be fine.

RACHEL KONRAD:

Next question is right there in the middle.

QUESTION – ED ALLAN:

Ed Allan from [inaudible] When Infiniti starts to use Mercedes engines will there be any restrictions on their ability to promote that fact?

DIETER ZETSCHE:

Even if you were to apply that, you couldn't execute. I mean ultimately it comes to the dealer and how can you give direction to the salesman what he or she does, that is just unrealistic. If we would feel uncomfortable with that we shouldn't do it in the first place.

ED ALLAN:

So they could use it in advertising?

DIETER ZETSCHE:

I don't think it's in the interest of Infiniti to put in the headline that they create their value out of the use of Mercedes engines, that would be a very strange attitude.

CARLOS GHOSN:

Strange brand building also.

QUESTION:

You said earlier that everything was on the table, so that would suggest that if you saw the opportunity to do something with Suzuki that might also have a role with Daimler, it could be something you could raise so if those opportunities come up, what would your reaction be? What would your thoughts be about such a possibility?

CARLOS GHOSN:

Let's talk about Suzuki as you put it on the table. We know that Nissan and Suzuki had a very strong co-operation, it existed, then at a certain point in time the agreement between Volkswagen and Suzuki was established which obviously put Nissan in a situation to continue to work with Suzuki more on a tactical base and establish something more strategic with Mitsubishi. These are the facts, that's what happened. So again we are very pragmatic, at a certain time that we are very pragmatic we are expecting from our partners to be in line with the commitments to work together. I am not going to make any agreement that is going to be difficult for Dieter, you understand, I won't. Which means if I am going to have to make any co-operation, any technical co-operation or agreement with a car manufacturer and I suspect it is going to be annoying for Dieter for whatever reason, I'm going to talk to him first. If he tells me, look I don't care, then I go. If he tells me he has a problem and explains the problem and is convincing, I am not going to do it. Somehow we need to be a little bit faithful to the kind of agreement that we signed. Acts have consequences and commitments draw responsibilities and the relationship we have together imply that I am not going to do anything in terms of co-operation or alliances that is going to be against Dieter's interest and I expect the same thing from his part.

DIETER ZETSCH:

Strategic partnership means a preferred partnership, that's not exclusive but it is preferred so when there is a topic and we can do it together, both of us would prefer to do it together than with a third party but when we come to the conclusion that we can't do it together then it is perfectly fine if I need a partner that this could be a third one, but then as Carlos said, transparency comes into play so we know what we are doing.

CARLOS GHOSN:

Exactly. Because it is a long term relationship, when you are in OEM contract it starts at a certain point and it finishes at another point, so you are in three years, four years of a relationship. We are not in that, we are envisioning this relationship on the long term so we need to do everything in order to preserve it and this is part of it.

QUESTION:

One other question, sometimes you can tell where things are going as much by what is not approved as by what is accepted. Are there particular projects you have looked at which have said do not work?

CARLOS GHOSN:

You know it's too early, I am going to tell you why it's too early. I'm not knocking your question, there may be projects where we are going to say it's not going to work. I think to be fair, at a certain point in time we discussed a little bit co-operation around Formula One, you are a big Formula One – you are involved in Formula One, we are involved in Formula One but we said, do you know what, we don't find any obvious thing, we stopped. But let's not forget that we are 18 months into the process so for the past 18 months we have particularly worked on Twingo Smart exchange of [inaudible 56.40] and the LCV. Now we are opening up to the other areas so when we come to the conclusion we may end up saying no to certain projects, so I don't want you to think we are ducking the question. So far it didn't happen but it may happen in the future.

DIETER ZETSCH:

I'll give you a very small example. On our next agenda for the next meeting, we have monthly meetings, there is a point media buy, it is not strategic, it's not that important but let's look into it, there might be something in it. To my understanding the study showed there is nothing in it and if that's true we say okay, we don't do it, very simple.

CARLOS GHOSN:

This is a very sensitive subject, we overcome the initial resistance and said let's look at it but it looks like in fact it was not only turf protecting or territory protecting, objectively there was not so much gained from it.

RACHEL KONRAD:

OK, we'll take one more question and then the CEOs will be available for one on one TV interviews. There was a question over in the corner there, the man with the white shirt? Oh no, sorry about that. Far back, sorry.

QUESTION – GREG CABLE:

Greg Cable, Autocar and Autoweek magazines. Dieter, I want to get back to your comment on brand considerations. I want to ask, would you consider supplying the Renault and Nissan brands with your MFA platform and to throw that back to Carlos, given your concerns of the costs, would it be a consideration for Renault and Nissan brands to use the MFA platform, in a broader sense to come closer to the economies of scale of the Volkswagen Group?

DIETER ZETSCHKE:

The first question you are asking me I can answer with a simple yes.

CARLOS GHOSN:

On the second question, cost is not independent of volume so something which is expensive can become affordable if you expand it so this is the logic of working together. Let me give you a very specific example and I am going to take the Renault case. The upper product of Renault like Espace or like Laguna or Vel Satis suffered a lot from the fact that the volume of production was very small so you needed to make a huge investment and you have to make a repetition of this investment on a very small volume. What we are envisioning is using now common platform with Nissan and why not, if it is possible and we are going to look at it, with Daimler. But in this case instead of having a couple of hundred thousand cars or 300,000 cars a year, you are going to be into the millions of cars and when you are into the millions of cars I can tell you the costs are not the same because the depreciation is much smaller of everything you have invested

and the economy of scale coming from purchasing power is completely different. So there is not such a thing as an expensive object, expensive object is related to how much you invested and how many of them are you going to produce. If you increase the scale in a way that is maybe not for all the parts but for some important parts at least, you are going to get both high technology and a lower price. Yes, we are using some benchmarks existing in the industry where scale can make a big difference.

DIETER ZETSCHE:

And by the way, we would not invest into plant in Rastatt, a plant in Kecskemét in Hungary and a plant in China for the Mercedes line up of the new compact car family if we were not convinced about the competitiveness of this product including its cost position so the starting point is a pretty favourable one.

CHAIR:

Thank you very much we have come to an end. Both press teams are at your disposal if you have any further questions. Thank you very much and see you next year on the same topic, thanks.