DAIMLER

Annual Report 2011.

Key Figures

Daimler Group

	2011	2010	2009	11/10
Amounts in millions of euros				% change
Revenue	106,540	97,761	78,924	+9[1]
Western Europe	39,387	38,478	36,458	+2
thereof Germany	19,753	19,281	18,788	+2
NAFTA	26,026	23,582	19,380	+10
thereof United States	22,222	20,216	16,569	+10
Asia	22,643	19,659	12,435	+15
thereof China	11,093	9,094	4,349	+22
Other markets	18,484	16,042	10,651	+15
Employees (December 31)	271,370	260,100	256,407	+4
Investment in property, plant and equipment	4,158	3,653	2,423	+14
Research and development expenditure	5,634	4,849	4,181	+16
thereof capitalized	1,460	1,373	1,285	+6
Free cash flow of the industrial business	989	5,432	2,706	-82
EBIT	8,755	7,274	-1,513	+20
Value added	3,726	2,773	-4,644	+34
Net profit/loss	6,029	4,674	-2,644	+29
Earnings/loss per share (in €)	5.32	4.28	-2.63	+24
Total dividend	2,346	1,971	0	+19
Dividend per share (in €)	2.20	1.85	0.00	+19

1 Adjusted for the effects of currency translation, increase in revenue of 10%.

Divisions

	2011	2010	2009	11/10
Amounts in millions of euros				% change
Mercedes-Benz Cars				
EBIT	**5,192**	4,656	-500	+12
Revenue	**57,410**	53,426	41,318	+7
Return on sales	**9.0%**	8.7%	-1.2%	.
Investment in property, plant and equipment	**2,724**	2,457	1,618	+11
Research and development expenditure	**3,733**	3,130	2,696	+19
thereof capitalized	**1,051**	940	913	+12
Unit sales	**1,381,416**	1,276,827	1,093,905	+8
Employees (December 31)	**99,091**	96,281	93,572	+3
Daimler Trucks				
EBIT	**1,876**	1,332	-1,001	+41
Revenue	**28,751**	24,024	18,360	+20
Return on sales	**6.5%**	5.5%	-5.5%	.
Investment in property, plant and equipment	**1,201**	1,003	597	+20
Research and development expenditure	**1,321**	1,282	1,116	+3
thereof capitalized	**251**	373	368	-33
Unit sales	**425,756**	355,263	259,328	+20
Employees (December 31)	**77,295**	71,706	70,699	+8
Mercedes-Benz Vans				
EBIT	**835**	451	26	+85
Revenue	**9,179**	7,812	6,215	+17
Return on sales	**9.1%**	5.8%	0.4%	.
Investment in property, plant and equipment	**109**	91	113	+20
Research and development expenditure	**358**	267	193	+34
thereof capitalized	**126**	29	0	+334
Unit sales	**264,193**	224,224	165,576	+18
Employees (December 31)	**14,889**	14,557	15,226	+2
Daimler Buses				
EBIT	**162**	215	183	-25
Revenue	**4,418**	4,558	4,238	-3
Return on sales	**3.7%**	4.7%	4.3%	.
Investment in property, plant and equipment	**103**	95	78	+8
Research and development expenditure	**225**	223	212	+1
thereof capitalized	**32**	31	5	+3
Unit sales	**39,741**	39,118	32,482	+2
Employees (December 31)	**17,495**	17,134	17,188	+2
Daimler Financial Services				
EBIT	**1,312**	831	9	+58
Revenue	**12,080**	12,788	11,996	-6
New business	**33,521**	29,267	25,066	+15
Contract volume	**71,730**	63,725	58,350	+13
Investment in property, plant and equipment	**21**	12	14	+75
Employees (December 31)	**7,065**	6,742	6,800	+5

Mercedes-Benz Cars

Mercedes-Benz
smart
MAYBACH

Daimler Trucks

Mercedes-Benz
FREIGHTLINER
FUSO
WESTERN STAR
Thomas BUILT BUSES
BHARATBENZ

Mercedes-Benz Vans

Mercedes-Benz

Daimler Buses

Mercedes-Benz
SETRA
orion

Daimler Financial Services

Mercedes-Benz Bank
Mercedes-Benz Financial
Daimler Truck Financial

Innovation and Growth

We invented the automobile – and now we are passionately shaping its future. As automotive pioneers, we see it as both motivation and a duty to continue our tradition with groundbreaking technologies and superior products.

We do our very best for customers who expect the best, and we live and breathe a culture of operational excellence based on shared values. Our corporate history features numerous innovations and pioneering achievements; they are the foundation and ongoing inspiration for our claim to leadership in the automotive industry. At the same time, our thoughts and actions are guided by the principle of sustainable mobility.

With tailored products, we intend to enter new markets and attract additional groups of customers. Our goal is to lead our industry in terms of unit sales, revenue and profitability – and to do so in all the businesses in which we are active. By means of profitable growth, we want to create lasting added value – for our shareholders, customers and employees, and for society in general.

Dieter Zetsche

Wolfgang Bernhard

Christine Hohmann-Dennhardt

Wilfried Porth

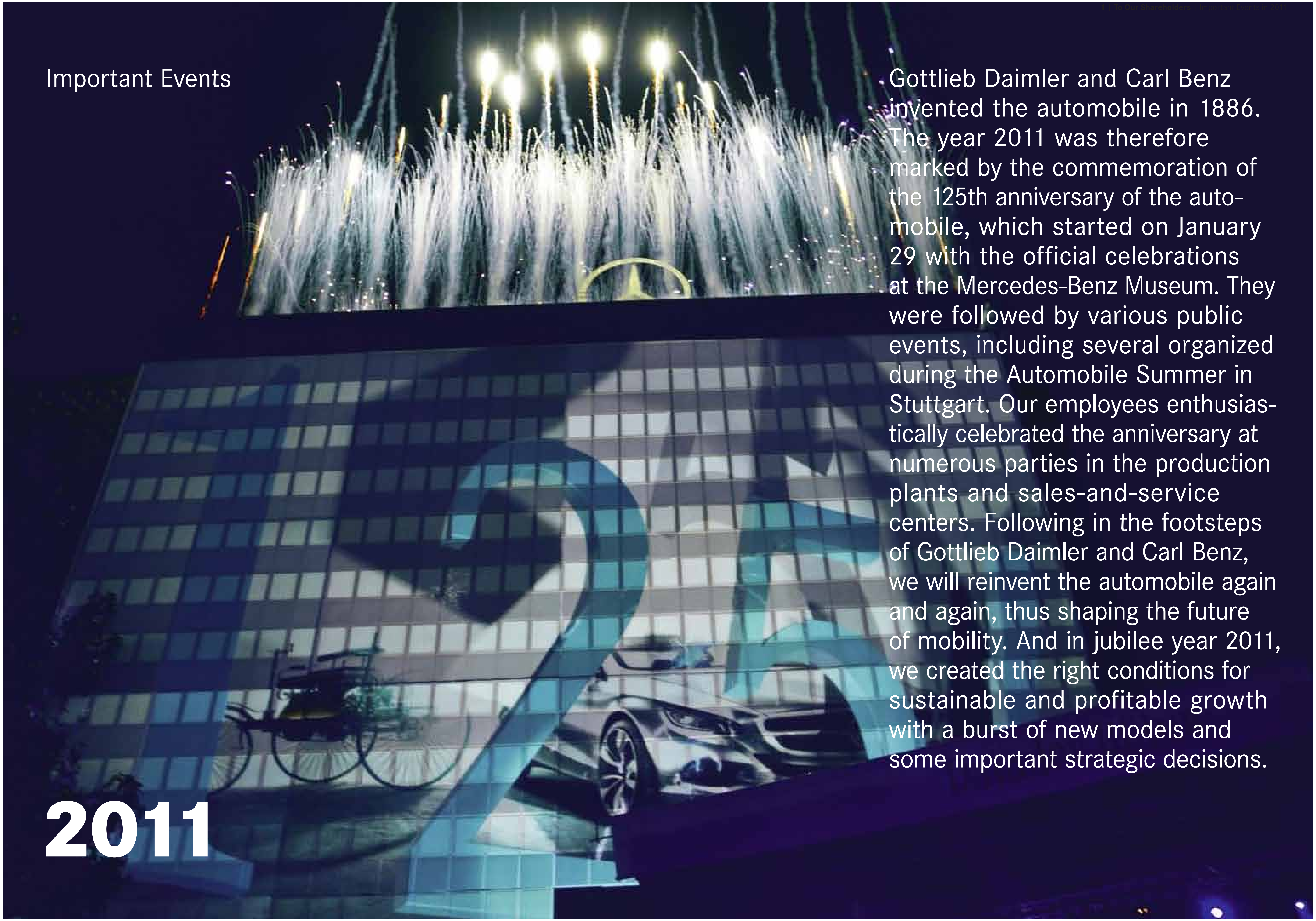
Andreas Renschler

Bodo Uebber

Thomas Weber

Contents

This Annual Report focuses on the innovative products and services with which we intend to utilize the growth opportunities offered worldwide while making a contribution to the mobility of the future. More details are provided inside, especially on pages 28-69. General information on Daimler and on the year 2011 can be found in the first section of the report. The Group's financial position, liquidity and capital resources, and profitability are described and analyzed in the Management Report. Other sections provide information on our divisions, the topic of sustainability, corporate governance and the consolidated financial statements.



Important Events

Gottlieb Daimler and Carl Benz invented the automobile in 1886. The year 2011 was therefore marked by the commemoration of the 125th anniversary of the automobile, which started on January 29 with the official celebrations at the Mercedes-Benz Museum. They were followed by various public events, including several organized during the Automobile Summer in Stuttgart. Our employees enthusiastically celebrated the anniversary at numerous parties in the production plants and sales-and-service centers. Following in the footsteps of Gottlieb Daimler and Carl Benz, we will reinvent the automobile again and again, thus shaping the future of mobility. And in jubilee year 2011, we created the right conditions for sustainable and profitable growth with a burst of new models and some important strategic decisions.

2011

Q1.11

125th anniversary of the automobile. On January 29, 1886, Carl Benz changed the world. He applied to the Berlin Patent Office to register his “vehicle with gas-engine propulsion” under patent number 37435. Daimler starts jubilee year 2011 with official celebrations under the heading “125! Years Inventor of the Automobile.”

Daimler and Toray found a joint venture. Toray Industries, Inc. and Daimler plan to jointly produce and market automobile components made of carbon-fiber-reinforced plastics (CFRP).

New C-Class coupe. The two-door has its world premiere at the Geneva Motor Show in early March 2011. It deliberately targets new customers as well as existing ones, and allows a particularly sporty entry into the coupe world of Mercedes-Benz. The new generation of the C-Class sedan and wagon and the new SLK roadster are also presented in Geneva.

Presentation of the Concept A-CLASS in Shanghai. At Auto Shanghai in April, Mercedes-Benz presents the Concept A-CLASS to give an impression of the upcoming new compact class. The proportions of the Concept A-CLASS communicate concentrated dynamism. The car’s expressive lines and surfaces are a key feature of the new Mercedes-Benz design.

Supervisory Board appoints Dr. Christine Hohmann-Dennhardt to the Board of Management. Dr. Hohmann-Dennhardt takes charge of the newly created Board of Management area of “Integrity and Legal Affairs.” She is responsible for the Legal Department, the Compliance Organization and Corporate Data Protection.

New truck brand for the Indian market. In India, Daimler Trucks presents BharatBenz, its fifth truck brand. BharatBenz is the basis for the launch of a new local truck generation, which is to be produced at the new plant in Chennai.

Excellent first quarter of 2011. Daimler AG achieved earnings before interest and taxes (EBIT) of €2.0 billion in the first quarter of the year (Q1 2010: €1.2 billion). This very positive earnings development reflects the ongoing upward trend in nearly all divisions.

Q2.11

Dividend of €1.85 per share. At the Annual Meeting in Berlin, the Daimler shareholders vote to pay a dividend for the year 2010 of €1.85 per share. The total dividend distribution thus amounts to approximately €2 billion.

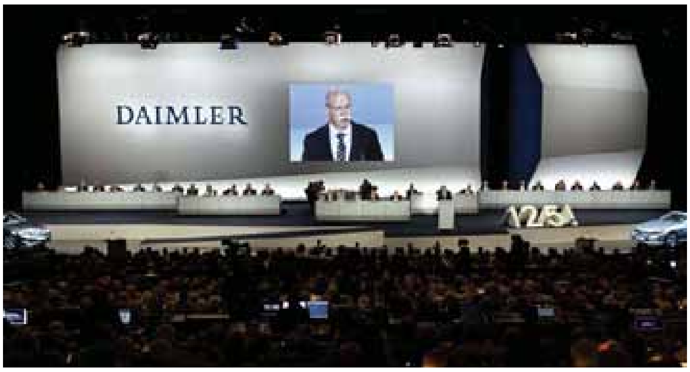
Daimler starts worldwide campaign: "fairplay. Live values. Create value." This campaign directs the attention of employees and executives to the issues of integrity and compliance. The goal is to develop a shared understanding among all Daimler employees of which behavior is right and which is wrong, as well as to promote a corporate culture of trusting cooperation.

F-CELL World Drive reaches Stuttgart. After traveling more than 30,000 kilometers around the globe, three Mercedes-Benz B-Class F-CELL cars with locally emission-free drive systems cross the finishing line in front of the Mercedes-Benz Museum in Stuttgart in due time. During the F-CELL World Drive, Mercedes-Benz impressively demonstrates the qualities of its fuel-cell vehicles with regard to performance and reliability.

Presentation of new Actros. The heavy-duty Mercedes-Benz truck has been fundamentally redeveloped. The new Actros represents more than ten years of work, over 20 million test kilometers and more than €2 billion of investment in development and production technology.

Strategic framework agreement with Chinese partner. Daimler AG and Beijing Automotive Industry Corporation (BAIC) sign a strategic framework agreement. A total of approximately €2 billion is to be invested in the joint venture Beijing Benz Automotive Co., Ltd. (BBAC).

Record earnings in the second quarter. Daimler achieves one of its best ever quarterly results in the second quarter of 2011. Group EBIT amounts to €2.6 billion.



Q3.11

Joint venture between Daimler and Bosch. Daimler and Robert Bosch GmbH sign agreements on the establishment of a 50:50 joint venture for electric motors. The company will operate under the name of EM-motive GmbH and will develop and produce innovative electric motors for electric vehicles.

Daimler Financial Services starts operations in India. The newly established subsidiary Daimler Financial Services India Pvt. Ltd. domiciled in Chennai offers customers and dealers a comprehensive range of financing and insurance products. Contract volume of more than US$500 million is targeted by the year 2016.

Acquisition of Tognum successfully concluded. Daimler AG and Rolls-Royce Holdings plc secure approximately 99% of Tognum's shares. The combination of the three companies' strengths and market access will allow Tognum to become a first-class producer of engine systems.

Numerous Mercedes-Benz world premieres at the Frankfurt Motor Show. The revolutionary F125*!* research car allows a glimpse of the emission-free luxury sedans of the not-too-distant future. There are also world premieres of the new B-Class, the Concept B-Class E-CELL PLUS and the SLS AMG roadster. In addition, Mercedes-Benz presents the new M-Class to the general public for the first time.

Presentation of "Mercedes-Benz 2020" growth strategy. By the year 2020, we want to be the number one among the premium manufacturers – in terms of products, brand, profitability and unit sales. We will develop the production capacities required for our growth so that they are close to our customers and our markets.

First truck from Daimler and Kamaz. Daimler Trucks and Russian truck producer Kamaz present the prototype of a jointly developed truck with Daimler components. Daimler and Kamaz will intensify their collaboration in the future, especially on truck cabs.

First new Citaro delivered. Trade experts see a great future for the completely revised best-selling Mercedes-Benz city bus. It sets benchmarks above all with its safety concept and its new design.

Final approval for truck joint venture in China. The Chinese Ministry of Commerce grants final approval for Beijing Foton Daimler Automotive Co., Ltd. (BFDA). Daimler will hold a 50% interest in the joint venture and can thus participate in the growth of the Chinese market for medium and heavy trucks.

Q4.11

First Sprinter produced in China. In addition to the Vito and Viano models, which have been successfully produced and sold in China since 2010, the Mercedes-Benz Sprinter is now also rolling off the assembly lines at Fujian Daimler Automotive Co., Ltd. The Sprinter is the first premium product in the Chinese market for large vans.

Closer cooperation between Daimler and BAIC. Daimler and BAIC (Beijing Automotive Group Co., Ltd.) agree to extend their wide-ranging strategic partnership. The letter of intent states that both companies will assess further possibilities for technological collaboration and for vehicles with alternative drive systems.

Daimler plans sale of EADS shares. Daimler and the German government have agreed in principle that the KfW Bank Group will acquire 7.5% of the shares in EADS from Daimler. The transaction is to take place in 2012.

50,000 customers at car2go. car2go, the world's first fully flexible car-rental service to operate on a per-minute basis, passes the milestone of one million rentals. At the same time, the 50,000th car2go customer worldwide is registered at the Hamburg car2go shop.

New Actros is "Truck of the Year 2012." Truck journalists from 24 European countries elect the new Actros, the flagship of the Mercedes-Benz fleet of commercial vehicles, as the best truck of the year. With a total of eight titles, Mercedes-Benz is now the most successful brand in the competition for honors for technological progress.

Presentation of heavy-duty Fuso truck with hybrid drive. Fuso presents its first heavy-duty truck with hybrid drive at the Tokyo Motor Show: the Super Great HEV. The first test carried out under real-life conditions show that fuel consumption has been improved by up to 10% compared with conventional trucks with diesel engines.

Dear Shareholders,

125 years of the automobile and excellent financial results – 2011 stands for both at Daimler. And that pleases us all the more because we promised you a year ago that our jubilee year would be another successful year for your company.

We kept our word with:

- Group revenue of 106.5 billion euros,
- EBIT of 8.8 billion euros, which is well above the prior year,
- and net profit of 6.0 billion euros.

These aren’t just very respectable results; they are among the best in our history. Our return on net assets of 19.9 percent was well above our target of eight percent. In short, we created value. And of course, our success will also benefit you: The Board of Management and the Supervisory Board will propose an increase in the dividend to €2.20 per share at the Annual Meeting.

Now what were the key developments in our divisions?

At **Mercedes-Benz Cars**, we set three records in 2011. Never before have we had better unit sales, revenue or EBIT. This was chiefly accomplished on the strength of our Mercedes-Benz brand and its ongoing invigoration through innovative products. Whether the M- or B-Class, the C coupe or the SLS AMG roadster, our new models are all very popular. At the same time, in 2011 we defined our long-term growth strategy: “Mercedes-Benz 2020.” At its center is the extension of our ambition to lead: With the strongest brand and the best products, we aim to be number one in premium-segment unit sales as well – by the end of this decade at the latest. To that end, we need to achieve sustainable, profitable growth and expand our activities close to our growing customer base.

2011 was also a very good year for **Daimler Trucks**. Worldwide, we were able to increase unit sales and revenue by 20 percent, and EBIT by more than 40 percent. In June, we introduced the new Mercedes-Benz Actros, our most important heavy-duty truck of this decade. It was promptly voted “Truck of the Year.” In North America, we further strengthened our market leadership in the medium- and heavy-duty segment. And with Fuso in Asia, we increased our unit sales despite the natural disaster in Japan.

"The jubilee year of the automobile was another successful year for Daimler. But we believe we can do even better."

Mercedes-Benz Vans posted unit sales growth of about 18 percent – thanks primarily to the success of the new-generation Vito and Viano. Both models are now available in China, where we also started production of the Sprinter.

At **Daimler Buses**, revenue and earnings decreased due to weaker market demand for complete buses. However, we clearly maintained the leading position in all our key markets.

Exceptionally good news also comes from **Daimler Financial Services**, where three new records were set in 2011: for new business, contract volume and earnings. In addition, we expanded our range of services with the new "Mobility Services" business unit. Here we are offering innovative service packages with a focus on sustainable mobility.

All of this contributed to an excellent performance in 2011. It is all the more remarkable given that general economic risks increased in the second half of the year due to the crisis in the euro zone. In 2012, we will continue to face headwinds in our European markets. However, from today's perspective, we expect worldwide economic growth of around 2.5 percent. And global automotive demand is likely to grow even faster in the years ahead.

We intend to participate in this growth – and to an above-average extent. 2011 was a successful and important year. But we believe we can do significantly better in the medium and long term; that also applies to our share price. We strive to attain leadership in all our businesses. In doing so, we draw on the strengths of the Daimler Group:
- as a full-line supplier of premium cars, trucks, vans, buses and services;
- with Mercedes-Benz as our core brand in all divisions;
- and as an innovation and technology leader.

The combination of these Daimler strengths produces potential that we intend to fully utilize in the coming years. Specifically, we have defined four strategic growth areas:
- strengthening our core business in traditional markets,
- conquering new growth markets,
- extending our leadership in environmentally friendly technologies and in the field of safety,
- and developing and implementing new mobility concepts.

In all of this, one thing remains clear: A company's success stands or falls with the skills and commitment of its workforce. The employees of your company are doing a great job; for that they deserve the thanks of the Board of Management. We will continue to systematically promote excellence in the future. One specific target is the development of first-class female and international talent.

Integrity is another issue that is gaining importance – and not just at Daimler. What does that mean in a corporate context? In brief, it means that "make a decent return" and "make returns decent" are two sides of the same coin. Integrity is more than just formal compliance with laws and regulations. It is an ethical attitude, a sort of "internal compass" that keeps us on the right path even in complex business situations.

Many events of the past twelve months have confirmed once again that one of the most important "currencies" is trust – whether it's in business or politics, in public or private life.

Ultimately, Daimler owes its sustained success to its trusted relationships with customers, business partners, employees and neighbors – and of course with you, our shareholders. We would like to sincerely thank you for your confidence in us. We will make every effort in 2012 to justify that confidence once again.

Sincerely,

Dieter Zetsche

The Board of Management

Andreas Renschler | 53
Daimler Trucks
Appointed until September 2013

Wilfried Porth | 53
Human Resources &
Labor Relations Director
Appointed until April 2017

Wolfgang Bernhard | 51
Manufacturing and Procurement
Mercedes-Benz Cars & Mercedes-Benz Vans
Appointed until February 2013

Christine Hohmann-Dennhardt | 61
Integrity and Legal Affairs
Appointed until February 2014

Dieter Zetsche | 58
Chairman of the Board of Management,
Head of Mercedes-Benz Cars
Appointed until December 2013

Bodo Uebber | 52
Finance & Controlling,
Daimler Financial Services
Appointed until December 2014

Thomas Weber | 57
Group Research &
Mercedes-Benz Cars Development
Appointed until December 2013

Report of the Supervisory Board

Dear Shareholders, the Supervisory Board dealt in detail with the operational and strategic development of the Daimler Group in seven meetings during the 2011 financial year.

In the year 2011, the Supervisory Board performed its tasks as laid down by applicable law, the Articles of Incorporation and its rules of procedure, and continually advised and supervised the Board of Management with the management of the company. Following careful reviews and consultations, the Supervisory Board passed resolutions on numerous business matters for which its consent was required, such as investment and personnel planning, capital changes at companies of the Group, investments and divestments, expansion of production capacities in existing cooperations, and the conclusion of contracts of particular importance for the Group. In addition, the Supervisory Board examined for example whether the risk report, the financial reporting and the annual financial statements were in conformance with requirements. The Board of Management also informed the Supervisory Board about a large number of transactions not requiring the Supervisory Board's consent and the two boards discussed those matters together, for example, the further development of strategic programs in the various divisions and the status of various cooperation projects. The Supervisory Board discussed the information and evaluations that were material for its decisions and suggestions together with the Board of Management. The Supervisory Board meetings were regularly prepared in separate discussions of the members representing the employees and the members representing the shareholders with the members of the Board of Management. In each meeting of the Supervisory Board, there was a so-called executive session, in which the members of the Supervisory Board were able to discuss topics in the absence of the members of the Board of Management.

No member of the Supervisory Board attended less than half of the meetings in the past financial year. The Chairman of the Supervisory Board was regularly informed by the Chairman of the Board of Management about all significant operating developments as well as personnel changes and appointments.

Daimler's business activities continued to develop very successfully during the year 2011. Unit sales and revenues increased in almost all the automotive divisions, in some cases substantially. Earnings from ongoing operations were significantly higher than in 2010. The Mercedes-Benz Cars and Mercedes-Benz Vans divisions achieved their targeted rates of return already in the first half of 2011. The good business development generally continued in the second half of the year, although earnings were adversely affected by model changes, higher material costs and exchange-rates movements. Daimler is currently making substantial investments, with support from the Supervisory Board, in new technologies, new markets and new products, in order to strengthen the Group's competitive position for the future.

A question of relevance for the work of the Supervisory Board throughout the year 2011 related to the possibility to plan further developments and their stability. The general economic outlook, and in particular the situation in the financial markets, was marked by significant risks and uncertainties. An additional factor in the first half of the year was the hard-to-assess impact of the natural disaster in Japan. The Board of Management and the Supervisory Board also care-fully monitored the economic situation in China, one of the Group's key markets. In the euro zone, the high levels of state and public-sector debt became increasingly important as factors causing uncertainty and restricting growth. In general, the Supervisory Board assessed the development during 2011 in absolute terms as positive, and in view of the risk described above, was in agreement with the risk-aware approach of the Board of Management. The Supervisory Board dealt in detail with the development of Daimler's share price, and discussed at length with the Board of Management about its causes and proposals, as well as the expected impact on the share price of strategic projects.

Dr. Manfred Bischoff, Chairman of the Supervisory Board.

In addition to the usual key financial metrics, the Board of Management regularly informed the Supervisory Board about important topics such as:

- the Group's profitability, especially in terms of return on equity, and its liquidity situation,
- the internal control and risk management system including compliance,
- the cost of risk in the financial services business,
- the development of commodity prices, especially of raw materials, and
- the general economic situation in the main sales markets, in particular in view of developments in the financial markets.

The Supervisory Board also dealt with safeguarding the Group's long-term profitability, fundamental questions of corporate planning including financial, investment, sales and human resources planning, developments in the companies of the Group, revenue developments and the situation of the Group, as well as the ongoing implementation of measures to secure pioneering and sustainable mobility for the future. The latter was dealt with also considering current and future requirements under the heading of "digital life," with special reference to the Group's products and services. The Supervisory Board was occupied with these topics going beyond the operating business in close communication with the Board of Management and especially intensively in a two-day strategy workshop, which this year focused in particular on conditions and development opportunities in China in order to properly reflect the special importance of the Chinese market.

Cooperation between the Supervisory Board and the Board of Management. All the members of the Board of Management attended all the meetings of the Supervisory Board. In the meetings, there was an intensive and open exchange of opinions and information concerning the position of the Group, business and financial developments, fundamental issues of corporate policy and strategy, and development opportunities in important growth markets. Any deviations from the planning were explained in detail to the Supervisory Board by the Board of Management. The members of the Supervisory Board regularly prepared for upcoming resolutions on transactions requiring Supervisory Board consent on the basis of documentation provided in advance by the Board of Management. They were supported by the relevant committees, and discussed the actions and transactions upon which decisions were to be taken with the Board of Management. Furthermore, the Board of Management informed the Supervisory Board with the use of monthly reports and quarterly risk reports about the most important performance figures and risks and submitted the interim reports to the Supervisory Board. The Supervisory Board was kept fully informed of specific matters also between its meetings. As required in individual cases, following consultation with the Chairman of the Supervisory Board, the members were requested to pass resolutions in writing. In addition, the Chairman of the Board of Management informed the Chairman of the Supervisory Board in regular discussions about important developments and consulted with him on upcoming decisions.

Topics discussed at the Supervisory Board meetings in the year 2011. In January 2011, the Supervisory Board dealt with equity-capital changes at subsidiaries of Daimler North America Corporation. In a meeting in February 2011, the Supervisory Board appointed Dr. Christine Hohmann-Dennhardt, an ex-judge at Germany's Federal Constitutional Court, as a member of the Board of Management for the position of Integrity and Legal Affairs, which had been newly created by a resolution of September 2010. As of December 16, 2011, Bodo Uebber was reappointed as a member of the Board of Management with responsibility for Finance & Controlling and Daimler Financial Services. In the presence of the external auditors, the preliminary key figures of the annual company and consolidated financial statements for 2010 and the dividend proposal to be made at the 2011 Annual Shareholders' Meeting were discussed in the same meeting. The preliminary key figures for the year 2010 were announced at the Annual Press Conference on February 16, 2011.

In another meeting held in February 2011, the Supervisory Board dealt with the annual company financial statements, the annual consolidated financial statements and the combined management report for Daimler AG and the Daimler Group, each of which had been issued with an unqualified audit opinion by the external auditors, as well as the reports of the Audit Committee and the Supervisory Board, the corporate governance report and the remuneration report and the proposal on the distribution of distributable profit. In preparation, the members of the Supervisory Board were provided with comprehensive documentation, some of it in draft form, including the Annual Report with the consolidated financial statements according to IFRS, the combined management report for Daimler AG and the Daimler Group, the corporate governance report and the remuneration report, the annual company financial statements of Daimler AG, the audit report of KPMG for the annual company financial statements of Daimler AG, for the consolidated financial statements and for the combined management report, the proposal of the Board of Management on the distribution of distributable profit, and the drafts of the reports of the Supervisory Board and of the Audit Committee.

The Audit Committee and the Supervisory Board dealt with those documents in detail and discussed them intensively in the presence of the external auditors, who reported on the results of their audit and were available to answer supplementary questions and to provide additional information. Following the final results of the review by the Audit Committee and its own review, the Supervisory Board declared its agreement with the results of the audit by the external auditors, determined that no objections were to be raised, and approved the financial statements and the combined management report as presented by the Board of Management. The company financial statements of Daimler AG for the year 2010 were thereby adopted. The Supervisory Board also consented to the proposal made by the Board of Management on the distribution of distributable profit and approved the report of the Supervisory Board, the corporate governance report and the remuneration report in the current drafts. Furthermore, the Supervisory Board approved its proposed decisions on the items of the agenda for the 2011 Annual Shareholders' Meeting. In addition, the Supervisory Board received information on the status of antitrust investigations of European manufacturers of commercial vehicles by the EU Commission and approved an investment framework for the submission of a voluntary takeover bid for Tognum AG together with Rolls-Royce. Finally, the Supervisory Board dealt with topics of Board of Management remuneration and approved the external board positions and sideline business activities of the members of the Board of Management as presented in the meeting.

Two Supervisory Board meetings were held in April. In the first of those two meetings, which was held straight after the Annual Shareholders' Meeting, the Supervisory Board elected Dr. Manfred Bischoff as the Chairman of the Supervisory Board – as previously announced in the election proposal made at the Annual Shareholders' Meeting. Pursuant to the rules of procedure of the Supervisory Board, its Chairman also chairs the Mediation, Nomination and Presidential Committees. To replace the departing Dr. Manfred Schneider, Dr. Jürgen Hambrecht was elected to the Mediation Committee and to the Presidential Committee. In the place of Dr. Manfred Schneider and Lynton R. Wilson, Dr. Paul Achleitner and Sari Baldauf were elected to the Nomination Committee. In addition, due to the resolution by the Annual Shareholders' Meeting amending the Articles of Incorporation with regard to Supervisory Board remuneration, the Supervisory Board decided to amend the wording of the declaration of compliance accordingly, subject to the amended Articles of Incorporation being entered in the Commercial Register. In the declaration of compliance, the explanation of the lack of a performance-related component of remuneration includes an explanation of the remuneration paid to the Supervisory Board of Daimler AG. With the amendment to the Articles of Incorporation, the existing apportioning model was replaced with an additive model, in order to better reflect the generally increased requirements in particular with consideration of additional activities of Supervisory Board members in committees.

In the second meeting in April 2011, the Supervisory Board dealt with the course of business and results of the first quarter, as well as with a status report on the situation in Japan, which had been updated since previously being dealt with in March 2011, in particular the situation of the Japanese companies of the Group and the local employees after the earthquake, tsunami and reactor accident. In addition, the Supervisory Board granted its consent to the closure of Treasury units in Belgium and to a capital increase for the car joint venture in China, Beijing Benz Automotive Co., Ltd. In May, the Supervisory Board was informed about the stage of the Tognum transaction and the increase in the price offered.

In addition to discussing the business development and results of the second quarter, in its meeting in July, the Supervisory Board granted its consent for capital contributions to the German pension plan, for the execution of equity-capital changes at the subsidiary Daimler Trucks North America, and for the expansion of production capacity for the truck joint venture with Foton, a Chinese truck producer. In the same meeting, the Supervisory Board also dealt with the new pension plan and the topics for the upcoming strategy workshop. Furthermore, it reappointed Wilfried Porth as a member of the Board of Management with responsibility for Human Resources and as Labor Relations Director effective as of May 1, 2012.

During the two-day strategy workshop in September, as every year, the Supervisory Board first of all received information on the stage of implementation of the strategic goals set in previous years by the Board of Management for Daimler AG and the divisions. Against the backdrop of the current economic situation, the Supervisory Board discussed the stage of implementation of projects initiated by the individual divisions, the positioning of the Group and its divisions with regard to the competition, and the brand and product strategies.

Other key areas of the strategy workshops were:

- growth opportunities in the various markets with a focus on China,
- analyses of competitors,
- status reports on the various cooperations,
- the latest trends in customer behavior, also with regard to the future development of urban mobility and the use of modern media and social networks,
- the overall technology and market strategy for safeguarding sustainable mobility,
- the technological development of internal-combustion engines,
- electric, hybrid and hydrogen drive systems,
- specific requirements placed on such drive systems in important markets, in China for example,
- management capacities and other human resources issues, especially in specific growth markets, and
- other strategic topics.

In December, the Supervisory Board dealt in detail on the basis of comprehensive documentation with the operational planning for the years 2012 and 2013. This included discussion of existing opportunities and risks and the Group's risk management. The Supervisory Board also decided on the financing limits for the year 2012 and dealt with a progress report on EADS and the planned sale of 7.5% of the shares in EADS to the KfW banking group. Other matters discussed in the December meeting included corporate governance and Board of Management remuneration.

Corporate governance. Although the German Corporate Governance Code was not amended in the period under review, the Supervisory Board was continually occupied with the standards of good corporate governance, including the green paper of the European Commission on that subject.

An important precondition for effective cooperation in the Supervisory Board in the sense of good corporate governance, in addition to the members' prioritized specialist expertise, is their diversity to adequately reflect the Group's size and internationality in terms of nationality, gender, ethnic origin and experience. In connection with future proposals on candidates for election to the Supervisory Board, the Supervisory Board of Daimler AG pays attention to internationality and balance, especially with regard to gender, and sees this as a contribution to strengthening Daimler's claim to leadership in the automotive industry. With the election of Petraea Heynike, the Supervisory Board has achieved a proportion of 20% female members representing the shareholders, which is at least to be maintained and if possible increased in the coming years.

The members of the Supervisory Board of Daimler AG are obliged to disclose potential conflicts of interest to the entire Supervisory Board and not to participate in discussing or voting on topics which could lead to a conflict of interest. There were no indications of any such potential conflicts of interest in 2011.

In its meeting in April, the Supervisory Board decided on an amendment to its rules of procedure. The Code's suggestion that the maximum possible appointment period of five years should not be the rule with first-time appointments to the Board of Management will be complied with in the future: First-time appointments – and only those – will generally be made for three years only.

In its December meeting, the Supervisory Board updated and amended the wording of the rules of procedure of the Supervisory Board and its committees, and approved the declaration of compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG). With the two exceptions explained in the declaration, all the recommendations of the Code have been complied with and continue to be complied with.

The Supervisory Board last arranged for an externally moderated efficiency review to be carried out during the year 2010, thus fulfilling the requirement to carry out a regular review of its efficiency in accordance with its own rules of procedure and the German Corporate Governance Code. The results of the efficiency review indicate very good cooperation within the Supervisory Board and with the Board of Management. There was no indication of any need for fundamental action or changes. However, some suggestions were made, which will be put into practice.

Corporate governance at Daimler is described in detail in the Corporate Governance Report on pages 169 ff and in the Remuneration Report on pages 161 ff of this Annual Report.

Report on the work of the committees

The **Presidential Committee** convened four times in 2011. It dealt primarily with corporate governance topics and questions of remuneration, as well as personnel matters of the Board of Management. As in previous years, compliance targets constituted part of the individual target agreements of the members of the Board of Management.

The **Audit Committee** met seven times in 2011. Details of those meetings are provided in a separate report of this committee (see page 158 ff).

The **Nomination Committee** convened twice in 2011. Among other matters, it prepared a recommendation for the Supervisory Board's proposal on a candidate for election to the Supervisory Board of Daimler AG representing the shareholders. The proposal gave due consideration to stipulations regarding the structure, orientation and qualification profile of the members of the Supervisory Board representing the shareholders and to corporate governance requirements.

As in previous years, the **Mediation Committee**, a body required by the provisions of the German Codetermination Act (MitbestG), had no occasion to take any action in 2011.

The chairmen of the committees informed the members of the Supervisory Board about the activities of the committees and their decisions, in each case in the Supervisory Board meeting following such decisions.

Personnel changes in the Supervisory Board. After the end of the Annual Shareholders' Meeting held on April 13, 2011, a member representing the shareholders, Dr. Manfred Schneider, stepped down from the Supervisory Board of Daimler AG. As proposed by the Supervisory Board, Petraea Heynike was newly elected as a member of the Supervisory Board representing the shareholders with effect as of the end of that Annual Shareholders' Meeting. Dr. Manfred Bischoff and Lynton R. Wilson, whose periods of office also ended at the end of the Annual Shareholders' Meeting, were reelected. The election proposal of the Supervisory Board to the Annual Shareholders' Meeting was based on a recommendation made by the Nomination Committee and a corresponding resolution by the members of the Supervisory Board representing the shareholders.

Personnel changes in the Board of Management. In a meeting in February 2011, as mentioned above, the Supervisory Board appointed Dr. Christine Hohmann-Dennhardt, an ex-judge at the German Federal Constitutional Court, as a member of the Board of Management for the position of Integrity and Legal Affairs, which was newly created by resolution of September 2010, for a period of three years as of February 16, 2011. Bodo Uebber was reappointed as a member of the Board of Management responsible for Finance & Controlling and Daimler Financial Services for a further three years as of December 16, 2011. In the Supervisory Board meeting in July 2011, in line with the new regulation on periods of service for reappointments, Wilfried Porth was reappointed for another five years as a member of the Board of Management responsible for Human Resources and as Labor Relations Director as of May 1, 2012.

Audit of the 2011 financial statements. The financial statements of Daimler AG and the combined management report for the Company and the Group for 2011 were duly audited by KPMG AG, Wirtschaftsprüfungsgesellschaft, Berlin, and were given an unqualified audit opinion. The same applies to the consolidated financial statements for 2011 prepared according to IFRS, which were supplemented with additional notes.

In the presence of the auditors in a meeting in early February 2012, the Supervisory Board discussed the preliminary key figures of the annual company and consolidated financial statements for 2011 and the dividend proposal to be made at the 2012 Annual Shareholders' Meeting. The preliminary key figures for the year 2011 were announced at the Annual Press Conference on February 9, 2012.

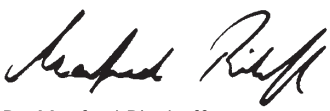
In another meeting in late February 2012, the Supervisory Board dealt with the annual company financial statements, the annual consolidated financial statements and the combined management report for Daimler AG and the Daimler Group, each of which had been issued with an unqualified audit opinion by the external auditors, as well as the reports of the Audit Committee and the Supervisory Board, the corporate governance report and the remuneration report, and the proposal on the distribution of distributable profit. In preparation, the members of the Supervisory Board were provided with comprehensive documentation, some of it in draft form, including the Annual Report with the consolidated financial statements according to IFRS, the combined management report for Daimler AG and the Daimler Group, the corporate governance report and the remuneration report, the annual company financial statements of Daimler AG, the audit report of KPMG for the annual company financial statements of Daimler AG, for the consolidated financial statements and for the combined management report, the proposal of the Board of Management on the distribution of distributable profit, and the drafts of the reports of the Supervisory Board and of the Audit Committee.

The Audit Committee and the Supervisory Board dealt with those documents in detail and discussed them intensively in the presence of the external auditors, who reported on the results of their audit and were available to answer supplementary questions and to provide additional information. Following the final results of the review by the Audit Committee and its own review, the Supervisory Board declared its agreement with the results of the audit by the external auditors, determined that no objections were to be raised, and approved the financial statements and the combined management report as presented by the Board of Management. The company financial statements of Daimler AG for the year 2011 were thereby adopted. The Supervisory Board also consented to the proposal made by the Board of Management on the distribution of distributable profit and approved the report of the Supervisory Board, the corporate governance report and the remuneration report in their current drafts. Furthermore, the Supervisory Board approved its proposed decisions on the items of the agenda for the 2012 Annual Shareholders' Meeting.

Appreciation. The Supervisory Board thanks all of the employees and the management of the Daimler Group for their personal contributions to the successful year 2011. Special thanks are due to a longstanding member of the Supervisory Board, Dr. Manfred Schneider, who stepped down in April after many years of close involvement and exceptional personal commitment to the Group.

Stuttgart, February 2012

The Supervisory Board



Dr. Manfred Bischoff
Chairman

The Supervisory Board

Dr. Manfred Bischoff
Munich
Chairman of the Supervisory Board of Daimler AG
Other supervisory board memberships/directorships:
Fraport AG
Royal KPN N.V.
SMS GmbH – Chairman
UniCredit S.p.A.
Voith GmbH – Chairman

Erich Klemm*
Sindelfingen
Chairman of the General Works Council,
Daimler Group and Daimler AG;
Deputy Chairman of the Supervisory Board of Daimler AG

Dr. Paul Achleitner
Munich
Member of the Board of Management of Allianz SE
Other supervisory board memberships/directorships:
Bayer AG
RWE AG
Allianz Investment Management SE – Chairman
Allianz Global Investors AG

Sari Baldauf
Helsinki
Former Executive Vice President and General Manager
of the Networks Business Group of Nokia Corporation
Other supervisory board memberships/directorships:
Hewlett-Packard Company
F-Secure Corporation
Fortum OYj - Chairwoman

Dr. Clemens Börsig
Frankfurt am Main
Chairman of the Supervisory Board of Deutsche Bank AG
Other supervisory board memberships/directorships:
Linde AG
Bayer AG
Emerson Electric Co.

Prof. Dr. Heinrich Flegel*
Stuttgart
Director Research Materials, Lightweight Design and
Manufacturing, Daimler AG; Chairman of the Management
Representative Committee, Daimler Group

Dr. Jürgen Hambrecht
Ludwigshafen
Former Chairman of the Board of Executive Directors
of BASF SE
Other supervisory board memberships/directorships:
Deutsche Lufthansa AG
Fuchs Petrolub AG – Chairman
Trumpf GmbH + Co. KG

Petraea Heynike
Vevey
Former Executive Vice President of the Executive Board
of Nestlé S.A.
(since April 13, 2011)
Other supervisory board memberships/directorships:
Schulich School of Business

Jörg Hofmann*
Stuttgart
German Metalworkers' Union (IG Metall), District Manager,
Baden-Württemberg
Other supervisory board memberships/directorships:
Robert Bosch GmbH
Heidelberger Druckmaschinen AG

Dr. Thomas Klebe*
Frankfurt am Main
General Counsel of the German Metalworkers' Union
(IG Metall)
Other supervisory board memberships/directorships:
Daimler Luft- und Raumfahrt Holding AG
ThyssenKrupp Materials International GmbH

Gerard Kleisterlee
Amsterdam
Former President and CEO of Royal Philips Electronics N.V.
Other supervisory board memberships/directorships:
Vodafone Group Plc. – Chairman
De Nederlandsche Bank N.V.
Royal Dutch Shell Plc.
Dell Inc.

Jürgen Langer*
Frankfurt am Main
Chairman of the Works Council of the Frankfurt/Offenbach
Dealership, Daimler AG

Ansgar Osseforth*
Sindelfingen
Manager Mercedes-Benz Research and Development;
Member of the Works Council, Sindelfingen Plant,
Daimler AG until November 30, 2011

Valter Sanches*
São Paulo
Secretary of International Relations of Confederação
Nacional dos Metalúrgicos/CUT

Stefan Schwaab*
Gaggenau
Vice Chairman of the General Works Council, Daimler
Group and Daimler AG; Vice Chairman of the Works Council,
Gaggenau Plant, Daimler AG

Jörg Spies*
Stuttgart
Chairman of the Works Council, Headquarters, Daimler AG

Lloyd G. Trotter
Plainville
Former Vice Chairman General Electric; President & CEO
of the General Electric Group's Industrial Division;
Managing Partner, Founder, GenNx360 Capital Partners
Other supervisory board memberships/directorships:
PepsiCo Inc.
Textron Inc.
syncreon Holdings Ltd.
syncreon.US Holdings Inc.
syncreon.US Inc.

Dr. h.c. Bernhard Walter
Frankfurt am Main
Former Spokesman of the Board of Management
of Dresdner Bank AG
Other supervisory board memberships/directorships:
Bilfinger Berger SE – Chairman
Deutsche Telekom AG
Henkel AG & Co. KGaA

Uwe Werner*
Bremen
Chairman of the Works Council, Bremen Plant, Daimler AG

Lynton R. Wilson
Toronto
Chairman of the Board of CAE Inc.;
Chancellor of McMaster University

Retired from the Supervisory Board:

Dr. Manfred Schneider
Leverkusen
Chairman of the Supervisory Board of Bayer AG
(retired on April 13, 2011)

Committees of the Supervisory Board:

Committee pursuant to Section 27 Subsection 3 of the German Codetermination Act (MitbestG)
Dr. Manfred Bischoff – Chairman
Erich Klemm*
Dr. Jürgen Hambrecht
Dr. Thomas Klebe*

Presidential Committee
Dr. Manfred Bischoff – Chairman
Erich Klemm*
Dr. Jürgen Hambrecht
Dr. Thomas Klebe*

Audit Committee
Dr. h.c. Bernhard Walter – Chairman
Erich Klemm*
Dr. Clemens Börsig
Stefan Schwaab*

Nomination Committee
Dr. Manfred Bischoff – Chairman
Dr. Paul Achleitner
Sari Baldauf

* Representative of the employees

Daimler Shares

The spread of the sovereign-debt crisis and growing uncertainty about ongoing economic developments caused high volatility in the capital markets. Daimler's share price fell significantly during the year 2011. In view of a repeated increase in net profit, the Board of Management and the Supervisory Board propose a higher dividend of €2.20 per share (prior year: €1.85).

1.01

Development of Daimler's share price and major indices

	End of 2011	End of 2010	11/10 % change
Daimler's share price (in euros)	33.92	50.73	-33
DAX 30	5,898	6,914	-15
Dow Jones Euro STOXX 50	2,317	2,793	-17
Dow Jones Industrial Average	12,218	11,578	+6
Nikkei	8,455	10,229	-17
Dow Jones STOXX Auto Index	259	341	-24

1.02

Key figures per share

In euros	2011	2010	11/10 % change
Net profit	5.32	4.28	+24
Net profit (diluted)	5.31	4.28	+24
Dividend	2.20	1.85	+19
Equity (December 31)	38.77	35.62	+9
Xetra share price at year end [1]	33.92	50.73	-33
Highest [1]	58.46	54.87	+7
Lowest [1]	29.16	30.35	-4

1 Closing prices

Turbulent year on global stock markets. Stock markets continued their very volatile and disparate development in 2011. Against the backdrop of positive economic developments and encouraging company results, the upward trend of the previous year at first continued at the beginning of 2011. A number of negative factors such as the worsening debt crisis in the euro zone, the violent conflicts in North Africa and the Middle East, the natural disaster in Japan and growing fears of inflation then led to sharp falls in share prices in March. However, following good quarterly results of companies in Europe and the United States, stock markets recovered quickly and reached their peaks for the year in May. After moving sideways for several months, share prices generally declined at the beginning of August due to the weaker economic outlook. The exacerbating financial crisis in Europe and the downgrading of the United States' creditworthiness raised market fears of a renewed recession during the autumn. As a result, the markets remained very volatile.

The index of the most important stocks in the euro zone, the Dow Jones Euro STOXX 50, fell significantly, especially in the second half of 2011, and lost 17% over the full year. Germany's main index, the DAX, lost 15%. In the United States, the Dow Jones climbed by 6% over the year. The Nikkei index in Japan closed 2011 down 17% compared with a year earlier.

Volatile development of Daimler's share price in 2011. Automotive stocks made a positive start to the year 2011. Our share profited at the beginning of the year from good unit sales in December and the encouraging data from the US truck market. Daimler's share price peaked for the year at €58.46 on January 18.

This was followed by a phase of consolidation. Growing uncertainty had a disproportionately strong impact on the price of cyclical stocks such as Daimler's. Nonetheless, our share price remained at the level it had reached at the end of 2010 until the end of July, despite negative factors such as the debt crisis in Europe, the natural disaster in Japan and the conflicts in North Africa and the Middle East. Share prices then fell significantly in August. This phase saw strong selling but only a weak propensity to buy. In that trading environment, economically sensitive automotive stocks suffered sharp losses. Although good unit sales were reported during the summer break, investors – especially in the United States – remained very risk averse and reduced the proportion of what they regarded as risky

European stocks in their portfolios. But, benefiting from the positive development of the German stock market and the publication of good third-quarter results in line with market expectations, Daimler's share price climbed again significantly in October within a very volatile environment. The repeated increase in uncertainty about a resolution of the euro crisis caused the stock markets and automotive stocks to fall again temporarily in November. During this phase, the price of Daimler's shares reached its low for the year of €29.16 on November 23. After a brief recovery, our share price remained flat in December and closed the year at a price of €33.92 on December 30. ↗ 1.01 Our share thus fell by 33% over the full year, which is a weaker performance than the Dow Jones STOXX Auto Index (-24%) and the DAX (-15%). Daimler's market capitalization at the end of 2011 was €36.2 billion.

In the first several weeks of the year 2012, Daimler's share price climbed significantly.

Dividend of €2.20. ↗ 1.02 The Board of Management and the Supervisory Board will propose to the Annual Shareholders' Meeting to be held on April 4, 2012 that in view of the good business development the dividend should be increased from €1.85 to €2.20 per share. The total dividend payout will thus amount to €2,346 million (prior year: €1,971 million).

Broad shareholder structure. ↗ 1.07 Daimler continues to have a broad shareholder base of approximately 1.0 million shareholders. The number of shareholders remained stable compared with 2010, so there was no continuation of the trend of falling shareholder numbers that occurred in previous years. There was a steadily growing demand for our shares from private investors during the second half of 2011, mainly in Germany.

Kuwait Investment Authority holds 6.9% of Daimler's shares and the Renault-Nissan Alliance holds 3.1%.

Aabar Investments PJS, Abu Dhabi (Aabar), notified us in October 2011 that its Daimler voting rights had fallen below the notification threshold of 5% and amounted to 4.99998% at that time. This was caused by a slight increase in Daimler's share capital due to the exercise of stock options. In February 2012, Aabar notified us that the number of Daimler shares it physically owned had decreased to approximately 32.7 million, equivalent to a shareholding of 3.07%. In connection with the respective shareholding notifications, Aabar also informed us that it has the right to redelivery of the difference between the approximately 32.7 million shares it physically owns and the 96.4 million shares it originally acquired. In connection with its shareholding, Aabar entered into a series of financing transactions. As of 1 February 2012, the new rules pursuant to the German Securities Trading Act (WpHG) require separate incremental disclosures of certain elements of these transactions, which lead to double-counting with respect to parts of Aabar's total shareholding. Together with shares lent to third parties in connection with financing transactions for which Aabar has a right of redelivery, Aabar still holds 9.04%.

BlackRock Inc., New York, informed us in August 2011 that it had exceeded the 5% notification threshold as defined by Germany's Securities Trading Act (WpHG) and that its Daimler voting rights amounted to 5.7% as of August 11, 2011. Capital Research and Management Company of Los Angeles, which notified us in May 2010 that it held 3.1% of our shares, is still above the 3% notification threshold stipulated by the WpHG.

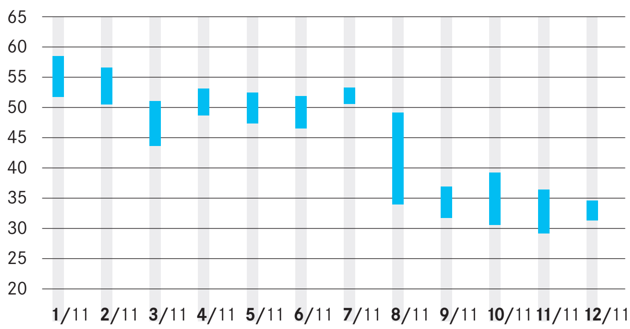
The treasury shares held by Daimler at the end of 2010 (approximately 0.2 million shares worth about €7 million) were used during the year under review to satisfy the claims of former AEG shareholders from arbitration proceedings.

In total, institutional investors hold 67% of our share capital and private investors hold 20%. Approximately 69% of our equity are in the hands of European investors and approximately 19% are held by US investors. ↗ 1.08

1.03

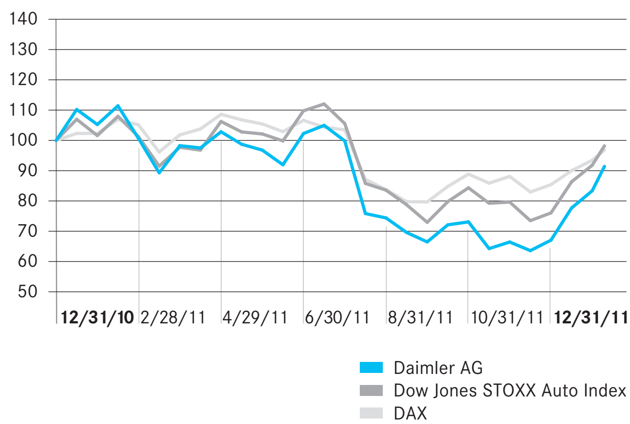
Daimler share price (high/low), 2011

In euros



1.04

Share price index



1.05
Key figures

	End of 2011	End of 2010	11/10
			% change
Share capital (in millions of euros)	3,060	3,058	+0
Number of shares (in millions)	1,066.3	1,065.6	+0
thereof treasury shares	0	0.2	-100
Market capitalization (in billions))of euros)	36.2	54.0	-33
Number of shareholders (in millions)	1.0	1.0	0
Weighting in share index			
DAX 30	5.93%	7.51%	
Dow Jones Euro STOXX 50	2.26%	2.88%	
Long-term credit ratings			
Standard & Poor's	BBB+	BBB+	
Moody's	A3	A3	
Fitch	A-	BBB+	
DBRS	A (low)	A (low)	

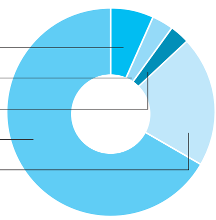
1.06
Stock-exchange data for Daimler shares

ISIN	DE0007100000
German securities identification number	710000
Stock-exchange symbol	DAI
Reuters ticker symbol	DAIGn.DE
Bloomberg ticker symbol	DAI:GR

1.07
Shareholder structure as of February 6, 2012

By type of shareholder

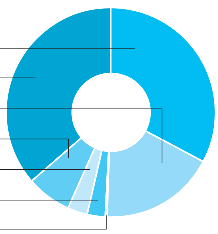
Kuwait Investment Authority	6.9%
Aabar Investments PJS	3.1%*
Renault-Nissan	3.1%
Institutional investors	66.5%
Retail investors	20.4%



1.08
Shareholder structure as of February 6, 2012

By region

Germany	32.9%
Europe, excluding Germany	36.3%
USA	17.9%
Kuwait	6.9%
United Arab Emirates	3.1%*
Asia	2.6%
Rest of the world	0.3%



* 9.04% together with shares lent to third parties in connection with financing transactions for which Aabar has a right of redelivery

The weighting of Daimler shares in major indices decreased during 2011 due to the negative development of our share price. In the German DAX 30 index, our stock was ranked in seventh position with a weighting of 5.93% at the end of the year (end of 2010: 7.51%). ↗ 1.05 In the Dow Jones Euro STOXX 50, Daimler shares were represented with a weighting of 2.26% (end of 2010: 2.88%). Daimler shares are listed in Frankfurt and Stuttgart. Stock-exchange trading in Germany in the year 2011 amounted to 1,728 million shares (2010: 1,492 million). In addition, Daimler shares are increasingly traded on multilateral trading platforms and in the over-the-counter market.

Substantially increased participation in employee share program. In March 2011, eligible members of the workforce were once again able to acquire employee shares. A price incentive that was granted for the first time and bonus shares helped to increase the number of participants to 32,200 employees, who acquired a total of 610,300 shares (2010: 19,400 employees acquired 350,700 shares).

Annual Shareholders' Meeting approves management's proposals with large majorities. Our Annual Shareholders' Meeting held on April 13, 2011 at the Berlin International Congress Center (ICC) was attended by approximately 5,100 shareholders (2010: 4,700). With 43.3% of the share capital represented at the Annual Meeting, shareholder representation (attendance plus absentee votes) was higher than in the prior year (40.3%). In the voting on the items of the agenda, the shareholders adopted the recommendations of the management with large majorities.

The shareholders are able to exercise their voting rights at the Annual Meeting either in person or through a proxy of their own choice or through a proxy appointed by Daimler who is bound by their voting instructions. For the Annual Shareholders' Meeting in 2011, we offered the possibility of absentee voting for the first time. All documents and information on the Annual Meeting are available at www.daimler.com/ir/am.

Daimler once again utilized the exhibition space at the ICC to demonstrate to the shareholders the Group's broad spectrum of products and technological expertise, especially in the area of sustainable mobility. In 2011, the 125th anniversary of the automobile, we took the opportunity at the Annual Meeting also to draw the visitors' attention to some of the highlights in the long history of our company.

Comprehensive investor relations activities once again. In the year 2011, the Investor Relations department once again provided timely information on the development of the Group to institutional investors, analysts, rating agencies and private investors. Our communication activities for institutional investors and analysts included roadshows in the major financial centers of Europe, North America, Asia and Australia, as well as large numbers of one-on-one meetings. We carried out presentations of the Group in the context of investor conferences, in particular during the international motor shows in Geneva, Paris and Frankfurt. We regularly reported on our quarterly results via conference calls and Internet broadcasts. The presentations can be seen on our website at http://www.daimler.com/ir/event/e. The focus of discussions with analysts and investors was on current earnings expectations for the year 2011 as well as business developments and profitability in the various divisions and regions.

At a joint press conference with Rolls-Royce on March 9, 2011, Daimler announced a public takeover offer for Tognum AG. Capital market was informed about the details of the intended acquisition by the two CEOs via the Internet, with live broadcast of the press conference. We informed the public and the capital market in a timely manner also about the individual stages of the takeover, which was completed in September 2011.

Further development of website. The range of topics dealt with on our Internet website was once again expanded and navigation was made even more user-friendly. Users are encouraged to take a closer look by an innovative, multimedia form of presentation with informative texts, schematic animations and a large amount of video material. At the www.daimler.mobi address, all the information on the Daimler website can be quickly and conveniently accessed also when on the move using mobile devices such as smart phones. And the Daimler app for iPhones™ and iPads™ provides the latest information on the Group, its brands and products, as well as technology and innovation topics.

In the year under review, our interactive Annual Report 2010 was honored in the renowned International Business Awards as the world's best online annual report across all industries.

Number of online shareholders remains at a high level. Our electronic information and communication service was as popular as ever: Approximately 90,000 shareholders received their invitations to the Annual Meeting by e-mail instead of by post in 2011. We thank them for helping us to protect the environment and reduce costs. As in previous years, we held a lottery amongst the participants with attractive prizes for the winners. Access and further information on the e-service for shareholders can be found on our website at https://register.daimler.com.

An element of the e-service for shareholders is the electronic annual meeting service. In the context of introducing absentee voting for all shareholders, we now also offer absentee voting as part of the e-service. Approximately 2,100 shareholders made use of this facility last year.

Innovation and Growth

150,000
km of driving before the first oil change

2,600,000
vehicles financed and leased by DFS worldwide

0.26
best c_d value in the compact class

392
kW maximum output

60,000
car2go customers

0
emissions

+60
°C highest temperature in the hot tunnel

8,000
sales outlets throughout the world

50,000,000
km of engine testing on rigs and on the road

14
years of automotive future anticipated

10
new assistance systems

1,000
km zero-emission range of F-CELL Plug-in HYBRID

These impressive figures reveal the scale of innovation and growth at Daimler. They reflect our strategy of building on our pioneering achievements of the past to guide our company successfully into the future. Our strategy is based on people, mobility and markets. You can find stories and information relating to these figures on the following pages.

Innovation on a Grand Scale

The most economical long-distance haulage with the world champion. The 10,000-kilometer “Record Run” made it clear that the new Mercedes-Benz Actros combines the best emission values with record fuel economy. The truck also achieves new dimensions in terms of comfort, safety and handling.

Actros

25

liters of fuel consumed per 100 kilometers during the Record Run in 2011

150,000

kilometers before the engine oil has to be changed for the first time

1,200,000

kilometers maximum distance that can be driven before the first technical overhaul


ACTROS
S MB 9300

The new Actros from Mercedes-Benz defines the future of long-distance haulage

Setting the course for a new era. The new Actros outshines the competition as far as economy, comfort and handling are concerned.

New product generations are the cornerstones of our success in the global truck sector. The new Actros, for example, is the result of one of the biggest truck development programs ever undertaken in the 115-year history of Mercedes-Benz Trucks. Mercedes-Benz is the only truck manufacturer to develop not only a new engine but also a pioneering heavy-duty truck capable of satisfying the Euro VI emissions standard that will go into effect in 2014. As a long-haulage flagship model, the new Actros is packed with innovations and emotion.

Its powerful and striking design also embodies its inner strengths, which include an extremely efficient range of engines, sophisticated aerodynamics and services such as the FleetBoard telematics system, all of which make the heavy-duty truck outstandingly economical and environmentally friendly. The pleasant and spacious interior, the clear division between the driver's workplace and the section for relaxation, and the generous stowage space ensure the highest level of comfort. With its innovations for the rear axle, steering system and chassis, the new Actros makes driving safer and more stable – and thus sets new standards in terms of handling.

A revolution on Europe's highways. The new Actros makes no compromises when it comes to the claim of "Trucks you can trust." It's the first and to date only truck that has been rigorously developed in line with the Euro VI emissions standards.

Innovative Euro VI engines get more kilometers out of less diesel

The six-cylinder inline engine with 12.8 liters of displacement and four output levels (310-375 kW) delivers concentrated BlueEfficiency power along with the lowest emission levels.

The new engine generation stands out with its compact design and unique combination of clean and economical operation. Despite extensive exhaust gas after-treatment, fuel consumption has been reduced by up to 7% in the Euro V version and by up to 4% in the Euro VI version. The new Actros also performed even better in practical tests (see page 34). All of this was possible thanks to the intelligent interaction between newly developed components such as common-rail fuel injection with X-Pulse, which can achieve injection pressures of up to 2,100 bar.

80/50

% lower NOx and particulate emissions in Euro VI version

2,600
hours of wind tunnel testing

A truck in a wind tunnel? For a premium Mercedes-Benz truck that's a given. The new Actros was fine-tuned and its fuel efficiency optimized during 2,600 hours of wind-tunnel testing. Every detail counts when you have a truck with a frontal area of about 10 m^2 and around 150,000 km of mileage each year. The new Actros now leads the way with a perfect aerodynamic design that helps make it the most economical truck.

50,000,000
kilometers of engine testing on rigs and on the road

20,000,000
kilometers of pre-series tests on the road

In focus

A good feeling: The new Actros is tough and reliable
Never before has a truck been so extensively tested; nor has a truck from Mercedes-Benz ever been asked to do more to earn the brand's star. Developed in line with Daimler Trucks' strict quality gates, the new Actros had to pass a wide range of engine, drivetrain, chassis and cab tests. In addition to proving its worth in endurance and rough-road trials, the truck also showed what it is capable of in the climate chamber and out on the road. The Actros will never face such extreme conditions in real life – but it's good to know it could handle them if it did.

Launch of series production in Wörth
The first new Actros rolled off the assembly line at the Mercedes-Benz plant in Wörth in September 2011. Wörth – the world's biggest truck assembly plant – is not only efficient but also flexible. In fact, it manufactures every new Actros precisely in accordance with customer requirements. Statistically speaking, no single new Actros from a specific year is exactly like any other.

First new Euro VI Actros delivered to France
As part of a major order for 500 Mercedes-Benz trucks, the first Euro VI-compliant new Actros was handed over in October 2011 to Transalliance, one of the leading logistics companies in Europe.

More profitable operation with FleetBoard
With its new Actros, Mercedes-Benz has become the first manufacturer to offer a fleet management system as standard. Moreover, every FleetBoard customer can test the system free of charge for four months.

At the peak of the heavy-duty segment
In November 2011, the new Actros claimed the European Transport Sustainability Prize 2012 in the "Trucks over 7.5 tons" category. The new flagship from Mercedes-Benz Trucks was also named Truck of The Year 2012 by a panel of international experts. It was the fourth time that an Actros has received this award.

Innovation on a Grand Scale

Record Run 2011: Clear victory for the record-setter – The new Actros is the world champion for fuel efficiency

Following a spectacular long-distance comparative test over 10,000 kilometers, it’s now official: the new Actros is the most economical truck of all time. The truck demonstrated its world championship qualities in the Record Run 2011 from Rotterdam to Szczecin and back. The Actros trucks, which were fitted with a standard trailer and had a total weight of 40 tons, were driven at an average speed of 80 km/h by professional truckers. Even experts were amazed by the results.

The record results were calculated by independent experts from DEKRA. The Euro V version of the new Actros consumed 2 liters less fuel per 100 kilometers than its predecessor (-7.6%), which already enjoyed a reputation for fuel economy, while the Euro VI version consumed 1.2 liters less fuel per 100 km (-4.5%).

“At the end of our seven-day trip, the fuel consumption of the new Actros was much better than the target.”
Richard Schneider, trucker

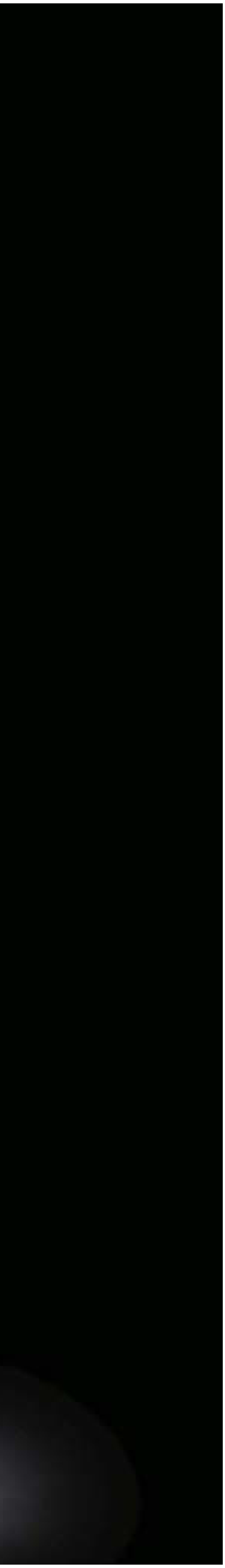
Setting the benchmark

10,000
kilometers long-distance comparative drive

77.5
km/h average speed

13
driver assistance systems for safety and comfort


Revolutionary
S MB 1164



The New Compact Cars

The new B-Class is on the road – the first of an all-new generation of compact cars with the three-pointed star. With a total of five new models from Mercedes-Benz, we are also targeting younger customer groups.

3

new engines with the ECO start/stop function

10

new assistance systems

976

millimeters legroom - the most generous in this segment

Safe and comfortable – but also young and emotional: Welcome to a new era for the compact class

As the inventor of the automobile, we are updating our model range in special ways. For example, Mercedes-Benz Cars began in 2011 by launching a unique offensive in the compact class with the new B-Class. The preceding A- and B-Class vehicles successfully paved the way for this development. We are systematically expanding our presence in this segment by offering innovative and fascinating compact models.

The pulse of a new generation: the Concept A-CLASS
The expressive design of the Concept A-CLASS symbolizes focused dynamism. The concept car opens up new possibilities and is setting the pace for the new Mercedes-Benz compact class era – in terms of both appearance and technology.

For everything that lies before us: the new B-Class
This new era is being ushered in by the second generation of the Mercedes-Benz B-Class, which is even more agile, safer and more efficient than its predecessor – while remaining as comfortable and roomy as ever. As an all-rounder, it is also an ideal vehicle for young families. The lower vehicle height and the characteristic lines of its exterior perfectly express the dynamic qualities of this premium sports tourer.

The new compact car was presented at the Frankfurt Motor Show (IAA) in 2011. And thanks to its partial double-floor concept (Energy Space) for alternative drive systems, the new compact car is ideally equipped for the future. No Mercedes-Benz model change has ever produced as many innovations as the new B-Class. This quantum leap will benefit customers by offering them the lowest fuel consumption and CO_2 emission values – combined with driving pleasure, plenty of space and the utmost safety standards. These developments will completely redefine this vehicle category in the future.

Premium road safety
The new B-Class and the future new A-Class will have COLLISION PREVENTION ASSIST as standard equipment – an innovation that is unique in the compact segment. This radar-supported collision warning system with the adaptive braking assistant can protect drivers from typical front-end collisions. That makes the new B-Class the benchmark for safety in its segment – a feature that makes it especially attractive for young families. Many additional assistance systems from the larger models are also continually enhancing the safety of Mercedes-Benz compact cars.

Fascinating

With its high-quality materials, finely structured surfaces and elegant details, the Concept A-CLASS raises the bar for compact cars.

The Mercedes-Benz compact-class offensive

Premium quality is not a matter of dimensions, but of appearance, quality and style. With a total of five compact-class models from Mercedes-Benz, as opposed to the previous two, we ideally address the expectations and lifestyle of a dynamically growing customer group.

2011 Launch of the new B-Class
2012 Launch of the new A-Class
followed by:
- a compact coupe
- a compact SUV
- another model

COMAND Online puts specific applications, services and content of a digital lifestyle at the driver's fingertips.

With a drag coefficient (c_d value) that is nothing short of sensational for a hatchback vehicle, the new B-Class is clearly at the forefront of its segment.

0.26

best c_d value in the compact class

The Fascination of Electric Mobility

Daimler's all-electric model versions are already a visible part of today's urban landscapes. People are fascinated by our electric vehicle fleet – the largest in the world – which is setting the stage for emission-free mobility. This fleet will soon be supplemented by models such as the SLS AMG E-CELL, which clearly demonstrates that clean and exciting need not be mutually exclusive.

880

Nm maximum torque

392

kW maximum output

The Mercedes-Benz SLS AMG E-CELL points the way forward in the development of breathtaking sports cars with locally emission-free high-tech drive systems.

Electrifying

All systems are go for a responsible and outstanding driving experience

Global demand for individual mobility continues to rise unabated. Customers want vehicles that are safe, comfortable and powerful — but also economical and environmentally friendly. As the inventor of the automobile, Daimler is also shaping the mobility of the future. In fact, the company is well on the way to becoming a green technology leader.

Further optimization of our highly efficient internal-combustion engines and efficiency gains through hybridization are accompanied by a sustained effort to promote electric mobility. In order to achieve locally emission-free mobility with electric vehicles, Daimler is relying on battery-electric and fuel-cell drive systems, and continues to systematically develop them both. After all, we are convinced that the future belongs to these drive-system technologies.

The key to the successful electrification of the drive system lies in powerful lithium-ion batteries. And Daimler is the only German automaker that develops such batteries itself. Industrial production is scheduled to begin in 2012.

Daimler offers emission-free mobility with milestone battery-operated vehicles in all segments, beginning with the Mercedes-Benz B-Class F-CELL, a fuel-cell model that is fully suitable for everyday use. Today, we already have a unique fleet of reliable electric vehicles that are paving the way for dynamic green mobility and will thrill customers worldwide.

Daimler's electric fleet

A broad range of electric vehicles in all segments is already on the road today. In other words, it's all systems go for our electric cars, trucks, vans and buses. Our green portfolio of more than 3,000 electric vehicles is supplemented by many highly effective hybrid models.

smart fortwo electric drive (Generation III)
Mercedes-Benz Cars

The successful models of the first and second generations were launched in 2007 and 2009. The third generation will be successively introduced in 30 markets in 2012. We intend to manufacture more than 10,000 units per annum starting with the first full year of production.

Mercedes-Benz A-Class E-CELL
Mercedes-Benz Cars

The five-seater is fully suitable for everyday use and is ideal for families. It comes with battery-electric drive and boasts a spacious and versatile interior. Production of a total of 500 vehicles commenced in the fall of 2010.

Mercedes-Benz B-Class F-CELL
Mercedes-Benz Cars

Series production of the electric fuel-cell car began in 2009 with almost 200 units for use in Europe and the United States. The model underscored its suitability for daily use in the World Drive event in 2011. Mass production will start in 2014.

Mercedes-Benz Citaro FuelCELL Hybrid
Daimler Buses

Eleven of these quiet, economical and emission-free fuel-cell buses are currently in regular service in cities. The Mercedes-Benz Citaro FuelCELL Hybrid city bus has been manufactured under near-series conditions on the Mannheim plant's Citaro production line since 2011.

Mercedes-Benz Vito E-CELL
Mercedes-Benz Vans

Some 500 units of the world's first series-production electric van have hit the road since market launch in 2010. The vans have the same payload and space as conventional models. Plans call for approximately 2,000 units to be built by the end of 2012.

Fuso Canter E-CELL
Daimler Trucks

This battery-electric truck, which had its world premiere at the IAA Commercial Vehicles Show in 2010, marks the next step on the path to emission-free delivery services in metropolitan areas.

Freightliner Custom Chassis MT E-CELL All-Electric Delivery Van
Daimler Trucks

Freightliner Custom Chassis is a leading supplier of delivery vehicles with alternative drive systems. The series-production MT E-CELL chassis offers operators reliability, zero emissions and fuel savings.

Mercedes-Benz SLS AMG E-CELL
Mercedes-Benz Cars

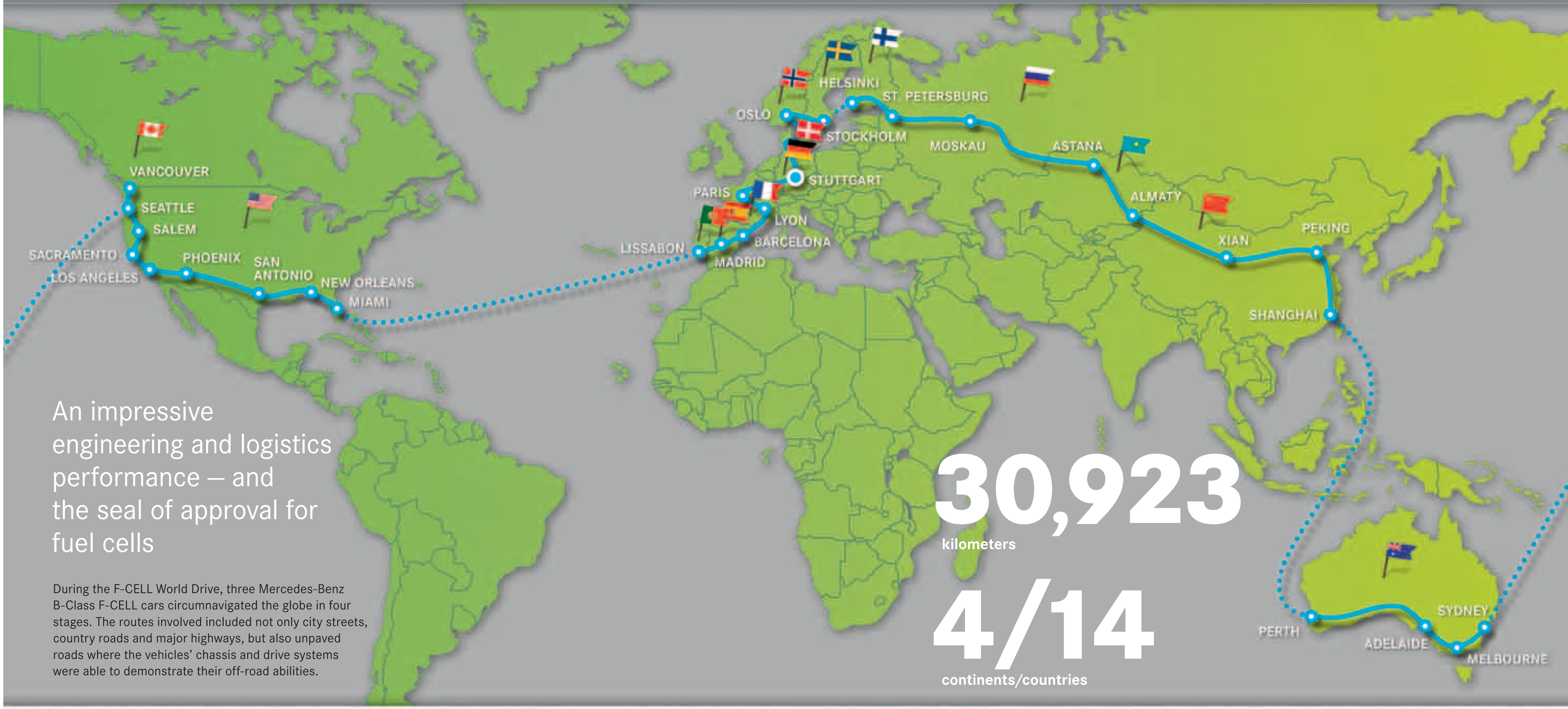
Market launch is scheduled for 2013. With its fascinating handling and dynamics, the concept car far surpasses current expectations regarding emission-free vehicles.

Mercedes-Benz Concept B-CLASS E-CELL PLUS
Mercedes-Benz Cars

With its range extender, this concept model supplements the Group's family of compact electric vehicles and offers a preview of things to come in 2014 — when it will go into series production.

F-CELL World Drive

Trip around the world



An impressive engineering and logistics performance — and the seal of approval for fuel cells

During the F-CELL World Drive, three Mercedes-Benz B-Class F-CELL cars circumnavigated the globe in four stages. The routes involved included not only city streets, country roads and major highways, but also unpaved roads where the vehicles' chassis and drive systems were able to demonstrate their off-road abilities.

30,923
kilometers

4/14
continents/countries

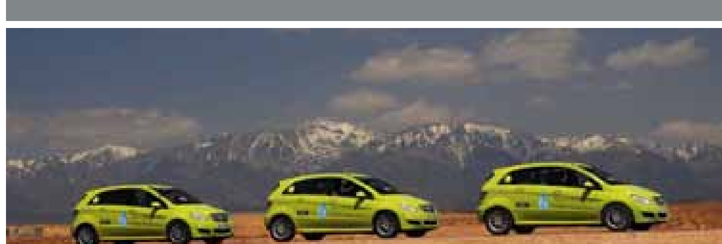
0
emissions

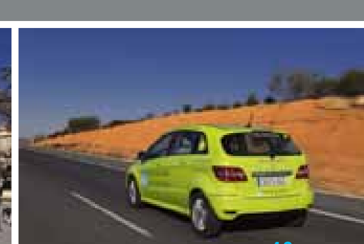
1st stage Europe
From Stuttgart to Lisbon

2nd stage United States - Canada
From Fort Lauderdale to Vancouver

3rd stage Australia
From Sydney to Perth

4th stage Asia — Russia — Europe
From Shanghai to Stuttgart





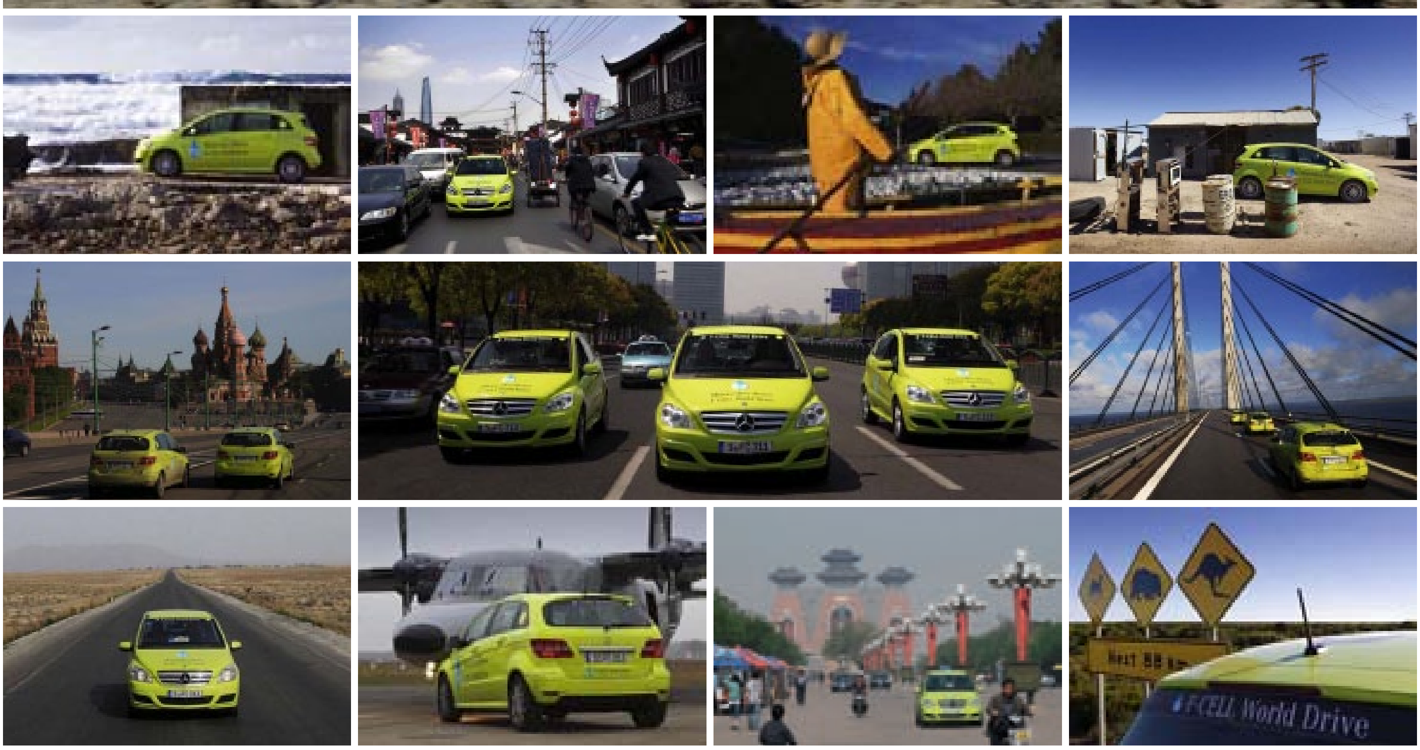


Mercedes-Benz F-CELL World Drive
The first emission-free car trip around the world

German Chancellor Angela Merkel and Daimler CEO Dieter Zetsche officially kicked off the Mercedes-Benz F-CELL World Drive on the anniversary of the invention of the automobile. The three all-electric Mercedes-Benz B-Class F-CELL cars that participated in the event clocked up 30,923 kilometers across four continents and 14 countries on this pioneering trip.

The world tour underscored the advanced nature of fuel cell technology from Daimler. The vehicles clearly demonstrated that they are safe, robust and suitable for everyday use. They also boast a long range and short refueling times. As if that weren't enough, they deliver a tremendous emission-free driving experience.

The spectacular journey around the world also highlighted the need for a comprehensive hydrogen filling station infrastructure. Daimler seeks to play a key role in the expansion of such an infrastructure as part of its effort to spearhead the development of the automotive future.

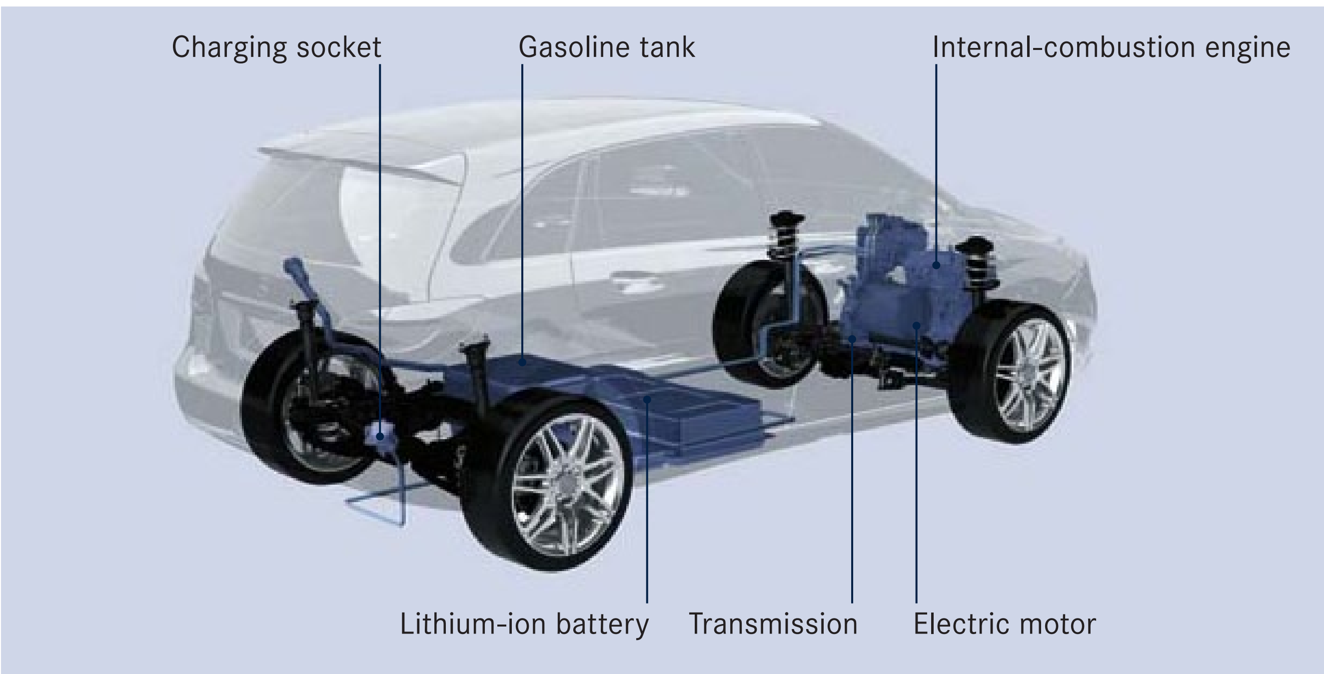


The best of both worlds: Mercedes-Benz Concept B-CLASS E-CELL PLUS with range extender

Mercedes-Benz has supplemented its electric fleet by presenting a fully functional compact electric vehicle with a range extender – the B-CLASS E-CELL PLUS concept car, which will soon be ready for series production. The combination of an electric drive system and a gasoline engine ensures optimal suitability for long distances and everyday use. The supplementary internal-combustion engine allows the battery to be recharged as needed while the vehicle is on the road, thereby increasing its total range from 100 to 600 kilometers in order to ensure unrestricted mobility.

This forward-looking and versatile concept meets the demand for emission-free driving on the one hand and long-range travel on the other.

The combination of an electric motor and a gasoline engine makes it possible to travel distances that were previously only possible with an internal-combustion engine alone or with electric vehicles equipped with fuel cells. Here, the lithium-ion battery and fuel tank are installed in a special compartment under the floor – the so-called energy space.



Sales model sale&care makes e-mobility attractive.

We're making it easier for our customers to enter the world of electric mobility by offering a new sales model: sale&care. Thanks to sale&care, customers can purchase a third-generation smart fortwo electric drive for less than €16,000 (net of taxes). Customers don't have to buy the battery, they can simply lease it for less than €60 (net) per month. When they conclude a rental contract, customers receive assurance from us that the battery will maintain a predefined capacity during the entire duration of the contract. The maintenance of the battery or its replacement – if necessary – are all included in the rental fee.

Shaping future transportation: CleanDrive vehicle concepts for lower fuel consumption

Daimler is also drastically reducing its commercial vehicles' emissions and fuel consumption. This approach includes the electrification of all commercial vehicle classes, from light vans to heavy-duty trucks. Daimler Trucks has already delivered hybrid and battery-electric models. Examples include the Freightliner Custom Chassis MT E-CELL All-Electric Delivery Van and the Fuso Canter E-CELL.

Outstanding performance: Freightliner Custom Chassis MT E-CELL All-Electric

The Freightliner Custom Chassis MT E-CELL All-Electric Delivery Van has been making a huge impression in terms of aerodynamics, lightweight design and environmental compatibility since 2011. The pioneering walk-in van with an all-electric drive system and plug-in technology has distinguished itself in urban and environmentally sensitive applications with its powerful performance and a range of 160 kilometers on just a single battery charge.

Silent light-duty truck: Fuso Canter E-CELL

The prototype of Daimler's first battery-electric light-duty truck is a major step on the road to zero-emission mobility in the demanding delivery sector. The emission-free Canter E-CELL, which is almost silent and has a range of about 120 kilometers, is ideal for inner cities and other environmentally sensitive areas. The Canter E-CELL prototype has been on the road since 2011; small-batch production of the model will follow soon.

What Will Move Us Tomorrow?

car2go

The innovative spirit of our company's founders, Gottlieb Daimler and Carl Benz, continues to guide us as we shape the automobile's future and develop sustainable concepts to help create a new culture of urban mobility around the world.

60,000
car2go customers

1,000,000
fully automated car2go rental transactions

10,000,000
kilometers traveled

Making people and cities more mobile – with city-compatible, environmentally friendly and economical solutions

The demands made on premium products are becoming increasingly varied because more and more people now view helping to improve society and the environment as an expression of luxury. "Green thinking" has become a personal lifestyle element, much like the new forms of consumption and use of services we see in the digitally networked world. Work and private life are also becoming more mobile – and in rapidly growing cities and regions in particular, this has led to an increase in the demand for climate-friendly, comfortable and affordable modes of transportation.

Daimler is setting the standard for the urban mobility of tomorrow by consistently networking new communication technologies, innovative services and clean drive systems.

The company is already bringing the future to our streets today with visionary concepts like car2go, car2gether and Bus Rapid Transit (BRT), in some cases cleverly combined with other innovative modes of transportation like the smart ebike, as well as with zero-emission ways of living. An important source of inspiration here is Daimler's Business Innovation unit, where we continually identify future market requirements and promote the development of new automotive products, programs and services.

car2go
The mobility concept from Daimler

As the world's first flexible by-the-minute vehicle rental system, Daimler's car2go enables customer to make one-way automobile trips on the spur of the moment, showing how individual mobility might work in the future. car2go customers can rent a smart fortwo at an affordable price at any time and anywhere in cities served by the system. They can use the car for as long as they like and simply park it anywhere within the car2go operating area when they've finished. Customers find and reserve cars via cell phones, smartphones or the Internet; invoices are generated by a telematics unit in the vehicle. This is how car2go makes city driving as easy as using your mobile phone.

car2go in the Living Lab: the future of urban mobility
car2go was launched in 2008 in Ulm and Neu-Ulm and then expanded into other cities. New inquiries about the service are received all the time. This year the state of Baden-Württemberg, the city of Stuttgart, Daimler AG, car2go GmbH, the energy supplier EnBW and the Stuttgarter Straßenbahnen AG transit company plan to transform the Stuttgart metropolitan area into a model region for the future of urban mobility. The project will focus on establishing a new battery-charging infrastructure and a car2go fleet of 500 smart fortwo electric drive vehicles.

2007	March 2009	May 2010	April 2011	June 2011
Initial idea for car2go developed by Daimler Business Innovation	**Ulm/Neu-Ulm** 300 smart fortwo car2go edition vehicles 21,000 registered customers	**Austin** 300 smart fortwo car2go edition vehicles 20,000 registered customers	**Hamburg** 300 smart fortwo car2go edition vehicles 10,000 registered customers	**Vancouver** 225 smart fortwo car2go edition vehicles 10,000 registered customers

Intelligent and environmentally friendly mobility in Amsterdam. car2go has a fleet of 300 smart fortwo electric drive vehicles here — one of the biggest electric car-sharing fleets in the world.

<36

is the age of 60% of car2go customers

>50

is the age of 15% of car2go customers

In focus

car2gether — the web-based car-sharing community
Daimler is the first automaker to test its own car-sharing service. car2gether has been bringing drivers together with people seeking a ride in the cities of Ulm and Aachen since 2010. The system matches drivers and passengers via the Internet or smartphones. Demand for the service is now so high that its radius has been extended to 90 km in both cities. Daimler is also using the car2gether pilot project to determine the mobility requirements of the future.

smart fortwo car2go edition — the clever car-sharing option
The new smart car2go edition is the world's first car-sharing vehicle configured as such in the factory. The car is equipped with a start-stop feature, a user-friendly telematics system that includes a radio and navigation unit, and an innovative solar roof.

One-way

November 2011

Amsterdam
300 smart fortwo electric drive vehicles
First exclusively electric fleet in Europe
1,000 preregistrations

November 2011

San Diego
300 smart fortwo electric drive vehicles
First exclusively electric fleet in North America

December 2011

Vienna
500 smart fortwo car2go edition vehicles
World's biggest car2go fleet

February 2012

Lyon
200 smart fortwo car2go edition vehicles

Düsseldorf
300 smart fortwo car2go edition vehicles

2012

Stuttgart
500 smart fortwo electric drive vehicles
World's biggest electric car2go fleet

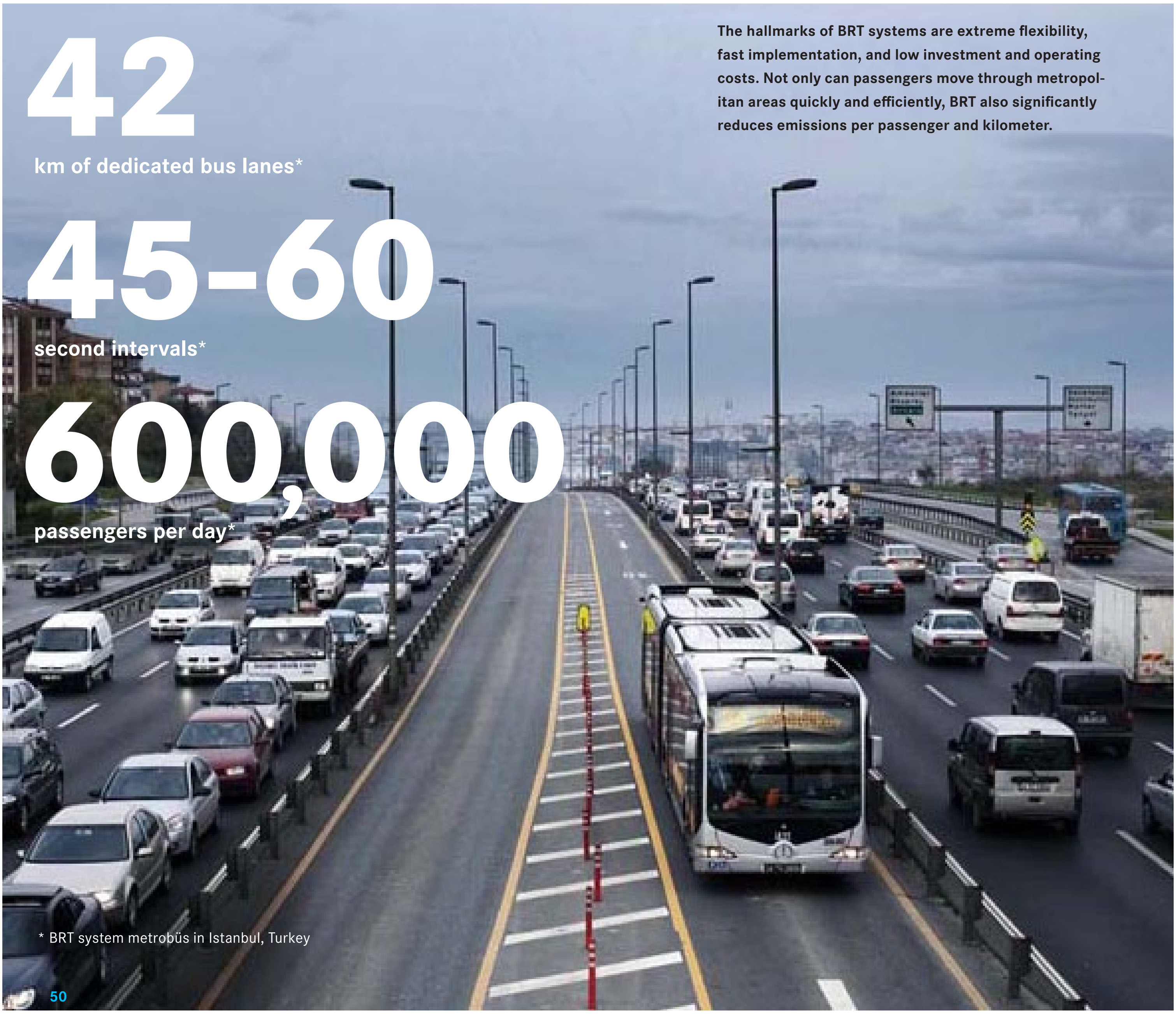
Bus Rapid Transit:
Urban transport solutions for today and tomorrow

Cities and metropolitan areas want to improve their quality of life – and this requires smooth and environmentally friendly traffic flows. In addition to supporting the economical operation of bus fleets with pioneering products and solutions, Daimler offers innovative services that reduce traffic density.

Bus Rapid Transit (BRT) offers clever mobility concepts, in particular for booming megacities and metropolitan areas. With BRT solutions, state-of-the-art buses running at short intervals use dedicated lanes and separate stop-light systems to travel with great frequency and at high speeds. As a result, they can bring passengers to their destinations quickly and conveniently.

More than 16,000 Mercedes-Benz buses are now operating on BRT lanes in places like Bogotá, Istanbul, Mexico City, Nantes, Pune and São Paolo. In the future, BRT will be introduced in many locations around the world. In particular, it is expected to play an important role in the cities that will host soccer games during the 2014 World Cup in Brazil.

Daimler's BRT system receives the ÖkoGlobe 2011 award.
The ÖkoGlobe ecology institute at the University of Duisburg-Essen has recognized the environmentally friendly nature of the BRT concept by honoring Daimler's BRT activities with the first prize in the "New Mobility Concepts" category. The award provides further motivation for Daimler Buses to remain a pioneer in the area of sustainable and environmentally sound transport solutions.



42
km of dedicated bus lanes*

45–60
second intervals*

600,000
passengers per day*

The hallmarks of BRT systems are extreme flexibility, fast implementation, and low investment and operating costs. Not only can passengers move through metropolitan areas quickly and efficiently, BRT also significantly reduces emissions per passenger and kilometer.

* BRT system metrobüs in Istanbul, Turkey

Urban mobility

EfficiencyHouse-Plus with electric mobility: experiencing the future

The EfficiencyHouse-Plus with electric mobility project in Berlin offers a preview of the sustainable residential and mobility concepts of tomorrow. The project house uses ultramodern technology to produce more electricity than it needs. The surplus power can be used to recharge battery-electric vehicles.

A family will move into the house for 15 months in March 2012. Experts will assist them as they test the interaction between this new generation of buildings and electric mobility concepts. Daimler will contribute a Mercedes-Benz A-Class E-CELL with an innovative inductive (wireless) charging system, as well as a smart fortwo electric drive, a smart ebike and charging infrastructure for the home.

smart ebike: Free of emissions and full of emotion

Urban mobility demands around the globe and the smart brand’s experience with electric mobility have led to the development of an unconventional vehicle that is perfect for big cities: The smart ebike cleverly supplements automobiles and ensures a clean and enjoyable ride with zero local emissions.

The smart electric bike will start moving people through cities quickly, comfortably and with zero local emissions in the spring of 2012. The ebike not only sets new standards for bicycle design, it will also thrill customers with other innovations such as a USB connection for smartphones and a brake-energy recovery system.

Global Success Made by Daimler

Daimler continues to grow. In its core markets, the Group is staying on track for success by thinking ahead and creating new products and services. We're also picking up speed in the markets of the future by launching new brands and products and establishing networks for development and production.

2008
Starting signal for BharatBenz truck plant

2010
Commissioning of a state-of-the-art truck test track

2011
Beginning of production trial runs

Daimler Trucks has been producing trucks under the new BharatBenz brand at the new plant in Oragadam near Channai since early 2012.

Strengthening our presence in our core markets and in the emerging markets of the future

Dynamic global markets are creating outstanding opportunities for Daimler. Growth will be driven in the future primarily by the BRIC countries (Brazil, Russia, India and China), but our traditional automotive markets in Europe, the United States and Japan will also remain very important for us.

The BRIC countries have advanced to become the world's fastest-growing automotive markets in a very short time. The low density of vehicles and an emerging middle class are leading to booming economies. The car markets of the four BRIC countries will soon enter the top ten, and Daimler Trucks also expects to greatly increase its sales there in the medium term.

Local production is increasingly becoming a key factor for success, and we are making targeted investments in areas such as local brands and new production capacities to make sure we can fully meet the global demand for our products.

Daimler is already present with its own manufacturing facilities in many countries around the world. New plants like the one in Hungary, country-specific brands like BharatBenz in India, and partnerships such as those with Foton in China and Kamaz in Russia ensure that our global market success will continue.

Positive global balance through a global presence
Our activities in the BRIC countries underscore our goal of balanced growth. The new Daimler locations benefit from this, but our traditional sites profit as well through positive effects like new recruitment and the safeguarding of existing jobs.

BharatBenz plans to conquer the modern domestic market in India with special products. From frames to cabs, paint and engine production — the new Daimler plant covers all stages of manufacturing for light, medium and heavy-duty trucks.

Global growth

Europe

Kecskemét, Hungary
New Mercedes-Benz car plant
– Production of new compact class models from Mercedes-Benz in conjunction with Rastatt, Germany beginning in 2012

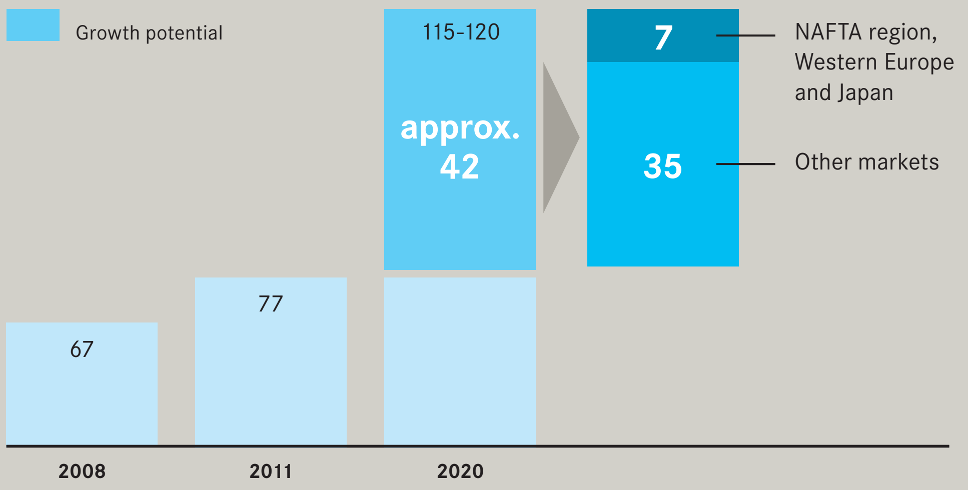
Cooperation with Renault-Nissan
Strategic partnership with cross shareholdings
– Joint development: successor generation of the smart fortwo, a smart brand four-seater, and the next generation of the Renault Twingo. Market launches as of 2014.
– Development of a new Mercedes-Benz urban delivery van. Market launch in late 2012.
– Mutual supply of powertrains: compact three and four-cylinder engines for Daimler, four and six-cylinder engines for Nissan and Infiniti
– Collaboration on zero-emission vehicles: Daimler will supply batteries for the smart and the Twingo, while Renault-Nissan will supply the electric motors.
– Joint production of Mercedes-Benz gasoline engines at a Nissan plant for C-Class production in Tuscaloosa

Cooperation with Kamaz
Joint ventures: Mercedes-Benz Trucks Vostok and Fuso Kamaz Trucks Russia
– Production of the Fuso Canter in Russia
– Production of the Mercedes-Benz Actros, Axor and Unimog in Russia

Cooperation with GAZ
– Launch of license production of the Mercedes-Benz Sprinter by GAZ in Russia in 2013

The global automotive market

Cars and commercial vehicles in millions



The global automotive market is growing — especially in the BRIC countries
Daimler is stepping up its activities in traditional markets and penetrating the growth markets of the future with cars, commercial vehicles and electric models tailored precisely to local requirements, and through the use of local manufacturing and development centers.

India

Chennai
New truck plant
– Production of light, medium and heavy-duty trucks under the new BharatBenz brand name as of autumn 2012

Cooperation with Sutlej Buses
– Production of Mercedes-Benz luxury coaches for the Indian market

Cooperation with the bus body manufacturer MCV
– Production of the Mercedes-Benz city bus for the Indian market starting in 2012

China

Cooperation with BAIC (Beijing Automotive Industry Holding Co., Ltd.)
Strategic partnership and joint venture BBAC (Beijing Benz Automotive Co., Ltd.)
– Expansion of capacities for local production of the Mercedes-Benz C- and E-Class
– Production of the Mercedes-Benz GLK SUV
– Production of three new Mercedes-Benz compact-car models successively as of 2014
– Production of four-cylinder gasoline engines as of 2013

Cooperation with BYD (Build Your Dreams) Co., Ltd.
Joint venture BDNT (Shenzhen BYD Daimler New Technology Co., Ltd.) for the development of an electric vehicle in China for the Chinese market
– Market launch planned for 2013
– Sales under a new brand name

Cooperation with FJMG (Fujian Motor Industry Group) and CMC (China Motors Corp.), Taiwan.
FJDA (Fujian Daimler Automotive Co., Ltd.) joint venture
– Production of Mercedes-Benz Vito and Viano vans since 2010
– Production of Mercedes-Benz Sprinter since 2011

Cooperation with Beiqi Foton Motor Co., Ltd.
BFDAC (Beiqi Foton Daimler Automotive Co. Ltd.) joint venture
– Production of medium and heavy-duty Auman brand trucks

United States

Tuscaloosa, Alabama
Expansion of the existing car plant
– Production launch of the Mercedes-Benz C-Class for North America in 2014
– Production of an additional new model beginning in 2015

Decherd, Tennessee
– Joint production of Mercedes-Benz gasoline engines with Nissan at a Nissan plant beginning in 2014

Brazil

Juiz de Fora
New truck plant
– Production of Mercedes-Benz trucks
– Production launch of the heavy-duty Actros and the Mercedes-Benz Accelo in 2012

Global presence

The first locally produced Mercedes-Benz Sprinter rolled off the line at Fujian Daimler Automotive Co., Ltd. (FJDA) in Fuzhou in 2011. The new model is the third Mercedes-Benz van after the Viano and the Vito to be built for the rapidly growing Chinese market.

Daimler in Russia: Expanded cooperation in Europe's biggest truck market

Daimler Trucks and the Russian truck manufacturer Kamaz began stepping up their successful cooperation in 2011. Last year, the two partners presented their first jointly developed truck containing Daimler components at the Comtrans commercial vehicle show in Moscow. Fuso trucks and Mercedes-Benz Actros, Axor and Unimog models have been rolling off the production lines in Russia since 2010 and 2011. In the future, Daimler Trucks will also cooperate with Kamaz on the production of axles and truck cabs.

Think globally

Daimler in Hungary: The best or nothing – production network for compact cars creates new manufacturing capacities

Mercedes-Benz plans to build five new compact models in the future instead of the current two model series, and the new Mercedes-Benz plant in Kecskemét, Hungary will join forces with the facility in Rastatt to create the needed additional capacity. This production network will create the flexibility needed to ensure that the manufacturing operations associated with the expanded product range are profitable. Production of the first vehicles for customers will start in Kecskemét in March 2012 – around six months after the start of production at the sister plant in Rastatt. The Hungarian facility will thus benefit from the experience gained from the production ramp-up in Germany. As a result, it will be able to successfully tackle the challenges related to the launch of a new product with new employees in a new production facility in a new country.

The first production test vehicle rolled off the assembly line in Kecskemét back in August 2011 – a "pipeline cleaner," as the German production engineers described it.

Daimler in China: well positioned in the world's biggest automobile market

The outlook is excellent: China has been posting dazzling double-digit growth rates for several years – and Daimler is already operating successfully in the world's biggest automobile market. Mercedes-Benz cars and vans are produced locally.

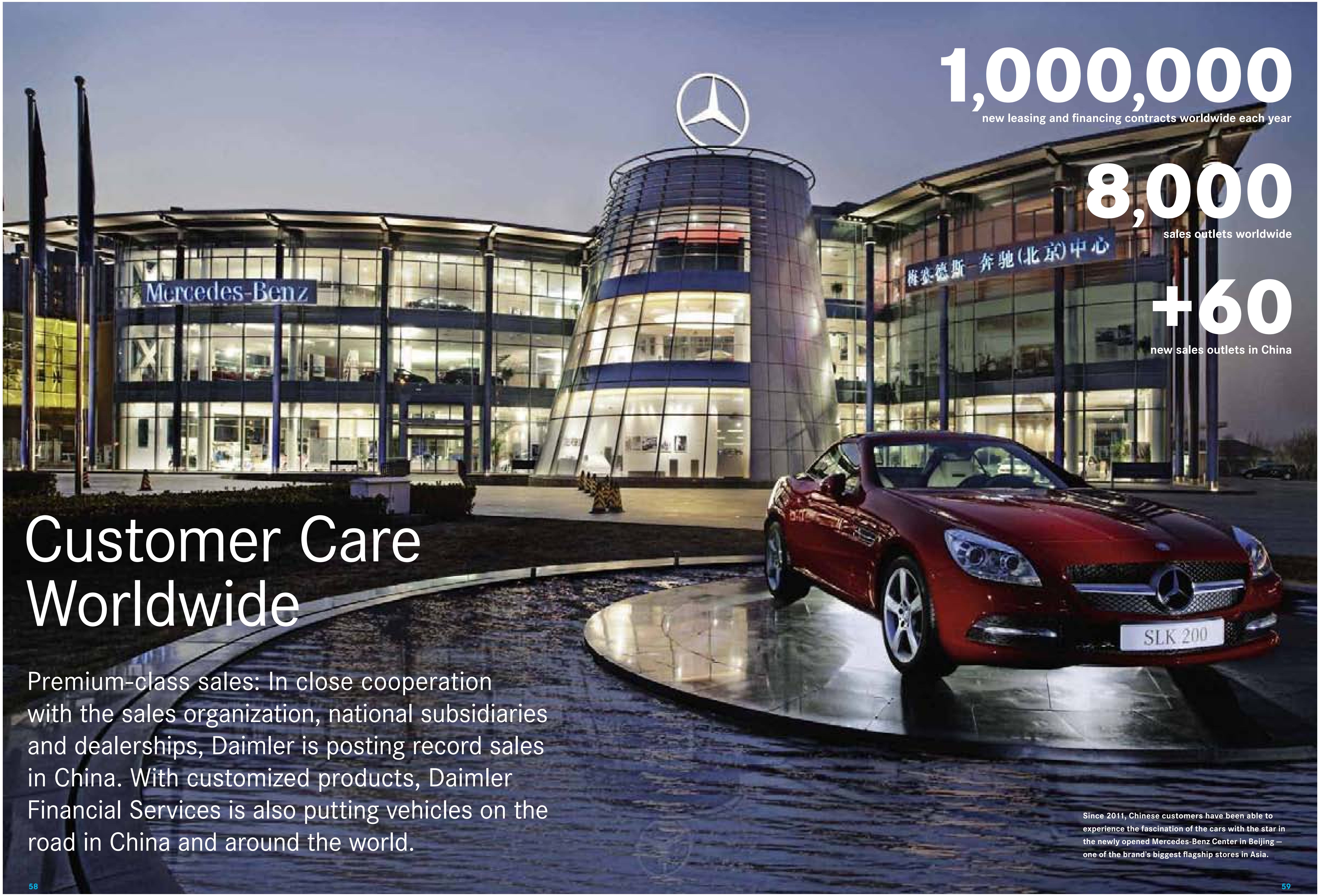
We have developed a pioneering strategy for placing our activities in China on an even broader foundation. In addition to the significant expansion of car and van production, this strategy includes the joint venture for commercial vehicles established with Foton Motor in 2011. The new joint venture will build medium and heavy-duty Auman brand trucks that will be fitted with Mercedes-Benz engines.

Zero-emission mobility in China with Daimler
The approval of the joint venture Shenzhen BYD Daimler New Technology Co., Ltd. (BDNT) was another milestone for Daimler in 2011. Daimler and its partner BYD are working together in the new joint venture to develop an electric vehicle for the Chinese market.

BDNT will unveil a show car of the new automobile at Auto China in April 2012. It will be launched under a new brand name in 2013.

Act locally

The Viano is another one of our vehicles that meets all of the Chinese customers' requirements, including the demand for outstanding Mercedes-Benz quality and local production.



1,000,000
new leasing and financing contracts worldwide each year

8,000
sales outlets worldwide

+60
new sales outlets in China

Customer Care Worldwide

Premium-class sales: In close cooperation with the sales organization, national subsidiaries and dealerships, Daimler is posting record sales in China. With customized products, Daimler Financial Services is also putting vehicles on the road in China and around the world.

Since 2011, Chinese customers have been able to experience the fascination of the cars with the star in the newly opened Mercedes-Benz Center in Beijing – one of the brand's biggest flagship stores in Asia.

China's economy is growing – and Daimler is continuing its success story in the world's biggest automobile market

China's economy has grown in leaps and bounds, and the long-term prospects of business operations in China are equally promising. With sales of more than 300,000 Mercedes-Benz cars planned for 2015, all the signs point to further growth for Daimler. We will also significantly increase our market share in other vehicle categories in China.

We are continuously expanding our sales and service network in China to accommodate the dynamic development of sales and service activities that is taking place there. Also in China, our goal is to ideally fulfill our customers' requirements for optimal sales and service quality.

Thanks to its many years of business operations in China, Daimler can build on a broad foundation of local businesses. Mercedes-Benz and smart cars are currently sold by approximately 210 dealerships in 90 cities, and trucks and vans are sold by some 80 retailers. In 2011, we expanded the sales and service network for Mercedes-Benz cars and commercial vehicles with 60 attractive new dealerships and by conducting intensive training programs for the sales and service teams. In China, as elsewhere, we offer our customers "the best or nothing."

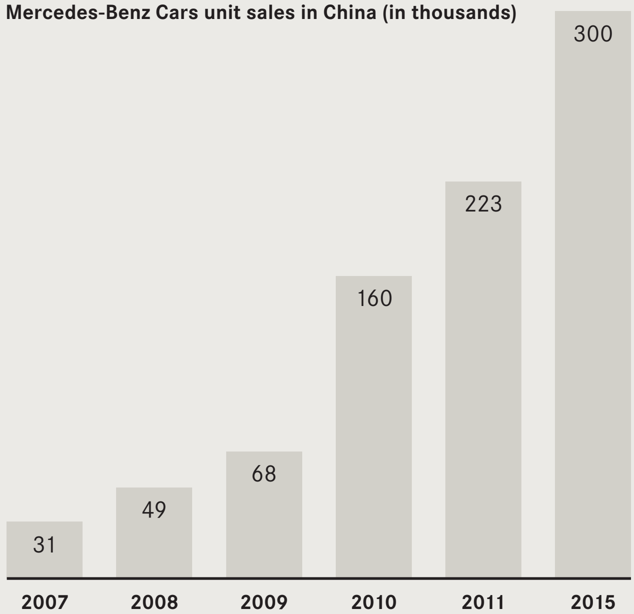
Gaining an additional edge through customized financial services. Customers who finance or lease their vehicles are not only particularly loyal to their brands, but they also change their vehicles twice as often and more frequently opt for especially high-grade vehicle equipment. That's why Daimler Financial Services supports the sales of our vehicles. Today, our financial services division already finances or leases more than 40% of Daimler Group vehicles, and the contract volume will increase over the coming years.

One of the next steps in the global growth strategy of Daimler Financial Services involves stronger participation in growth markets such as China and India. In line with this approach, Daimler Financial Services supports Daimler's successful operations in the Chinese market by offering special products and services customized for the domestic market. Since 2011, Daimler has also been further improving its proximity to its customers in the booming Indian market by offering customized finance and leasing packages.

"From the smart to the S-Class, we provide our customers with perfect advice and service. For an increasing number of young Chinese, Daimler vehicles are part of their lifestyle."
David Wang, salesperson

Daimler a big success in China

Mercedes-Benz Cars unit sales in China (in thousands)



China is already the world's largest automobile market, and Daimler is steadily gaining ground in this outstanding growth market. In the future, China will be the biggest car market for Mercedes-Benz.

Anniversary in China

Daimler Financial Services has been active in China since 2006. In just five years, its contract volume in the world's largest automobile market has increased to the equivalent of almost €1.8 billion. In order to continue fulfilling its customers' and dealers' wishes ideally in this dynamic growth market in the future, Daimler Financial Services is further expanding its operations throughout the entire country.

72

billion euros - the size of Daimler Financial Services' contract volume worldwide

2,600,000

vehicles financed and leased by Daimler Financial Services worldwide

Customized financial services and a special appreciation of Chinese culture are lending additional momentum to the strong demand for Daimler vehicles in China.

The Future Is Our Element

Innovation is one of Daimler's most important traditions. For example, the new climate and wind tunnels at the Mercedes-Benz Technology Center in Sindelfingen are setting global benchmarks for efficient and environmentally friendly automotive development.

265
km/h maximum wind speed

+60
°C highest temperature in the hot tunnel

–40
°C lowest temperature in the cold tunnel

The new climate and wind tunnels bring extreme weather indoors and put innovations on the road much faster

In the next step after the commissioning of its new driving simulator, the Mercedes-Benz Technology Center was expanded as planned to accommodate two ultramodern climate and wind tunnels. As a result, research, development, design, planning and production are more thoroughly integrated at the Mercedes-Benz facility in Sindelfingen than at any other automobile company in the world.

The new climate and wind tunnels bridge the gap between simulation and real-life testing, allowing the optimization of newly developed vehicles and components from Mercedes-Benz early on in weather conditions of every kind. This means that in the future, only prototypes that have already proven their high level of maturity in the most adverse climatic conditions in the climate tunnel will embark on the subsequent real-life road tests in Arctic cold or scorching desert heat.

Thanks to the new climate and wind tunnels, Mercedes-Benz can ensure the highest possible quality. That's a claim which has been firmly established for 125 years.

The extremely cold temperatures that are needed for vehicle testing cannot always be found even in Sweden's Arctic regions in the winter; similarly, extremely hot temperatures do not reliably occur even in the notorious Death Valley in the United States. But in the new climate and wind tunnels, all of the desired climatic conditions can be created all year round within very narrow tolerances. That simply can't be done on the open road.

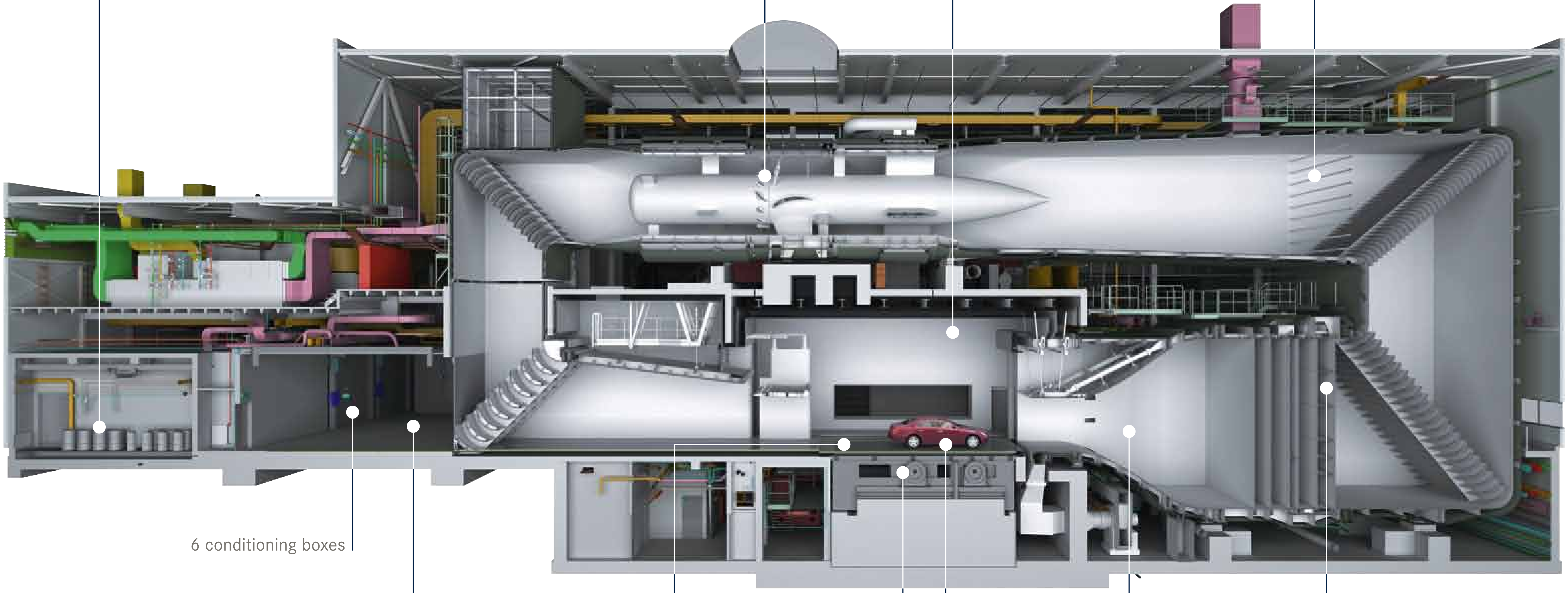
Innovative

"The new climate and wind tunnels don't replace road testing. But we can significantly reduce the number of road tests and we're better prepared for them. This way, we can achieve our ambitious goals faster."
Tanja Mayer, Schedule Manager

Any kind of weather at the touch of a button

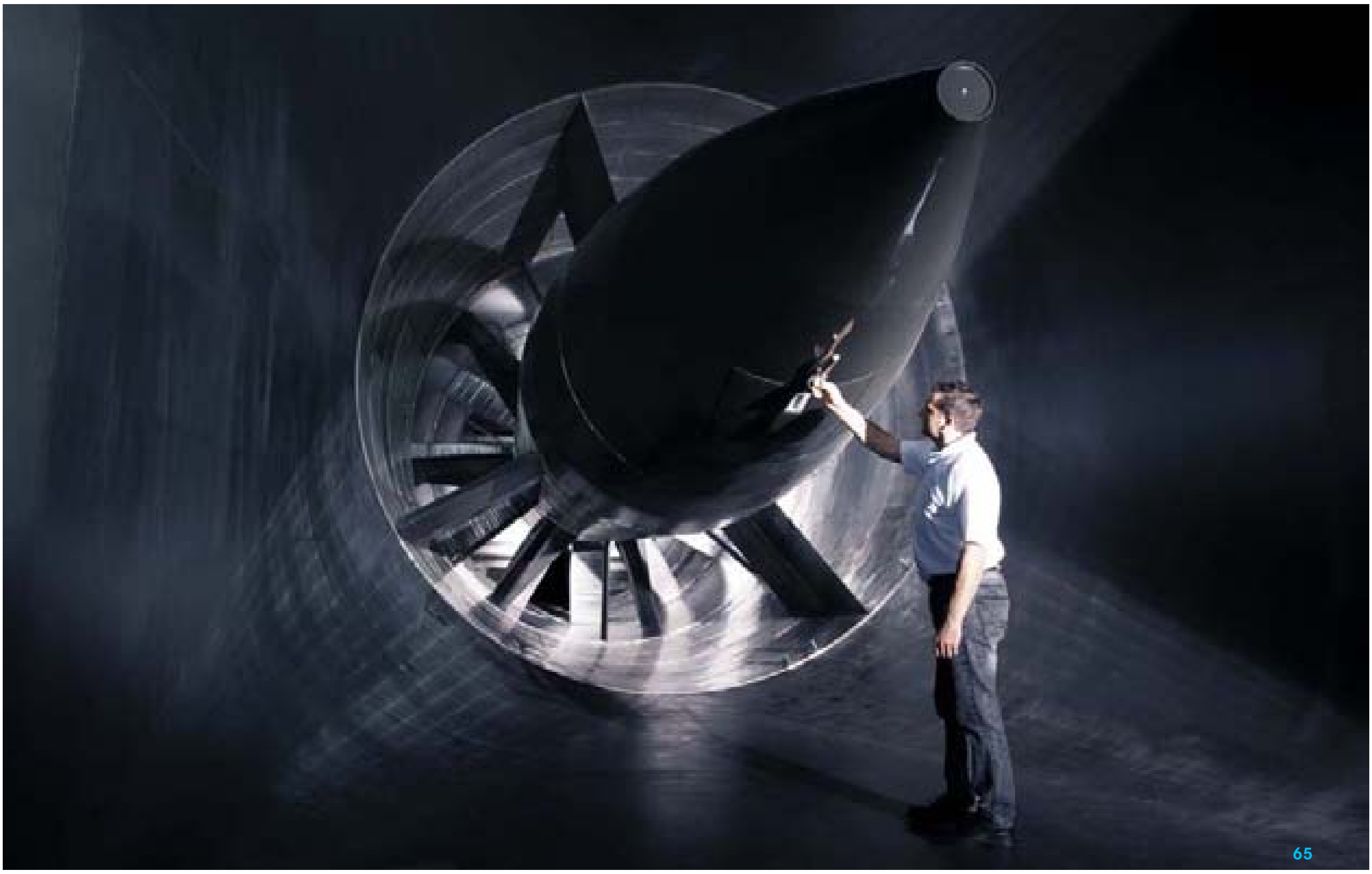
In the new all-weather tunnels, temperatures ranging from -40 to +60 °C, hurricanes with wind speeds up to 265 km/h, tropical rainstorms, fierce blizzards and merciless sunshine are all included in the continually available repertoire of the Mercedes-Benz test engineers.

The new building in Sindelfingen is 18 meters high and covers an area of 70 by 60 meters. About two thirds of the floor space is taken up by the two test rigs and their side rooms.



High-performance vehicle testing

One of the two new climate and wind tunnels is designed as a cold tunnel with temperatures ranging from -40 to +40 °C. In the new hot tunnel the engineers can select temperatures ranging between -10 and +60 °C. A two-axle rolling test rig is integrated into each tunnel, making speeds of up to 265 km/h possible. That gives the setup enough reserves to put even sports cars through their paces.



The Avant-garde of Future Mobility

The Mercedes-Benz F125*!* opens up visionary glimpses of future technological developments in the luxury segment. The ideas embodied by this research vehicle look far beyond the year 2025.

4

electric motors and e4MATIC all-wheel drive

4.9

seconds to reach 100 km/h

1,000

kilometers zero-emission range of the F-CELL Plug-in HYBRID

The vision of tomorrow’s mobility takes shape in the Mercedes-Benz F125*!* research vehicle

Road users are no longer isolated from one another. Vehicles move safely within the traffic flow like swarms of fish or flocks of birds. By sharing information they stay in touch with one another and avoid collisions. Mobility is more relaxed, and traffic signs are almost unnecessary. Emission-free automobiles drive along city boulevards from which noise and exhaust fumes have disappeared.

The F125*!* shows that large, comfortable and safe sedans have a bright future. One reason for that is their ability to drive without generating emissions.

The highlight of Daimler’s celebration of the 125th anniversary of the automobile is Mercedes-Benz’s presentation of its F125*!* research vehicle. It’s a visionary glimpse of the technologies of upcoming car generations, and Daimler is the pioneering company that will play a major role in shaping them. The F125*!* embodies the latest trends and prepares the way for the future with an innovative premium concept for large and luxurious automobiles.

In the process, the research vehicle is systematically making the vision of emission-free individual mobility a reality that can already be experienced today. The research and developer engineers are basing the F125*!* on the enhancement of the fuel-cell technology that Mercedes-Benz has already brought to the series-production level. They are also applying future-oriented energy storage technologies, unique 3-D displays, and control concepts that rely on touch, voice and gesture recognition.

Lightweight construction with an intelligent material mix

The F125*!* technology platform embodies innovation through its expressive design and the targeted use of lightweight construction, which makes the vehicle even more economical and efficient. In order to reduce weight but not safety, Mercedes-Benz does not rely on a single material but on flexible and needs-based combinations of materials. For example, the F125*!* uses not only fiber-reinforced plastics containing a high share of carbon fibers but also light alloys, high-strength steels and hybrid materials (see page 151).

Forward-looking

The F125*!* leads the legend of the S-Class into the future – also with the innovative @yourCOMAND infotainment system. All of the multimedia systems are seamlessly networked and socially interactive without causing any distractions - so a digital lifestyle can be continued in the car in maximum comfort and safety.

F125!

40

% less body-in-white weight than comparable vehicles

10

kWh storage capacity of the inductively chargeable lithium-sulfur battery

14

years of automotive development anticipated

A new definition of automotive luxury. The F125*!* is a radical new interpretation of a sporty sedan. Its sensual sportiness and exciting surfaces with organically shaped edges and curves, including the dropping line along the side, represent the avant-garde development of current Mercedes-Benz design.

Management Report

The year 2011 developed favorably for Daimler. All the automotive divisions increased their unit sales. Revenue grew by 9% to €106.5 billion and operating profit (EBIT) reached €8.8 billion (2010: €7.3 billion). We anticipate a generally positive business development also for the year 2012.

3 | Management Report

The Remuneration Report in the Corporate Governance section on pages 161 ff is also a part of the Management Report.

Business and General Conditions

The Daimler Group

Daimler AG is the parent company of the Daimler Group and is domiciled in Stuttgart (Mercedesstraße 137, 70327 Stuttgart, Germany). The main business of the Company is the development, production and distribution of cars, trucks and vans in Germany and the management of the Daimler Group. In addition to Daimler AG, the Daimler Group includes all the subsidiaries throughout the world in which Daimler AG has a direct or indirect controlling interest. Through those companies, we conduct for example our business with buses and financial services. The management reports for Daimler AG and for the Daimler Group are combined in this management report.

Daimler can look back on a tradition covering more than 125 years, a tradition that extends back to Gottlieb Daimler and Carl Benz, the inventors of the automobile, and features pioneering achievements in automotive engineering. Today, the Daimler Group is a globally leading vehicle manufacturer with an unparalleled range of premium automobiles, trucks, vans and buses. The product portfolio is completed with a range of tailored automotive services.

With its strong brands, Daimler is active in nearly all the countries of the world. The Group has production facilities in a total of 18 countries and approximately 8,000 sales centers worldwide. The global networking of research and development activities and of production and sales locations gives Daimler considerable potential to enhance efficiency and gain advantages in international competition, resulting in additional growth opportunities. For example, we can apply our green drive technologies in a broad portfolio of vehicles while utilizing experience and expertise from all parts of the Group. In the year 2011, Daimler generated revenue of €106.5 billion. The individual divisions contributed to this total as follows: Mercedes-Benz Cars 52%, Daimler Trucks 25%, Mercedes-Benz Vans 8%, Daimler Buses 4% and Daimler Financial Services 11%. ↗ 3.01 At the end of 2011, Daimler employed a total workforce of more than 271,000 people worldwide.

The products supplied by the **Mercedes-Benz Cars** division range from the high-quality small cars of the smart brand to the premium automobiles of the Mercedes-Benz brand and to the Maybach luxury sedans. The main country of manufacture is Germany, but the division also has production facilities in the United States, China, France, South Africa, India, Vietnam and Indonesia. Worldwide, Mercedes-Benz Cars has 17 production sites at present. In order to extend our product range in the compact-car segment, we have constructed a new plant in Hungary, which will go into operation in 2012. In the medium term, we anticipate significant growth in worldwide demand for automobiles and above-average growth in the premium car segment. To ensure that we can participate in this development, we are creating additional production capacities – especially in China and the United States. The most important markets for Mercedes-Benz Cars in 2011 were Germany with 21% of unit sales, the other markets of Western Europe (24%), the United States (18%) and China (16%).

As the biggest globally active manufacturer of trucks above 6 tons gross vehicle weight, **Daimler Trucks** develops and produces vehicles in a global network under the brands Mercedes-Benz, Freightliner, Western Star and Fuso. The division's 27 production facilities are in the NAFTA region (14, thereof 11 in the United States and 3 in Mexico), Europe (7), Asia (3), South America (2) and Africa (1). In Brazil, the Mercedes-Benz Actros heavy truck and the medium-duty Accelo are produced for Latin American markets as of 2012. A new truck plant is also being constructed in Chennai, India; production of trucks under the new BharatBenz brand will start there in fall 2012. To strengthen our market position in China, we have established a joint venture with our partner Beiqi Foton Motor Co., Ltd. The two partners will use Auman, the truck brand of Foton, as a platform for the expansion of business in China. Daimler Trucks' product range includes light, medium and heavy trucks for local and long-distance deliveries and construction sites, as well as special vehicles for municipal applications, the energy sector and fire services. Due to close links in terms of production technology, the division's product range also includes the buses of the Thomas Built Buses and Fuso brands. Daimler Trucks' most important sales markets in 2011 were Asia with 32% of unit sales, the NAFTA region (27%), Europe (22%) and Latin America excluding Mexico (15%).

Following the acquisition of Tognum, which we completed together with Rolls-Royce Holdings plc in 2011, our 50% interest in the newly founded Engine Holding GmbH is managed by Daimler Trucks. The new company is a globally leading supplier of complete systems in the field of industrial engines.

Mercedes-Benz Vans has production facilities at a total of seven locations in Germany, Spain, the United States, Argentina, Vietnam, and since April 2010 also in China in the context of the joint venture, Fujian Daimler Automotive Co., Ltd. As of the year 2013, the Mercedes-Benz Sprinter will be produced under license also by our partner GAZ in Russia. The division's product range comprises the Sprinter, Vito, Viano and Vario series in weight classes from 1.9 to 7.5 tons. The most important markets for vans are in Europe, which accounts for 76% of unit sales. By intensifying our local marketing and production activities, we are increasingly developing the growth markets of South America and Asia as well as the Russian market. In the United States, the Sprinter is sold not only as a Mercedes-Benz van, but also under the Freightliner brand.

The **Daimler Buses** division with its brands Mercedes-Benz, Setra and Orion continues to be the world's leading manufacturer by a large margin in its core markets in the segment of buses and coaches above 8 tons. The product range supplied by Daimler Buses comprises city and intercity buses, coaches and bus chassis. The most important of the 15 production sites are in Germany, France, Spain, Turkey, Argentina, Brazil, Canada, Mexico and the United States. In 2011, 43% of Daimler Buses' revenue was generated in Western Europe, 11% in the NAFTA markets and 29% in Latin America (excluding Mexico). While we mainly sell complete buses in Europe and the NAFTA region, our business in Latin America, Africa and Asia is focused on the production and distribution of bus chassis.

The **Daimler Financial Services** division supports the sales of the Daimler Group's automotive brands in nearly 40 countries. Its product portfolio primarily comprises tailored financing and leasing packages for customers and dealers, but it also provides services such as insurance, fleet management, investment products, credit cards and car sharing. The main areas of the division's activities are in Western Europe and North America. In 2011, more than 40% of the vehicles sold by the Daimler Group were financed by Daimler Financial Services. Its contract volume of €71.7 billion covers 2.6 million vehicles. In the second quarter of 2011, Daimler Financial Services expanded its business model with the launch of its new "Mobility Services" business unit. In this context, the activities of car2go were allocated to the Daimler Financial Services division. Daimler Financial Services also holds a 45% interest in the Toll Collect consortium, which operates an electronic road-charging system for trucks above 12 tons on highways in Germany.

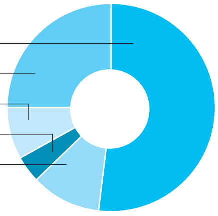
Through a subsidiary, Daimler held a 22.5% equity interest in the European Aeronautic Defence and Space Company (EADS), a leading company in the aerospace and defense industries, until the end of 2011. In economic terms, Daimler owned a 15% stake in EADS, because a consortium of national and international investors owns a one-third interest in the subsidiary that holds the EADS shares. In November 2011, Daimler AG and the German government agreed in principle that the KfW Bank Group will buy from Daimler 7.5% of the shares in EADS. The sale of the shares is planned for 2012.

Through a broad network of holdings, joint ventures and cooperations, Daimler is active in the global automotive industry and related sectors. The statement of investments of Daimler in accordance with Sections 285 and 313 of the German Commercial Code (HGB) can be found at http://www.daimler.com/ir/results2011.

3.01

Consolidated revenue by division

Mercedes-Benz Cars	52%
Daimler Trucks	25%
Mercedes-Benz Vans	8%
Daimler Buses	4%
Daimler Financial Services	11%



Corporate governance

Full information on the subject of corporate governance at Daimler is provided in the Corporate Governance section of this Annual Report on pages 156 ff.

Corporate governance statement. The Corporate Governance Report to be issued pursuant to Section 289a of the German Commercial Code (HGB) is a constituent part of this combined Management Report for Daimler AG and the Daimler Group and can be seen on the Internet at www.daimler.com/corpgov/en. Pursuant to Section 317 Subsection 2 Sentence 3 of the HGB, the contents of the statement pursuant to Section 289a of the HGB are not included in the audit carried out by the external auditors.

Remuneration Report. A description of the system of remuneration and the individualized details of the remuneration of the members of the Board of Management and the members of the Supervisory Board are provided in the Remuneration Report on pages 161 ff. That report is also a constituent part of the combined Management Report.

Information and explanation relevant to acquisitions

(Report pursuant to Section 315 Subsection 4 and Section 289 Subsection 4 of the German Commercial Code (HGB))

Management; appointment and dismissal of members of the Board of Management. Daimler AG is a stock corporation domiciled in Germany. It is managed by a Board of Management, whose members are authorized to represent it vis-à-vis third parties. If the Board of Management has several members, all members are only authorized to represent the corporation jointly unless otherwise prescribed in the Articles of Incorporation. However, the Articles of Incorporation of Daimler AG prescribe that the Board of Management must have at least two members and that the corporation is represented by two members of the Board of Management or by one member of the Board of Management together with a fully authorized officer of the corporation. Members of the Board of Management are appointed and dismissed on the basis of Sections 84 and 85 of the German Stock Corporation Act (AktG) and Section 31 of the German Codetermination Act (MitbestG). In accordance with Section 84 of the German Stock Corporation Act, the members of the Board of Management are appointed by the Supervisory Board for a maximum period of office of five years. However, the Supervisory Board of Daimler AG has decided generally to limit the initial appointment of members of the Board of Management to three years. Reappointment or the extension of a period of office is permissible, in each case for a maximum of five years. This requires another resolution by the Supervisory Board, which can be passed at the earliest one year before the expiry of the current period of office. The Supervisory Board appoints one of the members of the Board of Management as the Chairman of the Board of Management. In exceptional cases, a member of the Board of Management can be appointed by the court in accordance with Section 85 of the German Stock Corporation Act. The Supervisory Board can revoke the appointment of a member of the Board of Management and of the Chairman of the Board of Management if there is an important reason to do so.

Purpose of the Company; amendments to the Articles of Incorporation. The general purpose for which the Company is organized is defined in Article 2 of the Articles of Incorporation. Pursuant to Section 179 of the German Stock Corporation Act (AktG), the Articles of Incorporation can only be amended by a resolution of a Shareholders' Meeting. In accordance with Section 133 of the German Stock Corporation Act and Article 16 Paragraph 1 of the Articles of Incorporation, resolutions of a Shareholders' Meeting are passed with a simple majority of the votes cast, unless otherwise required by binding provisions of applicable law, and with a simple majority of the share capital represented at the Shareholders' Meeting if this be required. Pursuant to Section 179 Subsection 2 of the German Stock Corporation Act, any amendment to the purpose of the Company requires a 75% majority of the share capital represented at the Shareholders' Meeting. Amendments to the Articles of Incorporation that only affect the wording can be decided upon by the Supervisory Board in accordance with Article 7 Paragraph 2 of the Articles of Incorporation. Pursuant to Section 181 Subsection 3 of the German Stock Corporation Act, amendments to the Articles of Incorporation take effect upon being entered in the Commercial Register.

Share capital. The share capital of Daimler AG amounts to approximately €3,060 million at December 31, 2011. It is divided into 1,066,345,732 registered shares of no par value. All shares confer equal rights to their holders. Each share confers the right to one vote and, with the possible exception of any new shares that are not yet entitled to a dividend, to an equal share of the profits. The rights and obligations arising from the shares are derived from the provisions of applicable law. There were no treasury shares at December 31, 2011.

Restrictions on voting rights and on the transfer of shares. The Company does not have any rights from treasury shares. In the cases described in Section 136 of the German Stock Corporation Act (AktG), the voting rights of treasury shares are nullified by law. Shares acquired by employees within the context of the employee share program may not be disposed of until the end of the following year. Eligible participants in the Performance Phantom Share Plans are obliged by the Plans' terms and conditions and by the so-called Stock Ownership Guidelines to acquire Daimler shares up to a defined volume and to hold them for the duration of their employment at the Daimler Group.

On April 7, 2010, Daimler AG and the Renault-Nissan Alliance signed a master cooperation agreement on wide-ranging strategic cooperation and a cross-shareholding. Renault S.A. and Nissan Motor Co. Ltd. each received an equity interest of 1.55% in Daimler AG and Daimler AG received equity interests of 3.1% in each of Renault S. A. and Nissan Motor Co. Ltd. For the duration of the master cooperation agreement, or for a period of five years, without the prior consent of the other party, i) Daimler AG may not transfer its shares in Renault S.A. and Nissan Motor Co. Ltd. to a third party and ii) Renault S.A. and Nissan Motor Co. Ltd. may not transfer their shares in Daimler AG to a third party. Transfers to third parties that are not competitors of one of the issuers of the shares in question are exempted from this prohibition under certain circumstances, including the case of internal corporate transfers, transfers related to a takeover offer from a third party for the shares of one of the other parties, or the case of a change of control of the issuer of the shares in question. Following the acquisition of their equity interests in Daimler, each of Renault S.A. and Nissan Motor Co. Ltd. has stated in its voting-rights notification issued pursuant to Sections 21 ff of the German Securities Trading Act (WpHG) that the Daimler shares held by the other company are to be allocated to it pursuant to Section 22 Subsection 2 of the WpHG (coordinated action).

Authorization to buy back shares, approved and conditional capital. On April 14, 2010, the Annual Shareholders' Meeting revoked the authorization to acquire the Company's own shares that had been granted in the prior year to the extent that it had not yet been utilized. At the same time, the Company was again authorized during the period until April 13, 2015 to acquire its own shares for certain defined purposes up to a maximum of 10% of the share capital at the time of the resolution of the Annual Shareholders' Meeting. The purchase of the Company's own shares is allowed, inter alia, for the following purposes: for the purpose of canceling them, offering them to third parties in connection with a corporate merger or acquisition, disposing of them in another way than through the stock exchange, offering them to all shareholders, or serving the stock option plan. Own shares in a volume of up to 5% of the share capital existing at the time of the resolution of the Annual Shareholders' Meeting can also be acquired with the application of derivative financial instruments, whereby the period of the individual option may not exceed 18 months. No use has yet been made of this authorization.

By resolution of the Annual Shareholders' Meeting held on April 8, 2009, the Board of Management was authorized with the consent of the Supervisory Board to increase the share capital of Daimler AG by up to €1 billion during the period until April 7, 2014 by issuing new registered shares of no par value in exchange for cash or non-cash contributions, wholly or in partial amounts, on one or several occasions (Approved Capital 2009). The Board of Management was also authorized, inter alia, under certain circumstances and with the consent of the Supervisory Board to exclude shareholders' subscription rights. No use has yet been made of this authorization.

Furthermore, the Board of Management was authorized by resolution of the Annual Shareholders' Meeting of April 14, 2010:
- with the consent of the Supervisory Board during the period until April 13, 2015 to issue convertible bonds and/or bonds with warrants or a combination of these instruments, once or several times, in a total nominal amount of up to €10 billion with a maximum term of ten years, and
- to grant the owners/lenders of those bonds conversion or option rights to new, registered shares of no par value in Daimler AG with a corresponding amount of the share capital of up to €500 million, in accordance with the terms and conditions of those convertible bonds or bonds with warrants.

The bonds can also be issued by direct or indirect majority-owned subsidiaries of Daimler AG. Accordingly, the share capital was conditionally increased by up to €500 million (Conditional Capital 2010). No use has yet been made of the authorization to issue convertible bonds and/or bonds with warrants.

Change-of-control clauses. Daimler AG has concluded various material agreements, as listed below, that include clauses regulating the possible occurrence of a change of control, as can occur as a result of a takeover bid:
- A non-utilized syndicated credit line in a total amount of €7 billion, which the lenders are entitled to terminate if Daimler AG becomes a subsidiary of another company or comes under the control of one person or several persons acting jointly.
- Credit agreements with lenders for a total amount of €1.2 billion, which the lenders are entitled to terminate if Daimler AG becomes a subsidiary of another company or comes under the control of one person or several persons acting jointly.
- Guarantees and securities for credit agreements of consolidated subsidiaries for a total amount of €605 million, which the lenders are entitled to terminate if Daimler AG becomes a subsidiary of another company or comes under the control of one person or several persons acting jointly.
- An agreement concerning the acquisition of a majority (50.1%) of AFCC Automotive Fuel Cell Cooperation Corp., which has the purpose of further developing fuel cells for automotive applications and making them marketable. In the case of a change of control of Daimler AG, the agreement provides for the right of termination by the other main shareholder, Ford Motor Company, as well as for a put option for the minority shareholder, Ballard Power Systems. Control as defined by this agreement is the beneficial ownership of the majority of the voting rights and the resulting right to appoint the majority of the members of the Board of Management.
- A master cooperation agreement on wide-ranging strategic cooperation with Renault S.A., Renault-Nissan B. V. and Nissan Motor Co. Ltd. in connection with cross-shareholdings. The Renault-Nissan Alliance received an equity interest of 3.1% in Daimler AG and Daimler AG received equity interests of 3.1% in each of Renault S. A. and Nissan Motor Co. Ltd. In the case of a change of control of one of the parties to the agreement, each of the other parties has the right to terminate the agreement. A change of control as defined by the master cooperation agreement occurs if a third party or several third parties acting jointly acquires, legally or economically, directly or indirectly, at least 50% of the voting rights in the company in question or is authorized to appoint

a majority of the members of the managing board. Under the master cooperation agreement, several cooperation agreements were concluded between Daimler AG on the one side and Renault and/or Nissan on the other concerning a new architecture for small cars and the shared use of fuel-efficient diesel and gasoline engines and transmissions, as well as the development and supply of a small van, which provide for the right of termination for a party to the agreement in the case of a change of control of another party. A change of control is deemed to occur at a threshold of 50% of the voting rights or upon authorization to appoint a majority of the members of the managing board. In the case of termination of cooperation in the area of the development of small cars due to a change of control in the early phase of the cooperation, the party affected by the change of control would be obliged to bear its share of the costs of the development of shared components even if the development were terminated for that party.

- An agreement regulating the exercise of voting rights in EADS N.V. In the case of a change of control, this agreement stipulates that Daimler AG is obliged, if so requested by the French party to the agreement, to make all efforts to dispose of its shares in EADS under appropriate conditions to a third party that is not a competitor of EADS or of the French contracting partner of Daimler AG. In this case, the French party has the right of preemption under the same conditions as offered by a third party. A change of control can also lead to the dissolution of the voting-rights consortium. According to the EADS agreement, a change of control has taken place if a competitor of EADS N.V. or of the French contracting party either appoints so many members of the Supervisory Board of Daimler AG that it can appoint the majority of the members of the Board of Management or holds an investment that enables it to control the day-today business of Daimler AG.
- A shareholders' agreement with Rolls-Royce Holdings plc (Rolls-Royce) and Vinters International Limited, a subsidiary of Rolls-Royce, relating to the acquisition of Tognum AG of Friedrichshafen by Engine Holding GmbH and the planned merger with Rolls-Royce's Bergen business. Daimler and Vinters International Limited each hold 50% of the shares of Engine Holding GmbH. In the case of a change of control of one of the contracting parties, the agreement gives the other contracting party the right to acquire the shares of that party in the jointly held company at appropriate conditions at the time of the change of control.
- An agreement relating to a joint venture with BAIC Ltd. for the production and distribution of cars of the Mercedes-Benz brand in China, by which BAIC Ltd. is given the right to terminate or exercise a put or call option in the case that a third party acquires one third or more of the voting rights in Daimler AG.
- An agreement relating to the establishment of a joint venture with Beiqi Foton Motor Co., Ltd. for the purpose of producing and distributing heavy and medium-duty trucks of the Foton Auman brand. This agreement gives Beiqi Foton Motor Co., Ltd. the right of termination in the case that one of its competitors acquires more than 25% of the equity or assets of Daimler AG or becomes able to influence the decisions of its Board of Management.
- An agreement between Daimler and Robert Bosch GmbH relating to the joint establishment and joint operation of EM-motive GmbH for the development and production of traction electric motors as well as parts and components for such motors for automotive applications and for the sale of these articles to the Robert Bosch Group and the Daimler Group. If Daimler should become controlled by a competitor of Robert Bosch GmbH, Robert Bosch GmbH has the right to terminate the consortium agreement without prior notice and to acquire all the shares in the joint venture held by Daimler at a fair market price.
- An agreement between Daimler, Toray Industries, Inc. and ACE Advanced Composite Engineering GmbH relating to the joint establishment and joint operation of Euro Advanced Carbon Fiber Composites GmbH for the development, production and distribution of automotive parts made of carbon-fiber-reinforced plastics. If Daimler should become controlled by a third party, each of the two other partners to the consortium agreement has the right to terminate the consortium agreement without prior notice and to acquire the shares in the joint venture held by Daimler at a fair market price.

Strategy

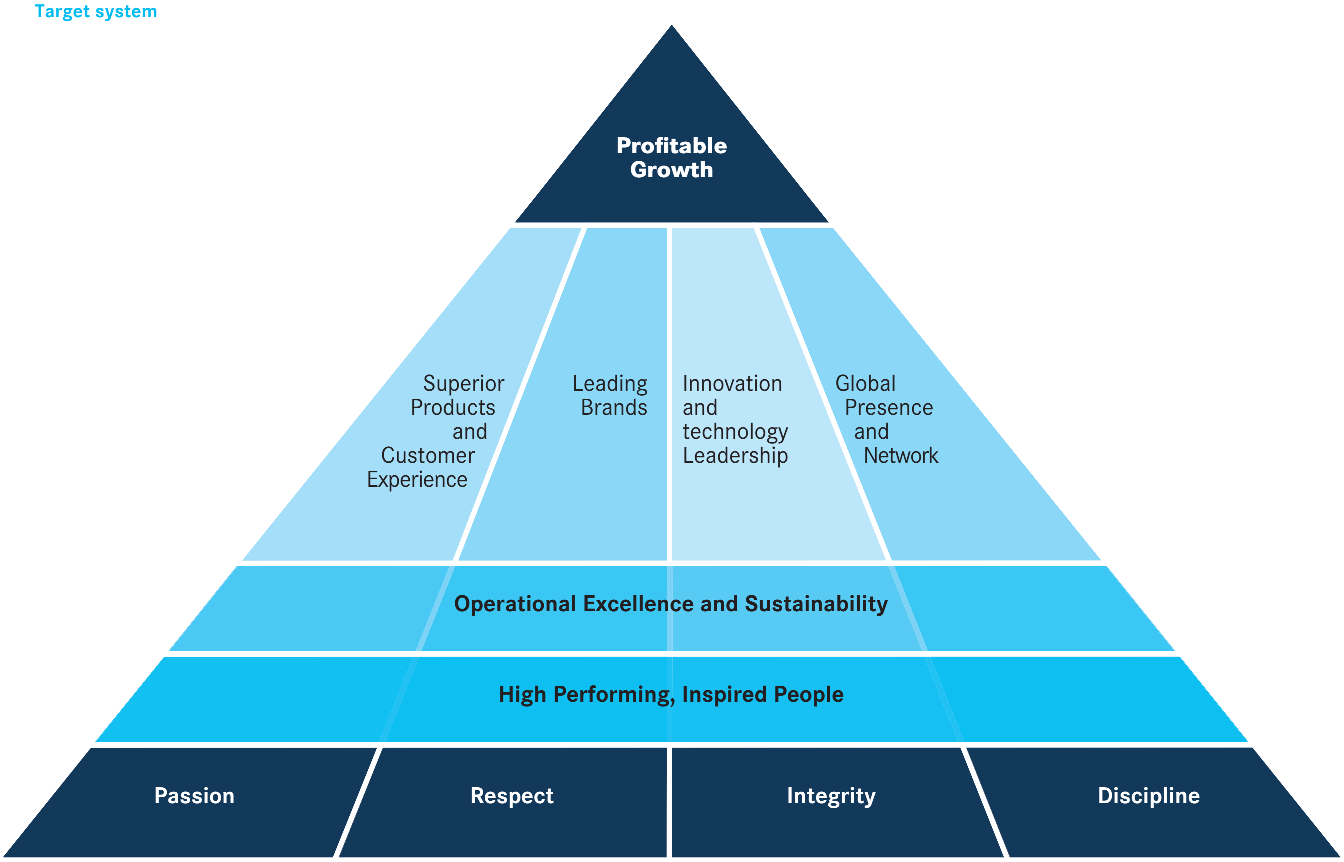
As the inventor of the automobile, we look back on more than 125 years of automotive history that we have shaped to a great extent with groundbreaking innovations and outstanding vehicles. We aim to continue playing a pioneering role with the ongoing development of mobility. We are committed to making the mobility of the future safe and sustainable. Our activities are focused on our customers' needs. We want to inspire them with

- exciting premium automobiles that set standards in the areas of design, safety, comfort, perceived value, reliability and environmental compatibility;
- commercial vehicles that are the best in their respective competitive environment;
- outstanding service packages related to those products; and
- new mobility solutions oriented towards the needs of our customers.

Target system. ↗ 3.02 Our overriding corporate goal is to achieve sustainable profitable growth and thus to increase the value of the Group. We strive to achieve the leading position in all our businesses. We aim to inspire our customers with our brands, products and services. With groundbreaking technologies, we want to be the pioneer for sustainable drive systems and safety. We strengthen our global presence by securing our position in traditional markets and expanding in new markets. Operational excellence and efficiency along with inspired and high-performing people are the key to our future corporate success. At the same time, our entrepreneurial activities are guided by the principle of sustainability: in the areas of economics and corporate governance, environmental protection and safety, as well as in our relations with employees, customers and society in general. The four corporate values of passion, respect, integrity and discipline form the foundation of our actions and help us to achieve our goals. One key principle applies to everything we do: No business in the world is worth violating laws, regulations or ethical standards. For us, integrity and business success are two sides of the same coin. That is why we want to lead the competition also in terms of integrity. We are working hard to get there.

3.02

Target system



Clear claim to leadership in all businesses. With our "Mercedes-Benz 2020" growth strategy, our Mercedes-Benz Cars division strives to occupy the leading role for premium automobiles also in terms of unit sales. We intend to sell 1.6 million cars of the Mercedes-Benz brand in 2015 and to sell more cars than any other premium manufacturer in the year 2020. The smart brand will further extend its pioneering role in urban mobility and will lead its segment for alternative drive systems. At Daimler Trucks, we want to further strengthen our position as number one in the global truck business and aim to sell more than 500,000 vehicles in the year 2013; in the medium term, we plan to sell more than 700,000 each year. Daimler Buses has set itself the goal of further strengthening its leading position for buses above 8 tons gross vehicle weight, and Mercedes-Benz Vans is striving to achieve further growth also outside its present segments and markets with the strategic initiative, "Mercedes-Benz Vans goes global." Daimler Financial Services has targeted the position of the best captive financial services provider and will continue to grow in line with our automotive business.

3.03

Four strategic growth areas. We aim to achieve our goals through four strategic growth areas. ↗ 3.03 We will
- further strengthen our core business,
- grow in new markets,
- take the lead with "green" technologies, and
- lead the way with the development of new mobility concepts and services.

Strengthening the core business. A strong core business is the key foundation for profitability and growth. In order to strengthen our core business, we are renewing and expanding our model range, effectively developing our brands, and taking measures to increase efficiency and competitiveness in all our businesses.

The Mercedes-Benz model range will be extended by the year 2015 by a total of ten new models, including three additional models in the compact-car category and three new automobiles in the S-Class segment. "The best or nothing" serves as an incentive to consolidate the top position of the Mercedes-Benz brand in all the functions of Mercedes-Benz Cars. As a result of our long-term strategic initiative, "Customer Satisfaction #1," we have achieved first place for customer satisfaction in many markets.

With the new Actros, the flagship and most important new product to be launched by Daimler Trucks this decade, the division has continued its product offensive in Europe. This new heavy truck sets new standards for economy, comfort and handling, and already fulfills the Euro VI emission norms two years earlier than required by law. The Actros concludes the last phase of the worldwide introduction of the new heavy-duty engine generation. Based on the design of this shared engine platform, the medium-duty engine family will also be harmonized in the coming years.

Mercedes-Benz Vans will support the planned worldwide growth with new products and new technologies. We will launch the new city van Citan in 2012, opening up the segment of small vans for the Mercedes-Benz brand.

With the new-generation city bus Mercedes-Benz Citaro and the new coach Mercedes-Benz Travego Edition 1, which already fulfills the Euro VI emission standards, Daimler Buses is pursuing further growth while working to secure its long-term profitability.

Daimler Financial Services is also focused on growth, and in different ways. The division will continue increasing its business volumes along with the model and market offensives for cars and commercial vehicles. At the same time, it will further expand its product offering in the fields of vehicle financing, mobility services and insurance. In addition, its global structures and processes are being further developed. One example of this process is the reorganization of the financial services business locations in Germany.

Growing in new markets. Growth in global automotive demand will mainly take place in the markets outside Europe, North America and Japan in the coming years. Although we continue to strengthen our position in these traditional markets, we also aim to expand in other regions, especially in Brazil, Russia, India and China, the so-called BRIC countries. In order to achieve Mercedes-Benz Cars' sales targets, we are intensifying our activities above all in China. That is where versions of the new compact-car series will be produced in the future and a new engine plant for four-cylinder engines will be opened in 2013. Daimler Trucks intends to significantly strengthen its market position in the BRIC countries. In China, we are focusing on the cooperation with our partner Foton for medium and heavy trucks. Mercedes-Benz Vans produces the Vito, Viano and Sprinter for the Chinese market in cooperation with Fujian Motors. In Brazil, Daimler Trucks will expand its production capacities and further extend its strong market position with new truck models. In Russia, the biggest European truck market, we are continuing our expansion in cooperation with our partner Kamaz. Mercedes-Benz Vans' Sprinter will be produced in Russia under a license agreement with truck manufacturer GAZ. In India, Daimler Trucks will start production in 2012 of trucks under the new BharatBenz brand, tailored to the requirements of the Indian market. Daimler Buses is active in India with the partner Sutlej in the field of coaches and with the bus body builder MCV for city buses. Daimler Financial Services established its own company in India in 2011 to enable it to support the activities of the automotive divisions on the spot. We are also expanding our market position in other new growth markets in addition to the BRIC countries.

Leading with green technologies. As a pioneer of automotive engineering, our goal is to make the future of mobility safe and sustainable. Varying mobility requirements call for different drive solutions. Our portfolio of solutions ranges from the optimization of internal-combustion engines to hybrid drive and to locally emission-free driving. Mercedes-Benz Cars aims to reduce the carbon-dioxide emissions of its new car fleet in the European Union to an average of 125 grams per kilometer by 2016. Already today, 75% of our cars consume less than 7 liters of fuel per 100 kilometers. Worldwide, we are the first automobile manufacturer to use lithium-ion batteries in a series-produced car with hybrid drive. And we are the first German carmaker to develop and produce our own lithium-ion batteries. In the town of Kamenz in Germany's federal state of Saxony, our ultramodern factory for lithium-ion batteries has now started production and is thus safeguarding high-tech jobs in the fields of development and manufacturing in Germany. Our fuel-cell vehicles have already clocked up more than 4.5 million kilometers in customer use – this depth of experience with fuel cells is unique in the automotive industry. With the F125! research car, we are already demonstrating today what the fuel-cell technology of tomorrow will look like. The new Actros is the most economical truck in its market segment and Daimler leads the world with buses and trucks with hybrid drive. And we are the only automobile producer that already has four electric vehicles in series production. We also plan to further extend our pioneering role for active and passive safety with both cars and commercial vehicles. For example, the new B-Class and the new Actros set the benchmark in their market segments thanks to numerous innovative safety systems.

Pioneering with the development of new mobility concepts and services. More than half of the world's population already lives in cities, and this proportion is rising. And customers are increasingly demanding individual, needs-oriented and convenient mobility solutions that are easy to use and accessible online at any time. As a manufacturer, we are responding to this demand in both the private and the public sector with mobility concepts such as car2go, CharterWay and Bus Rapid Transit (BRT). The car2go business will be significantly expanded in the coming years. To facilitate that growth, we have allocated car2go to Daimler Financial Services in organizational terms. By the end of the year 2011, more than 60,000 customers in seven cities had already registered and carried out over a million rentals. With multisystem concepts such as the "living lab" in Stuttgart, we will test how transport systems can be networked with each other to develop the best mobility solution from the customer's perspective. In the area of innovative services, we offer the new sale&care product for the new smart fortwo electric drive as of 2012, and we are creating new brands like "TruckWorks" for truck users and "My Service" and "mbrace" for car drivers. We are also developing communication systems such as COMAND Online, which make cars into mobile communication centers. In this way, we are working on automotive concepts to shape the future of mobility while promoting growth in all segments, markets and businesses.

Ambitious return targets. In addition to our growth targets, we have we set ourselves a clear return target of 9% on average for the automotive business, which we intend to achieve on a sustained basis as of the year 2013. This overall target is based on return targets for the individual divisions of 10% for Mercedes-Benz Cars, 8% for Daimler Trucks, 9% for Mercedes-Benz Vans and 6% for Daimler Buses. Our target for the Daimler Financial Services division is a return on equity of 17%.

Portfolio changes. By means of targeted investment and future-oriented partnerships, we strengthened our core business, pushed forward with new technologies and utilized additional growth potential in 2011. At the same time, we focused on the continuous further development of our existing business portfolio.

In January 2011, Daimler and **Toray Industries, Inc.** concluded a contract on the establishment of a joint venture for the production and marketing of vehicle components made of carbon-fiber-reinforced plastics (CFRP). On the basis of a development agreement which was already signed in March 2010, the two companies succeeded in developing a highly efficient process technology for the series production of CFRP parts with the advantage of significantly shorter molding cycles. Daimler and Toray intend to intensify their joint development activities in order to obtain production technology for series manufacturing that is also extremely attractive on the cost side. The joint venture will produce and market the CFRP components, thus making significant progress with the application of carbon-fiber-reinforced plastics in the automotive industry, especially for series-produced vehicles.

In July, Daimler and **Robert Bosch GmbH** signed contracts regulating the establishment of a 50:50 joint venture for electric motors. The new company has been named EM-motive GmbH and will develop and produce innovative electric motors for electric vehicles.

With the consent of all the relevant authorities, Daimler and Rolls-Royce received official approval for the acquisition by Engine Holding GmbH of **Tognum** in August 2011. Engine Holding, in which Daimler and Rolls-Royce each holds a 50% interest, has meanwhile secured approximately 99% of Tognum's shares. With this acquisition, Daimler and Rolls-Royce will create a leading supplier of complete systems in the field of industrial engines. The company has a broad, global reach in terms of products, services and system solutions.

In September 2011, Daimler and **Foton** received the final approval from the Chinese Ministry of Commerce for their joint venture Beijing Foton Daimler Automotive Co., Ltd., which will produce and distribute medium- and heavy-duty trucks. Daimler has 50% interest in this joint venture and will thus further extend its position in the Chinese market. The trucks will be marketed under Foton's truck brand name, "Auman." Daimler will contribute its technological expertise, in particular in the areas of diesel engines and exhaust systems.

We intensified our cooperation with Russian truck manufacturer **Kamaz** in September. In addition to the joint venture for the production of axles that was agreed upon at the end of 2010, Daimler and Kamaz also signed a memorandum of understanding on the supply and licensing of the Axor cab, which is to be used in a new Kamaz truck model series.

Daimler AG and the German government agreed in principle in November 2011 that the KfW Bank Group will purchase from Daimler 7.5% of the shares of **European Aeronautic Defence and Space Company N.V. (EADS)**. The sale of the shares is planned for the year 2012. Daimler is to continue to hold 7.5% of the shares, 15% of the voting rights and the industrial leadership on the German side.

Daimler and AKKA Technologies SA signed a contract on December 7, 2011 on the sale to AKKA of a majority interest in the Daimler subsidiary **MBtech Group**. Subject to the approval of the antitrust authorities, engineering consultancy AKKA will buy a 65% interest in MBtech Group, which is based in Sindelfingen. Daimler will remain a long-term and strategic shareholder as well as an important client of MBtech. AKKA's entry will create one of the biggest European engineering consultancies. AKKA serves customers in the automotive, aeronautics, space, transport and energy sectors. MBtech has the focus of its activities in the automotive sector. The two companies complement each other ideally in their regional positioning and client portfolio.

Economy and markets

The world economy. With growth of approximately 3%, the world economy expanded in 2011 at roughly the rate of its long-term average. ↗ 3.04 In the prior year, economic stimulus programs had boosted growth to 4.3% following the deep recession of 2009. But 2011 was a very eventful year for the world economy – with unusually high volatilities in the financial markets, with a dramatic natural disaster in Japan and with considerable geopolitical turmoil in North Africa and the Middle East. However, the economic issue that increasingly dominated as the year progressed was the sovereign-debt crisis, in particular in the euro zone. And the debate about limiting public debt had an impact on economic developments in the United States as well. As a result of the sovereign-debt crisis, related problems in the banking sector emerged. When one also takes into consideration the burdens of high raw-material prices and sharp fluctuations in exchange rates, it is remarkable that the world economy nonetheless grew by almost 3%.

As in the previous years, the emerging economies were responsible for most of this expansion: Their real gross domestic product increased by nearly 6%, accounting for about 70% of global growth. Asia was once again the main growth driver, and led by China and India, posted GDP growth of almost 7%. But an even better development in this region was prevented by sharp rises in inflation rates. It was particularly important for the world economy that the Chinese economy expanded by a good 9%, despite a growth slowdown over the course of the year. Economic developments in the other emerging markets were also generally positive. Eastern Europe achieved GDP growth of 4%, as in 2010; Latin America was not able to match the rather overheated prior-year growth, but still expanded strongly.

Developments in the industrialized countries were disappointing, however: In Japan, the multiple disaster in March inevitably led to an economic slump. But notwithstanding the human tragedies, Japan was able to take reconstruction measures faster than had initially been feared. The massive appreciation of the yen prevented a more favorable economic development, however. The US economy made only sluggish progress, in particular when compared with earlier phases of recovery after a recession. The country's unemployment rate remained at an unusually high level, which depressed private consumption. Another negative factor was that the real-estate sector suffered badly from the crisis and was unable to supply any stimulus. Starting with the discussion about increasing the public debt ceiling and with the threat of temporary insolvency, indicators of consumer and business sentiment worsened significantly towards the middle of the year. The US economy stabilized encouragingly in the second half of the year, but growth for the year of less than 2% was anything but satisfactory and significantly lower than the long-term average.

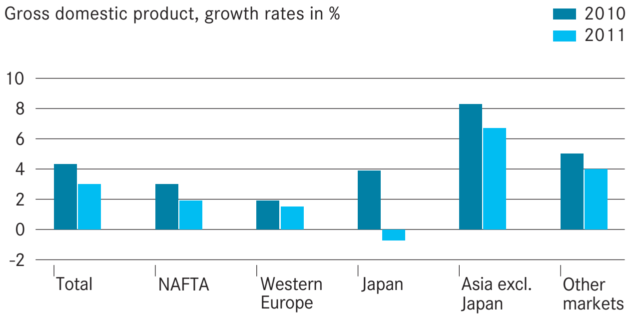
The situation was even more unfavorable in Western Europe, which was impacted by the escalation of the debt crisis in the euro zone. The number of countries receiving assistance from the rescue package increased, and the crisis is meanwhile no longer limited to the smaller peripheral countries. The expansion of the rescue schemes and debt restructuring for Greece were insufficient to prevent concern about possible contagion effects, and the financial markets reacted with a high degree of nervousness and consequential volatilities. On aggregate, the economies of the euro zone achieved GDP growth of approximately 1.5% in 2011. Although the German economy once again expanded at an above-average rate of 3%, it was unable to escape from the unfavorable environment and its growth slowed down as the year progressed. In the fourth quarter of the year, economic growth in the euro zone was in fact probably slightly negative.

In this difficult environment, exchange rates were once again very volatile. Against the euro, the US dollar fluctuated over the year in a range from $1.29 to nearly $1.50. But at the end of the year, it was close to the level of early 2011 at $1.29 to the euro. The fluctuation of the Japanese yen to the euro was similarly high, within a corridor of ¥100 to ¥123. But in this case, by the end of 2011, the euro had lost nearly 8% against the yen compared with the beginning of the year. Against the British pound, the euro fell by 3% over the year, also after volatile movements.

3.04

Economic growth

Gross domestic product, growth rates in %



Source: IHS Global Insight

Automotive markets. Global demand for motor vehicles continued to grow during 2011, although at significantly more moderate rates than in the prior year. ↗ 3.05

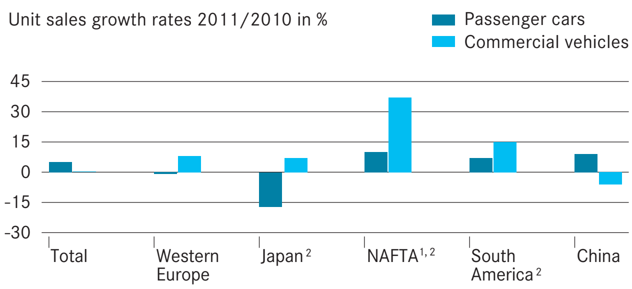
After a good start to the year 2011, growth of the global car market slowed down significantly towards the middle of the year. Car sales were dampened considerably by supply bottlenecks due to the natural disaster in Japan, high oil prices, rising inflation rates and not least the worsening debt crisis in Europe and the United States. In the second half of the year, demand revived faster than expected, so that worldwide registrations of new cars surpassed the prior-year number by about 5%, reaching a new record. Regional differences in market developments were still very pronounced. The US market continued its recovery with growth of a good 10%, but was still at a comparatively low level. Due to the negative impact of the worsening sovereign-debt crisis, car sales in Western Europe fell slightly once again (-1%). While the German market expanded significantly (+9%), demand in the other volume markets of Western Europe declined, in some cases by double-digit percentages.

The Japanese market suffered from the aftereffects of the natural disaster in March, with registrations of new cars falling by a double-digit rate (-16%). In the emerging markets, demand mainly grew at moderate rates, following the extremely rapid growth of previous years.

3.05

Global automotive markets

Unit sales growth rates 2011/2010 in %



1 Cars segment includes light-trucks
2 Medium- and heavy-duty trucks

Source: German Association of the Automotive Industry (VDA), various institutions

The Chinese market expanded by almost 10%, despite the expiry of state customer incentives at the beginning of the year. Demand in the premium and luxury segments, which are especially important for Daimler, increased at above-average rates, so the Chinese market continued to gain importance, in particular for the German premium manufacturers. However, growth in demand for cars in India weakened significantly to about 5%. The strongest growth of all regions was in Eastern Europe, thanks mainly to the booming Russian market, which once again expanded by almost 40%.

Worldwide demand for medium and heavy-duty trucks grew only moderately in 2011. But unlike in 2010, the growth was primarily driven by the markets of North America, Western Europe and Japan. In the NAFTA region, demand for trucks recovered strongly and increased by a good 40%, primarily due to the need to replace older vehicles. In Western Europe, market growth decelerated perceptibly during 2011, but was nonetheless above 25% for the full year. The German market expanded by another 20%, but in the fourth quarter it was only about the size of the prior-year period. The Japanese market for medium- and heavy-duty trucks, which slumped by almost 50% in the second quarter of 2011 compared with the prior-year period, recovered dynamically in the second half of the year and actually posted growth for the full year. Demand remained flat outside North America, Western Europe and Japan, mainly due to significant market shrinkage in China, the world's biggest truck market. Tax breaks for truck buyers had been in place in China until the end of 2010, and demand fell sharply after this program came to an end. Market growth also slowed down perceptibly in India, but was still close to 10%. The Brazilian market, which is important for Daimler, profited in 2011 once again from state tax incentives and surpassed the high prior-year level by about 10%, while the strong market recovery in Russia continued with high double-digit growth rates.

The van market of Western Europe, which is particularly important to Daimler, expanded by more than 11% compared with 2010. Growth was especially strong in Germany, while the effects of the sovereign-debt crisis were apparent in Southern Europe. The market environment was generally favorable for the van business also in the United States, Eastern Europe, Latin America and China.

Bus markets developed very disparately in 2011: Strong growth in Latin America and Turkey was offset by falling demand in North America. The overall market volume in Western Europe was at the prior-year level; there was a continuation of weak demand from public-sector customers, while the market situation for coaches remained stable.

Business development

Unit sales. As previously announced, Daimler further increased its unit sales in 2011. Sales of 2.1 million vehicles were 11% higher than in 2010. All of the automotive divisions contributed to this increase.

The **Mercedes-Benz Cars** division set a new record with sales of 1,381,400 vehicles in 2011 (2010: 1,276,800). ↗ 3.06 The Mercedes-Benz brand also posted record unit sales with an increase of 9% to 1,279,100 vehicles. This allowed us to improve our position in numerous markets. The S-Class and C-Class sedans as well as the CLS and the E-Class convertible are world leaders in their respective market segments. Thanks to the great market success of the new generation of our C-Class, the new C-Class coupe and the new SLK roadster, sales in the C-Class segment increased by 20% to 411,800 units. We also increased our unit sales in the E-Class segment to 340,100 automobiles (2010: 330,800). In the luxury segment, we sold 80,700 vehicles (2010: 80,400) and with SUVs we actually achieved growth of 25% to 254,300 units despite the model change of the M-Class. Due to the model change in the compact class, shipments of A- and B-Class models decreased to 192,300 units (2010: 222,400). The new B-Class, which we began supplying to our customers in November 2011, has been given a very positive reception by the market. The same applies to the new M-Class, which has been available since September 2011.

As in the prior year, Mercedes-Benz increased its unit sales in numerous markets, quite substantially in some of them. In Germany, Mercedes-Benz defended its position as the most successful premium brand with sales of 262,300 vehicles (2010: 265,000). In Western Europe (excluding Germany), unit sales did not match the prior-year level, primarily due to the difficult market situation in Southern Europe. In the NAFTA region, however, unit sales grew by 13% to the new record level of 281,500 vehicles. Our business in the emerging markets continued to develop very positively: We supplied 211,100 vehicles to customers in China (+35%) and recorded double-digit growth rates also in Russia (+47%), Brazil (+41%), Taiwan (+34%), India (+28%) and South Korea (+27%).

Unit sales of the smart brand increased to 99,700 smart fortwo cars in 2011 (2010: 94,300). The smart was especially successful in China, where unit sales more than trebled to 12,000 vehicles (see pages 130 ff).

Daimler Trucks increased its unit sales by 20% last year. In total, we shipped 425,800 heavy-, medium- and light-duty trucks as well as buses of the Thomas Built Buses and Fuso brands, thus continuing as the biggest producer of trucks above 6 tons gross vehicle weight with a global reach. ↗ 3.07 All of our major markets contributed to this significant growth: the NAFTA region, Europe, Asia and Latin America. Trucks Europe/Latin America increased its unit sales by 18% to 159,300 vehicles. In Western Europe, we defended our leading position for medium- and heavy-duty trucks with sales of 57,100 vehicles (+14%) and a market share of 22.3%. ↗ 3.08

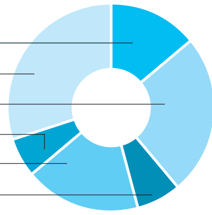
We achieved significant growth also in Eastern Europe (+50%) and unit sales increased by 4% in Latin America. Despite a tough competitive environment, we achieved a market share in Brazil of 25.2% with sales of 44,100 trucks.

Trucks NAFTA sold 118,800 vehicles worldwide in 2011, representing a significant increase of 50%. We benefited in the NAFTA region from the ongoing strong demand for trucks, which was mainly driven by replacement investment. We confirmed our leading competitive position with medium- and heavy-duty trucks of Classes 6 to 8 with a market share of 31.9% (2010: 31.6%). ↗ 3.08

Despite production losses due to the natural disaster in Japan, sales of 147,700 units by Trucks Asia were 5% higher than in the prior year. Thanks to excellent demand for the Fuso Canter, we were able to increase our unit sales in Japan to 27,000 vehicles (+9%) and significantly improved our market position. The development of unit sales was also very positive in Indonesia (+11%) and Taiwan (+42%). In the context of our expansion strategy, we are meanwhile active with the Fuso brand also in other key markets of the Asia-Pacific region such as Australia, as well as in Russia and the NAFTA region. And since October, we have been supplying European markets with the new Canter from our Portuguese plant in Tramagal (see pages 134 ff).

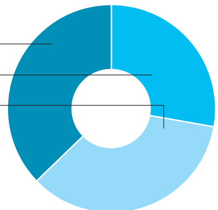
3.06
Unit sales structure of Mercedes-Benz Cars

A-/B-Class	14%
C-/SLK-Class	30%
E-/CLS-Class	25%
S-/CL-/SL-Class/SLR/SLS/Maybach	6%
M-/R-/GL-/GLK-/G-Class	18%
smart	7%



3.07
Unit sales structure of Daimler Trucks

Trucks Europe/Latin America	37%
Trucks NAFTA	28%
Trucks Asia	35%



3.08

Market share[1]

In %	2011	2010	11/10 Change in %-points
Mercedes-Benz Cars			
Western Europe	4.9	4.8	+0.1
thereof Germany	9.9	10.6	-0.7
United States	1.9	1.9	+0.0
Japan	0.9	0.8	+0.1
Daimler Trucks			
Medium- and heavy-duty trucks Western Europe	22.3	24.3	-2.0
thereof Germany	37.5	40.5	-3.0
Heavy-duty trucks NAFTA region (Class 8)	30.9	32.4	-1.5
Medium-duty trucks NAFTA region (Classes 6 and 7)	34.1	29.9	+4.2
Medium- and heavy-duty trucks Brazil	25.2	26.4	-1.2
Trucks Japan	20.8	19.8	+1.0
Mercedes-Benz Vans			
Medium-sized and large vans Western Europe	18.0	17.8	+0.2
thereof Germany	28.1	26.1	+2.0
Daimler Buses			
Buses over 8 tons Western Europe	27.0	29.6	-2.6
thereof Germany	50.0	55.5	-5.5
Buses over 8 tons Latin America	43.0	47.1	-4.1

1 Based on estimates in certain markets.

Unit sales by the **Mercedes-Benz Vans** division increased in 2011 by 18% to 264,200 vehicles of the Sprinter, Vito, Viano and Vario models. In Western Europe, the most important sales market, there was growth of 14% to more than 178,300 units; we actually set a new record in Germany with sales of 77,600 vans (+25%). Demand developed very positively also in Eastern Europe, where we increased our unit sales by 38% to 22,600 vehicles. This enabled Mercedes-Benz Vans to maintain its market leadership in the European Union in the segment of medium-sized and large vans. In the NAFTA region, we were able to increase our unit sales by 68% to 22,300 units. Following the successful market launch in Europe in the prior year, the new-generation Vito and Viano models have been available since April 2011 also in China. In total, 13,500 vans were sold in that market last year, including the first Sprinters from local production, which started at the end of 2011. Mercedes-Benz Vans was very successful also in Latin America in the year under review, selling a total of 13,700 vans (+9%). Worldwide unit sales of the Sprinter increased compared with the prior year by 14% to 163,300 units. Following the model upgrade, sales of the Vito and Viano increased by 26% to 98,000 units, and we sold 2,900 units of the Vario (2010: 2,900) (see pages 138 f).

With unit sales of 39,700 complete buses and bus chassis, **Daimler Buses** surpassed the prior-year figure by 2% despite a generally difficult market situation. In its core markets in the segment of buses over 8 tons gross vehicle weight, it was the market leader by a large margin once again in 2011. The main reasons for the increase in unit sales were the positive business development for Mercedes-Benz bus chassis in Latin America (including Mexico) and significant growth in sales of complete buses in Turkey. In Western Europe, unit sales decreased by 17% to 5,900 buses. The reduction in public-sector spending was especially apparent in the city-bus business. Nonetheless, Daimler Buses succeeded in maintaining its leading position in Western Europe with a market share of 27.0% (2010: 29.6%). ↗ 3.08 In Latin America, Daimler Buses increased its chassis sales of the Mercedes-Benz brand by 8% to 25,000 units. Daimler Buses' market share in Latin America therefore remained at a high level of 43.0% (2010: 47.1%). While the Mexican market continued to recover, unit sales decreased in North America (see pages 140 f).

The business of the **Daimler Financial Services** division developed very positively in all regions during the period under review. Worldwide contract volume grew by 13% to €71.7 billion. Adjusted for exchange-rate effects, there was an increase of 12%. New business grew compared with the prior year by 15% to €33.5 billion, reflecting the higher unit sales by our automotive divisions. All regions contributed to the growth, especially China. The newly established company Daimler Financial Services India Private Ltd. has been supporting sales of the Group's vehicles in India since July 1, 2011. The Insurance Services unit brokered more than 940,000 insurance policies around the world in 2011, representing growth of 12%. We also continued to expand our business with commercial and fleet customers last year: New business of 118,000 units was 5% higher than in 2010 (see pages 142 f).

Order situation. The Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans and Daimler Buses divisions produce vehicles in accordance with customers' specifications. While doing so, we flexibly adjust the production numbers to changing levels of demand. Mainly as a result of strong demand in the emerging markets, but also due to the market success of our vehicles, the development of orders received was generally very stable in 2011, despite the negative impact of the European debt crisis.

At Mercedes-Benz Cars, the volume of orders received was once again higher than in the prior year. This was due on the product side above all to the new generation of the C-Class and the M-, R- and GL-Class models. In regional terms, growth was strongest in China and other emerging markets.

Daimler Trucks recorded a particularly strong increase in orders received. This was primarily due to the market recovery in the NAFTA region, but the volumes of trucks ordered in Asia, Europe and Latin America were also higher than in 2010.

Due to the positive development of demand, we further increased the production of cars and commercial vehicles. The overall order backlog at the end of 2011 was significantly higher than a year earlier.

Revenue. The Daimler Group's revenue increased in 2011 by 9% to €106.5 billion; adjusted for exchange-rate effects, there was an increase of 10%. This means that the positive business development of 2010 continued – as we had expected at the beginning of the year. Revenue grew at Mercedes-Benz Cars by 7% to €57.4 billion, at Daimler Trucks by 20% to €28.8 billion, and at Mercedes-Benz Vans by 17% to €9.2 billion. Daimler Buses' revenue decreased by 3.0% to €4.4 billion. ↗ 3.10 Although the Daimler Financial Services division significantly increased its contract volume and new business compared with the prior year, its revenue decreased by 6%. This is primarily a reflection of the lower number of leased vehicles that came onto the US market in 2008 and 2009 and which are now being sold as used vehicles following the expiry of their contracts.

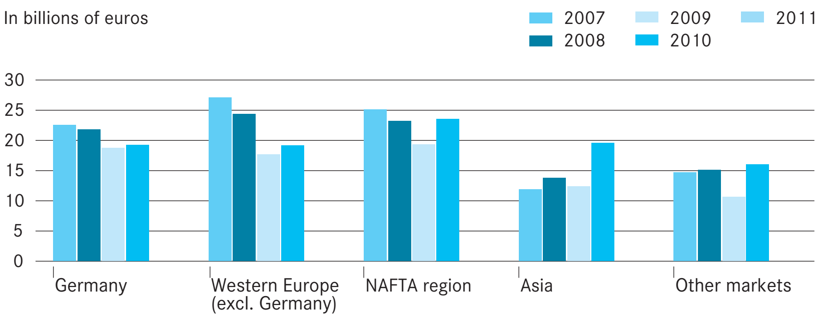
In regional terms, Daimler's revenue growth was particularly strong in Asia (+15% to €22.6 billion). ↗ 3.09 As in the prior year, the main positive impact in that region was from the favorable development of business in China (+22% to €11.1 billion). But we achieved significant revenue growth also in Latin America (+12% to €6.4 billion) and Eastern Europe (+29% to €6.4 billion). In the NAFTA region, revenue rose by 10% to €26.0 billion. In Western Europe, there was only a slight increase of 2% to €39.4 billion, with growth of 2% in Germany. In general, the regional distribution of Daimler's revenue has altered significantly during the past three years in favor of new markets. We now generate 37% of our business in markets outside the United States, Western Europe and Japan. That proportion was just 28% in 2008.

3.10
Revenue

In millions of euros	2011	2010	11/10 % change
Daimler Group	106,540	97,761	+9
Mercedes-Benz Cars	57,410	53,426	+7
Daimler Trucks	28,751	24,024	+20
Mercedes-Benz Vans	9,179	7,812	+17
Daimler Buses	4,418	4,558	-3
Daimler Financial Services	12,080	12,788	-6

3.09
Consolidated revenue by region

In billions of euros



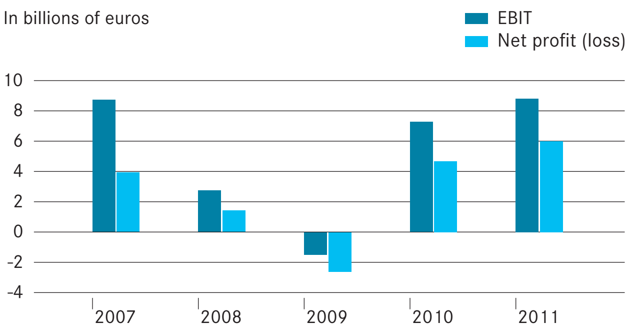
Profitability

3.11
EBIT by segment

In millions of euros	2011	2010	11/10 % change
Mercedes-Benz Cars	5,192	4,656	+12
Daimler Trucks	1,876	1,332	+41
Mercedes-Benz Vans	835	451	+85
Daimler Buses	162	215	-25
Daimler Financial Services	1,312	831	+58
Reconciliation	-622	-211	-66
Daimler Group	8,755	7,274	+20

3.12
Development of earnings

In billions of euros



EBIT

The **Daimler Group** achieved EBIT of €8.8 billion in 2011, once again surpassing the very high earnings of the prior year (2010: €7.3 billion). ↗ 3.11 ↗ 3.12

The development of earnings primarily reflects the very good situation of unit sales in the divisions. In 2011, Mercedes-Benz Cars, Daimler Trucks and Mercedes-Benz Vans significantly increased their unit sales compared with the prior year in the major regions. Daimler Financial Services profited in particular from the lower cost of risk.

The Group incurred expenses as a result of special factors: In connection with the natural disaster in Japan, Daimler Trucks and Daimler Financial Services recognized charges of €80 million; insurance compensation has been taken into consideration. Group EBIT also includes charges from the impairment of our equity interests in Renault (€110 million) and Kamaz (€32 million).

In 2010, the adjustment of health-care and pension plans at Daimler Trucks North America resulted in non-recurring income of €160 million. In addition, the sale of our 5.3% equity interest in Tata Motors and the positive outcome of a legal dispute involving Daimler AG led to additional non-recurring income in a total amount of €483 million. On the other hand, Group EBIT was reduced in 2010 by €261 million representing our share of the loss incurred by EADS. Furthermore, expenses totaling €213 million arose in 2010 for a jubilee bonus and a capital increase at the Daimler and Benz Foundation. And repositioning the business activities of Daimler Trucks and Daimler Financial Services resulted in total expenses of €122 million.

The special items affecting earnings in the years 2011 and 2010 are listed in the table. ↗ 3.13

The **Mercedes-Benz Cars** division posted EBIT of €5,192 million, a significant improvement of €0.5 billion compared with the prior-year result. Its return on sales was 9.0% (2010: 8.7%). ↗3.14

The increase in earnings resulted primarily from the worldwide growth in unit sales, especially in the mid-sized and SUV segments. Above all in China and the United States, the division was able to boost its unit sales due to its attractive product range. Improved pricing for new vehicles and lower warranty expenses also made positive contributions to earnings. There were negative effects on earnings from higher material costs and higher expenses related to the launch of new models, increased research and development costs and negative exchange-rate effects.

EBIT of €1,876 million reported by the **Daimler Trucks** division was also substantially higher than the prior-year earnings of €1,332 million. Return on sales amounted 6.5% (2010: 5.5%). ↗3.14

The positive earnings development is mainly based on strong growth in unit sales compared with the prior year of 20%, with contributions from all the major regions. The successfully implemented optimization and repositioning of the business operations of our subsidiaries Mitsubishi Fuso Truck and Bus Corporation and Daimler Trucks North America had sustained positive effects also in 2011, contributing to significant efficiency improvements and thus also to higher earnings. Negative effects on earnings resulted from higher material costs, advance expenditure for the current product offensive and the impairment of our investment in Kamaz. In connection with the natural disaster in Japan, charges of €70 million were recognized in 2011, after taking insurance compensation into consideration. These charges are primarily related to damaged assets and the loss of production in March 2011.

Prior-year earnings included a gain of €160 million resulting from the adjustment of health-care and pension benefits. EBIT in that year was reduced by charges of €40 million relating to the ongoing implementation of the repositioning of Daimler Trucks North America and Mitsubishi Fuso Truck and Bus Corporation.

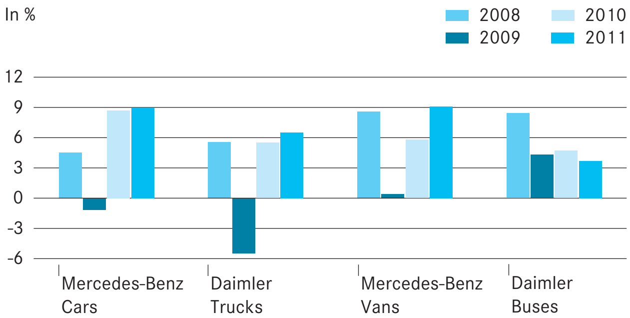
The **Mercedes-Benz Vans** division also posted strong earnings growth in 2011. EBIT increased to €835 million (2010: €451 million) and return on sales improved from 5.8% in 2010 to 9.1% in 2011. ↗3.14

The positive development of earnings resulted from significantly higher unit sales, above all in Germany, NAFTA and Eastern Europe. One of the main factors was the excellent market response to the new-generation Vito and Viano models. Higher material costs were more than offset by sustained efficiency improvements and better pricing.

3.13
Special items affecting EBIT

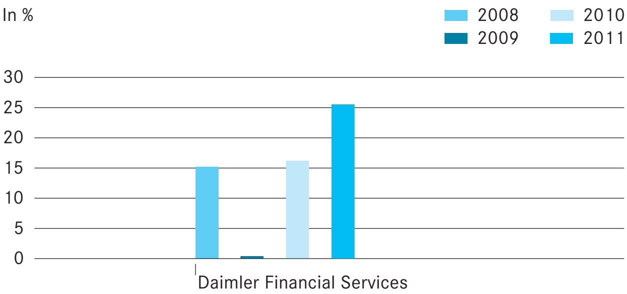
	2011	2010
In millions of euros		
Daimler Trucks		
Impairment of investment in Kamaz	-32	–
Natural disaster in Japan	-70	–
Adjustment of health-care and pension benefit plans	–	160
Repositioning of Daimler Trucks North America	–	-37
Repositioning of Mitsubishi Fuso Truck and Bus Corporation	–	-3
Daimler Financial Services		
Natural disaster in Japan	-10	–
Repositioning of business activities in Germany	–	-82
Sale of non-automotive assets	–	-9
Reconciliation		
Impairment of investment in Renault	-110	–
Gain on the sale of shares in Tata Motors	–	265
Gain relating to a legal dispute	–	218
Anniversary bonus and allocation to Foundation	–	-213

3.14
Return on sales



3.15

Return on equity



3.16

Value Added = Profit Measure – Net Assets x Cost of Capital (%)

(Net Assets x Cost of Capital (%) = Cost of Capital)

3.17

Value Added = [Return on Sales x Net Assets Productivity – Cost of Capital (%)] x Net Assets

3.18

Cost of capital

	2011	2010
In percent		
Group, after taxes	8	8
Industrial divisions, before taxes	12	12
Daimler Financial Services, before taxes	13	13

With EBIT of €162 million, the **Daimler Buses** division did not match the high level of earnings it achieved in the prior year (2010: €215 million). Its return on sales was 3.7% (2010: 4.7%). ↗3.14

This earnings development is due to lower unit sales of complete buses in Western Europe and North America, especially in the city-bus segment, in which demand decreased. Higher prices due to the influence of inflation in Latin America also had a negative impact on EBIT. The division's earnings were positively affected by higher shipments of bus chassis in Latin America (including Mexico) and by exchange-rate effects.

Daimler Financial Services significantly surpassed its earnings of the prior year with EBIT of €1,312 million in 2011 (2010: €831 million). The division's return on equity was 25.5% (2010: 16.1%). ↗3.15

The improvement in earnings was mainly caused by lower provisions for risks, improved refinancing conditions and an increased contract volume. On the other hand, earnings were negatively affected by ongoing expenditure related to the realignment of business activities in Germany; in the prior year, that had resulted in an extraordinary expense of €82 million. A supplementary factor in 2011 was that additional allowances for bad debts had to be recognized in connection with the natural disaster in Japan. In the prior year, the disposal of non-automotive assets resulted in an expense of €9 million.

The **reconciliation** of the divisions' EBIT to Group EBIT comprises our proportionate share of the results of our equity-method investment in EADS, other gains and/or losses at the corporate level, and the effects on earnings of eliminating intra-group transactions between the divisions.

Daimler's proportionate share of the net profit of **EADS** amounted to income of €143 million (2010: expense of €261 million). The prior-year loss posted by EADS was mainly due to additional provisions recognized in connection with the A400M military transport aircraft.

In addition, an expense at corporate level of €588 million was recognized (2010: income of €21 million). In 2011, amongst others, this was related to litigation and the impairment of Daimler's equity interest in Renault (€110 million). Due to the sharp drop in the stock-exchange price of Renault shares at the end of the third quarter, the shareholding had to be impaired to its fair value.

In the prior year, the items reported at corporate level included a gain of €265 million on the sale of Daimler's 5.3% equity interest in Tata Motors and income of €218 million related to the positive outcome of legal proceedings involving Daimler AG. They also included expenses totaling €213 million for an anniversary bonus and a capital increase at the Daimler and Benz Foundation, as well as litigation expenses.

The elimination of intra-group transactions resulted in an expense of €177 million in 2011 (2010: income of €29 million).

Financial performance measures

The financial performance measures used at Daimler are oriented towards our investors' interests and expectations and provide the foundation for our value-based management.

Value added. ↗3.19 For purposes of performance measurement, Daimler differentiates between Group level and divisional level. Value added is one element of the performance measurement system at both levels and is calculated as the difference between the operating result and the cost of capital of the average net assets in that period. ↗3.16

Alternatively, the value added of the industrial divisions can be determined by using the main value drivers: return on sales (ROS, quotient of EBIT and revenue) and net assets productivity (quotient of revenue and net assets). ↗3.17

The use of ROS and net assets productivity within the context of a revenue growth strategy provides the basis for a positive development of value added. Value added shows to which extent the Group and its divisions achieve or exceed the minimum return requirements of the shareholders and creditors, thus creating additional value.

Profit measure. The measure of operating profit at divisional level is EBIT (earnings before interest and taxes). EBIT is calculated before interest and income taxes, and hence reflects the divisions' profit and loss responsibility. The operating profit measure used at Group level is net operating profit. It comprises the EBIT of the divisions as well as profit and loss effects that the divisions are not held responsible for, including income taxes and other reconciliation items.

Net assets. ↗3.20 ↗3.22 Net assets represent the basis for the investors' required return. The industrial divisions are accountable for the net operating assets; all assets, liabilities and provisions which they are responsible for in day-to-day operations are therefore allocated to them. Performance measurement at Daimler Financial Services is on an equity basis, in line with the usual practice in the banking business. Net assets at Group level include the net assets of the industrial divisions and the equity of Daimler Financial Services, as well as income taxes and other reconciliation items for which the divisions are not held accountable. Average annual net assets are calculated from average quarterly net assets, which are calculated as the average of net assets at the beginning and the end of each quarter.

Cost of capital. ↗3.18 The required rate of return on net assets and hence the cost of capital is derived from the minimum rates of return that investors expect on their invested capital. The cost of capital of the Group and the industrial divisions comprises the cost of equity as well as the costs of debt and pension obligations of the industrial business; the expected returns on liquidity and plan assets of the pension funds of the industrial business are considered with the opposite sign. The cost of equity is calculated according to the capital asset pricing model (CAPM), using the interest rate for long-term risk-free securities (such as German government bonds) plus a risk premium reflecting the specific risks of an investment in Daimler shares. The cost of debt is derived from the required rate of return for obligations entered into by the Group with external lenders. The cost of capital for pension obligations is calculated on the basis of discount rates used in accordance with IFRS. The expected return on liquidity is based on money market interest rates. The expected return on the plan assets of the pension funds is derived from the expected interest, dividends and other income generated by the plan assets invested to cover the pension obligations. The Group's cost of capital is the weighted average of the individually required or expected rates of return; in the reporting period, the cost of capital amounted to 8% after taxes. For the industrial divisions, the cost of capital amounted to 12% before taxes; for Daimler Financial Services, a cost of equity of 13% before taxes was applied.

Return on sales. As one of the main drivers of value added, return on sales (ROS) is of particular importance for assessing the industrial divisions' profitability. The profitability measure for Daimler Financial Services is not ROS, but return on equity (ROE), in line with the usual practice in the banking business.

3.19

Value added

	2011	2010	11/10
In millions of euros			% change
Daimler Group	3,726	2,773	+34
Mercedes-Benz Cars	3,775	3,438	+10
Daimler Trucks	796	428	+86
Mercedes-Benz Vans	690	303	+127
Daimler Buses	23	71	-68
Daimler Financial Services	643	160	+302

3.20

Net assets (average amounts)

	2011	2010	11/10
In millions of euros			% change
Mercedes-Benz Cars	11,814	10,146	+16
Daimler Trucks	9,000	7,533	+19
Mercedes-Benz Vans	1,212	1,228	-1
Daimler Buses	1,161	1,200	-3
Daimler Financial Services [1]	5,147	5,156	.
Net assets of the divisions	28,334	25,263	+12
Investments accounted for using the equity method [2]	2,643	2,449	+8
Assets and liabilities from income taxes [3]	-385	1,278	-130
Other reconciliation [3]	834	348	+140
Daimler Group	31,426	29,338	+7

1 Total equity
2 To the extent not allocated to the segments
3 Industrial business

3.21

Reconciliation to net operating profit (loss)

	2011	2010	11/10
In millions of euros			% change
Mercedes-Benz Cars	5,192	4,656	+12
Daimler Trucks	1,876	1,332	+41
Mercedes-Benz Vans	835	451	+85
Daimler Buses	162	215	-25
Daimler Financial Services	1,312	831	+58
EBIT of the divisions	9,377	7,485	+25
Income taxes [1]	-2,515	-2,154	-17
Other reconciliation	-622	-211	-195
Net operating profit (loss)	6,240	5,120	+22

1 Adjusted for tax effects of interest income.

Value added

The **Group's value added** increased by €1.0 billion to €3.7 billion, representing a return on net assets of 19.9% (2010: 17.5%). This was once again considerably higher than the minimum required rate of return of 8%. The increase in value added was primarily due to the significant increase in the divisions' operating profits. The main negative factors were a higher income tax expense and the increase in average net assets. ↗3.19 ↗3.20

The increase in **Mercedes-Benz Cars**' value added of €0.3 billion to €3.8 billion was caused by the earnings improvement resulting from the further growth of unit sales, improved pricing and lower warranty expenses. There was an opposing effect from the increase in average net assets from €10.1 billion to €11.8 billion, which primarily reflects the higher non-current assets due to increased investments.

Value added also increased at the **Daimler Trucks** division (by €0.4 billion to €0.8 billion). The reason for the increase was the significant improvement in earnings following the strong growth in unit sales in all major regions. Average net assets increased slightly, primarily due to the higher inventories and the higher non-current assets.

The **Mercedes-Benz Vans** division more than doubled its value added from €0.3 billion to €0.7 billion. The increase resulted almost solely from the considerable improvement in earnings following the excellent market response of our products and the related increase in unit sales.

The value added of **Daimler Buses** decreased from €71 million to €23 million. Despite increased shipments of bus chassis in Latin America, earnings decreased primarily due to falling unit sales of complete buses in Western Europe and North America. Average net assets decreased slightly.

At the **Daimler Financial Services** division, value added also increased substantially (by €0.5 billion to €0.6 billion). Return on equity was 25.5% (2010: 16.1%). This development is mainly a reflection of increased earnings due to lower expenses for risk provisions, improved refinancing conditions and growth in contract volume. Average net assets were almost unchanged.

Table ↗3.22 shows the derivation of net assets from the consolidated statement of financial position.

Statement of income

The Group's **total revenue** improved by 9.0% to €106.5 billion in 2011; adjusted for negative exchange-rate effects, it increased by 9.9%. Higher unit sales were the decisive factor for the revenue growth. Further information on the development of revenue is provided in the "Business development" section of this Management Report. ↗3.23

Cost of sales amounted to €81.0 billion in the year under review, increasing by approximately 8.0% compared with the prior year (2010: €75.0 billion). The increase in cost of sales was caused by higher business volumes and, as the main result, higher material costs. The higher material costs also reflect increased prices of raw materials. There were opposing effects from lower expenses for risk provisions and lower refinancing costs at Daimler Financial Services. Overall, cost of sales increased at a slightly lower rate than revenue, so gross profit in relation to revenue rose to 24.0% (2010: 23.3%). Further information on cost of sales is provided in Note 5 of the Notes to the Consolidated Financial Statements. ↗3.23

Due to the growth in unit sales, **selling expenses** increased by €1.0 billion to €9.8 billion. The main factors here were higher expenses for commission, marketing, IT services and personnel. As a percentage of revenue, selling expenses were slightly higher than the prior-year level at 9.2% (2010: 9.1%). ↗3.23

General administrative expenses increased to €3.9 billion in 2011 (2010: €3.5 billion). The increase was partially due to higher expenses for purchased services such as IT and consulting services, as well as increased personnel expenses. As a percentage of revenue, general administrative expenses were 3.6%, as in the prior year. ↗3.23

Research and non-capitalized development costs amounted to €4.2 billion in 2011 (2010: €3.5 billion). The increase was mainly related to advance expenditure for our product offensives. As a proportion of revenue, research and development costs increased slightly from 3.6% to 3.9%. Further information on the Group's research and development costs is provided in the "Research and development, environmental protection" section of this Management Report. ↗3.23

Other operating income increased to €1.4 billion (2010: €1.0 billion). Higher income from services charged to third parties led to this increase. Another factor was the insurance compensation received in connection with the natural disaster in Japan. ↗3.23

3.22

Net assets of the Daimler Group at year-end

	2011	2010	11/10
In millions of euros			% change
Net assets of the industrial business			
Intangible assets	8,174	7,444	+10
Property, plant and equipment	19,129	17,544	+9
Leased assets	10,849	9,611	+13
Inventories	16,575	14,056	+18
Trade receivables	7,580	6,964	+9
Less provisions for other risks	-11,967	-12,078	+1
Less trade payables	-9,233	-7,429	-24
Less other assets and liabilities	-13,954	-12,031	-16
Assets and liabilities from income taxes	24	718	-97
Total equity of Daimler Financial Services	5,373	4,865	+10
Net assets	32,550	29,664	+10

3.23

Consolidated statement of income

	2011	2010	11/10
In millions of euros			% change
Revenue	106,540	97,761	+9
Cost of sales	-81,023	-74,988	+8
Gross profit	25,517	22,773	+12
Selling expenses	-9,824	-8,861	+11
General administrative expenses	-3,855	-3,474	+11
Research and non-capitalized development costs	-4,174	-3,476	+20
Other operating income	1,381	971	+42
Other operating expense	-355	-660	-46
Share of profit/loss from investments accounted for using the equity method, net	273	-148	.
Other financial income/expense, net	-208	149	.
Earnings before interest and taxes (EBIT) [1]	8,755	7,274	+20
Interest income	955	825	+16
Interest expense	-1,261	-1,471	-14
Profit before income taxes	8,449	6,628	+28
Income taxes	-2,420	-1,954	+24
Net profit	6,029	4,674	+29
thereof Profit attributable to non-controlling interest	362	176	+106
thereof Profit attributable to shareholders of Daimler AG	5,667	4,498	+26

1 EBIT includes expenses from the compounding of provisions and effects from changes in the discount rate (2011: minus €225 million; 2010: minus €240 million).

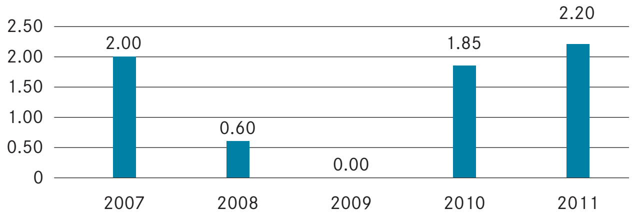
Other operating expense decreased to €0.4 billion (2010: €0.7 billion), partially due to lower expenses relating to legal proceedings. Furthermore, the prior-year figure includes the capital increase for the Daimler and Benz Foundation on the occasion of the 125th anniversary of the automobile. ↗3.23

Further information on the composition of other operating income and expense is provided in Note 6 of the Notes to the Consolidated Financial Statements.

3.24

Dividend per share

In euros



In 2011, our **share of profit from investments accounted for using the equity method** amounted to €0.3 billion (2010: loss of €0.1 billion). This primarily reflects the development of the contribution to earnings from EADS: In 2011, there was a positive impact of €143 million from Daimler's share of the profit reported by EADS; in 2010, Daimler's share of the loss reported by EADS amounted to €261 million. The prior-year loss was mainly the result of provisions recognized by EADS relating to the A400M military transporter. ↗3.23

Other financial result fell from net income of €0.1 billion in 2010 to a net expense of €0.2 billion in 2011. €110 million of this decrease is accounted for by the impairment of our equity interest in Renault SA, which had to be impaired to fair value as of September 30, 2011 due to the sharp fall in the stock-market price of Renault shares. On the other hand, the prior-year result includes a gain of €265 million realized on the sale of Daimler's shares in Tata Motors. ↗3.23

The Group recorded a net **interest expense** of €0.3 billion (2010: net expense of €0.6 billion); the improvement was primarily caused by positive effects from interest rate hedging instruments. Interest-related expenses in connection with pension and health-care obligations were close to the level of the prior year. ↗3.23

The **income-tax expense** of €2.4 billion recorded in 2011 (2010: €2.0 billion) is the result of the Group's higher profit before income taxes. Tax benefits on the reversal of impairments recognized on deferred tax assets at foreign subsidiaries reduced the tax expense in both years. The effective tax rate in 2011 was 28.6% (2010: 29.5%). ↗3.23

Net profit improved significantly to €6.0 billion (2010: €4.7 billion). Net profit in 2011 attributable to non-controlling interest of subsidiaries amounts to €362 million (2010: €176 million). Net profit **attributable to shareholders of Daimler AG** amounts to €5.7 billion (2010: €4.5 billion). **Earnings per share** increased to €5.32 (2010: €4.28). ↗3.23

Dividend

We want our shareholders to participate appropriately once again in our financial success. In setting the dividend, we aim to distribute approximately 40% of the net profit attributable to Daimler shareholders. In view of the good business development, the Board of Management and the Supervisory Board will therefore propose to the shareholders for their approval at the Annual Meeting to be held on April 4, 2012 that a dividend of €2.20 per share be paid out (2010: €1.85). The total dividend payment will then amount to €2,346 million (2010: €1,971 million). ↗3.24

Research and development, environmental protection

Top priority for research and development. Research and development have always been given high priority at Daimler. Our research activities help us to anticipate trends as well as customers' desires and the requirements they place on future mobility, which are then consistently integrated into series products by our development engineers. Our goal is to provide our customers with exciting products and tailored solutions for needs-oriented, safe and sustainable mobility. We organize our technology portfolio and our core competencies to ensure that we achieve this goal (see pages 148 ff).

Key factors for the market success of our vehicles are the expertise, creativity and motivation of our employees in research and development. At the end of the year 2011, 23,200 persons were employed in Daimler's research and development departments around the world (end of 2010: 22,100). Of that total, 15,600 persons were employed at Group Research and Mercedes-Benz Cars Development including subsidiaries such as AMG, MBtech etc. (2010: 14,700), 5,500 at the Daimler Trucks division (2010: 5,400), 1,000 at the Mercedes-Benz Vans division (2010: 900) and 1,100 at Daimler Buses (2010: 1,100). More than 4,400 research and development personnel were employed outside Germany (2010: 4,000).

The most important sites in our research and development network are Sindelfingen, Stuttgart-Untertürkheim and Ulm, in Germany. Our research and development locations in North America and Asia include Palo Alto, California and Portland, Oregon, as well as the research center for information and communication technology in Bangalore, India and the Global Hybrid Center in Kawasaki, Japan. And we are currently constructing a research and development center in China. Furthermore, we collaborate with various renowned research institutes worldwide and participate in international exchange programs for young scientists.

Effective involvement of the supplier industry. In order to achieve our ambitious goals, we also make use of research and development services provided by supplier companies. Particularly in view of rapid technological changes in the automotive industry and the need to bring new technologies to market maturity as quickly as possible, it is essential to coordinate our activities with supplier companies. But within the framework of joint research and development work, we ensure that core competencies in technologies important for the future of the automobile and for the uniqueness of our brands remain at the Group.

More than 2,100 patents filed. Daimler newly registered a total of 2,175 patents in the year 2011 (2010: 2,105), most of which were in the areas of drive systems and safety. More than 1,000 patent applications related to the issue of emission-free mobility, in particular electric drive systems using power from batteries or fuel cells. In the coming years, we will further extend our technology and innovation leadership across all products and brands not least with the advantage of our industrial property rights.

€5.6 billion for research and development. ↗ 3.26 ↗ 3.27 We intend to continue playing an active part in shaping the technological transformation facing the automotive industry with pioneering innovations in the future. We therefore increased our research and development expenditure to €5.6 billion in 2011 (2010: €4.8 billion). €1.5 billion of that amount was capitalized (2010: €1.4 billion). Based on our "Road to Emission-free Mobility" initiative, the main areas of our work were new, extremely fuel-efficient and environmentally friendly drive technologies in all automotive divisions. ↗ 3.25 We worked on optimizing conventional drive technologies and enhancing their efficiency through hybridization, as well as on electric vehicles with fuel-cell drive and battery power. Another focus is on new safety technologies: In the context of our "Vision of Accident-free Driving," we are pursuing the goal of avoiding accidents as far as possible and of alleviating the consequences of any accidents that might still occur.

3.25

Road to Emission-free Mobility

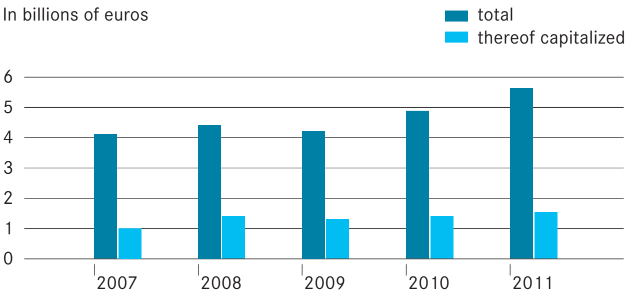
Optimizing our vehicles with modern conventional powertrains	Hybridization for further increase in efficiency	Locally emission-free driving with electric vehicles powered by fuel cells or batteries

Energy for the future

Clean fuels for internal combustion engines	Energy sources for locally emission-free driving

3.26

Research and development expenditure



3.27

Research and development expenditure

	2011	2010	11/10
In millions of euros			% change
Daimler Group	5,634	4,849	+16
thereof capitalized	1,460	1,373	+6
Mercedes-Benz Cars	3,733	3,130	+19
thereof capitalized	1,051	940	+12
Daimler Trucks	1,321	1,282	+3
thereof capitalized	251	373	-33
Mercedes-Benz Vans	358	267	+34
thereof capitalized	126	29	+334
Daimler Buses	225	223	+1
thereof capitalized	32	31	+3

The most important projects at Mercedes-Benz Cars were the new models in the compact class and the successor models for the SL roadster and the GL sport-utility vehicle, as well as new engine generations and alternative drive systems. Total research and development expenditure at Mercedes-Benz Cars increased to €3.7 billion (2010: €3.1 billion). Daimler Trucks invested €1.3 billion in research and development (2010: €1.3 billion). The main areas there were the new Actros heavy-duty truck, new engines for medium- and heavy-duty trucks, and successor generations of existing products. The focus of R&D expenditure at Mercedes-Benz Vans was on the further development of engines to fulfill future emission regulations. The Daimler Buses division concentrated its development activities on new products, the fulfillment of new emission standards and alternative drive systems.

Further reduction in our cars' CO_2 emissions. Thanks to our new engines and the particularly economical "BlueEFFICIENCY" models, we were able to reduce the average CO_2 emissions of the cars we sold in the European Union to 150 grams per kilometer in 2011 (2010: 158 g/km). Our new models such as the M-Class, the new generation of the C-Class and the new B-Class consume an average of approximately 25% less fuel than their predecessors. Meanwhile, more than 40% of our cars sold in Europe have CO_2 emissions of less than 140 grams per kilometer. We will reduce fuel consumption and CO_2 emissions even more in the future with innovative technologies for locally emission-free mobility. Our goal is to reduce the average CO_2 emissions of our new car fleet in the European Union to 125 grams per kilometer by 2016. In recent years, we have continuously reduced the emission of pollutants by our cars: by more than 75% since 1995 and by more than 30% in the past five years. The emission reductions achieved by our cars with BlueTEC diesel engines are particularly impressive: more than 90% lower than in 1995 and over 75% lower than in 2005. We are global leaders for diesel engines with our BLUETEC technology. Our BLUETEC automobiles fulfill the strictest emission standards and are the cleanest diesel cars in the world.

Commercial vehicles with low fuel consumption and emissions. We have also continuously reduced the emissions of CO_2 and harmful substances by our commercial vehicles in recent years. The new Actros is the first truck in the world designed to fully comply with the future Euro VI emission standards. Despite a complex exhaust-cleaning system, reducing fuel consumption was also a major target for the new heavy truck. Its predecessor model, the Mercedes-Benz Actros 1844 LS, already holds the record as the world's most fuel-efficient series-produced truck. In a long-distance comparison with the record-holder over 10,000 kilometers on the East-West Rotterdam-Szczecin highway, the new Actros 1845 BlueTec 6 compliant with Euro VI regulations consumed just 25.9 liters of diesel per 100 kilometers, or 4.5% better than its predecessor. The new Actros BlueTec 5 compliant with Euro V actually achieved 25.1 l/100 km, or 7.6% better. This means that the new Actros is close to fuel consumption of only 1 l/100 km per ton of payload. In particular with trucks and vans for local deliveries and with buses, fuel consumption can be significantly reduced also with the application of hybrid drive technology. The Fuso Canter Eco Hybrid consumes approximately

20% less fuel than a comparable diesel truck and the Freightliner M2e Hybrid uses up to 30% less fuel than the conventional diesel-engined M2 106. No other manufacturer of commercial vehicles has more experience, testing and technology ready for series production in the field of alternative drive systems and electric mobility – from vans to buses to trucks. Worldwide, more than 610,000 environmentally friendly commercial vehicles from Daimler with SCR technology and another 22,000 with alternative drive technology are on the road.

For our total fleet in Europe, we want to reduce our trucks' fuel consumption by an average of 20% per ton per kilometer during the period of 2005 through 2020. To achieve this goal, we continue to work hard on technological innovations.

€2.6 billion for environmental protection. Once again in the year 2011, we intensively pursued the goal of preserving resources and reducing all relevant emissions. We take the effects of all our processes into consideration – from vehicle development to production and to recycling and environmentally friendly disposal. Last year, we increased our spending on environmental protection by 13% to €2.6 billion.

Extensive activities for environmental protection in production. With the help of environmentally friendly production methods, we have succeeded in recent years – with comparable production volumes – in continually reducing our plants' energy consumption, CO_2 emissions, production-related solvent emissions and noise pollution. As a result, energy consumption fell between 2006 and 2011 by over 8% to 11 million megawatt hours. During the same period, CO_2 emissions decreased by more than 10% to 3.5 million tons. With double-digit growth in our total production volume, energy consumption increased in 2011 only by approximately 1.5%, while CO_2 emissions decreased by 1%. Utilization of techniques that preserve resources such as closed-cycle systems enabled us to reduce water consumption by almost 3% between 2006 and 2011. Compared with the prior year, water consumption increased by approximately 7% due to the higher production volumes in 2011.

In the area of waste management, our guiding principle is that avoidance and recycling are better than disposal. Innovative techniques and environmentally compatible production allow us to steadily reduce our volumes of waste materials. Between 2006 and 2011, the total of production-related waste material fell by almost 2% to 1.1 million tons. Compared with the prior year, waste material increased by 12% in 2011; this includes a significantly increased volume of recyclable scrap. The figures stated for the year 2011 are based on the extrapolation of environmental data currently available; the exact figures will be released with the publication of the new Sustainability Report in April 2012.

We make use of comprehensive environmental management systems in our efforts to make further progress in the field of environmental protection. More than 98% of our employees worldwide work in plants whose environmental management systems have been certified according to ISO 14001 or EMAS environmental standards.

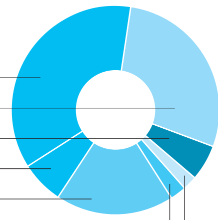
Employment

Workforce growth. The generally positive business development in the year 2011 led to an increase in the number of persons employed by the Daimler Group worldwide to 271,370 as of December 31. This was 11,270 more than at the end of 2010. In Germany, the number of employees increased to 167,684 (2010: 164,026). 20,702 people were employed in the United States (2010: 18,295), 14,533 in Brazil (2010: 13,484) and 11,479 in Japan (2010: 12,836). Our consolidated subsidiaries in China employed 2,121 people at the end of 2011 (2010: 1,552). The number of apprentices and trainees at the Group was 8,499 (2010: 8,841). The parent company, Daimler AG, employed 148,651 people as of December 31, 2011 (2010: 145,796).

The biggest workforce growth was at Daimler Trucks (+8%). Employment levels also increased compared with the end of 2010 at the divisions Mercedes-Benz Cars (+3%), Mercedes-Benz Vans (+2%), Daimler Buses (+2%) and Daimler Financial Services (+5%), as well as in our vehicle sales and marketing organization (+3%). ↗ 3.28

3.28
Employees by division

Daimler Group	271,370
Mercedes-Benz Cars	99,091
Daimler Trucks	77,295
Mercedes-Benz Vans	14,889
Daimler Buses	17,495
Sales Organization	49,699
Daimler Financial Services	7,065
Other	5,836



Extension of measures to secure future employment. The Board of Management and the General Works Council of Daimler AG reached a company agreement in October 2011 under the title of "Daimler Future Safeguarding." This essentially extends until 2016 the contents of the "Future Safeguarding 2012" agreement, which had been in place since 2004. For permanent employees of Daimler AG, it means that there will be no dismissals for operational reasons at least until the end of the period. In return, the company continues to dispose of the flexibility required to cope with varying production capacities at individual plants. The new company agreement took effect on January 1, 2012.

Profit sharing. In view of the positive business development in the year 2010, Daimler's Board of Management and General Works Council agreed that the special efforts made by the workforce would be rewarded with a high performance participation bonus: At the end of April 2011, €3,150 was paid out to each eligible employee of Daimler AG. For the first time, apprentices, students from the cooperative state universities and doctoral students also benefited from this bonus.

Due to Daimler's success in 2011, the Board of Management and the General Works Council have agreed that the workforce's performance will again be rewarded with a high performance participation bonus: In Germany, each eligible employee of Daimler AG will receive an amount of €4,100 at the end of April 2012.

Average age. The average age of our employees worldwide in 2011 was 41.9 (2010: 41.9). In Germany, the average age of the employees was 43.0. These average ages will continue to increase over the coming years.

In order to meet the challenges presented by this demographic development, we started the Generation Management human resources initiative in 2011 under the motto of "Experience into the Future." It comprises several measures to ensure that we continue to have a competitive workforce also in the future. For example, human resources management was implemented at additional sites during the year under review. In this way, we intend to ensure that we continue to have suitable employees in the right numbers and with the right qualifications in the long term.

Further increases in employees' average period at the Group and in the proportion of women in management positions. The average period for which Daimler employees have been at the Group was almost unchanged at 15.9 years in 2011 (2010: 16.0). At the end of the year, Daimler Group employees in Germany had been with us for an average of 18.8 years (2010: 18.7); the average for employees of Daimler AG was 19.0 years (2010: 18.9). The average period for our employees outside Germany was 11.2 years (2010: 11.3). Women accounted for 13.9% of the total workforce of Daimler AG at the end of 2011 (2010: 13.5%). In management positions of Levels 1 to 4, the proportion of women increased from last year's 11.6% to 12.4%.

Procurement

Global procurement activities. The Daimler Group's procurement organization consists of three departments – Procurement Mercedes-Benz Cars and Vans, Procurement Daimler Trucks and Buses, and International Procurement Services for non-production materials – and is present at more than 50 locations all over the world. The goal of the procurement organization is to create the world's most effective supplier network and thus to contribute to Daimler's overall success. The best suppliers are recognized each year for their outstanding performance with the Daimler Supplier Award.

Performance-oriented partnership with our suppliers. Under the "Commitment to Excellence" motto, the Daimler Supplier Network (DSN) defines the business philosophy of Daimler's procurement organization. Its principles are performance and partnership: With the help of the external balanced scorecard, suppliers' performance is measured in the categories of quality, technology, costs and reliability. To us, partnership means fairness, dependability and credibility. The quality of such partnerships proved its worth in the year under review: The devastating earthquake and tsunami in Japan of March 11, 2011 had severe consequences for the country, its population and its industry – including for many Daimler suppliers. We provided direct support to our suppliers and their employees. We also sought to restart and stabilize the production of vehicles as quickly as possible. Thanks to intensive cooperation with our suppliers, we were able to restore the supply chain soon after the disaster.

Prices of raw materials remain volatile. After significant rises in raw-material prices in the prior year, this trend continued at the beginning of 2011. Market uncertainty due to the European debt crisis caused prices to remain constant or fall for many raw materials as of mid-2011. The general development of raw-material prices and above all the sharp price fluctuations in 2011 were affected by international economic expectations, which changed considerably during the year, as well as by volatile financial and capital markets. Daimler protects itself against price fluctuations with a number of measures, including long-term agreements and hedging transactions.

Risk management continues to prove its worth. In the year 2011, we continued to regularly monitor the financial development of our suppliers in the context of our risk management. We focused on refinancing, the development of working capital and the continuation of productivity-enhancing projects from crisis year 2009. We have so far been able to avoid any major production losses. But due to the great importance of suppliers for our production processes, the Daimler Supplier Risk Board convenes regularly. If required, it also develops and decides on measures so that we can react at short notice to any potential supplier insolvencies.

Integrity in procurement. In order to be successful also in the future, we take our responsibility to the environment and society very seriously. We have formulated the expectations we place on our supply partners in terms of environmental, social and ethical standards in our "Sustainability Guidelines for Suppliers." They are a binding component of our purchasing conditions, "Mercedes-Benz Special Terms" and "General Purchasing Conditions for Non-production Materials," which are valid for a large number of our suppliers. We are also gradually including sustainability clauses in our international purchasing conditions. In addition, we are applying various instruments with which we can review and support the implementation of our requirements.

Information technology

Increasing integration of IT and business processes. Daimler's internal IT organization (Information Technology Management – ITM) has approximately 4,800 employees at more than 500 locations worldwide and is involved in nearly all of the Group's business processes – from product development to vehicle production to sales and financing workflows. The key task of IT consists of providing these business processes with efficient and innovative systems, and thus ensuring that business activities can run smoothly. The analysis, networking and provision of data is becoming increasingly important in a global context. ITM is responsible for applying appropriate tools and adapting them to the divisions' requirements.

In this context, information security is increasingly becoming the key issue. The risks arising from the trade-off between comprehensive data access and potential damage from the misuse of data must be assessed. This applies in particular to data that is subject to data protection. ITM therefore moderates and monitors the classification of data in the categories of open, internal, confidential and secret.

Efficient IT system landscapes for growth markets. With modular and flexible IT solutions, the IT organization made an important contribution in 2011 to facilitating the rapid development of our facilities in Chennai (India), Kecskemét (Hungary) and Beijing (China). In parallel, we started to set up teams of specialists in China, India, Turkey and Brazil, so that we can effectively support our growth in those markets with IT expertise.

Important contribution to success from IT integration. With the development of new markets and the launch of new vehicle models, the integrative role of IT across all corporate functions is becoming increasingly important. The "IT Readiness for Future Products" project has been initiated to check all systems and interfaces as to whether they can meet the requirements that will be placed on future product projects. In this context, we have further developed above all the systems of sales, production planning and documentation, and aftersales. With the new Actros, the first product project based on the further developed IT system landscape has started successfully. IT has thus emphasized its role as a success factor for coming product projects.

IT as a value-adding and innovation factor. The trend towards "digital life" is one of the key developments in society and at the Daimler Group. Along with this development, the importance of IT increased in 2011 also in the areas of internal collaboration, communication with customers, expansion of the product range and new business models. IT is increasingly becoming a part of the networked vehicle and of mobility packages. In the context of electric mobility, IT ensures that the right processes are integrated between aftersales, sales and the vehicle. That includes a central infrastructure allowing the simple billing of electricity consumption and the allocation of electricity contracts to particular vehicles, or communicating battery condition to the customer via the mobile Internet. Some additional customer- and vehicle-relevant Internet applications include mobile software for the pre-heating and pre-cooling of the entire vehicle while the battery is being charged, or customer authorization for a vehicle.

With the "next workplace" project, we started in 2011 to prepare the conversion of all our approximately 190,000 PC workplaces worldwide for a new collaboration platform, which is scheduled for the year 2012. This platform will enable us to meet the requirements of future work processes with new forms of communication and cooperation.

We have implemented the comprehensive digital integration of sales processes with the new salesperson workplace, "Mercedes-Benz Point of Sales in the Browser." We started in Switzerland as a pilot market in 2011 with a system designed for use with several languages and several currencies. With the integration of eight systems, sales discussions now smoothly continue from customers' Internet inquiries, and sales personnel have all the necessary functions available in one user interface – from the configuration of new cars to vehicle stocks to financial services. This avoids system breaks and significantly improves the quality of advice provided to customers.

GreenIT makes a contribution to sustainability. We continued steadily with the GreenIT initiative in 2011, measuring results with the use of key performance indicators in the ITM balance scorecard. Since the beginning of the project in January 2009, GreenIT activities have reduced the use of electricity throughout the Group by more than 159 million kilowatt hours, thus cutting emissions of CO_2 by 95,000 tons.

In 2011, ITM also signed a GreenIT commitment initiated by the independent network CIOcolloquium. With this statement, Daimler's IT organization aims to demonstrate its responsibility in the field of sustainability and with the environmentally friendly use of resources, and to make a visible contribution to the reduction of CO_2 emissions and resource efficiency also in the future.

Liquidity and Capital Resources

Principles and objectives of financial management

Financial management at Daimler consists of capital structure management, cash and liquidity management, pension asset management, market price risk management (foreign exchange rates, interest rates, commodity prices) and credit and financial country risk management. Worldwide financial management is performed within the scope of legal requirements for all Group entities by Treasury. Financial management operates within a framework of guidelines, limits and benchmarks, and is organizationally separate from other financial functions such as settlement, financial controlling, reporting and accounting.

Capital structure management designs the capital structure for the Group and its subsidiaries. Decisions regarding the capitalization of financial services companies, as well as production, sales and financing companies, are based on the principles of cost-optimized and risk-optimized liquidity and capital resources. In addition, it is necessary to adhere to various restrictions on capital transactions and on the transfer of capital and currencies.

Liquidity management secures the Group's ability to meet its payment obligations at any time. For this purpose, liquidity planning provides information about all cash flows from operating and financial activities in a rolling plan. The resulting financial requirements are covered by the use of appropriate instruments for liquidity management (e.g. bank credit, commercial paper, notes); liquidity surpluses are invested in the money market or the capital market to optimize risk and return. Our goal is to ensure the level of liquidity regarded as necessary at optimal costs. Besides operational liquidity, Daimler keeps additional liquidity reserves which are available in the short term. These additional financial resources include a pool of receivables from the financial services business which are available for securitization in the credit market, as well as a contractually confirmed syndicated credit line in a volume of €7 billion.

Cash management determines the Group's cash requirements and surpluses. The number of external bank transactions is minimized by the Group's internal netting of cash require-ments and surpluses. Netting is done by means of cash-concentration or cash-pooling procedures. Daimler has established standardized processes and systems to manage its bank accounts, internal cash-clearing accounts and the execution of automated payment transactions.

Management of market price risks aims to minimize the impact of fluctuations in foreign exchange rates, interest rates and commodity prices on the results of the divisions and the Group. The Group's overall exposure to these market price risks is determined to provide a basis for hedging decisions, which include the definition of hedging volumes and corresponding periods as well as the selection of hedging instruments. Decisions regarding the management of risks resulting from fluctuations in foreign exchange rates and commodity prices, as well as decisions on asset/liability management (interest rates), are regularly made by the relevant committees.

Management of pension assets includes the investment of pension assets to cover the corresponding pension obligations. Pension assets are held in separate pension funds and are thus not available for general business purposes. The funds are allocated to different asset classes such as equities, fixed-interest securities, alternative investments and real estate, depending on the expected development of pension obligations and with the help of a process for risk-return optimization. The performance of asset management is measured by comparing with defined reference indices. Local custodians of the pension funds are responsible for the risk management of the individual pension funds. The Global Pension Committee limits these risks by means of a Group-wide binding guideline with due consideration of applicable laws. Additional information on pension plans and similar obligations is provided in Note 22 of the Notes to the Consolidated Financial Statements.

The risk volume that is subject to **credit risk management** includes all of Daimler's worldwide creditor positions with financial institutions, issuers of securities and customers in the financial services business and automotive businesses. Credit risks with financial institutions and issuers of securities arise primarily from investments executed as part of our liquidity management and from trading in derivative financial instruments. The management of these credit risks is mainly based on an internal limit system that reflects the creditworthiness of the respective financial institution or issuer. The credit risk with customers of our automotive businesses relates to contracted dealerships and general agencies, other corporate customers and retail customers. In connection with the export business, general agencies that according to our creditworthiness analysis are not sufficiently creditworthy are generally required to provide collateral such as first-class bank guarantees. The credit risk with end customers in the financial services business is managed by Daimler Financial Services on the basis of a standardized risk management process. In this process, minimum requirements are defined for the sales financing and leasing business and standards are set for credit processes as well as for the identification, measurement and management of risks. Key elements for the management of credit risks are appropriate creditworthiness assessments, supported by statistical analyses and evaluation methods, as well as structured portfolio analysis and monitoring.

Financial country risk management includes various aspects: the risk from investments in subsidiaries and joint ventures, the risk from the cross-border financing of Group companies in risk countries, and the risk from direct sales to customers in those countries. A Credit Committee sets country limits for this cross-border financing. Daimler has an internal rating system that divides all countries in which it operates into risk categories. Equity capital transactions in risk countries are hedged against political risks with the use of investment-protection insurance such as the German government's investment guarantees. Some cross-border receivables due from customers are protected with the use of export-credit insurance, first-class bank guarantees and letters of credit. In addition, a committee sets and restricts the level of hard-currency credits granted to financial services companies in risk countries.

Additional information on the management of market price risks, credit defaults and liquidity risks is provided in Note 31 of the Notes to the Consolidated Financial Statements.

Cash flows

Cash provided by operating activities ↗3.29 amounted to minus €0.7 billion in 2011 (2010: plus €8.5 billion). The positive effect from the improvement in net profit before income taxes was reduced in particular by increased new business in leasing and sales financing as well as by significantly higher allocations to the pension funds (€2.0 billion; 2010: €0.3 billion). In addition, the inventory growth caused by higher unit sales and model changes was only partially offset by the development of trade receivables. Compared with the prior year, there were additional factors reducing cash provided by operating activities from the payment of the performance-related bonus for the year 2010 and from higher income tax payments (€2.8 billion; 2010: €1.2 billion). Income tax payments increased partially due to payments of arrears for prior years in North America.

3.29

Condensed consolidated statement of cash flows

In millions of euros	2011	2010	11/10 Change
Cash and cash equivalents at the beginning of the year	10,903	9,800	+1,103
Cash provided by/used for operating activities	-696	8,544	-9,240
Cash used for investing activities	-6,537	-313	-6,224
Cash provided by/used for financing activities	5,842	-7,551	+13,393
Effect of exchange-rate changes on cash and cash equivalents	64	423	-359
Cash and cash equivalents at the end of the year	9,576	10,903	-1,327

3.30

Free cash flow of the industrial business

In millions of euros	2011	2010	11/10 Change
Cash provided by operating activities	7,346	10,066	-2,720
Cash used for investing activities	-6,263	-741	-5,522
Change in cash (> 3 months) and marketable securities included in liquidity	-36	-3,893	+3,857
Other adjustments	-58	-	-58
Free cash flow of the industrial business	989	5,432	-4,443

3.31

Net liquidity of the industrial business

In millions of euros	Dec. 31, 2011	Dec. 31, 2010	11/10 Change
Cash	8,908	9,535	-627
Marketable securities and term deposits	1,171	1,258	-87
Liquidity	10,079	10,793	-714
Financing liabilities	2,275	1,358	917
Market valuation and currency hedges for financing liabilities	-373	-213	-160
Financing liabilities (nominal)	1,902	1,145	+757
Net liquidity	11,981	11,938	+43

3.32

Net debt of the Daimler Group

In millions of euros	Dec. 31, 2011	Dec. 31, 2010	11/10 Change
Cash	9,576	10,903	-1,327
Marketable securities and term deposits	2,281	2,096	+185
Liquidity	11,857	12,999	-1,142
Financing liabilities	-62,167	-53,682	-8,485
Market valuation and currency hedges for financing liabilities	-369	-213	-156
Financing liabilities (nominal)	-62,536	-53,895	-8,641
Net debt	-50,679	-40,896	-9,783

Cash used for investing activities ↗3.29 amounted to €6.5 billion in 2011 (2010: €0.3 billion). The change compared with the prior year was primarily the result of purchases and sales of securities carried out in the context of liquidity management, which led to generally lower (net) cash inflows in the year under review. Another factor was that the acquisition of shares in Tognum AG resulted in a total cash outflow of €0.7 billion. The prior year was affected by proceeds of €0.3 billion from the sale of Daimler's shares in Tata Motors. In addition, cash outflows for investments in property, plant and equipment and intangible assets increased by €0.7 billion to €5.9 billion.

Cash flows from financing activities ↗3.29 resulted in a net cash inflow of €5.8 billion, which primarily reflects new borrowing (net). Cash outflows were mainly the result of the payment of the dividend for the year 2010 (€2.0 billion). Furthermore, dividends of €0.3 billion were paid to holders of minority interests in subsidiaries. In the prior year, there was a net cash outflow of €7.6 billion, due almost solely to the repayment of financing liabilities (net).

Cash and cash equivalents ↗3.29 decreased compared with December 31, 2010 by €1.3 billion, after taking currency translation into account. Total liquidity, which also includes marketable debt securities, decreased by €1.1 billion to €11.9 billion.

The parameter used by Daimler to measure the financing capability of the Group's industrial activities is the **free cash flow of the industrial business** ↗3.30, which is derived from the reported cash flows from operating and investing activities. On that basis, a correction is made in the amount of the cash flows from the acquisition and sale of marketable debt securities included in cash flows from investing activities, as those securities are allocated to liquidity and changes in them are thus not a part of the free cash flow.

Other adjustments relate primarily to additions to property, plant and equipment that are allocated to the Group as their beneficial owner due to the form of their underlying lease contracts. They also include acquisitions of minority interests in subsidiaries, which are reported as part of cash used for financing activities.

The free cash flow decreased compared with the prior-year period by €4.4 billion to €1.0 billion.

The decrease was mainly caused by substantial contributions to the pension funds (€2.0 billion), the development of inventories and the payment of the performance-related bonus. The free cash flow was additionally reduced by the acquisition of shares in Tognum AG (€0.7 billion), the payment of the anniversary bonus (€0.1 billion), the capital increase for the Daimler und Benz Foundation (€0.1 billion) and higher investment in property, plant and equipment. Furthermore, the prior year had been affected by the proceeds from the sale of Daimler's shares in Tata Motors (€0.3 billion). There were positive effects from increased profit contributions from the divisions, lower cash outflows for interest payments and the transfer of dealer inventory financing from a subsidiary of the industrial business to Daimler Financial Services.

The increased cash outflows for tax payments made to third parties were partially offset by intra-Group payments received by the industrial business from financial services companies in the context of the organic tax unity.

The **net liquidity of the industrial business** ↗3.31 is calculated as the total amount as shown in the balance sheet of cash, cash equivalents and marketable debt securities included in liquidity management, less the currency-hedged nominal amounts of financing liabilities.

To the extent that the Group's internal refinancing of the financial services business is provided by the companies of the industrial business, this amount is deducted for the calculation of the debt of the industrial business. At December 31, 2011, due to the application of the funds of the industrial business, the Group's internal refinancing was larger than the financing liabilities originally assumed by the industrial business, as was already the case at December 31, 2010. This resulted in a positive amount for the financing liabilities of the industrial business, increasing its net liquidity.

The net liquidity of the industrial business amounted to €12.0 billion at December 31, 2011 (December 31, 2010: €11.9 billion). The trend of the net liquidity was the result of the free cash flow and intra-Group dividend payments of the financial services business and the payment of the dividend for the year 2010 in an amount of €2.0 billion.

Net debt at Group level ↗3.32, which primarily results from the refinancing of the leasing and sales financing business, increased by €9.8 billion compared with December 31, 2010, mainly due to the increased volume of new business in leasing and sales financing and the payment of the dividend for the year 2010. There was a smaller, opposing effect from the free cash flow of the industrial business.

Capital expenditure

Renewed increase in investment. ↗3.33 In the context of our global growth strategy, we want to make good use of the opportunities presented by international automotive markets. This requires substantial capital expenditure on local production facilities, new products and new technologies. In 2011, we therefore increased our investment in property, plant and equipment to €4.2 billion (2010: €3.7 billion). Of that total, €2.7 billion was invested in Germany (2010: €2.1 billion).

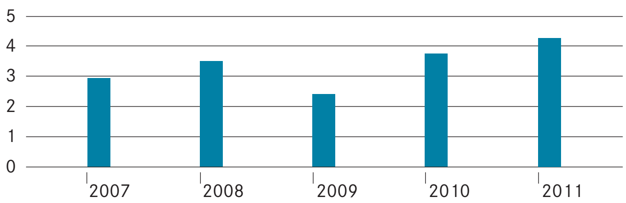
At Mercedes-Benz Cars, investment in property, plant and equipment increased by 11% to €2.7 billion in 2011. ↗3.34 One focus was on the expansion of production capacities for the successor to the A/B-Class at the Rastatt plant in Germany and at the new plant in Kecskemét, Hungary. In addition, we invested in the ramp-up of the new M- and GL-Class in Tuscaloosa, USA, and prepared for the start of C-Class production there as of 2014. In Sindelfingen, preparations are under way for the production of the new S-Class starting in the year 2013, and the main investment at the Bremen plant was for the successor models of the SLK and SL roadsters.

We also invested in engine projects and in expanding our car production capacities in the growth markets of China and India. Daimler Trucks made substantial investments in 2011 in the launch of the new Actros heavy truck and in platforms for medium and heavy trucks. Another focus was on projects for the global harmonization and standardization of engines and other main components and for meeting stricter emission regulations. We also invested in our production capacities in Brazil and India. Total investment in property, plant and equipment at Daimler Trucks amounted to €1.2 billion (2010: €1.0 billion). At the Mercedes-Benz Vans division, the focus of investment was on developing the next generation of the Vito goods van and the Viano passenger van, as well as on the local production and marketing of the Sprinter in Latin America. We also expanded and modernized the division's sales organization. The main investments at Daimler Buses in 2011 were in new products and the production facilities.

3.33

Capital expenditure

In billions of euros



3.34

Investment in property, plant and equipment

	2011	2010	11/10
In millions of euros			% change
Daimler Group	4,158	3,653	+14
Mercedes-Benz Cars	2,724	2,457	+11
Daimler Trucks	1,201	1,003	+20
Mercedes-Benz Vans	109	91	+20
Daimler Buses	103	95	+8
Daimler Financial Services	21	12	+75

Refinancing

To cover its **refinancing requirements**, Daimler makes use of a broad spectrum of various financing instruments in the international money and capital markets. Daimler needs capital primarily for the financing of vehicles in the leasing and sales financing business. In addition to issuing short-term commercial paper in the money market, Daimler issues bonds in the capital market in various currencies with medium and long maturities. They include so-called benchmark emissions (large bonds with large trading volumes) as well as low-volume emissions. In addition, bank credit lines and securitized receivables from the financial services business are also used to cover financing requirements.

3.35

Refinancing instruments

	Average interest rates		Book value	
	Dec. 31, 2011	Dec. 31, 2010	**Dec. 31, 2011**	Dec. 31, 2010
	in %		in millions of euros	
Notes/bonds and liabilities from ABS transactions	**3.17**	4.58	**29,507**	27,237
Liabilities to financial institutions	**4.16**	4.42	**19,175**	14,328
Deposits in the direct banking business institutions	**2.40**	2.29	**11,035**	10,876

In 2011, the Group covered its liquidity requirements mainly through the issuance of bonds and with bank credit. Another important source of refinancing was the unchanged high level of customer deposits at Mercedes-Benz Bank. To a relatively small extent, funds were also raised by issuing commercial paper.

Various issue programs are available for raising longer-term funds in the capital market. They include the Euro Medium Term Note Program (EMTN) with a total volume of €35 billion, under which several companies of the Group can issue bonds in various currencies. In 2011, the program was utilized to place a large number of small bonds in the market. Other capital-market programs – smaller than the EMTN program – exist in South Africa, Mexico and Argentina. Capital-market programs enable Daimler to formally issue bonds in the respective capital markets at any time.

We also made private placements in the euro market as well as in the United States and Canada, and issued bonds in the local capital markets in South Africa, Mexico and Argentina. In addition, the Group successfully placed three ABS transactions in a total amount of US$3.7 billion with investors in the United States last year; in this context, Daimler made use of its US platforms: Mercedes-Benz Auto Receivables Trust and Mercedes-Benz Auto Lease Trust. A smaller ABS transaction was also privately placed in Canada in 2011.

At the end of 2011, Daimler had short- and long-term credit lines totaling €29.0 billion (2010: €24.0 billion), of which €9.3 billion was not utilized (2010: €9.4 billion). They included a syndicated credit line arranged in 2010 with a consortium of international banks with a volume of €7 billion and a maturity of five years.

The carrying values of the main refinancing instruments and the weighted average interest rates are shown in the table ↗ **3.35**.

The refinancing instruments at December 31, 2011 as shown in the table ↗ **3.35** are mainly denominated in the following currencies: 43% in euros, 25% in US dollars, 7% in Brazilian real, 5% in Japanese yen and 3% in Canadian dollars.

At December 31, 2011, the total financial liabilities shown in the consolidated balance sheet amounted to €62,167 million (2010: €53,682) million.

Detailed information on the amounts and terms of financing liabilities is provided in Notes 24 and 31 of the Notes to the Consolidated Financial Statements. Note 31 also provides information on the maturities of the other financial liabilities.

Other financial commitments and off-balance-sheet transactions

In the context of its normal business operations, the Group has entered into other financial commitments in addition to the liabilities shown in the consolidated balance sheet at December 31, 2011. These other financial commitments primarily relate to purchasing commitments and commitments to invest in plant replacement and expansion. The Group has also committed to make payments in connection with rental and leasing agreements for the use of production facilities and property, plant and equipment. In addition, particularly Daimler Financial Services has made irrevocable loan commitments within the framework of its business operations.

The table ↗3.36 provides an overview of these commitments and their maturities.

The Group's **off-balance-sheet transactions** relate to transactions in the context of which Daimler has provided guarantees and thus, in connection with these transactions, continues to be subject to risk. However, they do not include warranties the Group provides on its products in the context of its vehicle sales.

The guarantees reported by the Group (excluding product warranties) principally represent financial guarantees that require us to make certain payments if a guarantee holder fails to meet its financial obligations. The maximum potential obligation resulting from these guarantees amounts to €1.4 billion at December 31, 2011 (end of 2010: €1.1 billion); provisions established in this context amount to €0.2 billion at the end of the year (end of 2010: €0.2 billion).

Most of the financial guarantees relate to the situations described as follows: In connection with the transfer of a majority interest in Chrysler, Daimler guarantees payments of up to US$200 million into the Chrysler pension plans. The term of this guarantee is limited until August 2012. The Group also provides guarantees for other Chrysler obligations; at December 31, 2011, these guarantees amounted to €0.3 billion, whereby Chrysler provided €0.2 billion on an escrow account as collateral for the guaranteed obligations. Another financial guarantee of €0.1 billion relates to bank loans of Toll Collect GmbH, the operator company of the toll-collection system for trucks in Germany.

Other risks arise from an additional guarantee that the Group provided for obligations of Toll Collect GmbH to the Federal Republic of Germany. This guarantee is related to the completion and operation of the toll-collection system. A claim on this guarantee could primarily arise if for technical reasons toll revenue is lost or if certain contractually defined parameters are not fulfilled, if the Federal Republic of Germany makes additional claims or if the final operating permit is not granted. Furthermore, arbitration proceedings have been initiated against the Group. The maximum obligation that could result from this guarantee is substantial, but cannot be reasonably estimated.

Furthermore, the Group has issued a number of smaller guarantees, some of which specify that Daimler guarantees the financial obligations of companies which supply us with parts, vehicle components or services, or which lease production facilities to us.

Buyback obligations arise for the Daimler Group from agreements under which we guarantee to customers certain trade-in or resale values for sold vehicles. Most of these guarantees provide the holder with the right to return purchased vehicles to the Group if the customer acquires another vehicle from Daimler. At December 31, 2011, the maximum potential obligation from these guarantees amounted to €0.7 billion (December 31, 2010: €0.6 billion); provisions established in this context amounted to €44 million at the end of 2011 (end of 2010: €60 million).

Further information on other financial commitments and contingent liabilities from guarantees granted as well as on the electronic toll-collection system and related risks is provided in Note 29 (Guarantees and other financial commitments) and Note 28 (Legal proceedings) of the Notes to the Consolidated Financial Statements.

3.36

Other financial commitments and off-balance-sheet transactions

			Payments falling due:		
	in total	within 1 year	in 1-3 years	in 4-5 years	after 5 years
In millions of euros					
Purchasing agreements, investments in property, plant and equipment	8,861	7,370	1.265	148	78
Future lease payments under rental and leasing agreements	2,480	401	632	490	957
Irrevocable loan commitments	1,960	1,642	135	183	-

Credit ratings

The considerable improvement in Daimler's performance and financial metrics in 2010 and the continuation of that development in 2011 were positively assessed by all the four rating agencies that publish issuer ratings for Daimler. ↗3.37

Fitch Ratings upgraded our long-term rating by one category, while Moody's Investors Service and Standard & Poor's Rating Services each lifted the outlook for Daimler AG. The Canadian rating agency, DBRS, also recognized that our business operations had recovered stronger and faster than it had expected, although this did not result in a change in its ratings for Daimler.

3.37
Rating

	End of 2011	End of 2010
Long-term credit ratings		
Standard & Poor's	BBB+	BBB+
Moody's	A3	A3
Fitch	A-	BBB+
DBRS	A (low)	A (low)
Short-term credit ratings		
Standard & Poor's	A-2	A-2
Moody's	P-2	P-2
Fitch	F2	F2
DBRS	R-1 (low)	R-1 (low)

On July 15, 2011, **Standard & Poor's Ratings Services** (S&P) raised its outlook on Daimler AG from stable to positive and affirmed its long-term rating of BBB+. This resulted from S&P's improved assessment of Daimler's financial risk profile. S&P justified this change with our better trading conditions and the decision to suspend the dividend in 2010 for the year 2009. However, it believes that for an upgrade of the rating into the A category, our track record of improved margins will have to be more extensive.

On March 21, 2011, the rating agency **Moody's Investors Service** (Moody's) changed its outlook from negative to stable on our long-term issuer rating and affirmed our long-term rating of A3. Moody's thus reacted to the Group's good business development in 2010, which was stronger than the agency had anticipated. On August 30, it once again lifted Daimler's outlook: from stable to positive. This change was also explained with our better-than-expected operating performance and the related improvement in our financial metrics. As a result, Moody's now places Daimler very strongly in the A3 rating category.

Fitch Ratings (Fitch) upgraded Daimler's long-term issuer default rating on June 10, 2011 by one category from BBB+ to A- and assessed the outlook for the new rating as stable. Fitch referred to the Group's sound financial metrics. It also recognized our strong business development and leading position in the relevant markets.

DBRS, the Canadian rating agency, confirmed its long-term rating for Daimler and its related companies on October 25, 2011 at A (low) with a stable trend. DBRS noted that our financial profile improved considerably after the deterioration in 2009, and has now reverted to the levels of previous years. DBRS actually assessed our financial profile as exceeding the assigned ratings. However, the agency referred to uncertainty regarding economic developments and the possible adverse impact on our future earnings performance. In the event that Daimler's earnings momentum persists and the economic headwinds dissipate, positive rating implications are likely.

The short-term ratings of all four rating agencies remained unchanged in 2011.

Financial Position

The Group's **balance sheet total** increased compared with December 31, 2010 by €12.3 billion to €148.1 billion. ↗3.38 Adjusted for the effects of currency translation, the balance sheet total grew by €11.7 billion. The financial services business accounted for €75.6 billion or 51% of the Daimler Group's balance sheet total (December 31, 2010: €67.9 billion or 50%).

The increase in the balance sheet total is primarily due to the increase in equipment on operating leases and receivables from financial services. This increase is accompanied on the liabilities side by a higher level of financing liabilities. Current assets account for 41% of the balance sheet total, which is slightly less than a year earlier (42%). Current liabilities account for 37% of the balance sheet total (December 31, 2010: 39%).

The increase in **intangible assets** of €0.8 billion to €8.3 billion is mainly accounted for by capitalized development costs at the Mercedes-Benz Cars segment. At the Group, capitalized development costs accounted for 25.9% of total development expenditure (2010: 28.3%).

Capital expenditure was significantly higher than depreciation and caused **property, plant and equipment** to increase to €19.2 billion (December 31, 2010: €17.6 billion). Investments totaling €4.2 billion were made at our plants in Germany, as well as primarily in United States, Brazil, Hungary and India, and serve not only the continual modernization but also the launch of new products and the expansion of production capacities.

Equipment on operating leases and **receivables from financial services** increased to a total of €68.4 billion (December 31, 2010: €61.0 billion). The increase of €6.8 billion adjusted for exchange-rate effects was caused by the higher level of new business due to the higher unit sales of the automotive divisions, and resulted in particular from the business with end-customers. The proportion of the total assets is 46% (December 31, 2010: 45%).

3.38

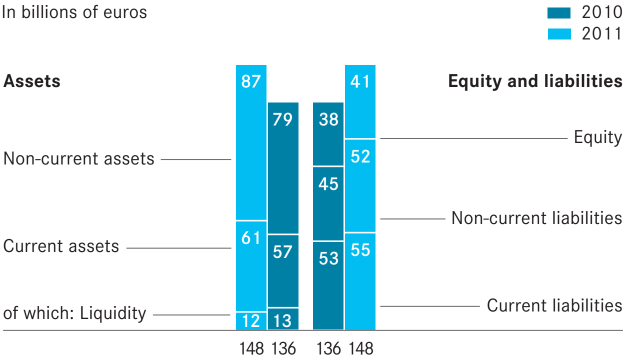
Consolidated statement of financial position

	Dec. 31, 2011	Dec. 31, 2010	11/10 % change
In millions of euros			
Assets			
Intangible assets	8,259	7,504	+10
Property, plant and equipment	19,180	17,593	+9
Equipment on operating leases and receivables from financial services	68,378	60,955	+12
Investments accounted for using the equity method	4,661	3,960	+18
Inventories	17,081	14,544	+17
Trade receivables	7,849	7,192	+9
Cash and cash equivalents	9,576	10,903	-12
Marketable debt securities	2,281	2,096	+9
Other financial assets	4,964	5,441	-9
Other assets	5,903	5,642	+5
Total assets	148,132	135,830	+9
Equity and liabilities			
Equity	41,337	37,953	+9
Provisions	19,137	20,637	-7
Financing liabilities	62,167	53,682	+16
Trade payables	9,515	7,657	+24
Other financial liabilities	9,693	10,509	-8
Other liabilities	6,283	5,392	+17
Total equity and liabilities	148,132	135,830	+9

3.39

Balance sheet structure Daimler Group

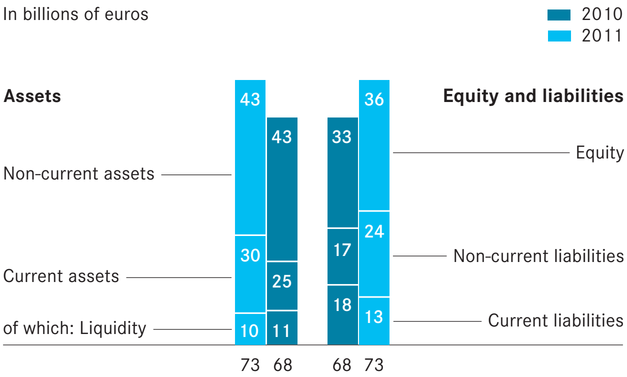
In billions of euros



3.40

Balance sheet structure industrial business

In billions of euros



Investments accounted for using the equity method of €4.7 billion primarily comprise the carrying amounts of our equity interests in EADS, Beijing Benz Automotive and Kamaz, as well as in Engine Holding GmbH, which we own jointly with Rolls Royce. The increase of €0.7 billion primarily reflects the acquisition of shares in Tognum AG by Engine Holding.

Inventories increased by €2.5 billion to €17.1 billion and account for 12% of the balance sheet total. The increase was caused by higher unit sales and model changes and is mainly related to finished goods. Due to the increased production volumes, raw materials, manufacturing supplies and work in progress all increased slightly.

Trade receivables increased by €0.7 billion to €7.8 billion in connection with the high level of unit sales in 2011.

Cash and cash equivalents decreased compared with December 31, 2010 by €1.3 billion to €9.6 billion.

Marketable debt securities increased compared with December 31, 2010 from €2.1 billion to €2.3 billion. They consist of debt instruments quoted in an active market and are allocated to liquidity.

Other financial assets decreased from €5.4 billion to €5.0 billion. They mainly consist of investments and derivative financial instruments, as well as loans and other receivables due from third parties. The main reason for the decrease was the change in fair values of derivative financial instruments.

Other assets of €5.9 billion (December 31, 2010: €5.6 billion) primarily comprise deferred tax assets and tax refund reimbursements.

The Group's **equity** increased compared with December 31, 2010 by €3.4 billion to €41.3 billion. The increase of €3.2 billion after adjusting for currency effects was mainly the result of the net profit of €6.0 billion. There was an opposing effect from the payment of the dividend of €2.0 billion for the year 2010. For the year 2011, a dividend payment of €2.20 per share will be proposed.

The **equity ratio** was 26.3% for the Group (December 31, 2010: 26.5%) and 46.4% for the industrial business (December 31, 2010: 45.8%). The 2010 and 2011 equity ratios are adjusted for the paid and proposed dividend payments for the years 2010 and 2011.

Provisions account for 13% of the balance sheet total. Most of them relate to warranty, personnel and pension obligations, and at €19.1 billion they were below the level of December 31, 2010 (€20.6 billion). The decrease mainly relates to provisions for pensions and similar obligations and reflects the high contribution to the pension funds in 2011. Provisions for income taxes also decreased.

Financing liabilities, which primarily relate to the leasing and sales financing business, increased by €8.5 billion to €62.2 billion. The increase of €8.2 billion after adjusting for currency effects is mainly related to liabilities to financial institutions and from commercial paper and ABS transactions.

Trade payables increased by €1.9 billion to €9.5 billion, partially due to the higher production volumes.

Other financial liabilities decreased to €9.7 billion (December 31, 2010: €10.5 billion). They mainly consist of liabilities from residual value guarantees and from wages and salaries, derivative financial instruments and accrued interest on financing liabilities.

Other liabilities of €6.3 billion (December 31, 2010: €5.4 billion) primarily comprise deferred tax liabilities, tax liabilities and deferred income. The increase is related to deferred taxes and deferred income.

The **funded status of the Group's pension benefit obligations**, defined as the difference between the present value of the pension obligations and the fair value of pension plan assets, amounts to minus €6.5 billion, the same as at the end of 2010. At December 31, 2011, the present value of the Group's pension obligations amounts to €19.1 billion, compared with €17.7 billion a year earlier. The increase resulted primarily from the interest accrued on the obligations as well as a reduction in the discount rate for German pension plans of 0.3 of a percentage point to 4.7%. The plan assets available to finance the pension obligations increased mainly as a result of the contributions made (€2.0 billion) from €11.2 to €12.6 billion. The actual return on pension plan assets amounted to €42 million in 2011 (2010: €835 million). Further information on pensions and similar obligations is provided in Note 22 of the Notes to the Consolidated Financial Statements.

Daimler AG

Condensed version according to the German Commercial Code (HGB)

In addition to reporting on the Daimler Group, in this chapter, we also describe the development of Daimler AG.

Daimler AG is the parent company of the Daimler Group and is domiciled in Stuttgart. Its principal business activities comprise the development, production and distribution of cars, vans and trucks in Germany and the management of the Daimler Group.

The vehicles are produced at the domestic plants of Daimler AG as well as under contract-manufacturing agreements by domestic and foreign subsidiaries and by producers of special vehicles. Daimler AG distributes its products through its own sales network of 34 German sales-and-service centers, through foreign sales subsidiaries and through third parties.

Unlike Daimler's consolidated financial statements, the annual financial statements of Daimler AG are not prepared in accordance with the International Financial Reporting Standards (IFRS), but according to the German Commercial Code (HGB). This results in some differences with regard to recognition and measurement, primarily relating to intangible assets, provisions, financial instruments, leasing business and deferred taxes.

Profitability

In terms of operating profit, Daimler AG continued the positive business development of the prior year in 2011. The major automotive markets continued their positive development with generally high levels of demand. Unit sales were higher than in 2010 in all divisions.

Daimler AG posted a **profit on ordinary activities** of €5.5 billion, which is slightly lower than in the prior year (2010: €5.6 billion). The development of earnings primarily reflects the reduction in financial income. There was an opposing, positive effect from the improvement in operating profit, which is mainly due to the increase in unit sales.

Revenue increased by €6.5 billion to €69.5 billion. Revenue in the car business increased by 7% to €49.4 billion, due to higher unit sales and structural changes. Significant revenue growth of 18% to €20.1 billion was recorded for trucks and vans, also as a result of higher unit sales.

Operating profit in the car business rose once again, mainly due to the high level of unit sales, improved pricing and lower warranty costs. However, earnings were adversely affected by increased raw-material prices, expenditure for model upgrades and model changes. Earnings were adversely affected by increased research and development costs. Sales of cars increased by 4% to 1,311,000 units in 2011[1]. Growth in unit sales was particularly strong in the United States and in China, as well as for the C-Class and the M-, R- and GL-Class. As a result of the model upgrade and the new generation of the coupe, sales of the C-Class increased by 23% to 487,000 units. With the A- and B-Class, unit sales decreased compared with the prior year to 181,000 cars because of the model change (2010: 232,000).

Earnings from trucks and vans were also higher than in the prior year due to higher unit sales and efficiency improvements. There were also negative effects on earnings, however, from currency translation for example. 99,000 trucks were sold in 2011 (2010: 77,000)[1]. Sales of vans expanded because of the positive market development by 22% to 254,000 units[1]. The main increases in unit sales of trucks and vans were for the Actros (+41%), the Axor (+26%), the Viano (+66%) and the Sprinter (+20%) model series.

Financial income decreased by €0.7 billion to €2.3 billion, partially due to lower net income from investments in subsidiaries and associated companies and lower net interest income.

Cost of sales (excluding research and development expenses) increased at a lower rate than revenue by 9.6% to €54.8 billion (2010: €50.0 billion). Material expenses increased significantly due to the higher volume of business. This had a particular impact on production materials and expenses of purchased services.

1 The unit sales of Daimler AG include vehicles invoiced to companies of the Group which have not yet been sold on to external customers by those companies. Vehicle sales by production companies of the Daimler Group are not counted in the unit sales of Daimler AG.

Research and development expenses, which are included in cost of sales, rose from €4.2 billion to €4.8 billion; as a proportion of revenue, it increased from 6.7% to 6.9%. The increase was primarily caused by the renewal of the product portfolio, especially with regard to the S-, C-, E-, A-, B-Class and the smart, as well as investment in the development of powertrains. In addition, work was further intensified on research and development projects for alternative drive technologies (hybrid, electric drive and fuel cells). At the end of the year, approximately 17,000 people were employed in the area of research and development.

Selling expenses increased to €5.7 billion in 2011 (2010: €4.9 billion). The increase was caused by the higher volume of business and the related higher expenses for purchased services, as well as higher shipping, commission and IT costs.

General administrative expenses increased by 11.3% to €2.4 billion (2010: €2.2 billion). This development was mainly the result of higher expenses for IT services and consulting. Another factor is that personnel expenses increased, primarily due to the end of reduced working time.

Other operating income improved by €0.4 billion to €1.3 billion. The main reasons for this were the increased income from recharged costs and the gain realized on currency translation. Furthermore, expenses for donations and foundations decreased.

The **income tax expense** amounts to €0.7 billion and primarily comprises the tax expense for the year 2011.

Financial position, liquidity and capital resources

Compared with December 31, 2010, the **balance sheet total** increased slightly to €78.7 billion.

Non-current assets increased by €1.5 billion to €40.6 billion during 2011. This was primarily the result of increased investments in associated companies and was mainly related to a capital contribution to Engine Holding GmbH to finance the acquisition of shares in Tognum AG. Capital expenditure on property, plant and equipment (excluding leased assets of approximately €2.3 billion) mainly constituted investment for the production of the new B-, S- and SL-Class, as well as investments in engine and transmission projects.

Inventories increased compared with a year earlier by €0.8 billion to €6.3 billion, mainly of work in progress and finished goods, and relating to our higher production volumes.

Receivables, securities and other assets increased compared with December 31, 2010 by €0.7 billion to €26.8 billion. This was primarily caused by other assets (plus €0.5 billion), securities held as current assets (plus €0.4 billion) and receivables from associated companies (plus €0.4 billion). There was an opposing effect from a decrease in receivables from subsidiaries in the context of the Group's central financial and liquidity management (minus €0.7 billion). **Cash and cash equivalents** decreased by €0.9 billion to €4.8 billion.

Gross liquidity – defined as cash and cash equivalents and other marketable securities – of €6.5 billion was slightly lower than a year earlier.

Cash provided by operating activities amounted to €4.0 billion in 2011 (2010: €6.7 billion) and was mainly affected by the substantial net income. The main opposing effects were from the increase in trade receivables related to the higher unit sales. An additional factor is that significantly higher contributions were made to the pension fund.

3.41
Condensed statement of income of Daimler AG

	2011	2010
In millions of euros		
Revenue	69,486	63,002
Cost of sales (including R&D expenses)	-59,562	-54,241
Selling expenses	-5,655	-4,907
General administrative expenses	-2,443	-2,194
Other operating income	1,309	923
Operating profit	3,135	2,583
Financial income	2,323	3,024
Profit on ordinary activities	5,458	5,607
Extraordinary income	-	254
Income taxes	-701	-462
Net income	4,757	5,399
Transfer to retained earnings	-2,378	-2,699
Distributable profit	2,379	2,700

3.42

Balance sheet structure of Daimler AG

	Dec. 31, 2011	Dec. 31, 2010
In millions of euros		
Assets		
Non-current assets	40,623	39,151
Inventories	6,331	5,574
Receivables, securities and other assets	26,820	26,123
Cash and cash equivalents	4,827	5,753
Current assets	37,978	37,450
Prepaid expenses	97	99
	78,698	76,700
Equity and liabilities		
Share capital	3,060	3,057
(conditional capital €600 million)		
Capital reserve	11,351	11,321
Retained earnings	14,298	11,193
Distributable profit	2,379	2,700
Equity	31,088	28,271
Provisions for pensions and similar obligations	3,313	4,027
Other provisions	11,179	11,463
Provisions	14,492	15,490
Trade payables	5,175	4,334
Other liabilities	27,361	27,598
Liabilities	32,536	31,932
Deferred income	582	1,007
	78,698	76,700

The **cash flow from investing activities** resulted in a net cash outflow of €4.4 billion in 2011 (2010: net cash inflow of €0.4 billion). This was primarily the result of investment in property, plant and equipment and financial assets.

The **cash flow from financing activities** resulted in a net cash outflow of €0.5 billion in 2011 (2010: net cash outflow of €3.6 billion). The payment of the dividend for the year 2010 accounts for a cash outflow of €2.0 billion. The main cash inflow was caused by the decrease in receivables from subsidiaries in the context of the Group's central financial and liquidity management.

Equity increased by €2.8 billion compared with December 31, 2010. This change primarily resulted from the net income for 2011, of which, pursuant to Section 58 Subsection 2 of the German Stock Corporation Act (AktG), €2.4 billion was transferred to retained earnings. In addition, as a result of the resolution of the Annual Shareholders' Meeting on the appropriation of distributable profit, a further €0.7 billion was transferred to retained earnings. The equity ratio at December 31, 2011 was 39.5% (2010: 36.9%).

Provisions decreased compared with December 31, 2010 by €1.0 billion to €14.5 billion. This was primarily due to the reduction in provisions for pensions and similar obligations.

Liabilities increased by €0.6 billion to €32.5 billion. This change was mainly caused by trade payables (plus €0.8 billion).

Risks and opportunities

The business development of Daimler AG is fundamentally subject to the same risks and opportunities as the Daimler Group. Daimler AG generally participates in the risks of its associated companies and subsidiaries in line with the percentage of each holding. The risks are described in the Risk Report. Charges may additionally arise from relations with associated companies and subsidiaries in connection with statutory or contractual obligations (in particular with regard to financing).

Outlook

Due to the interrelations between Daimler AG and its subsidiaries and the relative size of Daimler AG within the Group, we refer to the statements in the Outlook chapter, which also largely reflect our expectations for the parent company. Daimler AG expects to post a significant profit in the year 2012, but lower than in 2011. Annual earnings are expected to increase in the medium term.

Overall Assessment of the Economic Situation

Daimler's business developed better in 2011 than we expected at the beginning of the year. We surpassed the targets we had set for unit sales, revenue and earnings, in some cases by significant margins. At the same time, we invested approximately €10 billion in the future of our automotive business and presented groundbreaking new vehicles.

With the new Actros, we once again set the benchmark in the market segment of heavy trucks – in terms of economy, comfort, safety and environmental friendliness. And with the new B-Class, we launched the first of five exciting vehicles in our completely new generation of compact cars, with which we aim to appeal to new and younger customers. We also made good progress in 2011 in the field of new drive technologies: No other automotive manufacturer has such a broad spectrum of electric vehicles in use on the road. With our trucks and buses, we are the world's leading supplier of hybrid vehicles – more than 6,000 hybrid trucks and buses from the Daimler Group are now on the road worldwide. And we have taken great steps forward with reducing the fuel consumption of our new internal-combustion engines. The CO_2 emissions of our new car fleet in the European Union decreased by another 8 grams per kilometer to an average of 150 g/km, although the proportion of exclusive premium automobiles actually increased.

But the driving forces of our current and future growth are not only new products and technologies, but also new markets. In this respect, our long-term and wide-ranging involvement in markets such as China, India, Brazil and Russia clearly made very good progress in 2011. These markets account for an increasing share of the growth in worldwide demand for automobiles; China is meanwhile our third-largest market for car sales.

Due in particular to our success in new markets, all of Daimler's automotive divisions were able to increase their unit sales in the year 2011: Mercedes-Benz Cars achieved a new record, while Daimler Trucks and Mercedes-Benz Vans posted significant double-digit growth; unit sales by Daimler Buses were higher than in the prior year despite difficult market conditions. The Daimler Group's total revenue grew by 9% to €106.5 billion, while the proportion of our business volume generated outside the markets of the United States, Western Europe and Japan rose to 37%.

Not only did we significantly increase our unit sales and revenue last year, we also continued to effectively implement our efficiency-enhancing and cost-reducing programs. For this reason, EBIT grew at a significantly higher rate than revenue – by 20% to €8.8 billion. The return on sales of our automotive business increased from 7.4% to 8.1% and net profit reached €6.0 billion (2010: €4.7 billion). The biggest contribution to the earnings improvement came from Daimler Trucks, but Mercedes-Benz Cars, Mercedes-Benz Vans and Daimler Financial Services also achieved significantly higher EBIT than in the prior year. Only Daimler Buses was unable to match its high level of prior-year earnings, as a result of the difficult market situation in Western Europe.

Due to the positive earnings development, our key financial metrics continue to be very strong. At December 31, 2011, the Group's overall equity ratio was 26.3% (2010: 26.5%), and the equity ratio of the industrial business went up to 46.4% (2010: 45.8%). The net liquidity of our industrial business remained at the high level of €12.0 billion at the end of the year. The free cash flow of the industrial business – the parameter we use to measure our financial strength – decreased to €1.0 billion in 2011 (2010: €5.4 billion). This was primarily due to high levels of investment, unusually high contributions to the pension fund, the acquisition of Tognum AG together with Rolls-Royce, and substantial increases in tax payments.

Events after the End of the 2011 Financial Year

We want our shareholders to participate appropriately in the strong earnings we achieved in 2011. In setting the dividend, we aim to distribute approximately 40% of the net profit attributable to Daimler shareholders. On this basis, the Board of Management and the Supervisory Board have decided to propose to the shareholders for their approval at the Annual Meeting to be held on April 4, 2012 that the dividend for the year 2011 be increased from €1.85 to €2.20 per share.

Although the economic outlook temporarily deteriorated due to the sovereign-debt crisis, we look forward to the challenges ahead with great confidence. Because in the coming years, worldwide automotive markets offer excellent growth opportunities. Important new perspectives are opening up, especially in the market segments in which we are active. And we have meanwhile positioned ourselves extremely well in the growth markets.

Our prime corporate goal is to achieve sustainable profitable growth, and thus to increase the value of the Daimler Group. In the medium term, we want to lead our industry by unit sales, revenue and profitability in all the businesses in which we are active.

In order to achieve these ambitious goals, we will fundamentally renew and significantly broaden our product range in the coming years. In addition, we are investing in the expansion and modernization of our production facilities. Particularly in China, India and Russia, we will strengthen our presence by means of local production activities.

Starting from a healthy financial position, we will invest a total of more than €21 billion in property, plant and equipment and research and development in 2012 and 2013.

In this way, we will create the right conditions so that we can profit from the growth of worldwide automotive markets. That is the basis for the future success of the Daimler Group.

Since the end of the 2011 financial year, there have been no occurrences that are of major significance for Daimler. The course of business in the first two months of 2012 confirms the statements made in the Outlook section of this Annual Report.

Risk Report

Risks and opportunities

Daimler's divisions are exposed to a large number of risks which are inextricably linked with our entrepreneurial activities. In order to identify, evaluate and deal consistently with those risks, we make use of effective management and control systems; we have combined these systems in a uniform risk management system, which is described below.

Entrepreneurial activity primarily consists of creating and utilizing opportunities in order to secure and strengthen the company's competitiveness. The divisions have direct responsibility for recognizing and utilizing opportunities at an early stage. As part of the strategy process, long-term opportunities for further profitable growth are identified and included in the decision process. Entrepreneurial opportunities are not reported within our risk management system; they are identified in the context of strategic and medium-term planning and are followed up during the year in the context of periodical reporting. Further information on this subject is provided on page 125 of the Management Report.

Risk management systems

(Report and explanation provided pursuant to Section 315 Subsection 2 Number 5 and Section 289 Subsection 5 of the German Commercial Code (HGB))

The **risk management system with regard to material risks and risks threatening the existence of the Group** is integrated into the value-based management and planning system of Daimler AG and the Group. It is an integral part of the overall planning, management and reporting process in all relevant legal entities, divisions and corporate functions. It aims to systematically identify, assess, monitor and document material risks and risks threatening Daimler's existence. Risk assessment principally takes place for a two-year planning period, although in the discussions for the derivation of medium-term and strategic goals, Daimler also identifies and monitors longer-term risks. In the context of the two-year operational planning – with the use of defined risk categories – risks are identified for the divisions and operating units, the major joint ventures and associated companies, and the corporate departments, and they are assessed regarding their probability of occurrence and possible extent of damage. Assessment of the possible extent of damage usually takes place with regard to the risks' impact on EBIT. In addition, risks for example for the Group's reputation are assessed according to qualtitative criteria. The reporting of relevant risks is based on fixed value limits. The responsible persons also have the task of developing, and initiating as required, measures to avoid, reduce and hedge risks. Material risks and the countermeasures taken are monitored within the framework of a regular process. As well as the regular reporting, there is also an internal reporting obligation within the Group for risks arising unexpectedly. The Group's central risk management department regularly reports on the identified risks to the Board of Management and the Supervisory Board.

The **internal control and risk management system with regard to the accounting process** has the goal of ensuring the correctness and effectiveness of accounting and financial reporting. It is continually further developed and is an integral part of the accounting and financial reporting process in all relevant legal entities and corporate functions. The system includes principles and procedures as well as preventive and detective controls. Among other things, we regularly check that:
- the Group's uniform financial reporting, valuation and accounting guidelines are continually updated and regularly trained and adhered to;
- transactions within the Group are fully accounted for and properly eliminated;
- issues relevant for financial reporting and disclosure from agreements entered into are recognized and appropriately presented;
- processes exist to guarantee the completeness of financial reporting;
- processes exist for the segregation of duties and for the "four-eyes principle" in the context of preparing financial statements, as well as for authorization and access rules for relevant IT accounting systems.

We systematically assess the effectiveness of the internal control and risk management system with regard to the corporate accounting process. The first step consists of risk analysis and definition of control. Significant risks are identified relating to the process of corporate accounting and financial reporting in the main legal entities and corporate functions. The controls required for the identification of risks are then defined and documented in accordance with Group-wide guidelines. Regular random tests are carried out to assess the effectiveness of the controls. Those tests constitute the basis for self-assessment of the appropriate extent and effectiveness of the controls. The results of this self-assessment are documented and reported in a global IT system. Any weaknesses recognized are eliminated with consideration of their potential effects. At the end of the annual cycle, the selected legal entities and corporate functions confirm the effectiveness of the internal control and risk management system with regard to the corporate accounting process. The Board of Management and the Audit Committee of the Supervisory Board are regularly informed about the main control weaknesses and about the effectiveness of the control mechanisms installed. However, the internal control and risk management system for the accounting process cannot ensure with absolute certainty that material false statements are avoided in accounting.

In order to ensure the **complete presentation and assessment** not only of material risks and risks threatening the existence of the Group, but also of the control and risk process with regard to the corporate accounting process, Daimler has established the Group Risk Management Committee (GRMC). It is composed of representatives of the areas of Finance & Controlling, Accounting and Integrity & Legal Affairs, and is chaired by the Board of Management Member for Finance (CFO). The Internal Auditing department contributes material statements on the internal control and risk management system. In addition to fundamental issues, the committee has the following tasks:

- The GRMC creates and shapes the framework conditions with regard to the organization, methods, processes and systems we need to ensure a functioning, Group-wide and thorough control and risk management system.
- The GRMC regularly reviews the effectiveness and functionality of the installed control and risk management processes. Minimum requirements can be laid down in terms of the design of the control processes and of risk management and corrective measures can be commissioned as necessary or appropriate to eliminate any system failings or weaknesses exposed. But responsibility for operational risk management for risks threatening the existence of the Group and for the control and risk management processes with regard to the corporate accounting process remains directly with the corporate areas, companies and central functions. The measures taken by GRMC ensure that relevant risks and any existing process weaknesses in the corporate accounting process are identified and eliminated as early as possible.

In the Board of Management and the Audit Committee of the Supervisory Board of Daimler AG, regular reports are given regarding the current risk situation and the effectiveness, functions and appropriateness of the internal control and risk management system. Furthermore, the responsible managers regularly discuss the risks of business operations with the Board of Management.

The Audit Committee of the Supervisory Board is responsible for **monitoring the internal control and risk management system**. The Internal Auditing department monitors whether the statutory conditions and the Group's internal guidelines are adhered to in the Group's entire monitoring and risk management system, and if required develops appropriate measures which are initiated by the management. The external auditors audit the system for the early identification of risks that is integrated in the risk management system for its fundamental suitability to identify risks threatening the existence of the Group; in addition, they report to the Supervisory Board on any significant weaknesses that have been discovered in the internal control and risk management system.

Economic risks

The **world economy** expanded by a rather average 3.0% in the economically difficult year 2011 – significantly weaker than in the prior year, when the rebound from the crisis and the related stimulus programs brought dynamic growth of 4.3%. The development of the global economy in 2012 remains fragile and is thus extremely sensitive to external disturbances. We see the biggest individual risks for the year 2012 in the worsening sovereign-debt crisis in the euro zone, the resulting turmoil in the financial markets and the banking sector, a growth slump in China and/or the United States, high price volatility in raw-material markets, further increases in inflation rates, and nascent protectionism. The development of the world economy in 2012 that is expected by the majority of economic research institutions, and also by Daimler, is highly dependent on the development of those risk factors. Some of those risk factors certainly have the potential, if they occur, to lead the world economy into a renewed recession. This means that there are still considerable economic risks for Daimler's financial position, cash flows and profitability.

As in the two prior years, the main risk for the world economy is **the problem of high levels of public debt in the United States, Western Europe and Japan** – especially in the euro zone. If no credible measures are taken in 2012 to ensure that the burden of debt is bearable in the long term, the crisis of investor and consumer confidence might be exacerbated and trigger a lasting recession. There is a great danger that the negative sentiment will affect the behavior of banks, consumers and companies, and will be reflected in lower consumption and investment. Lasting uncertainty about the possible stress placed on the banking sector by the sovereign-debt crisis could also lead to an ongoing lack of trust between banks, resulting in further declines in lending between banks and by banks to the real economy. Such a credit crunch would have a massive impact on the economies of the USA, Western Europe and Japan, especially in a phase of slow growth and falling company profits, and would hinder or prevent important investment.

The **US economy** was still on a very weak course of recovery at the end of 2011. The upswing was generally too weak to have a sustained positive effect on the labor market, which is why unemployment remained unusually high by American standards until recently. If the unemployment rate fails to improve at least gradually, or actually gets worse, private consumption will decrease drastically. The real-estate sector is an additional source of risk. Although property prices stabilized at the end of 2011, many households are still in arrears with their mortgage payments. As a result, banks will continue to suffer losses from real-estate financing. If the property market remains weak, the asset positions of private households and banks will come under additional pressure, in the worst case leading to further turbulence in the financial markets. If – in the case of a Lehmann-like shock – the sovereign-debt crisis in the euro zone were to cause another global financial crisis, the United States could fall into a painful recession. Another factor is that although the debt problem in the United States is currently less acute than in the euro zone, the overall level of debt is no less serious and the need to consolidate is also urgent. There is a significant risk from differences of opinion within the US Congress concerning the required US budget cuts. Due to the lack of agreement on budget consolidation, an automatic brake will be applied to debt as of 2013, whose effects on economic growth are difficult to estimate. The longer the political uncertainty continues, the greater is the danger that the resulting crisis of confidence will slow down the economy or even trigger a double-dip. In total, such occurrences would have negative impacts on demand for cars and commercial vehicles.

The economic recovery in **Western Europe** came to a standstill at the end of 2011 and the outlook for 2012 is not particularly positive. Significant risks exist, mainly arising from the sovereign-debt crisis in the euro zone and the resulting volatilities in the financial markets, which could have a substantial negative effect on growth in the euro zone. If the global growth slowdown and the ongoing euro crisis have a stronger impact on consumer and business sentiment than previously assumed, the euro zone could enter another economic slump. A “disorderly” sovereign default and/or withdrawal from the euro of one or more member states could have significant contagion effects on the global finance system and the world economy. Unlike after the insolvency of Lehman Brothers three years ago, most European countries would probably no longer be able to afford to recapitalize their national banks. Due to networking within the financial sector, the banking crisis in the euro zone that would then be inevitable would probably spread to other countries and would have grave consequences. This would be likely to lead to a global banking crisis and recession. As a result of the inevitable crisis of confidence and credit crunch, there would be severe effects on both consumption and investment – and thus also on demand for cars and commercial vehicles. For Daimler, that would not only place a great burden on unit sales; it would also have a massive impact on refinancing costs and possibilities.

The economic situation in **Japan** in the years 2011 and 2012 is subject to special effects and therefore follows a quite different pattern than in the United States and Western Europe. Due to the aftereffects of the multiple disaster in March, Japan’s GDP decreased in 2011, but reconstruction efforts will stimulate growth in 2012. But this recovery is taking place in an environment of an extremely difficult global economy, so risks also exist for Japan. Already in 2011, the massive appreciation of the yen was a significant disadvantage for the Japanese export sector and prevented a more favorable economic development. If the currency remains so strong or actually continues to climb, this will hinder the country’s economy even more and could jeopardize the recovery. In the medium to long term, there is also a danger that production capacities will be relocated from Japan to other markets in order to avoid the strong yen. The costs of reconstruction after the earthquake and the tsunami, financed by several Japanese government economic stimulus packages, will place an additional burden for many years on the national budget, which is already overstretched with total debt equivalent to 200% of gross domestic product. This represents considerable risk potential over the long term, and could lead to a sovereign-debt crisis and jeopardize future growth. Less favorable economic developments in Japan would not only be a significant damper on Daimler’s exports to that country, but would also affect the earnings of our units operating in Japan.

China has become increasingly important as a sales market for Daimler in recent years. In view of the declining dynamism of the world economy and the resulting drop in demand for exports, China is facing the challenge of repositioning its domestic economy: away from its dependence on investment and exports and towards stronger domestic demand. We generally assume that there will be a controlled deceleration of Chinese economic expansion, but another global recession would increase the risk of a “hard landing,” i.e., an abrupt slump in growth. But dangers exist for China’s economy also from within the country. Discussions about a possible credit or real-estate bubble have intensified due to the major stimulus program of recent years. In view of this credit boom, there is a risk of an increase in non-recoverable debt, especially for state-owned banks. It is true that the Chinese authorities have been attempting to dampen credit growth by means of monetary policy and administrative measures for about a year now, but prices are still rising. A sudden correction of real-estate prices would have serious consequences. In addition to a possible bank crisis, the construction industry as a key growth driver of the Chinese economy would come under massive pressure. Furthermore, private households would suffer from the related asset losses. Together with a continuation of high or even rising inflation, the danger of social unrest in China would increase sharply. As China is the world’s second-largest economy and increasingly has the role of global growth engine, contributing to economic growth in many regions due to its immense demand for goods and raw materials, such unrest would have far-reaching consequences for the world economy.

We see an additional risk in the development of **raw-material prices**. If prices were to rise sharply and depart from fundamentally justified levels, the assumed global economic outlook would be jeopardized. In recent months, raw-material markets have already eliminated part of the speculative excess, but with a continuation of expansive monetary policy there is still a danger of **speculative bubbles**. If such a bubble were to burst, that would dampen growth considerably, particularly in those countries that export raw materials. High supply risks exist with regard to some special raw materials such as rare earths – in particular due to the concentration of global mining in a small number of countries.

Risks for market access and the global networking of the Group’s facilities could arise as a result of **weakening of international free trade** in favor of regional trade blocks or the emergence of **protectionist tendencies**. The latter could occur in particular due to competitive devaluation resulting from insufficient adjustment of exchange rates and an increase in speculative capital movements. In addition, new barriers to trade such as higher import duties could hinder the business activities of multinational companies like Daimler. An increase in bilateral free-trade agreements outside the European Union could also affect Daimler’s position in key foreign markets.

Recent **geopolitical unrest**, as occurred in the Near East and North Africa in 2011, has made it clear that such events can also have an impact on the development of the world economy. Even if the unrest is regionally limited, indirect effects such as higher oil and raw-material prices could have the effect of dampening global growth.

Industry and business risks

General market risks. As explained in the previous sections, there are considerable economic risks for the development of demand for motor vehicles. And **competitive pressure in the automotive markets** is as high as ever. Customers have meanwhile become used to a certain level of **sales-supporting actions**. If this competitive pressure in the automotive markets becomes even tougher, possibly due to further worsening of global economic developments, it could lead to the increased application of sales-promoting financing offers and other incentives. That would not only reduce revenues in the new-vehicle business, but would also lead to lower price levels in used-vehicle markets and thus to falling residual values. In many markets, a shift in demand towards smaller, more fuel efficient vehicles is apparent; this is the result of customers’ significantly increased sensitivity to vehicles’ environmental friendliness and the development of fuel prices. In order to enhance the attractiveness of less fuel-efficient vehicles, additional actions might become necessary with a negative impact on earnings. This, together with the shift in the model mix towards smaller vehicles with lower margins, would place an additional burden on the Group’s financial position, cash flows and profitability. Due to the competitive pressure in automotive markets, it is essential for us to continually and successfully adapt our **production and cost structures** to changing conditions. If we fail to do so, this would affect the Group’s competitiveness and could once again require cost-intensive restructuring actions.

The recent crisis years have also led to a worsening of the **financial situation of some suppliers, dealerships and vehicle importers**. For this reason, it is still not possible to rule out individual or joint supporting actions by the vehicle manufacturers, which would have a negative impact on Daimler’s profitability, cash flows and financial position.

Risks relating to the leasing and sales-financing business. In connection with the sale of vehicles, Daimler also offers its customers a wide range of financing possibilities – primarily leasing and financing the Group's products. This business involves the risk that the prices realizable for used vehicles at the end of leasing contracts are below their book values (residual-value risk). An additional risk is that some of the receivables due in the financial services business might not be recoverable due to customer default (credit risk). Another risk connected with the leasing and sales-financing business is the possibility of increased refinancing costs due to potential changes in interest rates. An adjustment of credit conditions for customers in the leasing and sales-financing business due to higher refinancing costs could reduce the new business and contract volume of Daimler Financial Services, thus also reducing the unit sales of the automotive divisions. Recently, there have also been risks of a lack of matching maturities with our refinancing. Daimler counteracts residual-value risk and credit risk by means of appropriate market analyses, creditworthiness checks and the collateralization of receivables. Fixed-rate and variable-rate derivative financial instruments are used to hedge against the risk of changes in interest rates. The risk of mismatching maturities is minimized by coordinating our refinancing with the periods of financing agreements. Further information on credit risks and the Group's risk-minimizing actions is provided in Note 31 of the Notes to the Consolidated Financial Statements.

Production and technology risks. In order to achieve the targeted levels of prices, factors such as **brand image, design and product quality** play an important role, as well as additional technical features resulting from our innovative research and development. Convincing solutions, which for example promote accident-free driving or further improve our vehicles' fuel consumption and emissions such as with diesel-hybrid technology, are of key importance for safe and sustainable mobility. Because these solutions generally require higher advance expenditure and greater technical complexity, there is an increasing challenge to realize efficiency improvements while simultaneously fulfilling Daimler's own quality standards. If we fail to perform this task optimally or if technical developments at an advanced stage prove not to be marketable, that could adversely affect the Group's future profitability.

Product quality has a major influence on a customer's decision to buy a car or commercial vehicle. At the same time, technical complexity continues to grow as a result of additional features, for example for the fulfillment of various emission and fuel-economy regulations, increasing the danger of vehicle malfunctions. Technical problems could lead to recall and repair campaigns, or could even necessitate new engineering work. Furthermore, deteriorating product quality can lead to higher warranty and goodwill costs.

Risks related to the legal and political framework. The legal and political framework has a considerable impact on Daimler's future business success. Regulations concerning vehicles' **emissions, fuel consumption and safety** play a particularly important role. Complying with these varied and often diverging regulations all over the world requires strenuous efforts on the part of the automotive industry. We expect that we will have to maintain our high level of research and development spending in order to fulfill those requirements in the future. Many countries have already implemented stricter regulations to reduce vehicles' emissions and fuel consumption, or are about to do so, one example being European legislation on carbon-dioxide emissions. For example, the key elements of the European Union's CO_2 regulation, which came into force in mid-2009, call for a significant reduction in new cars' CO_2 emissions already as of 2012, and for phased improvements whereby the average emissions of manufacturers' entire fleets of new cars have to meet new limits by 2015. Non-compliance with those limits will lead to penalty payments for manufacturers. Similarly ambitious and complex legislation exists or has been proposed for cars in the United States, China, South Korea, Japan, Canada and Switzerland. For example, in order to meet the emission and fuel-consumption limits in the United States also in the medium term, we will have to achieve additional improvements in fuel consumption averaging 4.5% each year as of 2016. Furthermore, most of the new CO_2 legislation for light-duty commercial vehicles was passed in the European Union in 2010. The resulting targets constitute a long-term challenge for Mercedes-Benz Vans. Legislation has also been passed or is under discussion to reduce the emissions of greenhouse gases and the fuel consumption of heavy commercial vehicles. We have to assume that we will not meet the statutory targets in all countries. As a result of strong demand for large, powerful engines in the United States, Canada and China, financial penalties cannot be ruled out. In addition to emission, consumption and safety regulations, **traffic-policy restrictions** for the reduction of traffic jams and pollution are becoming increasingly important in the cities and urban areas of the European Union and other regions of the world. Drastic measures such as general vehicle-registration restrictions like in Beijing or Shanghai can have a dampening effect on the development of unit sales, especially in the growth markets. Daimler continually monitors the development of statutory and political conditions and attempts to anticipate foreseeable requirements and long-term targets already during the phase of product development.

Procurement market risks. Procurement market risks arise for the Group in particular from **fluctuations in prices of raw materials.** After the price increases in raw-material markets of the years 2009 and 2010, prices continued to follow that trend with high volatility until the middle of 2011. Market uncertainty due to the European debt crisis led to prices remaining flat or actually falling for many raw materials in the second half of the year. The development of raw-material prices and their volatilities in the past three years also reflect worldwide expansive monetary policies as well as diverging economic expectations in the United States, Western Europe and Japan compared with the emerging markets. The outlook for future price developments remains uncertain, due in particular to the ongoing development of the debt crisis and the increasing influence of institutional investors. That influence can be seen in the stronger demand for commodity investments, and is exacerbating the high volatility of prices in raw-material markets. Vehicle manufacturers are generally limited in their ability to pass on the higher costs of commodities and other materials in higher prices for their products because of the strong competitive pressure in the international automotive markets. Daimler continues to counteract procurement risks by means of targeted commodity and supplier risk management. We attempt to reduce our dependency on individual materials in the context of commodity management, by making appropriate technological progress for example. Daimler protects itself against the volatility of raw-material prices by entering into long-term supply agreements, which make short-term risks for material supplies and the effects of price fluctuations more calculable. Furthermore, in connection with some metals, we make use of derivative price-hedging instruments. Supplier risk management aims to identify suppliers' potential financial difficulties at an early stage and to initiate suitable countermeasures. Also after the recent crisis years, the situation of some of our suppliers is still difficult due to the tough competitive pressure. This has necessitated individual or joint **support actions** by vehicle manufacturers to safeguard their own production and sales. In the context of supplier risk management, regular reporting dates are set for suppliers depending on our assessment of them, in which key performance indicators are reported to Daimler and any required support actions are decided upon.

Information technology risks and unforeseeable events. Production and business processes could also be disturbed by **unforeseeable events** such as **natural disasters** or **terrorist attacks**. Consumer confidence would be significantly affected and production could be interrupted by supply problems and intensified security measures at territorial borders. **Information technology** plays a crucial role in our business processes. Storing and exchanging data in a timely, complete and correct manner and being able to utilize fully functioning IT applications are of key importance for a global group such as Daimler. Risks of occurrences which could result in the interruption of our business processes due to the failure of IT systems or the loss or corruption of data are therefore identified and evaluated over the entire lifecycles of applications and IT systems. Daimler has defined suitable actions for risk avoidance and limitation of damage, continually adapts these actions to changing circumstances, and monitors their implementation. These activities are embedded in a multi-stage IT risk management process. For example, the Group minimizes potential interruptions of operating routines in the data centers by means of mirrored data sets, decentralized data storage, outsourced archiving, high-availability computers and appropriate emergency plans. In order to meet the growing demands placed on the confidentiality, integrity and availability of data, we operate our own risk management system for information security. Despite all the precautionary measures that we take, we cannot completely rule out the possibility that IT disturbances will arise and have a negative impact on our business processes.

Reputation. The general public is becoming increasingly aware of companies' behavior in matters of ethics and sustainability. Compliance of corporate actions with applicable law and ethical principles is essential for the Daimler Group. Furthermore, customers and capital markets critically observe how the Group reacts to the technological challenges of the future and the extent to which we succeed in placing up-to-date and technologically leading products on the market. Dealing securely with sensitive data is also a precondition for conducting business relations with customers and suppliers in a trusting and fair environment. Daimler applies comprehensive packages of measures so that risks affecting the Group's reputation are subject to formal internal controls.

Specific risks in the area of human resources. Daimler's success is highly dependent on the expertise and commitment of its workforce. Competition for highly qualified staff and management is still very intense in the industry and the regions in which we operate. Our future success also depends on the extent to which we succeed over the long term in recruiting, integrating and retaining executives, engineers and other specialists. The application of our human resources instruments takes such personnel risks into consideration, while contributing towards the recruitment and retention of staff with high potential and expertise and ensuring transparency with regard to our resources. One focus of our human resources management is on the targeted personnel development and further training of our workforce. Our employees profit for example from the range of courses offered by the Daimler Corporate Academy and from the transparency created by LEAD, our uniform worldwide performance and potential management system. Because of demographic developments, the Group has to cope with changes relating to an aging workforce and has to secure a sufficient number of qualified young persons with the potential to become the next generation of highly skilled specialists and executives. In addition it might can come to impacts on production in Germany due to collective wage bargaining.

Risks relating to equity holdings and cooperations as well as other business risks. Daimler bears in principle a proportionate share of the risks of its associated companies, of joint ventures in growth markets for example. In order to utilize additional growth opportunities, and also against the background of increasing national regulations, particularly in the emerging markets, cooperation with partners in joint ventures is of increasing importance; the same applies to the resulting risks. The Group includes associated companies and joint ventures in the consolidated financial statements using the equity method of accounting; any factors with a negative impact on those companies' earnings have a proportionate negative impact on our net profit. In addition, negative business developments at our associated companies or substantial decreases in the share prices of listed companies in which we hold an interest can also mean that impairment losses have to be recognized on the carrying values of the equity investments or the amounts recorded on the basis of the equity method of accounting. If the development of joint ventures in important markets should fail or be delayed, this could have additionally an impact on the achievement of our growth targets. The successful implementation of cooperations with other companies is also of key importance to realize cost advantages and to combat the competitive pressure in the automotive industry.

The Group is also exposed to a number of risks arising from **guarantees** it has issued. Furthermore, it holds an equity interest in the system for recording and charging tolls for the use of highways in Germany by commercial vehicles of more than 12 metric tons gross vehicle weight. The operation of the electronic toll-collection system is the responsibility of the operator company, Toll Collect GmbH, in which Daimler holds a 45% stake and which is included in the consolidated financial statements using the equity method of accounting. In addition to Daimler's membership of the Toll Collect consortium and its equity interest in Toll Collect GmbH, risks also arise from guarantees that Daimler AG issued supporting obligations of Toll Collect GmbH towards the Federal Republic of Germany concerning the completion and operation of the toll system. Claims could be made under those guarantees if toll revenue is lost for technical reasons or if certain contractually defined parameters are not fulfilled, if additional claims are made by the Federal Republic of Germany, or if the final operating permit is not granted. Additional information on contingent obligations from guarantees granted and on the electronic toll collection system and the related risks can be found in Note 28 (Legal proceedings) and Note 29 (Guarantees and other financial commitments) of the Notes to the Consolidated Financial Statements.

Risks connected with pension benefit plans. Daimler has pension benefit obligations, and to a smaller extent obligations relating to healthcare benefits, which are not completely covered by plan assets. The balance of obligations less plan assets constitutes the funded status for these employee benefit plans. Even small changes in the assumptions used for the valuation of the benefit plans such as a reduction in the discount rate could lead to an increase in those obligations. The market value of plan assets is determined to a large degree by developments in the capital markets. Unfavorable developments, especially relating to equity prices and fixed-interest securities, could reduce that market value. Higher obligations or reduced plan assets or a combination of the two would have a negative impact on the funded status of our benefit plans. Plan assets at December 31, 2011 did not include significant investments in bonds issued by countries which are currently especially affected by the European sovereign debt crisis. Lower yields from plan assets could also increase the net expenses relating to the benefit plans in the coming years. Information on the Group's pension benefit plans can be found in Note 22 of the Notes to the Consolidated Financial Statements.

Financial risks

Daimler is exposed to market risks from changes in foreign currency exchange rates, interest rates, commodity prices and share prices. Market risks may adversely affect Daimler's financial position, cash flows and profitability. Daimler seeks to control and manage these risks primarily through its regular operating and financing activities and, if appropriate, through the use of derivative financial instruments. In addition, the Group is exposed to credit and liquidity risks. As part of the risk management process, Daimler regularly assesses these risks by considering changes in key economic indicators and market information. Any market-sensitive instruments held in pension funds and other postretirement pension plans, including equity and interest-bearing securities, are not included in the following analysis.

Exchange rate risks. The Daimler Group's global reach means that its business operations and financial transactions are connected with risks arising from fluctuations of foreign exchange rates, especially of the US dollar and other important currencies against the euro. An exchange rate risk arises in the operating business primarily when revenue is generated in a different currency than the related costs (transaction risk). This applies in particular to the Mercedes-Benz Cars division, as a major portion of its revenue is generated in foreign currencies while most of its production costs are incurred in euros. The Daimler Trucks division is also exposed to such transaction risks, but only to a minor degree because of its worldwide production network. Currency exposures are gradually hedged with suitable financial instruments (predominantly foreign exchange forwards and currency options) in accordance with exchange rate expectations, which are constantly reviewed. Exchange rate risks also exist in connection with the translation into euros of the net assets, revenues and expenses of the companies of the Group outside the euro zone (translation risk); these risks are not hedged.

Interest rate risks. Daimler holds a variety of interest rate sensitive financial instruments to manage the cash requirements of its business operations on a day-to-day basis. Most of these financial instruments are held in connection with the financial services business of Daimler Financial Services, whose policy is generally to match funding in terms of maturities and interest rates. However, to a limited extent, the funding does not match in terms of maturities and interest rates, which gives rise to the risk of changes in interest rates. The funding activities of the industrial business and the financial services business are coordinated at Group level. Derivative interest rate instruments such as interest rate swaps and forward rate agreements are used to achieve the desired interest rate maturities and asset/liability structures (asset and liability management).

Equity price risks. The investments Daimler holds are almost exclusively in listed companies (including EADS, Kamaz, Renault and Nissan), which are classified as long-term investments. For this reason, these investments are not included in the assessment of equity price risks.

Commodity price risks. Associated with Daimler's business operations, the Group is exposed to changes in the prices of commodities. We address these procurement risks by means of concerted commodity and supplier risk management. To a minor extent, derivative commodity instruments are used to reduce some of the Group's commodity risks, primarily the risks associated with the purchase of metals.

Liquidity risks. In the normal course of business, we make use of bonds, commercial paper and securitized transactions as well as bank credit in various currencies, primarily to refinance the leasing and sales-financing business. A negative development of the capital markets could increase the Group's financing costs. More expensive refinancing would also have a negative effect on the competitiveness and profitability of our financial services business if we were unable to pass on the higher refinancing costs to our customers; a limitation of the financial services business would have a negative impact on the automotive business.

Credit risks. The Group is exposed to credit risks which result primarily from its financial services activities and from its operating business. In addition, credit risks also arise from the Group's liquid assets. Should defaults occur, this would negatively affect the Group's financial position, cash flows and profitability. For credit risks resulting from liquid assets, Daimler already revised the limit system in connection with the financial crisis in 2008/2009, and further refined it with the beginning of the European sovereign debt crisis. In connection with investment decisions, top priority is placed on the borrower's creditworthiness and on balanced risk diversification. Most liquid assets are held in investments with an external rating of A or better.

Risks from changes in credit ratings. Daimler's creditworthiness is assessed by the rating agencies Standard & Poor's Rating Services, Moody's Investors Service, Fitch Ratings and DBRS. Upgrades of the credit ratings issued by the rating agencies could reduce the Group's cost of borrowing. There are risks connected with potential downgrades, which could have a negative impact on the Group's financing.

Further information on financial market risks, risk-minimizing actions and the management of those risks is provided in Note 31 of the Notes to the Consolidated Financial Statements. Information on financial instruments can be found in Note 30.

Legal risks

Various legal disputes and administrative proceedings (legal proceedings) are pending against Daimler or could develop in the future. In our view, most of those proceedings constitute routine litigation that is incidental to Group's business, some of which could also affect the Group's reputation. We recognize provisions for legal proceedings if the resulting obligations are probable and can be reasonably estimated. It is possible, however, that after the final resolution of litigation, some of the provisions we have recognized for legal proceedings could prove to be insufficient. As a result, substantial additional expenditures may arise. This also applies to legal proceedings for which the Group has seen no requirement to recognize a provision. Although the final result of any such litigation could have a material effect on the Group's earnings in any particular period, Daimler believes that any resulting obligations are unlikely to have a sustained effect on the Group's cash flows, financial position or profitability. Further information on legal proceedings can be found in Note 28 of the Notes to the Consolidated Financial Statements.

Overall risk

The Group's overall risk situation is the sum of all the individual risks of all risk categories for the divisions and the corporate functions. There are no discernible risks that either alone or in combination with other risks could jeopardize the continued existence of the Group. But since considerable economic and industry risks still exist, setbacks on the way to regularly achieving our growth and profitability targets cannot be completely ruled out.

Outlook

The statements made in the Outlook chapter are generally based on the operational planning of Daimler AG as approved by the Board of Management and Supervisory Board in December 2011 for the years 2012 and 2013. This planning is based on premises regarding the economic situation, which are derived from assessments made by renowned economic institutions, and on the targets set by our divisions. The prospects for our future business development as presented here reflect the opportunities and risks offered by anticipated market conditions and the competitive situation. We are constantly adjusting our expectations, taking into account the latest forecasts on the development of the world economy and of automotive markets, as well as our recent business development. The statements made below are based on the knowledge available to us in February 2012.

World economy

At the beginning of the year 2012, although the world economy is generally still on a growth path, its rate of growth has decreased significantly compared with the prior year. While the emerging markets are likely to make another solid contribution to global growth in 2012, uncertainty exists in particular with regard to the unstable situation in the industrial countries. The focus here is certainly on the further development of the European currency union. In view of the sovereign-debt crisis, the required consolidation actions and the economic slowdown now apparent, total economic output in the euro zone will probably decrease slightly this year. The available early indicators and tension in the financial markets certainly give cause for concern that economic developments could actually turn out to be significantly worse. The key issue is still to find a sustained resolution of the debt crisis that also satisfies the financial markets. Against this backdrop, the prospects for domestic demand in Europe are rather modest. With the exception of Germany, unemployment rates will remain high and there will be no significant stimulus from income developments. Private consumption is therefore unlikely to rise appreciably. Due to weak demand and under-utilized production capacities in some industries, expectations on the investment side are also rather restrained. The German economy cannot escape from this development and will also lose a lot of its dynamism. Nonetheless, gross domestic product in Germany should increase again in real terms. The economic outlook for the United States at the beginning of the year is significantly more favorable than for the euro zone. In recent weeks, early indicators have suggested that the US economy has avoided a renewed recession and is now on a path of moderate growth. But with forecasts of GDP growth of approximately 2%, the US economy will be too weak to have a significantly positive impact on the country's very high unemployment. An additional point to consider is that the United States, despite its substantial debt problems, has so far not initiated a convincing program of budget consolidation. In Japan, however, reconstruction efforts following the natural disaster are providing some growth stimulus; but the massive appreciation of the yen is a considerable burden for Japanese industry. Overall, the economic output of the industrial countries is likely to expand by slightly more than 1% this year, which is significantly below the long-term trend. With growth patterns similar to those of the prior year, the emerging markets could achieve an increase of approximately 5% and thus grow much faster than the industrialized countries, so we will continue to have a two-speed world economy. Due to the enormous increase in its global importance, the economic development of China will be crucial. The country's growth is obviously decelerating, but according to all forecasts, GDP expansion of approximately 8% should be feasible. Solid growth rates are also expected for the other regions such as Eastern Europe and Latin America this year. In total therefore, global economic output could expand by approximately 2.5% in 2012, but sensitivity to external disturbances remains very high.

With regard to the currencies important for our business, we continue to anticipate sharp exchange-rate fluctuations.

Automotive markets

According to current estimates, worldwide markets for motor vehicles should continue to grow this year, with the exception of the Western European market, which is increasingly affected by the debt crisis. Global registrations of new cars are likely to increase by approximately 4%, whereby the growth will primarily be driven by the Asian emerging markets, the US market and the Japanese market, which will benefit from catch-up effects.

In the United States, demand for cars should continue to recover due to the ongoing need to r eplace old vehicles, probably growing by a high single-digit percentage. Thanks to pent-up demand and the return of government subsidies for particularly fuel-efficient cars, the Japanese market should actually expand at a double-digit rate following the disaster-related slump in 2011. But in Western Europe, a weak market development with a further significant drop in demand is to be expected once again due to the debt crisis and the worsened economic outlook. The German market will not be able to escape this trend and at best is likely to expand only slightly. In the emerging markets, however, solid growth in demand can be expected overall. The Chinese market should once again play a dominant role with dynamic growth similar to the prior year. In India, high growth rates are to be expected again after the significant slowdown of last year. In Latin America, however, another weakening of market growth is anticipated. And only a small increase in new car registrations is likely in Eastern Europe. Following the end of state scrappage incentives in Russia, demand in that market is expected to grow only moderately.

Worldwide demand for medium and heavy trucks in 2012 is expected to be at least at the level of last year. Despite a perceptible growth slowdown, the North American market should prove to be the world's most important driver of demand, expanding by 15 to 20%. Above all in the United States, the continuing robust growth of investment and the increasing need for replacements due to the relatively old fleet of vehicles should allow strong growth in demand once again. However, demand for trucks in Europe will be impacted by the ongoing sovereign-debt crisis and the resulting economic weakness. So at best, demand in that market can only be expected to be about as strong as last year. Market contraction of up to 10% is not impossible from today's perspective, but we foresee a better development in the second half of the year than in the first. But the Japanese market for heavy and medium-duty trucks should expand once again by 5 to 10% compared with the prior year, thanks to the country's economic growth, which is benefiting from the reconstruction efforts.

Overall demand for trucks in the emerging markets should grow only moderately this year. In China, new registrations are expected to normalize, after they had already fallen last year due to the end of state incentives for truck buyers. Demand in India is likely to stabilize. The Brazilian market, which is important to Daimler, will probably experience a drop in demand of between 10 and 15% following the introduction of more stringent emission regulations (similar to Euro V). In Russia, growth rates should be significantly more moderate than in the past two years.

We expect the European van market to contract slightly due to the debt crisis and its impact on the economy. This is primarily due to the weakness of markets in Southern Europe, while demand for vans in the other European markets is expected to remain stable or even to grow slightly. Following the very positive development of the market for large vans in the United States in 2011, we anticipate renewed significant growth in 2012. The Chinese market for medium and large vans should also expand again, and we foresee further market growth also in Latin America.

We expect a stable development of bus markets in Europe this year. In view of the uncertain economic situation, the market is likely to remain at the relatively low level of 2011. In Latin America, we assume that demand will decrease in connection with the introduction of new emission standards.

Independently of economic developments in our markets, the regional distribution of demand has shifted significantly in recent years. The importance of the emerging markets has increased enormously not only for the industry as a whole, but especially for manufacturers of premium vehicles, and the trend is likely to continue in the coming years. This creates great challenges for the industry regarding production sites and flexibility, as well as the requirements of differing customers in a global market. Another factor is the continuing and increasing need to invest in fuel-efficient and future-oriented technologies and to develop and supply innovative and sustainable mobility and transport solutions. The companies that meet these challenges and make active use of these fundamental changes will have excellent growth prospects also in the future. But ultimately, the ability to stand out from the competition with innovations, exciting products and strong brands will be an increasingly important factor for success.

Unit sales

Mercedes-Benz Cars assumes that it will be able to further increase its unit sales in the years 2012 and 2013 and will grow faster than the total market. Although a degree of uncertainty exists due to the sovereign-debt crisis and its resulting impact on the world economy, we expect ongoing stable growth in unit sales, in particular for the emerging markets. In addition, our attractive model range will help us to grow in our traditional markets also under less favorable conditions. And in 2012, we will profit from the continuation of very strong demand for our models in the C-Class segment. In the luxury segment, the new generation of the SL will boost unit sales as of late March 2012. With our sport-utility vehicles, we anticipate further growth primarily due to the full availability of the new M-Class and as of September 2012 from the new GL. Furthermore, both the new GLK (a compact SUV) and the new-generation G-Class will be launched in June 2012. The new models in the high-volume compact-car segment will also boost growth in unit sales. The new B-Class was already launched in November 2011 and the new A-Class will follow in September 2012. On the engine side, we will introduce our new and particularly efficient four-, six- and eight-cylinder engines and the ECO start-stop technology in additional models. This will boost our unit sales above all with commercial customers. Within the framework of our "Mercedes-Benz 2020" growth strategy, we will significantly expand our product range across all segments in the coming years. In the compact segment alone, we will have five models with the three-pointed star in the future, with which we will specifically appeal also to younger customers. At the same time, we will expand the top end of our model range – for example with three additional versions of the next S-Class and another SUV version, as well as with models such as the CLS Shooting Brake, which will be launched in September 2012 as a completely new vehicle concept.

In regional terms, we see further growth opportunities in the 2012 and 2013 planning period above all in North America, as well as in China, India and Russia. Prospects in Western Europe are rather limited, however. But we assume that we will be able to further strengthen our position also in this extremely competitive market, due in particular to the expansion of our model portfolio. We anticipate fairly stable unit sales for the smart brand.

Daimler Trucks also assumes that its unit sales will increase in each of 2012 and 2013. Following the significant growth in 2011, we intend to grow faster than the total market in Europe; with our new Actros we should be able to increase our market share once again, especially in the long-distance segment. Demand should then increase again in 2013 due to the introduction in 2014 of the stricter Euro VI emission limits as well as the need for investment in new vehicles, which has been postponed in recent years. For the Brazilian market, we expect demand to fall at first following record year 2011, due to the introduction of stricter emission standards. But we anticipate a revival of demand already in 2013 due to public-sector projects and infrastructure investment. The recovery of the truck market in the NAFTA region will probably continue; because of the high average age of vehicle fleets, the need to invest in replacements is still very high. On the basis of well-filled order books, we assume that Daimler Trucks will be able to profit from that development to an above-average extent. We anticipate rising unit sales also in Japan because reconstruction after the natural disaster is leading to a stronger demand for trucks.

With our activities in Russia, India and China, we have created the right conditions for further growth in those markets. We received the final approval of the authorities for our joint venture in China in 2011, our plant in India will be opened in April 2012, and we presented the first Kamaz truck produced by our joint venture in Russia with components from Daimler last year. We have also defined additional relevant growth markets in which we are expanding our product offering or introducing certain vehicles. In general, we assume that we will be able to further improve our worldwide market position in the coming years. This will be supported by a large number of new models and the flexibility provided by our global production network.

At **Mercedes-Benz Vans**, the positive trend of unit sales should be continued in 2012 and 2013, aided on the product side by the new city van Citan, which will enable us to utilize additional growth potential in a new market segment as of the year 2012. Van production in Argentina was changed over to the current generation of the Sprinter at the beginning of the year 2012. As a result, we are significantly upgrading our range of products in Latin American markets. We also intend to substantially increase our unit sales in China by means of local production. As part of this development, in addition to the Vito and Viano models, our joint venture Fujian Daimler Automotive has also been producing the Sprinter since the end of 2011.

Daimler Buses assumes that it will be able to maintain its globally leading position in its core markets for buses above 8 tons with innovative and high-quality new products. However, we anticipate a slight decrease in unit sales in 2012 because of the introduction of Euro V emission regulations in Brazil. We expect slight growth in unit sales in the year 2012 in Western Europe because we have launched the new Mercedes-Benz Citaro, a product of outstanding quality, in this stable core market.

The focus of **Daimler Financial Services** will continue to be on profitable growth in the coming years. In the core business of vehicle financing and leasing, we anticipate further growth for both contract volume and new business. This should be supported in particular by expansion in the BRIC markets and by the provision of financial services for the new cars in the compact-car segment. In the area of insurance, we aim to achieve further growth in the number of policies brokered and in our market share. We expect strong growth also in our new Mobility Services business unit, into which the car2go mobility concept was integrated in the year 2011.

On the basis of our assumptions concerning the development of automotive markets and the divisions' planning, we expect the Daimler Group to achieve further significant increases in total unit sales in the years 2012 and 2013.

Revenue and earnings

Following significant growth in 2011, we assume that Daimler's **revenue** will continue growing in the years 2012 and 2013. However, uncertainty regarding the future of our markets increased perceptibly in 2011. Based on the present situation, we have to assume that the instability of international financial markets will spread to the real economy and thus also affect the sales of our vehicles to a certain extent. For this reason, we expect our total revenue to grow in 2012 at a rather lower rate than in the prior year. But as part of our growth strategy, we will launch numerous new models in the coming years. We will also increasingly utilize the growth markets of Asia, Eastern Europe and Latin America for sales of our products – partially based on local production. The growth we anticipate will probably be driven by all of our divisions, with the biggest contributions in absolute terms coming from Daimler Trucks and Mercedes-Benz Cars. We expect Mercedes-Benz Vans to deliver strong growth in percentage terms. From a regional point of view, we foresee above-average growth rates in the emerging markets and in North America.

The following factors are particularly important for the **earnings situation of the Daimler Group** in the years 2012 and 2013:
- We profit from the fact that we can convince our customers also in difficult markets with a large number of new and attractive products and with innovative technologies. With our initiative "The Road to Emission-free Mobility," we intend to further improve the environmental friendliness and fuel efficiency of our vehicles with the application of new technologies, while succeeding in the market with our typical product features of safety, comfort and above all fascination.
- Within the context of our growth strategy, we are expanding our production capacities and distribution structures in North America and Eastern Europe, and especially in the BRIC countries. Although this is connected with substantial expenditure, it will enable us to participate in the growth of global demand for motor vehicles, which is primarily taking place in the emerging markets.
- In order to secure and strengthen our competitive position, our advance expenditure to safeguard the future will remain at very high levels in the years 2012 and 2013.
- The currently very high expenditure for our model offensive and expansion in new markets will have a positive impact on earnings with a certain time lag.
- We will be able to achieve substantial savings, especially on material costs, by implementing our module strategies in the respective divisions and across the entire product portfolio.

On the basis of the aforementioned factors and market expectations as well as the planning of our divisions, we aim for Daimler to post EBIT from the ongoing business in 2012 that is in the magnitude of the prior year. This is based on the assumption of currency exchange rates close to the present levels.

We have set the following EBIT targets for the divisions:
- Mercedes-Benz Cars: at the prior-year level
- Daimler Trucks: at least at the prior-year level
- Mercedes-Benz Vans: at least at the prior-year level
- Daimler Buses: at least at the prior-year level
- Daimler Financial Services: slightly below the prior-year level

We aim for an annual average return on sales for our automotive business of 9% across market and product cycles. This is based on target returns on sales for the individual divisions, which we intend to achieve on a sustained basis as of 2013, of 10% for Mercedes-Benz Cars, 8% for Daimler Trucks, 9% for Mercedes-Benz Vans and 6% for Daimler Buses. For the Daimler Financial Services division, we have set a target return on equity of 17%.

We want our shareholders to participate appropriately in Daimler's financial success also in the coming years. In setting the dividend, we aim to distribute approximately 40% of the Group's net profit attributable to the Daimler shareholders. On this basis and in view of the good business development and repeated significant increase in net profit, the Board of Management and the Supervisory Board will propose an increase in the dividend from €1.85 to €2.20 per share at the Annual Shareholders' Meeting to be held on April 4, 2012. The total dividend distribution will thus amount to €2,346 million (prior year: €1,971 million).

For the years 2012 and 2013, we aim to have liquidity available in a volume appropriate to the general risk situation in the financial markets and to Daimler's risk profile. We cover our funding needs with a variety of financial instruments, mainly bank loans, customer deposits in the direct banking business and bonds, which we regularly issue in various currencies. From today's perspective, we assume that we will continue to obtain refinancing at attractive conditions during the planning period.

Opportunities and risks

Our forecasts for the years 2012 and 2013 are based on the assumptions that political conditions will remain generally stable and the world economy will not slip back into recession. We also expect the moderate upward trend of worldwide demand for motor vehicles to continue in 2012 and 2013. In addition to the assessments that we describe in this Outlook, further opportunities and risks exist that may have a positive or negative impact on our potential unit sales, revenue or earnings. This includes the development of currency exchange rates and raw-material prices, as well as the market success of our products.

We see the biggest individual risks for the year 2012 in the worsening sovereign-debt crisis in the euro zone and the resulting turbulence in financial markets and the banking sector. Additional risks for us are a growth slump in China and/or in the United States, high price volatilities in raw-material markets, further increases in inflation rates and nascent protectionism. If one of these risk events should occur, the world economy might enter another recessive phase. Due in particular to the debt crisis in Europe, the probability of occurrence has increased again compared with last year.

We have already excluded the risks arising for our business from exchange-rate fluctuations for the year 2012 to a large extent by means of appropriate financial instruments. Specifically for the US dollar, we were hedged by 85% as of mid-February 2012.

Fundamentally, there are also good chances of a generally more positive development of the world economy. In particular, if a viable solution is found for the sovereign-debt crisis, investors and consumers could regain confidence in the solidity of the upswing and the stability of the global financial system faster than expected. This would be reflected by increased demand, higher capital expenditure and rising production volumes. As a result, growth would be significantly accelerated, especially in the industrialized countries. This applies above all if the banks support the upswing with appropriately increased lending and if the dampening effects of state financial consolidation are less significant than assumed.

Such a scenario would open up the possibility of a significantly more favorable business development at Daimler in the years 2012 and 2013. We see opportunities for additional unit sales and earnings in particular if the mature automotive markets of the United States, Western Europe and Japan return faster than generally expected to their volumes of the record years before the financial and economic crisis.

In the medium term, additional growth potential will be presented above all by the expansion of our presence in Asia and Eastern Europe. Our local activities there will enable us to utilize those opportunities. Together with our local partners, we are increasing the production of cars and vans in China and will also produce trucks and truck engines there in the future. And we are expanding our production facilities for cars and setting up a new truck plant in India. In Russia, we are intensifying our partnership with truck manufacturer Kamaz, while in Hungary, a new car plant for the production of our new compact class will go into operation in 2012.

Furthermore, the upcoming fundamental changes in automotive technology are on the one hand a risk factor, but on the other hand can present considerable opportunities. If we succeed in our aim of playing a pioneering role for motor vehicles and concepts for sustainable mobility with innovative technologies, this should give us additional growth potential in terms of both unit sales and earnings.

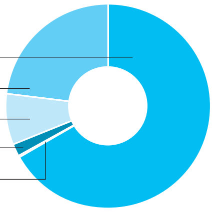
New perspectives are also opening up through pioneering cooperations that we have agreed upon in various areas. We combine our expertise with that of our partners, which allows us to bring new technologies to market maturity more quickly and more cost effectively. It also enables us to produce on a larger scale and therefore less expensively.

3.43

Investment in property, plant and equipment 2012–2013

In %

Mercedes-Benz Cars	67%
Daimler Trucks	23%
Mercedes-Benz Vans	8%
Daimler Buses	2%
Daimler Financial Services	0.2%



3.44

Investment in property, plant and equipment

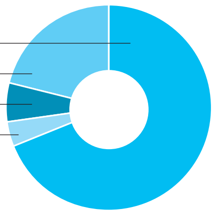
	2010	2011	2012-2013
In billions of euros			
Daimler Group	3.7	**4.2**	10.6
Mercedes-Benz Cars	2.5	**2.7**	7.1
Daimler Trucks	1.0	**1.2**	2.5
Mercedes-Benz Vans	0.1	**0.1**	0.8
Daimler Buses	0.1	**0.1**	0.2
Daimler Financial Services	0.01	**0.02**	0.02

3.45

Research and development expenditure 2012–2013

In %

Mercedes-Benz Cars	69%
Daimler Trucks	21%
Mercedes-Benz Vans	6%
Daimler Buses	4%



3.46

Research and development expenditure

	2010	2011	2012-2013
In billions of euros			
Daimler Group	4.8	**5.6**	10.9
Mercedes-Benz Cars	3.1	**3.7**	7.6
Daimler Trucks	1.3	**1.3**	2.3
Mercedes-Benz Vans	0.3	**0.4**	0.6
Daimler Buses	0.2	**0.2**	0.4

Capital expenditure

In order to achieve our ambitious growth targets, we will expand our product range in the coming years and develop additional production and distribution capabilities. We also intend to play a leading role in the far-reaching technological transformation of the automotive industry. For this purpose, we will invest a total of approximately €10.6 billion in property, plant and equipment in the years 2012 and 2013, which is €2.7 billion more than in the two previous years. ↗3.43 ↗3.44 At the Mercedes-Benz Cars division, the focus will be on renewing and expanding our product range. The most important projects are the additional models in the compact-car segment and preparations for the new S-Class at the Sindelfingen plant. But substantial investment is planned also for the modernization and expansion of engine and transmission production at the plant in Untertürkheim as well as for the expansion of our production capacities in the United States and India. Daimler Trucks will mainly invest in successor generations of existing products and new global engine projects in the coming years. Other areas of investment for that division are the expansion of production capacities in Latin America and the new truck plant in India. At Mercedes-Benz Vans, the focus is on the new city van Citan, the further development of the existing model range, production and marketing of the Sprinter in Argentina, and the expansion of the sales and service organization. The key projects at Daimler Buses are advance expenditure for new models and alternative drive systems.

In addition to investing in property, plant and equipment, we are developing our position in the emerging markets by means of targeted financial investments in joint ventures and equity holdings. This includes for example our joint ventures with BAIC and Foton in China.

Research and development

With our research and development activities, our goal is to further improve Daimler's competitive position against the backdrop of upcoming technological challenges. We want to create competitive advantages above all by means of innovative solutions for low emissions and safe mobility. In addition, we intend to utilize the growth opportunities offered by worldwide automotive markets with new and attractive products that are tailored to the needs of our customers. In the years 2012 and 2013, Daimler plans to spend a total of €10.9 billion on research and development activities. ↗3.45 ↗3.46 Research and development expenditure at Mercedes-Benz Cars of €7.6 billion will be significantly higher than in the two previous years. A large part of this spending will flow into new vehicle models. In the context of the "Mercedes-Benz 2020" growth strategy, Mercedes-Benz Cars will expand its model range by the year 2015 with the addition of ten new vehicles; this will take place across all segments, from the new compact cars to the S-Class. Key projects include the successor models to the C- and S-Class, the new smart, and new engines and alternative drive systems. Research and development expenditure at Daimler Trucks will remain at a high level.

One focus will be on developing and adapting new engine generations in order to fulfill increasingly stringent emission regulations, as well as on successor generations for existing products. The fulfillment of future emission standards is an important area of research and development also at Mercedes-Benz Vans and Daimler Buses. Alternative drive systems also play an important role, in particular at Daimler Buses.

In addition to the aforementioned projects, Daimler has set aside substantial amounts in its research budget for new technologies with which we intend to achieve a sustained improvement in the safety, environmental compatibility and economy of road traffic.

Workforce

Due to the anticipated business development, production volumes will continue increasing in the years 2012 and 2013. In order to achieve our ambitious growth targets, we will require additional personnel in all the divisions. In connection with expanding our production capacities, we will create new jobs above all in North America, Asia and Hungary. By developing production capacities abroad, we are also securing the jobs in Germany. Because of our targeted productivity advances, the size of the total workforce will increase at a significantly lower rate than our unit sales.

Forward-looking statements:
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 public 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, 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 this 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.

The Divisions

Thanks to an attractive range of products, Daimler's divisions profited from the growth in worldwide automotive demand. In the main, significant growth rates were achieved for unit sales and revenues. We were able to improve our market position in many areas.

4 | The Divisions

Mercedes-Benz Cars

2011 was a record-breaking year for Mercedes-Benz Cars. Unit sales, revenue, production volumes and earnings reached all-time highs. Important new products launched included the new-generation C-Class and the new C-Class coupe, SLK roadster and M-Class. We also introduced the new B-Class – the first of a total of five models in our new generation of compact cars. Our product offensive and the expansion of our global production network have created the right conditions for further growth.

4.01

Mercedes-Benz Cars

	2011	2010	11/10
Amounts in millions of euros			% change
EBIT	5,192	4,656	+12
Revenue	57,410	53,426	+7
Return on sales	9.0%	8.7%	.
Investment in property, plant and equipment	2,724	2,457	+11
Research and development expenditure	3,733	3,130	+19
thereof capitalized	1,051	940	+12
Production	1,392,083	1,312,456	+6
Unit sales	1,381,416	1,276,827	+8
Employees (December 31)	99,091	96,281	+3

4.02

Unit sales

	2011	2010	11/10
In thousands			% change
Mercedes-Benz	1,279	1,178	+9
thereof A/B-Class	192	222	-14
C/CLK/SLK-Class	412	342	+20
E/CLS-Class	340	331	+3
S/CL/SL-Class/ SLR/SLS/Maybach	81	80	+0
M/R/GL/GLK/ G-Class	254	203	+25
smart	100	94	+6
Mercedes-Benz Cars [1]	1,381	1,277	+8
thereof Western Europe	625	636	-2
thereof Germany	291	293	-1
NAFTA	288	256	+13
thereof United States	250	220	+14
China	223	160	+39
Japan	32	31	+4

1 Includes Mitsubishi vehicles manufactured and/or sold in South Africa.

Unit sales, revenue, production and earnings at record levels. Mercedes-Benz Cars, comprising the brands Mercedes-Benz, Maybach and smart, set a new record in 2011 with sales of 1,381,400 vehicles (2010: 1,276,800). ↗4.01 The division's revenue rose by 7% to a record €57.4 billion, EBIT increased to €5.2 billion (2010: €4.7 billion) and return on sales reached 9.0%. These positive results were driven by the success of our vehicles and by dynamic sales developments, especially in Asian markets. But the fact that we were able to increase our earnings, despite a higher level of advance expenditure for research and development and the introduction of many new models, was also due to extensive measures undertaken to boost efficiency and reduce costs.

Record unit sales for Mercedes-Benz. With unit sales of 1,279,100 Mercedes-Benz brand cars in 2011 (2010: 1,178,300), we set a new record and improved our position in many markets around the world. ↗4.02 Our S-Class, C-Class and CLS sedans and the E-Class convertible are the global market leaders in their respective segments.

The market success of our new-generation C-Class, the new C-Class coupe and the new SLK roadster led to a 20% increase in unit sales in the C-Class segment to 411,800 vehicles. Unit sales in the E-Class segment also increased: by 3% to 340,100 E-Class and CLS-Class models. The CLS was particularly successful, with unit sales more than tripling to 35,300 vehicles as a result of the model change. In the luxury segment, sales of Mercedes-Benz automobiles reached 80,700 units (2010: 80,400), and SUV sales rose by a strong 25% to 254,300 units despite the model change for the M-Class. Our model changeover in the compact class led to a decrease in shipments of A- and B-Class cars to 192,300 units (2010: 222,400). The new B-Class, which we have been supplying to customers since November 2011, has met with a very positive market response. The same is true of the new M-Class, which has been available since September 2011.

With the all-new SL luxury roadster in 2012, Mercedes-Benz continues a tradition that started 60 years ago.

As in the prior year, Mercedes-Benz was able to boost unit sales in many of its markets and recorded significant increases in some of them. ↗4.02 Mercedes-Benz successfully defended its position as the most successful premium automobile brand in Germany with sales of 262,300 vehicles (2010: 265,000). Positive sales momentum was generated by the new B- and M-Class models launched towards the end of the year. Unit sales in Western Europe (excluding Germany) did not quite reach the previous year's level, mainly due to the difficult market situation in southern Europe. However, sales in the United States increased by 14% to 246,700 units, allowing us to grow faster than the overall market. This was largely thanks to the success of the new-generation C-Class and the new M-Class. Our business also continued to develop very positively in the emerging markets. Unit sales in China, for example, rose to 211,100 vehicles in 2011 (+35%). The high-end S-Class, M-Class and R-Class models were very much in demand in the Chinese market. Strong double-digit sales increases were recorded also in Russia (+47%), Brazil (+41%), Taiwan (+43%), India (+28%) and South Korea (+27%).

C-Class upgrade and a new C-Class coupe. An extensively modernized C-Class series was presented in the spring of 2011. The vehicle's front and rear sections now feature a more distinctive design, while a significantly upgraded interior underscores the new model generation's premium status. New engines, the enhanced 7G-TRONIC PLUS automatic transmission and the ECO start-stop function have reduced fuel consumption by up to 31% compared with the predecessor model. Ten new driver-assistance systems ranging from ATTENTION ASSIST drowsiness detection to DISTRONIC PLUS proximity control ensure outstanding safety, while the new generation of telematics systems now includes Internet access and a 3-D navigation system with three-dimensional depiction of cities.

The new C-Class coupe marks Mercedes-Benz's entry into a new market segment for classic compact coupes. This car stands out from the crowd with its elegant design and expressive character; shipments to customers started in June 2011.

The new B-Class: outstanding spaciousness and an attractive design. Mercedes-Benz celebrated six world premieres at the International Motor Show (IAA) in Frankfurt last September. The centerpiece of the presentation in Frankfurt was the new Mercedes-Benz B-Class, which is even more versatile, dynamic and efficient and also safer than the predecessor model. Among other things, the B-Class sets new standards with four highly efficient engines that not only ensure a superior driving experience but also reduce fuel consumption to as little as 4.4 liters per 100 kilometers (equivalent to 114 grams of CO_2 per km). The model's comprehensive range of safety equipment, including the Collision Prevention Assist warning system as standard, is unique in the compact class. As part of our model offensive, we plan to gradually expand our range of compact vehicles over the next few years.

The B-Class E-CELL PLUS concept vehicle, the first Mercedes-Benz electric car with a range extender, clearly demonstrates that the new B-Class is perfectly suited also for use with alternative drive systems. The combination of battery-electric drive and a gasoline engine ensures that this car is perfectly equipped to meet the challenges of everyday use and long-distance driving, with a range of up to 600 kilometers (see pages 44 and 150).

Additional new models in 2011. The completely redesigned Mercedes-Benz SLK, which has been available since the end of March 2011, takes driving pleasure and open-air driving enjoyment to a new level. The SLK features a world first in the form of a panoramic varioroof with a MAGIC SKY CONTROL function that turns the roof light or dark at the push of a button. Exemplary efficiency and a sporty temperament are ensured by new and powerful four- and six-cylinder engines that include the ECO start-stop function as standard equipment.

Last June, we also presented the third generation of the M-Class – a vehicle that makes a big impression, above all with its outstanding fuel economy and low emissions. The entire model range of the new M-Class consumes 25% less fuel on average than the previous M-Class series. This premium SUV with permanent all-wheel drive also offers outstanding safety and a comfortable ride with great handling both on the road and off the beaten track. With NEDC consumption of 6.0 liters per 100 kilometers (158 g CO_2/km), the ML 250 BlueTec 4MATIC is particularly fuel-efficient.

The new B-Class starts a new era in the compact-car segment at Mercedes-Benz.

Offensive in the luxury segment. In November 2011, we decided to discontinue production of the Maybach by 2013 at the latest, when the new S-Class is scheduled to be launched. To ensure we can continue to offer our Maybach customers attractive alternatives, we have also decided to gradually expand the range of luxury vehicles manufactured by our core Mercedes-Benz brand to include three additional new models. We have built more than 3,000 Maybach cars since 2002 and the brand has enjoyed an average market share in the segment of ultra-high-end sedans of approximately 25% in recent years.

smart fortwo electric drive. Environmentally friendly driving pleasure at a customer-friendly price – that is the motto behind the new smart fortwo electric drive, which will be launched successively in more than 30 markets around the world beginning in 2012. Within the framework of our new sales model, sale&care, we will offer the electric smart for significantly less than €16,000 (excluding taxes) in Germany – with an additional net rental charge of less than €60 per month (excluding taxes) for the battery. But the car can also be bought or leased including the battery. The new smart fortwo electric drive is superior to its predecessor in many ways. For one thing, the model's drive system technology has been improved to ensure even greater driving enjoyment. In addition, thanks to the smart's new lithium-ion battery – the first such unit from Deutsche Accumotive – the car can travel well over 140 km on a single charge. When the battery is completely empty, it can be fully recharged in a maximum of eight hours using a normal household power socket. And with the optional fast-charge function, charging time is actually reduced to less than an hour. Beginning in 2012, smart will also offer a perfect complement to its fortwo electric drive in the form of the electric smart ebike, which ensures that its rider reaches his or her destination in a relaxed and stress-free manner thanks to support from an electric motor.

We sold a total of 99,700 smart fortwo cars in 2011, an increase of 6% compared with the prior-year sales figure. The model was particularly successful in China, where unit sales more than trebled to 12,000 vehicles.

The SLS AMG family is complete. In 2011, our AMG performance brand followed up on its presentation of the gullwing model in 2009 by releasing the SLS GT3 for customers who compete in motorsports events. The SLS roadster was also unveiled in the year under review as the third SLS variant. The open-top SLS is a super sports car, cruiser and dream automobile all in one. So too is the fourth version, the SLS E-CELL. Following the decision to launch small-batch production series, AMG is now working hard on the electric SLS. The other AMG high-performance models are the CLS 63, the E 63 and the ML 63, which are powered by the highly efficient M157 eight-cylinder biturbo engine. The lineup is rounded off by the new C 63 coupe and the Black Series model. The SLK 55 is exceptionally efficient: With its Formula 1-inspired cylinder cut-off feature, the car's newly developed M152 eight-cylinder naturally aspirated engine is not only a source of fascination, it also combines the highest levels of performance with outstanding fuel economy.

Investment in the global production network. The targeted expansion of the international production network is a key component of our "Mercedes-Benz 2020" growth strategy. At the same time, substantial investment in our German plants underscores the fact that Germany remains at the heart of our production network.

To enable us to fully exploit the huge growth potential of the Chinese market, we will further intensify the cooperation with our local partner, Beijing Automotive Industry Corporation (BAIC). To this end, approximately €2 billion will be invested in the joint venture Beijing Benz Automotive Co., Ltd. (BBAC). This will enable us to gradually boost production capacity at BBAC for the C-Class and the long-wheelbase E-Class in the coming years. As a result, capacity will rise from the current annual level of approximately 80,000 units, in line with market developments. In 2011, we also added the GLK compact SUV to our local production operations in the Chinese market. Step by step beginning in 2013, three of our new compact cars will roll off the assembly lines in China. The year 2013 will also see the start of production of four-cylinder gasoline engines at a new engine plant. In addition, we also plan to build a new research and development center in China.

Perfect design: With the distinctive C-Class coupe, Mercedes-Benz offers a compact classic coupe for the first time.

Between 2010 and 2014, Daimler will invest $2.4 billion in its Tuscaloosa plant in the United States. This facility, which has traditionally been the production location for M-, GL- and R-Class SUVs, will also produce the C-Class for North American customers starting in 2014. And as of 2015, a new Mercedes-Benz model series will roll off the assembly lines in Tuscaloosa as the plant's fifth product.

We are investing €600 million in the Rastatt plant and €800 million in a new plant in Kecskemét, Hungary, in order to prepare the facilities for production of the new compact-car models. Rastatt began producing the new B-Class in September 2011. In the spring of 2012, the new plant in Hungary will begin operating in conjunction with Rastatt.

Due to the large number of production launches and medium-term production targets, Mercedes-Benz is investing more than €1.5 billion in 2011 and 2012 to modernize and expand manufacturing activities associated with engines, axles and transmissions at its main plant in Untertürkheim.

Further reductions in CO_2 emissions. Our new economical engines, ECO start-stop technology, and new and extremely efficient model versions enabled us to reduce the average CO_2 emissions of the cars we sold in the European Union in the year under review from 158 grams per kilometer to 150 g/km, although we had a larger proportion of high-end automobiles in our model mix. Our goal is to reduce the average CO_2 emissions of our new vehicle fleet in the European Union to 125 g/km by 2016 (see pages 94 f and 148 f).

Numerous awards for Mercedes-Benz cars. Mercedes-Benz was once again honored by several organizations in 2011 for outstanding achievements in the categories of safety, design, value retention and service. Above all, the quality of our automobiles was widely acclaimed.

Readers of auto motor sport magazine named the S-Class and the Mercedes-Benz SLS AMG "Best Car of the Year" in their respective categories. Mercedes-Benz also captured the AUTO BILD Design Award for the third consecutive year with the new SLK. In addition, our design team was selected "Team of the Year" in the Automotive Brand Contest. The C-, E- and M-Class models from Mercedes-Benz all received top marks in their respective segments in the J.D. Power market research institute's Vehicle Ownership Satisfaction Study for Germany. And our facilities in Bremen and East London received this year's J.D. Power Gold Plant Quality Award as the best production plants in Europe and Africa respectively. The B-Class, M-Class and C-Class coupe were selected as the models offering the best occupant safety (five stars) in their respective segments by Euro NCAP, an independent European safety association. Mercedes-Benz workshops once again achieved the grade "very good" in tests carried out by Germany's ADAC automobile association. And because Mercedes-Benz has the most satisfied dealers in Germany, it was honored with the 2011 "SchwackeMarkenMonitor" award.

The best or nothing. In 2011, we attracted attention around the world with our extensive communication activities on the subject of the future of mobility. The fact that our brand claim of "The Best or Nothing" is now firmly established throughout global markets has been confirmed by the internationally renowned Interbrand rankings, which once again make Mercedes-Benz the world's most valuable premium automotive brand and Europe's most valuable brand. New models like the CLS, SLK and SLS AMG roadster have further underscored the Mercedes-Benz hallmark of cultivated sportiness. This has also helped to attract new target groups to the brand, a strategy that is largely being driven by our product offensive in the compact segment. Back in April 2011, we offered the public a first glimpse of the new compact-car generation in Shanghai, where we presented the Concept A-Class (see page 38). This car has received a tremendous reception, both inside and outside the usual automotive sector.

Daimler Trucks

2011 was a strong year for Daimler Trucks, but it has become clear that economic conditions remain volatile. With our Global Excellence strategy, we are very well prepared to deal with this situation: We are updating our product range very successfully in all business units and regions. The best example is the new Mercedes-Benz Actros, which was already named “Truck of the Year” in its year of launch. After the natural disaster in Japan, Fuso quickly returned to its previous level of production thanks to its employees’ exceptional efforts. And we are boosting efficiency worldwide by intensifying global cooperation between procurement, production and production planning.

4.03

Daimler Trucks

Amounts in millions of euros	2011	2010	11/10 % change
EBIT	1,876	1,332	+41
Revenue	28,751	24,024	+20
Return on sales	6.5%	5.5%	.
Investment in property, plant and equipment	1,201	1,003	+20
Research and development expenditure	1,321	1,282	+3
thereof capitalized	251	373	-33
Production	435,918	360,896	+21
Unit sales	425,756	355,263	+20
Employees (December 31)	77,295	71,706	+8

4.04

Unit sales

In thousands	2011	2010	11/10 % change
Total	426	355	+20
Western Europe	61	55	+11
thereof Germany	31	30	+3
United Kingdom	8	6	+30
France	8	6	+32
NAFTA	114	77	+49
thereof United States	97	63	+55
Latin America (excluding Mexico)	62	58	+7
thereof Brazil	44	44	-0
Asia	135	120	+12
thereof Japan	27	25	+9

Very positive development of unit sales, revenue and EBIT. Although the recovery of truck markets continued in 2011, the sovereign-debt crisis adversely affected confidence and was a burden on developments in the second half of the year. Daimler Trucks once again significantly increased its unit sales and earnings compared with the prior year. Vehicle sales substantially exceeded the prior-year numbers in our core regions (NAFTA, Europe, Asia and Latin America). Total unit sales increased by 20% to 425,800 vehicles worldwide while revenue grew by 20% to €28.8 billion and EBIT rose by a strong 41% to €1.9 billion.

Excellent sales success in Europe and Latin America. Trucks Europe/Latin America has global responsibility for all the truck activities of the Daimler Group under the Mercedes-Benz brand. With another strong increase in unit sales to 159,300 vehicles (2010: 135,200), Trucks Europe/ Latin America equaled the high level of 2007. A significant contribution came from Western Europe, where we remained the market leader in the medium- and heavy-duty truck segments: The region’s unit sales grew by 14% to 57,100 trucks and we are the leading truck producer in the key German market. We also fully benefited from the good development of the Eastern European market, where we substantially increased our unit sales by 50% to 28,500 vehicles. In the important Turkish market, unit sales rose by 46% to 16,800 vehicles. We have been supplying the complete range of Mercedes-Benz trucks in that market since late 2010. In Russia, our unit sales doubled to 3,300 vehicles, thanks to the successful cooperation activities with Kamaz. In Latin America, our unit sales reached a new record of 52,600 vehicles. Despite the tough competition in Brazil, the region’s biggest market, we achieved the high level of the prior year with sales of 44,100 units. In view of the historically strong demand for medium- and heavy-duty trucks, we started production of Mercedes-Benz trucks for the Latin American market also in Juiz de Fora in early 2012, supplementing our plant in São Bernardo. Additional sales impetus came from the market of Argentina. The current Euro III emissions regulations will be replaced by the more stringent Euro V standards in Brazil in 2012 and in Argentina in 2013. In response to these developments, truck manufacturers are upgrading their model ranges. Thanks to our product lineup, we are extremely well prepared for that development.

A major event of 2011 for Daimler Trucks was the market launch of the new Actros.

Strong performance by Trucks NAFTA. Trucks NAFTA is the leading manufacturer of Class 6-8 trucks in North America. Our Freightliner, Western Star and Thomas Built Buses brands offer highly innovative, high-performance heavy-duty vehicles for special and long-distance haulage applications, medium-duty trucks primarily for local distribution, and vocational trucks for construction sites and municipal use.

In the year 2011, Trucks NAFTA sold 118,800 vehicles worldwide, a strong increase of 50% on the prior-year number. In the NAFTA region, we benefited from the continued high demand for trucks, which was mainly buoyed by the need to replace older vehicles. Our outstanding product range enabled us once again to consolidate our leading position in the segment for Class 6-8 trucks and to attain a market share of 31.9% (2010: 31.6%). Demand for our products is also very healthy on other continents. This was demonstrated for example with the launch of the Coronado in Australia and New Zealand. The first orders were already placed during the truck's presentation in Melbourne and Christchurch. Another area in which we are playing a pioneering role is environmental protection: A total of 3,800 natural gas vehicles clearly demonstrate that our customers accept our alternative drive technologies. In fact, Trucks NAFTA is North America's leading manufacturer of commercial vehicles running on natural gas. The Western Star 4700 and a Freightliner SD model were unveiled at the 40th Mid-America Trucking Show (MATS) in Louisville, the biggest truck show in the United States. These two new trucks expand the model range in the vocational segment.

New Detroit brand. With immediate effect, the new Detroit brand will bring together all the components of the truck powertrain. Above all, this includes the ultramodern diesel engines of the types DD13, DD15 and DD16; the name is derived from the well-known Detroit Diesel brand. By taking this step, we are optimizing our range of customized, coordinated powertrain components. These products will not only be used in Trucks NAFTA vehicles, they will also be purchased by other commercial vehicle producers for use in their own vehicles.

Trucks Asia expands its international market presence. With its Canter, Fighter and Super Great truck models, the Fuso brand has gained a reputation around the world as a quality-focused truck manufacturer whose products range from light-duty models to heavy-duty vehicles. Fuso is also Daimler Trucks' Center of Excellence for light-duty trucks and cutting-edge hybrid technology. Against this backdrop, Fuso presented a concept vehicle of a heavy-duty hybrid truck at the Tokyo Motor Show in November. Initial tests of this vehicle, the Super Great HEV, have demonstrated that it has a much better fuel efficiency than conventional diesel-powered trucks.

The natural disaster in Japan initially caused production to be suspended at Fuso's plants. However, thanks to efficiency-boosting measures, it was possible for the company to return to high levels of production in June, despite supply bottlenecks and a difficult market environment. Continuing reconstruction efforts in Japan have brought an increased need for transportation services in their wake, and thus also a greater demand for commercial vehicles. Production disruptions caused by procurement difficulties with our suppliers were closely examined by teams of experts at Fuso, who also actively helped to solve the related problems. As a result of this approach, Fuso managed to sell 147,700 vehicles in 2011, which was actually 5% more than in the prior year. The Japanese market accounted for 27,000 of these unit sales, representing an increase of 9%. And thanks to the great customer response to the Fuso Canter, we were able to significantly increase our share of Japan's light-duty truck segment to 23.5%. Unit sales developed very favorably also in Indonesia (+11%) and Taiwan (+42%). We are the undisputed leaders in both of these truck markets, where we enjoy market shares of 48.7% and 55.8% respectively. In Eastern Europe, sales rose by 28%. As far as our cooperation activities are concerned, we reached another milestone in Russia, where 2,000 vehicles were sold in 2011 (2010: 800). Trucks Asia's unit sales rose significantly also in the NAFTA region, increasing by a strong 16% to 3,500 vehicles. In another important development, we launched medium-duty Fuso trucks in South Africa in early October.

Trucks Asia plans to address the challenges of the years ahead with its "Fuso 2015" program for the future, which has five strategic goals: leader in green innovation, number 1 for customer satisfaction in Japan, profitable global player, efficiency leader, and employer number 1 in its industry and its markets.

Playing a leading role with green innovations is a strategic goal of the “Fuso 2015” program for the future.

The Actros – the new flagship for Mercedes-Benz Trucks. Gottlieb Daimler sold the world’s first truck in 1896. More than 100 years later, in Europe and Latin America, Mercedes-Benz trucks remain synonymous with the utmost reliability and economy combined with top-class products and service quality. The Actros, Axor and Atego models demonstrate their outstanding capabilities in many ways. For example, they offer versatile, customer-focused transport solutions in the medium- and heavy-duty truck segments for long-distance haulage, construction site operations and local distribution. The same claim can be made by Mercedes-Benz’s Econic, Zetros and Unimog special trucks.

Our innovation leadership is impressively demonstrated by the all-new Actros truck, which was voted “Truck of the Year” only a few weeks after series production began at the Wörth plant in late September. According to the international panel of experts that decided which truck should be awarded this prestigious award, the new Actros “…sets new benchmarks for efficiency, safety and comfort.” The new Actros was developed as a completely new truck design. Its main strengths are performance in terms of economy, driving dynamics and comfort. Compared to the tried-and-tested predecessor model, the Euro V version of the new Actros reduces fuel consumption by up to 7%, while the Euro VI version cuts fuel consumption by up to 4%. Per ton of payload, this means that the new Actros consumes only about one liter of fuel per 100 km. It was particularly this low fuel consumption in conjunction with the unique Euro VI technology that enabled the new Actros also to claim the “European Transport Sustainability Prize.” But the new truck has a lot more to offer, better handling for example with the new PowerShift transmission, as well as a fully automated 12-speed unit that shifts gears faster and more accurately than even a highly skilled driver can. With its increased comfort, the Actros sets benchmarks not only with regard to spaciousness and ergonomics, but also in terms of material quality and interior appointments.

The new Actros is a pioneer also in terms of safety. Standard equipment includes both the proven electronic brake system and a new engine brake with improved performance. All in all, customers are offered a total of 13 braking, safety and assistance systems (see pages 30 ff).

Global Excellence program helps to generate growth, synergies and flexibility. Thanks to the Global Excellence program, we have achieved an outstanding strategic position that enables us to flexibly adapt our product range and production systems in line with demand and market conditions worldwide. As a result, we can offer the right product lineup and appropriate technology for every market. The Global Excellence Program encompasses four initiatives.

The first initiative – Management of Market Cycles – is designed to lessen the impact on Daimler Trucks of the sharp market fluctuations that are typical of the sector. External factors such as fleet lifecycles, exchange-rate fluctuations, and in particular the increasingly tough emission legislation and the development of the global economy, cause demand for trucks to rise and fall very quickly. Various instruments, including flexible production capacities, working-time models and a global production network, enable us to adjust our production volumes of commercial vehicles and powertrains at short notice. The effectiveness of these measures has been clearly demonstrated by our fast and sustained recovery following the economic crisis in 2009 and by our successes in 2011.

In recent years we have especially focused on the program’s second pillar, Operational Excellence. The basis for this is our management system entitled Truck Operating System (TOS), which is used not only in production but in all specialist departments. In addition to affecting our organization, TOS therefore also has an impact on our products. A current example of TOS implementation is provided by the activities associated with the reorganization and global integration of the Procurement, Powertrain Manufacturing and Production Planning units. By extending the production network across company locations and products, we are boosting efficiency, flexibility and quality while substantially reducing complexity. Our successful strategy is also reflected in our products. The introduction of a new generation of heavy-duty truck engines has streamlined the previous portfolio of four engine families produced at four plants to just one family of engines manufactured at two locations. The engines are already being successfully used by Fuso and Trucks NAFTA and were presented as a European version in 2011. They already meet the Euro VI emissions standard, which will go into effect in 2014.

Trucks NAFTA participated to an above-average extent in the market recovery in the United States and Canada.

The successful implementation of these two measures has now enabled us to focus on the two other Global Excellence initiatives. One of them is Profitable Growth and Exploitation of Markets, which we will continue to successfully implement in our core markets and increasingly apply in new growth markets. In an effort to meet the growing demand for heavy-duty long-haul trucks in Turkey and Latin America, Mercedes-Benz began producing the Actros in Aksaray, Turkey in December 2010 and in Juiz de Fora, Brazil in early 2012. In response to strong market growth in the NAFTA region, Trucks NAFTA significantly increased production capacity at its plants in the second half of 2011. It also announced that it would further expand capacity in 2012 – among other things, by introducing a second production shift for Western Star heavy-duty trucks.

We have also been successful with the measures we have taken at Trucks Asia. Since October, our plant in Tramagal, Portugal has been supplying the new Canter model to customers in the Western European market. With the launch of the new generation of the Canter in North America, Fuso is bringing one of the world's most advanced and efficient light-duty trucks to the markets of the United States and Canada, where it is setting new standards with its low operating costs and very low levels of pollutant emissions.

Expansion of our presence in the RIC countries. Daimler Trucks is also enjoying success in the RIC countries. In Russia, for example, Fuso Kamaz Trucks Rus has been manufacturing Canter vehicles since 2010. The official inauguration of the new Mercedes-Benz Trucks Vostok production line, which manufactures Actros, Axor and Unimog models, followed in early 2011. The truck plant in Chennai, India will soon be completed and will begin producing vehicles of the new BharatBenz brand in autumn 2012. A major success for us in China last year was receiving the authorities' final approval to establish a joint venture with Foton Motor. With our 50% stake in Beijing Foton Daimler Automotive Co., Ltd., we will further strengthen and expand our position in the segment of medium- and heavy-duty trucks in the Chinese market. Daimler will contribute its technological expertise to the joint venture, especially in the area of diesel engines and exhaust systems. Both of the joint venture partners will use Foton's Auman truck brand as a platform for expanding business operations in China.

We have also identified other important new growth markets, where we are operating with a variety of different concepts. With the acquisition of Tognum by Engine Holding GmbH, in which Daimler and Rolls-Royce each owns 50% of the shares, we intend to create a leading supplier of complete industrial engine systems.

Strong innovative skills and many awards. Daimler Trucks consistently invests in future product generations and technologies. In this process, business growth and the promotion of environmentally friendly drive systems go hand in hand. The implementation of our fourth Global Excellence initiative – Future Product Generations – has resulted in an almost completely updated product range over the past 24 months. The model offensive's success is demonstrated not least by the many awards we have received. For example, the Axor and the Actros were named "Best Commercial Vehicles" in the ETM publishing company's readers' poll. The Atego BlueTec Hybrid – Europe's first series-production hybrid truck – received an ecology award (ÖkoGlobe) in the category "Production Vehicles with a Sustainability Factor." The ÖkoGlobe awards are presented each year in nine categories to honor the automotive industry's most environmentally friendly products and innovations. Another first ranking was claimed by the Unimog, which celebrated its 60th anniversary in 2011. This versatile performer was voted "best all-terrain vehicle of the year" in the special vehicle category by the readers of Off Road magazine. An unusual title was captured by a racing version of the Freightliner Cascadia, which became the first heavy-duty truck to complete the Climb to the Clouds mountain race – one of the oldest motor sport events in the United States. Right on time for the launch of production in Europe, the new Canter was named "Irish Truck of the Year." This evaluation was based on the same principles that are used to select the "International Truck of the Year."

Mercedes-Benz Vans

Mercedes-Benz Vans continued its strong development in the year 2011. A key role was played by the attractive new generations of the Vito and Viano models. Increased production capacity in Argentina is laying the foundation for further growth in the premium van business. We achieved a new record for earnings, so the return on sales already reached the target we had set.

4.05
Mercedes-Benz Vans

	2011	2010	11/10
Amounts in millions of euros			% change
EBIT	835	451	+85
Revenue	9,179	7,812	+17
Return on sales	9.1%	5.8%	.
Investment in property, plant and equipment	109	91	+20
Research and development expenditure	358	267	+34
thereof capitalized	126	29	+334
Production	268,851	227,975	+18
Unit sales	264,193	224,224	+18
Employees (December 31)	14,889	14,557	+2

4.06
Unit sales

	2011	2010	11/10
			% change
Total	264,193	224,224	+18
Western Europe	178,335	156,775	+14
thereof Germany	77,585	62,193	+25
Eastern Europe	22,646	16,404	+38
United States	18,027	10,482	+72
Latin America (excluding Mexico)	13,659	12,528	+9
China	13,514	12,151	+11
Other markets	18,012	15,884	+13

Further substantial increases in unit sales, revenue and EBIT. Mercedes-Benz Vans' worldwide unit sales rose by 18% to 264,200 vans of the Sprinter, Vario, Vito and Viano models. ↗ 4.05 This development was once again driven by our attractive range of high-quality multi-purpose vans as well as our strong competitive position. In addition, we participated in the growth of the market for medium-sized and large vans. Revenue of €9.2 billion was also substantially higher than in the prior year (2010: €7.8 billion), while EBIT increased significantly once again to €835 million (2010: €451 million).

Mercedes-Benz Vans continues to grow. As a result of the positive market development, sales in Western Europe, our most important market, rose by 14% to 178,300 units. ↗ 4.06 This growth was primarily driven by developments in the region's key markets. Our products were particularly popular with customers in Germany, where we sold more vans than ever before in one year: Sales in our domestic market increased by 25% to the new record of 77,600 units. The development of unit sales was also very favorable in Eastern Europe. In this region, Mercedes-Benz Vans achieved substantial double-digit growth of 38% in 2011, following a strong performance in the prior year. The impact of the euro crisis was apparent in southern Europe, however.

Due to the market success of the Sprinter in the United States and Canada, sales rose substantially in the NAFTA region to 22,300 units, representing an increase of 68% over the prior year. The high level of customer acceptance is also reflected by our increased market share.

In China, Mercedes-Benz Vans increased its unit sales by 11% to 13,500 vehicles following the start of local production of the Vito and the Viano in spring 2010 and of the Sprinter bus in October 2011.

Mercedes-Benz Vans was also successful in Latin America in the year under review, with unit sales increasing by 9% to 13,700 vehicles. Our sales volumes in this region were significantly higher than in the prior year after an increase in production capacity in mid-2011. As a result, growth was particularly pronounced in the second half of the year. Beginning in 2012, we will be able to supply the current generation of the Sprinter to our customers in Latin America. We expect this to further boost sales, especially in Argentina and Brazil.

A yacht on four wheels: With the Viano Vision Pearl showcar, Mercedes-Benz demonstrates what is possible in the van vehicle category.

In 2011, we sold 163,300 units of the Sprinter (+14%). Sales of the new generations of the Vito and the Viano grew by 26% compared with the prior year. Sales of the Viano actually reached a new record, rising by 40% to 30,500 units.

We thus increased our market share in the segment of medium-sized vans in the European Union by 2 percentage points to 18%. Moreover, Mercedes-Benz Vans was able to defend its market leadership in the European Union's medium-sized and large van segments.

Mercedes-Benz Vans committed to growth in China. The key strategic pillars for profitable growth at Mercedes-Benz Vans are the division's consistent internationalization and the expansion of its product portfolio. This strategy, which is called "Mercedes-Benz Vans goes global," is particularly apparent in China. To date, we are the only van manufacturer here with local production facilities, which we operate in a joint venture with Fujian Motors Group. In 2011, Mercedes-Benz Vans produced around 10,300 Vito and Viano vans at the plant in Fuzhou. And in October 2011, we launched our third premium vehicle – the Mercedes-Benz Sprinter flagship van – in the rapidly growing Chinese market. We supply a bus version of the Sprinter to meet the increased demand for high-quality shuttle services in China. These vehicles are also produced at the Fuzhou plant. In the medium term, the division will also substantially expand its dealer network in China, which currently comprises approximately 50 sales partners.

New products for Latin America and a major anniversary. In Argentina, Mercedes-Benz established its first plant outside Germany 60 years ago, thus laying the foundation for today's automotive group with global operations. In September 2011, Mercedes-Benz Argentina celebrated this anniversary in Buenos Aires. At the celebration, we also presented two new products: the Mercedes-Benz Sprinter that is currently available in Europe and the Mercedes-Benz OM 651 diesel engine. Both products will be produced at our "Centro Industrial Juan Manuel Fangio" plant in Argentina, beginning in early 2012. We have invested approximately €70 million in retooling the plant for production of the new Sprinter and the diesel engine. Over the next five years, Mercedes-Benz Vans plans to increase its unit sales in Latin America by more than 30%. We have been producing, marketing and selling the Mercedes-Benz Sprinter locally since 1996. The Sprinter is the undisputed market leader in Argentina and a hugely successful export product that is sold in around 50 countries worldwide, including Brazil, South Africa and Australia.

Emission-free driving with the Mercedes-Benz Vito E-CELL. Besides the utilization of new growth opportunities, technology leadership is another key pillar of Mercedes-Benz Vans' strategy. In this regard, we are focusing in particular on developing environmentally compatible technologies and using them to the benefit of our customers. Our Mercedes-Benz Vito E-CELL is the first series-produced electric-powered van that customers are already using in everyday operations. Thanks to its locally emission-free drive system, the Vito E-CELL is ideal for logistics operations in inner cities and areas with very sensitive environments. Approximately 500 units of this vehicle are already in use in seven European countries, and this number will gradually be increased to about 2,000 throughout Europe by the end of 2012. Experts agree that the Vito E-CELL employs the right concept for sustainable mobility in the van segment.

The right van for each application. During the year under review, Mercedes-Benz Vans presented three new models and a show vehicle. One of the new vans was the Viano Avantgarde Edition 125 special model, which was launched to coincide with the 125th anniversary of the invention of the automobile. The compact van, which was unveiled at the Geneva Motor Show, impresses with its V6 engine, sporty exterior styling and high-quality interior appointments. Meanwhile, at the International Motor Show (IAA) in Frankfurt, our Viano Vision Pearl show vehicle gave a glimpse of what we will achieve in the premium van segment in the future. The vehicle combines spaciousness with exclusive interior styling, a redesigned front end and special paintwork. Last but not least, two new models have been added to the Mercedes-Benz Vito product lineup: the Vito Crew and the Vito Shuttle. The Vito Crew provides customers from the tradesman and services sectors with a robustly equipped vehicle for transporting tools and materials, making it ideal for the construction industry, providers of cleaning services and installation firms. The Vito Shuttle targets customers offering professional passenger transport services. Such customers will be able to use the vehicle as a shuttle bus for hotels and airports or as a van taxi. It combines a comprehensive range of comfort features with a spacious interior.

Daimler Buses

Daimler Buses further increased its unit sales in 2011, defending its clear market leadership in its core markets in the segment of buses over 8 tons. With the presentation of the new Mercedes-Benz Citaro, we are setting new benchmarks in the premium city-bus segment. Structural shifts in unit sales had an adverse impact on revenue and earnings.

4.07

Daimler Buses

	2011	2010	11/10
Amounts in millions of euros			% change
EBIT	162	215	-25
Revenue	4,418	4,558	-3
Return on sales	3.7%	4.7%	.
Investment in property, plant and equipment	103	95	+8
Research and development expenditure	225	223	+1
thereof capitalized	32	31	+3
Production	40,391	39,405	+3
Unit sales	39,741	39,118	+2
Employees (December 31)	17,495	17,134	+2

4.08

Unit sales

	2011	2010	11/10
			% change
Total	39,741	39,118	+2
Western Europe	5,943	7,168	-17
thereof Germany	2,214	2,635	-16
NAFTA	4,042	3,878	+4
Latin America (excluding Mexico)	25,048	23,215	+8
Asia	1,667	1,462	+14
Other markets	3,041	3,395	-10

Higher unit sales due to increased demand in Latin America. Although Daimler Buses had to contend with a challenging market for complete buses, the division continued to increase its unit sales of buses and bus chassis, with growth to 39,700 units in 2011 (2010: 39,100). ↗4.07 As a result, Daimler Buses defended its market leadership in its core markets in the segment of buses over 8 tons gross vehicle weight. The growth in unit sales was mainly due to the positive business development for Mercedes-Benz chassis in Latin America and Mexico and for complete buses in Turkey. However, unit sales of complete buses weakened in the regions of Western Europe and North America. Revenue of €4.4 billion was slightly lower than in the prior year (2010: €4.6 billion). The decrease in unit sales of complete buses caused EBIT to fall from €215 million to €162 million.

Varying business developments in the regions. In Western Europe, the Daimler Buses brands Mercedes-Benz and Setra supply a complete range of city buses, intercity buses and coaches, as well as Mercedes-Benz bus chassis. Sales in this region decreased from 7,200 units to 5,900 units. ↗4.08 Unit sales of city buses in particular once again fell significantly compared with 2010, due to the continued reluctance of public-sector customers to place new orders. Unit sales of coaches were also lower than in the prior year. Nonetheless, Daimler Buses defended its leading market position in Western Europe with a market share of approximately 27% (2010: 30%). In Turkey, sales rose by 55% to 1,100 units. As a producer of coaches, we also benefited from the fact that more tourists visited the country than in the prior year.

In Latin America (excluding Mexico), Daimler Buses was able to boost sales of Mercedes-Benz bus chassis by 8% to 25,000 units. This increase was due not only to the great popularity of our products, but amongst other things also to factors such as purchases brought forward because of the imminent introduction of Euro V emissions regulations in Brazil in 2012. At 43%, our market share in Latin America remained at a high level.

Thanks to the continued recovery of the Mexican market, Daimler Buses sold 3,500 units there (+14%). With a market share of approximately 50%, we defended our market leadership in Mexico once again in 2011.

The innovative Citaro sets new standards for city buses in terms of economy, environmental friendliness, comfort, safety and design.

Sales in North America dropped to 600 units in 2011 because the business with city buses declined in this region as well.

The new Mercedes-Benz Citaro – economical, comfortable and safe. Following the sale of more than 31,000 units over a 13-year period, the completely new Mercedes-Benz Citaro was presented in May 2011. This extremely fuel-efficient premium city bus sets benchmarks for economy, environmental friendliness, comfort, safety and design. Our customers benefit from the vehicle's improved economy and the expertise of the world's largest bus manufacturer. Passengers enjoy greater comfort and an unparalleled level of safety. The regular-service city bus now comes with the Electronic Stability Program (ESP) for the first time. In addition, we provide drivers with a completely new workplace. To ensure that the bus is environmentally friendly and to further improve its green credentials, we have equipped it with clean and economical engines featuring BlueTec diesel technology and conforming with the Euro V and EEV (Enhanced Environmentally Friendly Vehicle) standards.

Mercedes-Benz updates and expands its product range in Brazil. With an updated product range, Daimler Buses is introducing economical and low-emission BlueTec V engine technology in the Brazilian market. In this way, the division is ensuring that all Mercedes-Benz bus chassis meet the Euro V emission standards, which went into effect in Brazil in January 2012. Daimler Buses offers the Brazilian market's broadest product range, comprising more than 20 chassis models for city buses and intercity buses, including the newly launched O 500 MDA and UDA. These chassis can accommodate bus bodies up to 23 meters long and can thus accommodate approximately 200 passengers when used for local public transportation.

Daimler Buses to launch city bus in India's growth market. In 2012, Daimler Buses will launch the first Mercedes-Benz city bus in the Indian market. Following the launch of a two-axle coach in 2008 and a three-axle coach in 2010, Daimler Buses now aims to establish itself in the country's city-bus market with its Mercedes-Benz brand. The Indian market already has a high volume of about 50,000 buses per annum and is expected to grow rapidly in the years ahead. India already has the world's largest bus market after China.

Daimler Buses continues to focus on innovations in ultra-modern drive technology. The world's population is steadily growing and is becoming more and more urbanized. The need for mobility is therefore increasing worldwide, as is the associated impact on the climate and the environment. Since buses play a key role in mobility networks, Daimler Buses is developing pioneering drive technologies to address the resulting challenges.

One of the ways in which the division is doing so involves the optimization of vehicles to make sure they are equipped with state-of-the-art internal-combustion engines. An example of this approach during the year under review was provided by the Mercedes-Benz Travego Edition 1, the world's first Euro VI-compliant coach. The Euro VI standard will become obligatory in early 2014, leading to further drastic reductions in pollutant emissions.

Another focus of our work is on hybridization, which involves combining an electric motor with an internal-combustion engine. Since it was first presented in 2009, the Mercedes-Benz Citaro G BlueTec hybrid bus has been proving its worth in 15 European cities. The Citaro G BlueTec Hybrid is the only hybrid bus to date that can run purely on electricity for parts of its route and can thus remain virtually silent as it approaches bus stops. Depending on specific operating conditions, this results in a reduction in diesel fuel consumption of approximately 20% and a corresponding decrease in CO_2 emissions.

Our fuel-cell buses emit no pollutants at all. The first of these buses are already in daily use in Germany, Italy and Switzerland. They run on hydrogen, which is converted into electrical energy on board the vehicles. The first generation of the Citaro FuelCELL Hybrid was tested in 2003. The further developed version of the bus now boasts important new features including high-performance wheel-hub motors, electric ancillary components and improved fuel cells, whose targeted service life has been extended to a minimum of five years or 12,000 hours of operation.

Daimler Financial Services

Daimler Financial Services was able to set a triple record in 2011. Contract volume, new business and EBIT all reached new peaks. Market launch in India, the expansion of business in China and new mobility services have laid the foundations for further growth. We were once again among the top performers for customer and dealer satisfaction.

4.09

Daimler Financial Services

	2011	2010	11/10
Amounts in millions of euros			% change
EBIT	1,312	831	+58
Revenue	12,080	12,788	-6
New business	33,521	29,267	+15
Contract volume	71,730	63,725	+13
Investment in property, plant and equipment	21	12	+75
Employees (December 31)	7,065	6,742	+5

Daimler Financial Services continues to grow. In the year 2011, Daimler's financial services division once again performed extremely well in all regions. Its global contract volume rose by 13% to the record figure of €71.7 billion. Adjusted for exchange-rate effects, contract volume increased by 12%. New business rose by 15% to €33.5 billion due to higher unit sales by the automotive divisions. EBIT also reached a new record of €1,312 million (2010: €831 million). ↗4.09

Positive development of credit risks. During the year under review, Daimler Financial Services' credit losses decreased substantially in all regions compared with 2010. Besides good economic developments in all key markets, professional risk management for approving loans helped to reduce the division's credit risks.

New "Mobility Services" business unit. Daimler Financial Services expanded its business model during 2011. In addition to the traditional vehicle financing business, more mobility services will be offered in the future. As part of this process, the new Mobility Services business unit was launched and the car2go mobility concept was integrated into Daimler Financial Services in the second quarter of the year. car2go continued to make good progress in 2011: By the end of the year, a total of more than 60,000 customers had registered for the service, with 2,100 vehicles in use in seven cities. Following the successful operation of car2go in Ulm and Hamburg (Germany) as well as in Austin (USA), last year saw the launch of this mobility service in Vancouver (Canada), Vienna (Austria), Amsterdam (Netherlands) and San Diego (USA). Each of the car fleets in Amsterdam and San Diego consists of 300 smart fortwo electric drive cars. We have also been operating in Lyon, France since early 2012, and we will launch the service in Stuttgart (Germany) and other cities later this year.

In the future, Daimler Financial Services will develop additional mobility services to meet its customers' needs for new urban transportation concepts. The division will be able to build on its extensive experience with banking services, fleet management and mobility packages including financing and insurance.

Positive business development in Europe. Daimler Financial Services was able to further expand its business in Europe. Contract volume in this region surpassed €30 billion for the first time and reached €31.2 billion at the end of 2011 – an increase of 7% compared with 2010. New business in Europe rose by 11% to €16.4 billion. Growth was particularly dynamic in Romania (+115%) and Turkey (+52%).

In Germany, Mercedes-Benz Bank's contract volume of €17.0 billion was 6% higher than at the end of 2010. In the bank's direct banking business, deposit volume remained at the prior-year level of €11.0 billion. In the first quarter of 2011, Mercedes-Benz Bank launched the "FlexibleStars" Internet platform, which enables customers to easily enter or exit vehicle leasing contracts. This new platform extends the bank's range of flexible mobility solutions.

Business expansion in North and South America. In the year 2011, contract volume in the Americas region increased by 18% to €30.6 billion. The increase amounted to 17% after adjusting for exchange-rate effects. New business of €12.5 billion was 15% above the prior-year level. Business expanded particularly strongly in Argentina (+34%) and Brazil (+30%).

Daimler Financial Services is the world's biggest provider of financing for commercial vehicles.

In the United States, Mercedes-Benz Financial Services teamed up with Mercedes-Benz USA and American Express to launch a co-branded card program. This will allow Mercedes-Benz drivers and fans of the brand to use two customized credit card offers combining the Membership Rewards Program of American Express with exclusive annual benefits from Mercedes-Benz.

Continued growth in Asia. Compared with 2010, contract volume rose by 15% to €9.9 billion in the Africa & Asia-Pacific region. New business of €4.5 billion was 25% above the prior-year level. Business developments were once again particularly dynamic in China, where contract volume rose by 93% to €1.8 billion at the end of 2011. Strong growth was also recorded in South Korea (+30%) and Hong Kong (+17%).

On July 1, 2011, Daimler Financial Services established Daimler Financial Services India Private Ltd. This step was taken to support vehicle sales in India by offering financing, leasing and insurance to customers and dealers of the Mercedes-Benz brand. The new company had a contract volume of €54 million at the end of the year. In 2012, Daimler Financial Services India will begin providing financial services also for the new BharatBenz truck brand, which Daimler Trucks developed specifically for the Indian market.

Successful development of the insurance business. The automotive insurance business also developed very favorably during the year under review. The company brokered more than 940,000 insurance policies worldwide in 2011, representing an increase of 12% over the prior year. This area of business also grew particularly rapidly in China, where for the first time the company brokered insurance on more than 40% of the Mercedes-Benz vehicles sold. As a result, the number of newly brokered insurance policies in China rose by 52% compared to the prior year, to 76,500 contracts.

To coincide with the launch of the new Mercedes-Benz Actros, Mercedes-Benz Bank launched its first use-based truck insurance in Germany. For the first time, the insurance premium is based on the way in which a truck is used and driven. The data for the customized insurance premium is collected by the FleetBoard telematics system.

Increased business with fleet customers. Daimler Financial Services was once again able to expand its fleet management business with commercial customers. At 118,000 units, new business in 2011 was 5% higher than in the prior year. Contract volume rose by 2% to 309,000 units. The product offering in this segment extends from financing, leasing and full-service leasing all the way to the complete management of fleets for owner-operators as well as major international customers.

Many awards for customer and dealer satisfaction. In the year 2011, Daimler Financial Services once again received many awards demonstrating the high level of customer and dealer satisfaction with the division's offerings. Mercedes-Benz Bank was judged to be the best premium-segment financial services provider in surveys by Autohaus Bankenmonitor and Autohaus Versicherungsmonitor. In Germany, Mercedes-Benz CharterWay once again won the VerkehrsRundschau trade magazine's Image Award in the Rental/Leasing category. In 2011, Mercedes-Benz Financial Services ranked first in all categories of the J.D. Power and Associates Study on Dealer Satisfaction in the United States. It was the first time the division achieved this feat. In addition, Daimler Financial Services ranked first in surveys of customer and dealer satisfaction in South Africa, China, the United Kingdom, Australia and the Netherlands.

Toll Collect system continues to run smoothly. The system for collecting truck tolls on German highways continued to run smoothly and without any disturbances in 2011. A total of 704,428 onboard units for automatically recording tolls were in use at the end of the year. Tolls were registered for a total distance of 26.7 billion kilometers during the year under review. Daimler Financial Services holds a 45% equity interest in the Toll Collect consortium.

Sustainability

Daimler is committed to the principle of sustainability and has a holistic view of this topic. So for us, economic, social and environmental responsibility are inseparable from each other.

5 | Sustainability

Detailed reporting on the subject of sustainability.
Detailed information is provided in our separate Sustainability Report. It describes transparently and factually the sustainability aspects of the past year.

The web-based Interactive Sustainability Report supplements our sustainability reporting with additional details and information **(http://sustainability.daimler.com)**.

In 2012, the new Sustainability Report will be available as of early April in time for the Annual Shareholders' Meeting.

Further information on the subject of sustainability can be found on our website at **http://www.daimler.com/sustainability**

Sustainability at Daimler

Sustainability is a key element of our corporate strategy. Efficient management structures support the implementation of sustainability policies in all of our divisions. In the year under review, we continued and expanded the intensive dialogue with our stakeholders.

Our sustainability strategy. We want to increase the value of our company on a sustained basis. And we can do that only if we define value creation holistically and measure the success of our business operations not only in terms of financial results, but also in terms of social acceptance. In order to do that, we have established sustainability as an integral part of our pyramid of goals and as a basic principle of our corporate strategy. In addition, the ideas that are of fundamental importance to us include the ten principles of the Global Compact, to which we are particularly committed as a founding member and as a member of the LEAD team since 2011. We also comply with the employment standards established by the International Labour Organization (ILO) and with the OECD guidelines for multinational companies.

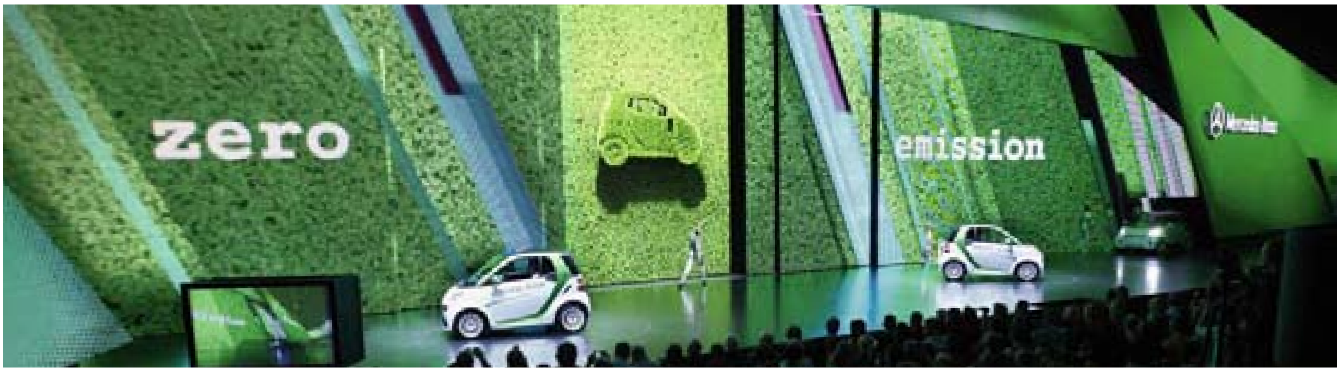
Effective and coordinated strategies and initiatives ensure that the concept of sustainability is firmly anchored in our business operations. In our Group-wide sustainability management system, these strategies are implemented by means of concrete actions and measurable target indicators. Our Sustainability Program 2010-2020, which we presented in April 2011, is an important step in this direction and defines our key areas of activity in the years ahead. We aim to continue reducing pollutants and emissions, further enhance the safety of our vehicles, expand the dialogue with our suppliers and dealers, and further intensify our social involvement.

The economic dimension: Profitable growth and long-term business success ensure our commitment to sustainable development. As the technological pacemaker of the automotive industry, we aim to stand out because of our top performance and to shape the future of safe and environmentally friendly mobility. The foundation of our business operations is corporate management that is based on a sense of responsibility, builds on integrity, good corporate governance and the principles of compliance, and requires and encourages correct behavior from an ethical point of view of every single employee and executive.

The ecological dimension: Environmental protection, innovation and safety are the biggest challenges our company faces in its efforts to achieve sustainability. Our cars and commercial vehicles are among the very best in their respective market segments in terms of environmental protection and safety. As we explore new mobility concepts, we are extending our focus beyond the vehicle itself and testing environmentally compatible approaches to urban mobility. Also in the production of our vehicles, we carefully plan every stage of manufacturing to make it as environmentally compatible as possible.

The social dimension: Daimler regards itself as a force that helps shape developments in society. That is why we are committed to acting in the best interests of our employees, our customers and the people who live and work near our business locations. After all, we benefit from highly motivated and well-qualified employees, satisfied customers and relationships with our stakeholders that are based on mutual trust. We want to create value for society, and through our donations, sponsorship and foundation activities, we help people in need, promote intercultural understanding, and support the arts, culture, education, science and sports.

Dialogue with stakeholders. As a member of the Global Compact, we have intensified the dialogue with our stakeholders in the context of our commitment to sustainability. We also support the “Code of Responsible Conduct in Business,” which promotes a social market economy with fair rules for global competition. With the “Daimler Sustainability Dialogue,” we bring representatives of society, politicians and scientists together with representatives of Daimler’s top management. The aim of these dialogue events is to intensify the exchange of opinions also on critical issues and to engage in a joint search for practical solutions. In 2011, we carried out Sustainability Dialogues not only in Stuttgart, but also at several international locations.



The third generation of the smart fortwo electric drive is a milestone on the road to emission-free driving.

A total of 130 participants attended the fourth Daimler Sustainability Dialogue, which was held in Stuttgart in November 2011. The event focused on workshops dealing with the following topics: renewable energy sources for electric mobility, sustainable mobility systems and services, social networks, generation and talent management, human rights, supplier management and community relations. The results of the workshops will be further developed in the following twelve months in workgroups that include representatives of the stakeholders. This process will create the starting points for the next Sustainability Dialogue.

In May 2011, we conducted a stakeholder dialogue on the topic of sustainability for the second time in China. The previous “Daimler Sustainability Forum” had been held in Shanghai in 2010; in 2011, it took place in Beijing. The main themes were the development of sustainable mobility in China, talent management in the automotive industry, and business ethics and compliance.

A Sustainability Dialogue was also conducted for the first time in the United States in October 2011. The discussions in Washington, D.C. mainly focused on innovation management and environmental management, community relations and sustainability in the supply chain.

Comprehensive reporting on sustainability. We published our first sustainability report in 1993, thus laying the foundation for our ongoing reporting on sustainability topics. The year 2011 saw the publication of our seventh Group-wide sustainability report, 360 DEGREES, which is prepared in accordance with the guidelines of the Global Reporting Initiative (GRI). It provides a detailed and comprehensive sustainability analysis of the previous financial year and is supplemented by an interactive online sustainability report that contains more detailed and extensive information (http://sustainability.daimler.com). We will present the new sustainability report at the Annual Shareholders’ Meeting in early April 2012.

Four times a year, we provide summarized information on our activities in the field of sustainability in our online “Sustainability Quarterly” report. You can apply to receive “Sustainability Quarterly” by e-mail at sustainability@daimler.com or you can download it from http://www.daimler.com/sustainability.

Innovation, Safety and the Environment

Research and development have always played a key role at Daimler. We aim to make mobility safe and sustainable with the help of innovative vehicles and customized transportation concepts. To this end, we develop fascinating automobiles, state-of-the art drive concepts and pioneering safety systems. In the year under review, we spent €5.6 billion on research and development.

Innovation as a success factor. Ever since the invention of the automobile by our company's founders Gottlieb Daimler and Carl Benz, Daimler has been a driving force in the development of road traffic in general, ranging from individual mobility in cars to the transport of goods by van and truck. Research and development have always played a key role in our company. This is particularly true today, when we are faced with the task of reinventing the automobile because of the accelerated pace of technological development and the challenges posed by climate change and environmental protection. Our customers expect safe, comfortable and powerful vehicles that are increasingly fuel-efficient and environmentally friendly. In order to meet these requirements, we are forging ahead with the work in our research and development departments.

In 2011, Daimler's investment in research and development increased to a total of €5.6 billion (2010: €4.8 billion). At the end of 2011, approximately 23,200 men and women were employed at Corporate Research and the development departments of Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans and Daimler Buses (2010: 22,100). We recruited additional personnel for our international research and development units in particular, after having primarily strengthened the workforce at our German business locations in recent years.

Patents demonstrate our innovative strength. The invention of the automobile 126 years ago led to more than 80,000 patents being registered by Daimler and its predecessor companies. Today, Daimler has an extensive portfolio of more than 21,000 intellectual property rights and a broad spectrum of registered trademarks and copyrighted designs. One focus of our innovation activities is the area of hybrid, battery and fuel-cell technology, where we have registered more than 2,000 patent families, half of them in just the past five years.

Our goal: an intelligent mix of drive systems. In view of the dynamically growing global demand for mobility, shrinking oil reserves, rising energy prices and increasing environmental awareness, Daimler has set its sights on providing customized solutions for diverse mobility requirements in all areas of road traffic. Our aim is to offer an intelligent mix of drive systems for every need, so that we can significantly reduce the fuel consumption and pollutant emissions of our vehicles today and eliminate them entirely in the long term.

As part of our "Road to Emission-free Driving" strategy, we are implementing this intelligent mix of drive systems for our cars and commercial vehicles. We have defined the following focal areas of this approach:

1. We continue to develop our vehicles with state-of-the-art internal-combustion engines and are optimizing them to achieve significantly lower fuel consumption and emissions.
2. We are achieving further efficiency progress through customized hybridization, i.e., the combination of internal-combustion engines and electric motors.
3. We are making locally zero-emission driving possible thanks to fuel cells and battery-operated vehicles.

Further reductions in fuel consumption and CO_2 emissions. Because of the extensive optimization of our internal-combustion engines, downsizing concepts involving turbocharging and new transmissions, we have already significantly reduced the fuel consumption and CO_2 emissions of our cars in recent years. The range of engines we offer was almost completely updated between 2009 and 2011, allowing us to offer a broad spectrum of vehicles with low fuel consumption despite their outstanding driving performance. As a result, we were able to further reduce the average CO_2 emissions of our fleet of new vehicles in the European Union from 158 grams per kilometer in 2010 to 150 g/km in 2011. We achieved this even though the proportion of upper-range vehicles has increased – partly because of lower unit sales of the B-Class before the model change in November 2011. Thanks to our new and particularly fuel-efficient models in the compact class, as well as growing unit sales of vehicles with hybrid and electric-drive systems, we will continually decrease the fuel consumption and CO_2 emissions of our European fleet in the coming years. We aim to achieve 125 g/km by the year 2016. The fuel consumption of our new models in the B-Class, C-Class and M-Class is up to 30% lower than that of their predecessor models, thanks to their new engines and the new 7Gtronic Plus automatic transmission. This demonstrates how we are systematically installing our fuel-saving technologies in all vehicle segments.

Fuel-efficient engines for the new B-Class. In 2011, we launched a completely new series of four-cylinder gasoline engines. Their combustion processes are based on the third generation of the Mercedes-Benz direct fuel-injection technology, which was introduced in 2010 in the BlueDIRECT V6 and V8 engines. A host of improvements are helping to significantly boost these engines' energy efficiency. As well as low

Confirmed in a road test: The new Actros is even more economical and significantly cleaner than its well-known and economical predecessor.

engine weight, low friction and ancillary components that are switched on as needed, the main improvement is the emphasis on low-end torque, with the resultant benefits of high torque at low engine speeds. In addition, the ECO start-stop function is included as standard equipment.

These fuel-efficient four-cylinder gasoline engines are initially being used in the new models of the compact class, for which we also offer a new four-cylinder diesel engine – the latest version of an engine with third-generation common-rail direct fuel injection. Supported by the new transmissions – the 7G-DCT dual clutch transmission and the new six-speed manual transmission – the two diesel models of the B-Class (the B 180 CDI BlueEFFICIENCY and the B 200 CDI BlueEFFICIENCY) consume only 4.4 liters per 100 kilometers; this represents CO_2 emissions of 114 g/km.

Even cleaner and more efficient: the new Actros. In recent years, we have also continually reduced the fuel consumption and emissions of our heavy-duty commercial vehicles. We managed this thanks to even more efficient engines and improvements in tires and aerodynamics, as well as an axle drive ratio in line with the vehicle's requirements. Our BLUETEC technology also made a major contribution to this development. Its market success is reflected in the sales figures: In the year under review, we sold more than 155,000 trucks with BLUETEC technology worldwide.

The new Actros is the world's first truck to be systematically designed to meet the future Euro VI emission limits. At the same time, reducing fuel consumption was a significant design requirement for this new heavy-duty truck, in spite of its sophisticated exhaust cleaning system. Its predecessor model, the Mercedes-Benz Actros 1844 LS, already holds the record for being the world's most fuel-efficient series-produced truck. In a comparative test drive, two new Actros 1845 trucks and an Actros 1844 from the predecessor series each covered 10,000 kilometers on the route from Rotterdam to Szczecin and back. During the round trip, the Actros 1845 BlueTec 6 (Euro VI emissions limit) returned fuel consumption of 25.9 l/100 km, which is 4.5% less than its predecessor. The Actros BlueTec 5 (Euro V emissions limit) consumed 25.1 l/100 km, or 7.6% less than the reference figure. This means that the new Actros is approaching fuel consumption of only 1 l/100 km per ton of payload.

Our goal for the total Daimler truck fleet in Europe is to reduce fuel consumption by an average of 20% per ton-kilometer by 2020. To achieve this goal, we continue to work hard on the development of technical innovations.

Hybrid trucks in daily use. Hybrid technologies result in significant fuel savings. This is demonstrated by the results achieved in the United States and Japan, where a large number of hybrid buses and trucks from Daimler's Orion, Freightliner and Fuso brands are now being operated by customers. The Fuso Canter Eco Hybrid's fuel consumption is about 20% lower than that of a vehicle with a comparable diesel engine. The vehicle achieves this improvement by continually adjusting its operating mode to match the current driving situation. The electric motor is used to get the truck moving and the diesel engine kicks in during rapid acceleration. The engine also provides the driving power when the vehicle is moving along at a steady pace. About 1,200 Canter Eco Hybrid trucks are in use today all over the world. The Freightliner M2^e Hybrid truck is equipped with a hybrid electric drivetrain system and utilizes the electric part of the powertrain also for quiet and zero-emission operation of the ancillary components. As a result, the hybrid truck consumes up to 30% less fuel than the conventional diesel-powered M2 106 model. Around 600 Freightliner hybrid trucks have already been delivered to customers. The Mercedes-Benz Atego BlueTec Hybrid combines a four-cylinder diesel engine that meets the EU's Euro V emission standards with an electric motor powered by high-performance lithium-ion batteries. This makes it possible to reduce fuel consumption and CO_2 emissions by 10 to 15%, with even greater savings possible depending on topography and driving conditions. Following successful tests of the first prototypes, we have delivered a fleet of 50 Atego BlueTec hybrid trucks to German customers since the beginning of 2011.

Hybrid buses in local public transportation. Various hybrid bus models from Daimler are already returning significantly lower fuel consumption and CO_2 emissions in local public transportation. More than 3,200 Orion VII buses with diesel-electric hybrid drive are already in operation in North America. The Orion's hybrid drive system reduces fuel consumption by up to 25% compared with conventional buses in regular service. A hybrid version of a school bus from Thomas Built Buses, the Saf-T-Liner® C2 Hybrid, has been available in North America since 2009. Similarly to heavy-duty vans and trucks from Freightliner, vehicles from Thomas Built Buses use a parallel hybrid system. The Mercedes-Benz Citaro G BlueTec Hybrid

Daimler applies both battery power and fuel-cells in its electric vehicles.

is to date the only hybrid bus that can cover part of a route while running solely on electricity, without using the diesel engine. Rather than providing continuous driving power, the diesel engine in this series-produced hybrid bus operates as a generator to produce electric power when required. The Mercedes-Benz Citaro G BlueTec Hybrid consumes up to 30% less diesel fuel than the conventional Citaro.

Series-produced electric vehicles. Electric vehicles powered by batteries or fuel cells are our means of achieving locally zero-emission driving. Many electric vehicles have already proven themselves in field tests. Longer range, more power, and lower system costs are the main areas of our development work in the field of electric mobility.

The enhanced smart fortwo electric drive will successively be made available in more than 30 markets starting in 2012. It will be powered by a battery from Deutsche Accumotive, a joint venture of Daimler AG and Evonik Industries. The lithium-ion battery allows a range of significantly more than 140 kilometers, partly due to the improved efficiency of the powertrain. The Mercedes-Benz A-Class E-CELL has a range of about 250 kilometers with its battery-electric drive system. In 2011, we delivered the first of these vehicles to customers in Germany.

The Mercedes-Benz Vito E-CELL is the first series-produced commercial vehicle in its class with a purely electric drive system. Thanks to its zero-emission drive, this innovative vehicle concept is ideal for logistics operations in inner cities and areas with especially sensitive environmental conditions. With a range of around 130 kilometers, the Vito E-CELL meets the typical customer requirements for vans operating over short distances. Since its launch in 2010, approximately 500 of the world's first series-produced electric van without reduced transport weight or volume have been put into use all over Europe. About 2,000 of them should be on the road by the end of 2012.

We are already producing the B-Class F-CELL under series conditions. Approximately 200 of these cars will be delivered to customers by the end of 2012. The components of the fuel-cell drive system in the B-Class F-CELL are taken from the e-drive modular system, which we developed for a wide variety of electric vehicles.

The same components are also used in the Citaro FuelCELL Hybrid. Thanks to improved fuel-cell components and hybridization with lithium-ion batteries, the new Citaro FuelCELL Hybrid uses almost 50% less hydrogen than the predecessor generation. We are at first building 30 units of this fuel-cell bus.

B-Class E-CELL PLUS concept car with range extender. Mercedes-Benz presented its first electric vehicle with a range extender, the B-Class E-CELL PLUS concept car, at the Frankfurt Motor Show (IAA) in 2011. The combination of electric drive and gasoline engine ensures ideal suitability for both daily use and long-distance driving. The energy storage unit is a lithium-ion battery that allows up to 100 kilometers of locally zero-emission driving. Thanks to the supplementary three-cylinder gasoline engine, the total range of the B-Class E-CELL PLUS concept car is 600 kilometers. This concept car provides a glimpse of the series-produced vehicles that will be introduced in 2014 (see page 44).

First-class zero-emission driving. Daimler is offering a look ahead at technological developments in the luxury segment with its F125*!* research car. In this visionary vehicle, we are systematically implementing our idea of zero-emission driving with hydrogen, thereby emphasizing the potential of H_2 as an energy source for the future. Whereas the previous Mercedes-Benz research vehicles "look ahead" at approximately the next vehicle generation – about seven or eight years into the future – the latest visionary technological vehicle, the F125*!*, goes a big step further and looks more than two vehicle generations ahead to the years beyond 2025 (see pages 66 ff).

Production of hydrogen from renewable sources for fuel-cell vehicles. Electric vehicles will not be able to establish themselves in the market without a comprehensive infrastructure of filling and charging stations. This is why Daimler is committed to ensuring the availability of battery-charging stations and hydrogen filling stations. As part of the H_2 Mobility initiative, we are working together with the German Transport Ministry and our partners in the energy sector to create a hydrogen infrastructure in Germany. Starting in 2012, we will work together with the Linde technology group to set up 20 new hydrogen filling stations in Germany to serve the constantly growing number of fuel-cell vehicles running on hydrogen. Our cooperation with Linde also includes producing the hydrogen from renewable sources. Promising options include the production of hydrogen by means of electrolysis using electricity

The ACTIVE CURVE SYSTEM in the new Mercedes-Benz M-Class delivers more driving pleasure, comfort and safety.

from renewable sources or from biogenic waste (biomass-to-hydrogen, or BTH). These processes open up the possibility of producing large amounts of hydrogen economically and from renewable sources in the foreseeable future.

Lightweight construction saves fuel and resources. Comfort and safety equipment, as well as alternative drive technologies, increase vehicle weight. In order to nonetheless reduce energy consumption, this additional weight has to be compensated for. New materials and production processes, as well as innovative component design, help to significantly reduce the weight of our vehicles. In the SKO (soft kill option) method, for example, computers calculate which areas of chassis components and the vehicle body are less subject to wear and tear so that the materials used there can be made softer and thinner or even completely eliminated or "killed." In contrast, the areas that are subjected to the most stress are specifically reinforced. In this way, the SKO method reduces vehicle weight by up to 30%.

The potential uses of new materials are demonstrated by the F125*!*, the latest research vehicle from Mercedes-Benz (see pages 66 ff). A combination of fiber-reinforced plastics (FRP) with a high proportion of carbon fibers (CF) and light alloys, high-strength steels and hybrid materials, in which each component is precisely customized to meet the requirements, reduces the weight of the innovative vehicle's body to approximately 250 kg, which is about 40% less than that of a comparable series-produced vehicle at present.

On the "road to accident-free driving." Vehicle safety is one of our core areas of expertise and a key component of our product strategy. For more than 60 years, Daimler's engineering has led the way worldwide in safety for cars, trucks, vans and buses. We regard our commitment to enhancing road safety as a responsibility toward society that is in the interest of all road users. That's why we are systematically progressing along the "road to accident-free driving." This endeavor is also honored by external institutions. For example, Euro NCAP, an independent European car-safety assessment organization, honored the B-Class, the M-Class and the C-Class coupe from Mercedes-Benz as the best models in their respective vehicle classes and awarded them five stars for outstanding occupant safety. Mercedes-Benz also received several Euro NCAP Advanced Rewards for safety innovations, including PRE-SAFE® and the radar-based COLLISION PREVENTION ASSIST system.

Safe cornering. The most recent innovation from Daimler in the area of vehicle safety is the ACTIVE CURVE SYSTEM. In the new Mercedes-Benz M-Class, it ensures smooth driving around curves, thus delivering greater agility, more driving pleasure and significantly increased safety, especially at high speeds. Hydraulically operated antiroll bars on front and rear axles balance out the roll angle that is generated by the driving speed and curve radius when the vehicle is going around a curve. The antiroll bars are adjusted to the current driving conditions. As a result, the system provides a high degree of stability during highway driving but allows better off-road performance when driving at low speeds in rugged terrain.

Innovative safety systems in the compact segment. PRE-SAFE® celebrated its premiere in the S-Class in 2002 and is now also available in the new B-Class. This anticipatory occupant protection system from Mercedes-Benz has thus entered the compact-car segment. In the new model series, it comprises safety functions such as closing the side windows and the sunroof in critical situations where high lateral forces are generated, reversible tensioning of the front seatbelts and automatically adjusting the power passenger seat with a memory function.

A further innovative assistance system in the new B-Class is COLLISION PREVENTION ASSIST. This radar-based system draws the driver's attention to an impending collision with the vehicle ahead. Using radar, the system measures the distance to the next vehicle and identifies situations where there is a risk of collision. On the basis of the calculated moment of impact, it activates visual and acoustic warning signals. At the same time, the brake system is prepared for the necessary deceleration of the vehicle. If the driver reacts to the warning and forcefully steps on the brake pedal, COLLISION PREVENTION ASSIST automatically makes the optimal braking power available. If the driver of the vehicle ahead speeds up during the braking maneuver, the system reduces the deceleration.

Human Resources

We are laying the foundation for a competitive workforce in the future. With our greenHR initiative and generation management, we are focusing our human resources work on the effects of new technologies and demographic change. We enhance the qualifications of our employees while maintaining and improving their effectiveness with an extensive range of training courses. The diversity of the Group's workforce is a long-term factor for social and economic success.

5.01

Human Resources

	2011	2010	11/10
Employees (December 31)			% change
Daimler Group	271,370	260,100	+4
Mercedes-Benz Cars	99,091	96,281	+3
Daimler Trucks	77,295	71,706	+8
Mercedes-Benz Vans	14,889	14,557	+2
Daimler Buses	17,495	17,134	+2
Sales & Marketing Organization	49,699	48,299	+3
Daimler Financial Services	7,065	6,742	+5
Other	5,836	5,381	+8

Workforce development. As of December 31, 2011, the Daimler Group employed 271,370 men and women worldwide. Primarily due to increased demand for our products, we expanded our workforce by 11,270 employees compared with the figure at the end of 2010. ↗5.01 The number of employees in Germany increased to 167,684 (2010: 164,026). 20,702 people were employed in the United States (2010: 18,295), 14,533 in Brazil (2010: 13,484) and 11,479 in Japan (2010: 12,836). Our consolidated subsidiaries in China employed 2,121 people at the end of 2011 (2010: 1,552). The number of apprentices and trainees at the Group was 8,499 (2010: 8,841). Further information on the development of our workforce in the individual divisions can be found in the Management Report on page 95 of this Annual Report.

The greenHR initiative. The Human Resources department has launched the greenHR strategic initiative as part of its program of sustainable corporate development. The aim of greenHR is to proactively shape the future workforce requirements and conditions resulting from our sustainability management. We have identified the following five areas of action for this initiative: human resources analysis and planning, recruitment, training, further training and human resources development.

As part of our human resources analysis and planning, we examine quantitative and qualitative changes in our personnel requirements, and from the findings we derive the appropriate measures to be taken. How will new powertrain concepts affect employment, work content and employee qualifications? This is one of the questions being addressed by the scientific research project "ELAB – Electric Mobility and Employment," which we have commissioned together with the General Works Council. This project is jointly financed by the company, the German Metalworkers' Union (IG Metall) and the Hans-Böckler-Foundation. The initial results of the study will be available in the course of 2012.

In the area of recruiting, we are increasingly focusing on university job fairs and on our entry into social media such as Facebook and Twitter, so that we can access a pool of qualified young employees over the long term. In our training programs, we are adjusting the existing job profiles to reflect changing technologies. For example, we are taking "green technology modules" into account in the areas of electric powertrains and lightweight construction in particular. Through our further training programs, we have provided qualifications for approximately 44,000 employees in technologies for the promotion of sustainable mobility over the past two years. These programs focused on the areas of alternative powertrain concepts and lightweight construction. One element of our human resources development program was the successful launch of the Daimler Academic Program. You can find further details of this program in the "Securing and promoting young talent" section of this chapter.

Comprehensive range of training courses. "Those who sow knowledge reap success." In line with this precept, we develop and support our talented young employees by means of high-quality programs. Our "Genius" initiative already gives children and teenagers valuable insights into future technologies as well as information about jobs in the automotive industry. School leavers can apply for technical or commercial job training at our business locations or for a course of study at the Cooperative State University.

We employed 8,499 apprentices and trainees worldwide at the end of 2011 (2010: 8,841). A total of 2,067 young people began their occupational training at Daimler in Germany during the year under review (2010: 2,034). Apprentices and trainees who perform well are offered attractive job opportunities. In 2011, 92% of apprentices and trainees at Daimler AG

Diversity is a value factor in our personnel processes and in our corporate culture.

were hired after completing their training (2010: 84%). The number of people we train and subsequently hire is based solely on our company's needs and its future development. We reached an agreement with the Works Council that we will offer more than 280 additional apprenticeships in Germany until 2013 on account of the double number of high school graduates (from grades 12 and 13) and the end of conscription in Germany.

Securing and promoting young talent. In 2011, we once again enabled more than 500 university graduates and young people with initial work experience to begin their careers in first-class entry-level positions. CAReer, our Group-wide training program, targets graduates with degrees in engineering or business management who have above-average grades, practical experience, impressive personal skills and motivation for jobs in the international automotive industry. The proportion of female participants in CAReer is currently 34%, and our trainees come from approximately 30 different countries. In addition, the Daimler Student Partnership Program helps well-qualified students with the aim of recruiting them as potential members of our company's management.

With Daimler Academic Programs, we are investing in our own resources. This new program for promoting studies is aimed at employees who would like to obtain a bachelor's or master's degree either in parallel with their work or as full-time students. The range of courses on offer is oriented towards technological topics for the Group's future. The program's first group of students began their studies at various universities in Germany in the winter semester of 2010. In a future step, the program will be continually expanded to countries outside Germany.

Employee qualification. We also provide our employees with opportunities for qualification and further training throughout their entire careers. In 2011, we provided them with extensive resources for courses in the area of "green" technologies in particular. We aim to further enhance our employees' skills through these measures, especially in the area of research and development. In Germany alone, we spent €101 million on the qualification of our employees in the year under review (2010: €73 million). On average, every employee spent 3.8 days on qualification courses in 2011 (2010: 2.3 days).

A special kind of employee training course is currently being implemented for employees of our new car plant in Kecskemét, Hungary, where production of the Mercedes-Benz compact-car series will begin in spring 2012. In order to qualify for their various future responsibilities, hundreds of Daimler's Hungarian employees have already completed training programs at our plant in Rastatt, Germany, tailored to their previous knowledge and experience. The aim of these programs is not only to provide practical knowledge, but also to allow the German and Hungarian employees to get to know each other. This will help the workers at both plants to grow together as a team.

Diversity management. In the area of diversity management, Daimler aims to be one of the leading companies in the German automotive industry. For this reason, we have launched a variety of activities and initiatives ranging from diversity workshops and mentoring programs to employee networks, in order to make diversity into a value factor in our human resources processes and our corporate culture. The main areas of action are the promotion of women in managerial positions (gender diversity), the internationalization of our management structure and generation management.

We support the targeted promotion of women for example with flexible working-time models, child-care facilities close to work and a special mentoring program for women. Daimler has committed itself to increasing the proportion of women in senior management positions throughout the Group to 20% by 2020. This proportion has been continually increasing in recent years and was significantly above 10% at the end of 2011. As a technology-oriented company, in calculating this goal we have taken into account industry-specific conditions as well as the current proportion of women in the workforces of Daimler AG (13.9%) and the Daimler Group (15.6%). We have already reached a 35% proportion of female participants in some of our programs for university graduates with high potential.

A "thank you" to our workforce. The Board of Management thanks the entire workforce, whose performance and commitment made Daimler's success possible in jubilee year 2011. Our employees' motivation and skills continue to provide the foundation for our company's sustained success in the future. We would also like to thank the employee representatives for their commitment and constructive cooperation in the past year.

Social Responsibility

At Daimler, we believe that entrepreneurship and social responsibility are inseparable. Wherever we do business as an employer or a customer, we interact in many different ways with the people of the region. This presents us with both an opportunity and an obligation to actively help shape those communities and to promote dialogue between different cultures.

Our main areas of activity. We organize our broad spectrum of social involvement in five areas: donations, sponsorship, foundation support, corporate volunteering and community relations. Within those areas, we focus on five fields of activity: science, technology and environmental protection; education; traffic safety; the arts and culture; and charitable projects. In the area of corporate volunteering, we promote social, environmental and educational projects.

In all of our activities, we engage in an intensive dialogue with the communities and local institutions that are involved. We contribute our expertise as an automaker in projects aimed at promoting the common good, taking into account the specific requirements of our business locations as well as the interests of society in general. Our basic aim is to generate recognizable social benefits and to continually further develop our social commitment. In 2011, we spent a total of €59 million to support charitable organizations and socially oriented projects.

Our company's activities in the area of social responsibility are coordinated by the Donations and Sponsorship Committee. In close cooperation with the Board of Management and our worldwide production facilities and plant managers, this committee defines and is responsible for our areas of activity in line with our country-specific policies. It monitors and makes the decisions regarding all of our major projects and funding plans. When we grant funding and make donations, we follow the principle of maximum transparency.

Promoting science, technology and environmental protection. Whoever advocates sustainable development is obliged to invest in the human capacity for innovation. This is why we support universities and research institutes all over the world.

The "Daimler and Benz Foundation" supports science projects that deal with the inter-relationships between human beings, the environment and technology. On the occasion of the 125th anniversary of the automobile, we increased the foundation's capital to €125 million. Daimler is also one of the founding members of the "German Donors' Association for the Promotion of Sciences and Humanities." This is the largest private foundation promoting science in Germany. In addition to supporting science and technology, it focuses in particular on providing assistance to talented young scientists.

We believe it is our responsibility to preserve the diversity of habitats, species and genes for future generations. Daimler therefore supports the Global Nature Fund, whose worldwide Living Lakes project pursues the goal of protecting and renaturing lakes, wetlands and other bodies of water. On the occasion of World Environment Day in June 2011, Mercedes-Benz do Brasil made a specific appeal to the upcoming generation. At performances of the play "Planeta Mercedes-Benz – Our Sustainable World" at the company's truck production plant, approximately 7,000 children were reminded of how important it is to deal respectfully with nature.

Promoting education. Education opens doors. It strengthens individuals and families, and thus ultimately also society as a whole. That is why we support a host of education projects all over the world.

Through "Genius – Daimler's Young Knowledge Community," we aim to enthuse more children and young people for technology and the natural sciences. For example, Daimler engineers go to classes in high schools to explain how a fuel-cell car works. A project that attracted great interest in 2011 was the workbook on drive-system technology that was developed jointly by teachers and Daimler engineers.

In order to support the society and economy of South Africa, Daimler sponsors socially oriented education projects such as St. Anthony's Education Centre. This project offers disadvantaged young people and unemployed adults from slum neighborhoods the opportunity to gain further education. They are able to acquire competence in various skilled crafts or to acquire school-leaving qualifications.

Traffic safety initiatives. Traffic safety is a core theme of our educational work. In order to prevent traffic accidents, we need not only technically improved vehicles but also programs that sensitize road users to possible dangers.

In order to prepare children to negotiate road traffic safely, we established our MobileKids traffic education initiative back in 2001. MobileKids teaches children about all the facets of safe and sustainable mobility in a playful way. Among other things, the program launched the nationwide MobileKids Schooldays in September 2011 to teach primary school pupils about traffic safety directly in their familiar environment.

Our MobileKids traffic education initiative raises children's awareness for careful behavior in road traffic.

When children become teenagers, they take a more active part in road traffic. This is why Daimler launched its RoadSense educational program in Stuttgart in 2010. The aim is to sensitize teenagers to the hazards of road traffic. A total of 4,750 young people have participated in RoadSense to date.

Support for the arts and culture. We place high priority on the promotion of the arts and culture. For this reason, we support a variety of such projects all over the world, especially in the vicinity of our production locations. Through their encounters with art, our employees receive new stimulus and ideas that they can often apply creatively in their own work.

Through a long-term partnership with the Staatsgalerie Stuttgart art gallery, Daimler supports the city's cultural life and also offers its employees and their families educational opportunities in the area of culture. In 2011, we expanded our successful partnerships with art institutes to include additional regions and institutions.

Charitable projects. A large proportion of the world's population still suffers from poverty. We therefore support projects that help people to help themselves, collect donations and provide assistance to victims of natural disasters, to give just a few examples.

The Laureus Sport for Good Foundation, of which Daimler is a founding member, helps children and young people who are living under difficult conditions. To date, the foundation has supported more than 80 sports projects all over the world. New projects are added every year, such as the Kids for Future project that was started in Cologne in 2011, in which boxers train children and young people in socially disadvantaged neighborhoods.

Through the SEED program, Daimler aims to improve the living conditions of slum dwellers and street children in Chennai, India. Its objectives are to provide affordable housing, schooling for children and training for young adults so that they have better employment opportunities. The project was started in July 2011 to mark the launch of Daimler Financial Services India in the local market.

Because disaster relief has to be quick and effective, we have established a special process for it. This enabled us to react promptly to a number of emergency situations in 2011, for example the earthquake and tsunami in Japan, the tornado in Alabama, the famine in East Africa, the flooding in Thailand and the earthquake in Turkey. We were also able to choose effective assistance projects to get involved in.

Corporate volunteering. Because we want to make a difference in the locations where we operate, we work to promote well-functioning communities. We support education and training programs as well as the expansion of daycare centers close to our business locations. In addition, many of our employees participate in neighborhood projects and work as volunteers in socially beneficial initiatives.

Since December 2011, all Daimler employees have had the opportunity to join the ProCent initiative in which they donate the cents amounts of their monthly net salaries to a special fund. Every donated cent is matched by the company and the total amount thus saved in this fund is donated to environmental and social projects.

As part of its activities to mark the 125th anniversary of the automobile, Daimler applied the "We move it!" initiative to support its employees' volunteer activities. By the end of 2011, it had assisted 125 social and environmental employee initiatives with donations of up to €5,000 each.

More details of the projects supported by the Group and the activities related to our social commitment can be found in the Daimler Sustainability Report and on our website under the heading of Sustainability (www.daimler.com/sustainability).

Corporate Governance

Daimler's Board of Management and Supervisory Board are committed to the principles of good corporate governance. All of our activities are based on the principles of responsible, transparent and sustainable management.

6 | Corporate Governance

Report of the Audit Committee

Dear Shareholders,

On the basis of the allocation of tasks laid down in the Rules of Procedure for the Supervisory Board and its committees, the Audit Committee deals primarily with questions of financial reporting. It also discusses the effectiveness and functional capabilities of the risk management system, the internal control system, the internal auditing system and compliance management. In addition, it deals with the annual audit and reviews the qualifications and independence of the external auditors.

After receiving the approval of the Annual Shareholders' Meeting, the Audit Committee engages the external auditors to conduct the annual audit and the auditors' review of interim financial statements, determines the important audit issues and negotiates the audit fee with the external auditors.

As independent members of the Audit Committee, both the Chairman of the Audit Committee, Dr. h. c. Bernhard Walter, and Dr. Clemens Börsig have expertise in the field of financial reporting, as well as special knowledge and experience in the application of accounting principles and internal methods of control.

The seven meetings of the Audit Committee in 2011 were regularly attended by, in addition to the members of the Audit Committee, the Chairman of the Supervisory Board, the Chairman of the Board of Management, the members of the Board of Management responsible for Finance and Controlling and for Integrity and Legal Affairs, and the external auditors. The heads of specialist departments and other experts were also present for the appropriate items of the agenda. In addition, the Chairman of the Audit Committee held regular individual discussions, for example with the external auditors, the members of the Board of Management responsible for Finance and Controlling and for Integrity and Legal Affairs, the Monitor and another compliance advisor of the Audit Committee, and the heads of Corporate Accounting, Internal Auditing, Group Compliance and Legal Affairs. The Chairman of the Audit Committee informed the Audit Committee about the results of those bilateral discussions in each case at the next available opportunity. The Chairman of the Audit Committee also informed the Supervisory Board about the activities of the Committee and about its meetings and discussions in the following Supervisory Board meetings.

In a meeting in mid-February 2011 attended by the external auditors, the Audit Committee dealt with the preliminary figures of the annual company financial statements and the annual consolidated financial statements, as well as with the proposal made by the Board of Management on the appropriation of profits. The preliminary key figures were published at the Annual Press Conference on February 16, 2011.

At the end of February 2011, also in a meeting attended by the external auditors, the Audit Committee dealt with the annual company financial statements, the annual consolidated financial statements and the combined management report for Daimler AG and the Daimler Group for the year 2010, which had been issued with an unqualified audit opinion by the external auditors, as well as with the proposal on the appropriation of profits. In preparation, the members of the Audit Committee and the other members of the Supervisory Board were provided with comprehensive documentation including the Annual Report with the consolidated financial statements according to IFRS and the combined management report for Daimler AG and the Daimler Group, the annual financial statements of Daimler AG, the audit reports of KPMG on the annual financial statements of Daimler AG and the annual consolidated financial statements according to IFRS and the combined management report, the proposal made by the Board of Management on the appropriation of profits, and the drafts of the reports of the Supervisory Board and of the Audit Committee. The audit reports and important issues related to financial reporting were discussed with the external auditors. In this context, the Audit Committee of Daimler AG also dealt with the monitoring of the financial reporting process, the effectiveness of the internal control system, the risk management system and the internal auditing system, as well as with questions of compliance including antitrust issues. This also included the further development and required adjustments of Group-wide compliance structures and activities, which had been decided upon by the Board of Management. Following an intensive review and discussion, the Audit Committee recommended that the Supervisory Board approve the annual financial statements and adopt the recommenda-

Bernhard Walter, Chairman of the Audit Committee.

tion of the Board of Management on the appropriation of profits. Furthermore, the Audit Committee approved the Report of the Audit Committee in this version. Also in this meeting, the Audit Committee approved the report on the fee paid to the external auditors in the year 2010 for auditing and non-auditing services, and – subject to the consenting vote of the shareholders in the Annual Meeting – the fees agreed for the year 2011. With due consideration of the results of the independence review, the Audit Committee decided to recommend to the Supervisory Board, and subsequently to the Annual Shareholders' Meeting, that KPMG be engaged to conduct the annual audit and the auditors' review of interim financial reports. The Audit Committee based its recommendation on the very good results of the quality analysis carried out by the Audit Committee in June 2011 of the external audit in the previous year. Finally, on the basis of its responsibility, the Audit Committee dealt with the draft agenda for the 2011 Annual Shareholders' Meeting and the annual audit plan of the Internal Auditing department.

In the meetings during the year 2011 relating to the quarterly results, the Audit Committee discussed the interim financial reports before their publication with the Board of Management, dealt with the respective risk reports, and received activity reports from the Group Compliance and Corporate Audit departments. The Audit Committee regularly communicated with the independent Monitor. In this context, it was also involved in setting and evaluating the annual compliance targets for the Board of Management, and dealt on a quarterly basis with notifications received confidentially, and if desired anonymously, through the Group's own whistleblower system and processed internally by the Business Practices Office. In the meeting relating to the results of the second quarter of 2011, the Audit Committee dealt with the annual activity report of the Group's Data Protection Executive for 2010/2011. In the meeting on the third quarter of 2011, it dealt with the report on the development of pending litigation.

The Audit Committee received the report on non-audit services provided by the external auditors in its meeting in June 2011. In this meeting, the important audit issues for the external audit of the year 2011 and the framework of approval for engaging the external auditors to provide non-audit services was determined. This meeting was also used to analyze the audit for the year 2010 and the performance of the Audit Committee's monitoring duties with regard to the financial reporting process and the functional capabilities of the internal control system, the risk management system and the internal auditing system. In this context, on the basis of the statements of the external auditors as assessed by the Audit Committee, the internal control system, which in 2010 had replaced the former internal control over financial reporting according to Section 404 of the Sarbanes-Oxley Act, was also dealt with. As well as the area of financial reporting, the internal control system also includes internal control and risk management with the areas of internal auditing and compliance management. The Committee discussed the activity reports on the internal control system and dealt in particular detail with changes to the system and its further development.

Furthermore, the Audit Committee received information during this meeting on the status of preventive action with regard to antitrust law, on fundamental issues with regard to the funding status and management of the pension funds, and on other current topics including changes to the International Financial Reporting Standards.

In an additional meeting in December 2011, the Audit Committee dealt with the results and recommendations of the progress report prepared by the Monitor, and with the corresponding statement by the Board of Management.

In a meeting in early February 2012 attended by the external auditors, the Audit Committee dealt with the preliminary figures of the annual company financial statements and the annual consolidated financial statements and with the Board of Management's dividend proposal. The preliminary figures were published at the Annual Press Conference on February 9, 2012.

Another meeting was held at the end of February 2012, also attended by the external auditors, who reported on the results of their audit and were available to answer questions and provide additional information. In this meeting, the Audit Committee examined and discussed the annual company financial statements, the annual consolidated financial statements and the combined management report for Daimler AG and the Group for the year 2011, each of which had been issued by the external auditors with an unqualified audit opinion, as well as the proposal on the appropriation of profits. In preparation, the members of the Audit Committee were provided with comprehensive documentation including the Annual Report with the consolidated financial statements according to IFRS and the combined management report for Daimler AG and the Daimler Group, the annual financial statements of Daimler AG, the audit reports of KPMG on the annual financial statements of Daimler AG and the annual consolidated financial statements according to IFRS and the combined management report, the proposal made by the Board of Management on the appropriation of profits, and the drafts of the reports of the Supervisory Board and of the Audit Committee. The audit reports and important issues related to financial reporting were discussed with the external auditors. In this context, the Audit Committee of Daimler AG also dealt with the monitoring of the financial reporting process, the effectiveness of the internal control system, the risk management system and the internal auditing system, as well as with questions of compliance. Following an intensive review and discussion, the Audit Committee recommended that the Supervisory Board approve the annual financial statements and adopt the recommendation of the Board of Management on the payment of a dividend of €2.20 per share entitled to a dividend. Furthermore, the Audit Committee approved the Report of the Audit Committee in this version. With due consideration of the results of the independence review, the Audit Committee decided to recommend to the Supervisory Board, and subsequently to the Annual Shareholders' Meeting, that KPMG be engaged to conduct the annual audit and the auditors' review of interim financial reports. Finally, on the basis of its responsibility, the Audit Committee dealt with the draft agenda for the 2012 Annual Shareholders' Meeting and the annual audit plan of the Internal Auditing department.

As in previous years, the Audit Committee once again conducted a self-evaluation of its own activities in 2011. This did not result in any need for action with regard to the Committee's tasks, or with regard to the content, frequency or procedure of its meetings.

Stuttgart, February 2012

The Audit Committee

Dr. h. c. Bernhard Walter
Chairman

Remuneration Report

The Remuneration Report summarizes the principles that are applied to determine the remuneration of the Board of Management of Daimler AG, and explains both the level and the structure of its members' remuneration. It also describes the principles and level of remuneration of the Supervisory Board. The Remuneration Report is part of the Management Report for Daimler AG and for the Group.

Principles of Board of Management remuneration

Goals. The remuneration system for the Board of Management aims to remunerate its members commensurately with their areas of activity and responsibility and in compliance with applicable law, so that Daimler is an attractive employer also for first-class executives. By means of adequate variability, the system should also clearly and directly reflect the joint and individual performance of the Board of Management members and the sustained performance of the Group.

Practical implementation. For each upcoming financial year, the Presidential Committee at first prepares a review by the Supervisory Board of the system and level of remuneration on the basis of a comparison with competitors. The main focus is on checking for appropriateness, based on a horizontal and vertical comparison. In this context, the following aspects are given particular attention in relation to a group of comparable companies in Germany:

- the effects of the individual fixed and variable components, that is, the methods behind them and their reference parameters,
- the relative weighting of the components, that is, the relationship between the fixed base salary and the short-term and long-term variable components,
- the ratio of an average employee's income to that of a member of the Board of Management,

and the resulting target remuneration consisting of base salary, annual bonus and long-term remuneration, also with consideration of entitlement to a retirement pension and fringe benefits.

In carrying out this review, the Presidential Committee and the Supervisory Board consult independent external advisors, above all to facilitate a comparison with remuneration systems common in the market. If the review results in a need for changes to the remuneration system for the Board of Management, the Presidential Committee submits proposals for such changes to the entire Supervisory Board for its approval.

On the basis of the approved remuneration system, the Supervisory Board decides at the beginning of the year on the base and target remuneration for the individual members of the Board of Management and decides on the success parameters relevant for the variable components of remuneration in the coming year. Furthermore, once a year, individual goals are agreed for the coming year between the Chairman of the Supervisory Board, the Chairman of the Board of Management and each member of the Board of Management for the respective areas of responsibility; those goals are then taken into consideration after the end of the financial year when the annual bonus is decided upon by the Supervisory Board.

In this way, the individual base and target remuneration and the relevant performance parameters are set by the beginning of each year. These details require the approval of the Supervisory Board.

On this basis, after the end of each year, target achievement is measured and the actual remuneration is calculated by the Presidential Committee and submitted to the Supervisory Board for its approval.

The system of Board of Management remuneration in 2011. The remuneration system comprises a fixed base salary (approximately 29% of the target remuneration), an annual bonus (approximately 29% of the target remuneration), and a variable component of remuneration with a medium- and long-term incentive effect (approximately 42% of the target remuneration). An adjustment within the target remuneration was made compared with the prior year. The previous total of base salary and annual bonus was divided equally between the two components. In this context, the target bonus was reduced to an amount equal to 100% of the base salary. The spectrum of target achievement and the reference parameters remained unchanged. Furthermore, unlike in previous years, only 50% of the annual bonus is paid out in the March of the following year, instead of the full amount. The other 50% is paid out a year later with the application of a bonus-malus rule, depending on the development of the Daimler share price compared with an automotive index (Auto-STOXX, see pages 24 f), which Daimler AG uses as a benchmark for the relative share-price development. Both the delayed payout of the annual bonus (with the use of the bonus-malus rule) and the variable component of remuneration with a medium- and long-term incentive effect with its link to additional, ambitious comparative parameters and the share price reflect the recommendations of the German Corporate Governance Code and give due consideration to both positive and negative developments. The details of the system are as follows:

The **base salary** is fixed remuneration relating to the entire year, oriented towards the area of responsibility of each Board of Management member and paid out in twelve monthly installments.

The **annual bonus** is variable remuneration, the level of which is primarily linked to the operating profit of the Daimler Group (EBIT). For the past financial year, the annual bonus was also linked to the target for the respective financial year determined by the Supervisory Board (derived from the level of return targeted for the medium term and the growth targets), the actual result compared with the prior year, the individual performance of the Board of Management members and the achievement of compliance targets. Optionally, additional key figures/assessment basis can be included; for 2011, this was the overall performance of Daimler shares, based on the share-price development and the dividend (total shareholder return).

Primary reference parameters:
- 50% relates to a comparison of actual EBIT in 2011 with EBIT targeted for 2011.
- 50% relates to a comparison of actual EBIT in 2011 with actual EBIT in 2010.

Amount with 100% target achievement:
In the year 2011, only 100% of the base salary instead of the former 150%.

Range of target achievement:
0 to 200%, that is, the annual bonus due to EBIT achievement has an upper limit of double the base salary and may also be zero (see below).

On the basis of the resulting degree of target achievement, an amount of up to 10% can be added or deducted, depending on the aforementioned predefined key figures/assessment basis. Furthermore, the Supervisory Board has the possibility, based for example on the aforementioned agreed targets, to take account of the personal performance of the individual Board of Management members with an addition or deduction of up to 25%.

Once again in 2011, additional individual targets were agreed upon with the Board of Management with regard to the development and sustained function of a compliance system. The complete or partial non-achievement of individual compliance targets can be reflected by a deduction of up to 25% from the individual target achievement. However, the compliance targets cannot result in any increase in individual target achievement, even in the case of full accomplishment.

The **Performance Phantom Share Plan** is an element of remuneration with long-term incentive effects. At the beginning of the plan, a number of phantom shares are granted and medium-term performance targets are set for a period of three years. On the basis of the degree of target achievement determined at the end of the three-year period, the final number of phantom shares is determined that are then paid out at the end of the fourth plan year. This final number can be between 0% and 200% of the phantom shares granted at the beginning of the plan. Payouts under the 2011 plan occur after four years at the price of Daimler shares that is then valid. Due to the granting of phantom shares and their payout at the end of the plan on the basis of the share price then valid, an opportunity and risk potential exists relating to the development of the share price. Half of the net amount paid out must be used to buy ordinary Daimler shares, which must then be held until the applicable guidelines for share ownership are fulfilled (see below).

For the granting of phantom shares, the Supervisory Board specifies an absolute amount in euros in the context of setting the annual target remuneration. The number of phantom shares granted is calculated by dividing that amount by the relevant average share price over an extended period. This average price is definitive not only for granting phantom shares under the new plan, but also for payment under the plan granted four years previously.

Reference parameters for Plan 2011:
- 50% relates to the Group's return on sales compared with a group of competitors (BMW, Fiat, Ford, Honda, Paccar, Renault, Toyota, Volvo and Volkswagen). For the measurement of this success criterion, the competitors' average return on sales is calculated over a period of three years, whereby the best and worst values are not taken into consideration. The extent that Daimler's return on sales deviates by up to plus or minus two percentage points from the average thus calculated is deemed to be the range of target achievement. This means that target achievement is 200% if Daimler's return on sales is two percentage points or more above the calculated average. Target achievement is 0% if Daimler's return on sales is two percentage points or more below the calculated average.
- 50% relates to the Group's return on net assets in relation to the cost of capital. This criterion stands for the value created by the Group. The extent that Daimler's return on net assets deviates over a period of three years by plus or minus two percentage points from a target of 8% is deemed to be the range of target achievement. This means that target achievement is 200% if Daimler's return on net assets is 10% or more. Target achievement is 0% if Daimler's return on net assets is 6% or less.

Value upon allocation:
Determined annually in relation to a market comparison; for 2011, approximately 1.3 to 1.6 times the base salary.

Range of target achievement:
0 to 200%, that is, the plan has an upper limit. It may also be zero.

Value of the phantom shares on payout:
In line with the calculated share price and the number of shares achieved according to the aforementioned criteria. Payout is in any case limited to 2.5 times the share price at the beginning of the plan.

During the four-year period, the allocated phantom shares earn a dividend equivalent whose amount is related to the dividend paid on real Daimler shares in the respective year. With regard to share-based remuneration, any subsequent change in the defined performance targets or reference parameters is ruled out.

Guidelines for share ownership. As a supplement to these three components of remuneration, Stock Ownership Guidelines have been approved for the Board of Management. These guidelines require the members of the Board of Management to invest a portion of their private assets in Daimler shares over several years and to hold those shares until the end of their Board of Management membership. The number of shares to be held was set when the Performance Phantom Share Plan was introduced in relation to double the then annual base salary for each ordinary member of the Board of Management and triple the then annual base salary for the Chairman of the Board of Management. In fulfillment of the guidelines, half of the net payment made out of a Performance Phantom Share Plan is generally to be used to acquire ordinary shares in the Company, but the required shares can also be acquired in other ways.

Implementation of the Act on the Appropriateness of Management Board Remuneration. Against the backdrop of the German Act on the Appropriateness of Management Board Remuneration (VorstAG), the Supervisory Board of Daimler AG commissioned an expertise by external auditors on the system of Board of Management remuneration in late 2010. As a result, the remuneration system described above was confirmed as complying with the provisions of applicable law. This remuneration system was approved by the Annual Shareholders' Meeting in April 2011 with a majority of 97.4% of the votes cast.

As a further incentive promoting a sustainable business development, it is planned to replace the optional additional key financial metrics and targets for determining the annual bonus with non-financial metrics and indicators oriented towards the UN Global Compact and its ten principles. The 2011 Annual Shareholders' Meeting was informed of this planned change.

Board of Management remuneration in 2011

Total Board of Management remuneration in 2011. The total remuneration granted by Group companies to the members of the Board of Management of Daimler AG is calculated as the total of the amounts of

- the base salary,
- the half of the annual bonus payable in 2012,
- the half of the medium-term share-based component of the annual bonus payable in 2013 with its value at the time when granted (entitlement depending on the development of Daimler's share price compared with an automotive index – Auto-STOXX),
- the value of the long-term share-based remuneration at the time when granted,
- and taxable non-cash benefits.

For both of the share-based components – the second 50% of the annual bonus and the long-term PPSPs – the amounts actually paid out can deviate significantly from the values described depending on the development of the Daimler share price and on the achievement of the relevant target parameters.

The remuneration of the Board of Management for the year 2011 amounts to €29.0 million (2010: €25.8 million). Of that total, €7.4million was fixed, that is, non-performance-related remuneration (2010: €4.8 million), €12.8 million was variable, that is, short- and medium-term performance-related remuneration (2010: €13.5 million), and €8.8 million was variable performance-related remuneration granted in 2011 with a long-term incentive effect (2010: €7.5 million). ↗6.01

6.01

Board of Management Remuneration 2011

		Base salary	Waiver	Short and medium-term variable remuneration (annual bonus) short-term	medium-term	Long-term variable remuneration (PPSP) Number	Value when granted (2011: at share price €51.08) (2010: at share price €30.61)	Total
In thousands of euros								
Dr. Dieter Zetsche	2011	2,008		2,038	2,038	50,311	2,570	8,654
	2010	1,530	- 115	4,819	–	80,269	2,457	8,691
Dr. Wolfgang Bernhard [1]	2011	715		726	726	20,125	1,026	3,193
	2010	472	- 30	1,487		29,554	905	2,834
Dr. Christine Hohmann-Dennhardt	2011	624		618	618	17,609	899	2,759
	2010	–	–	–	–	–	–	–
Wilfried Porth [2]	2011	715		708	708	20,125	966	3,097
	2010	535	- 39	1,679		32,108	983	3,158
Andreas Renschler	2011	755		747	747	22,467	1,148	3,397
	2010	575	- 43	1,771		35,829	1,079	3,382
Bodo Uebber [3]	2011	866		879	879	24,058	1,054	3,678
	2010	660	- 50	2,079		38,383	997	3,686
Prof. Dr. Thomas Weber	2011	715		726	726	21,369	1,092	3,259
	2010	545	- 41	1,679		34,078	1,043	3,226
Total	2011	6,398		6,442	6,442	176,064	8,755	28,037
	2010	4,317	- 318	13,514		250,221	7,464	24,977

1 PPSP amount after deduction of remuneration of €2,250 received as a board member of an affiliated company.
2 PPSP amount after deduction of remuneration of €61,575 received as a board member of an affiliated company.
3 PPSP amount after deduction of remuneration of €174,867 received as a board member of an affiliated company.

When comparing with the prior-year figures, with regard to the total of base salary and the total of the annual bonus, it is necessary to take into consideration the equal-amount shift between base salary and targeted annual bonus and the appointment of Dr. Hohmann-Dennhardt as of February 16, 2011.

The granting of non-cash benefits in kind, primarily the reimbursement of expenses for security precautions and the provision of company cars, resulted in taxable benefits for the members of the Board of Management in 2011 as shown in the table. ↗6.02

Commitments upon termination of service

Retirement provision. The pension agreements of some Board of Management members include a commitment to an annual retirement pension, calculated as a proportion of the former base salary and depending on the number of years of service. Those pension rights were granted until 2005 and remain valid; they have been frozen at that level, however.

6.02

Taxable non-cash benefits and other benefits

	2011	2010
In thousands of euros		
Dr. Dieter Zetsche	159	133
Dr. Wolfgang Bernhard	71	52
Dr. Christine Hohmann-Dennhardt	121	–
Wilfried Porth	123	101
Andreas Renschler	169	148
Bodo Uebber	165	217
Prof. Dr. Thomas Weber	149	162
Total	957	813

Retirement pensions start upon request when the term of service ends at or after the age of 60, or are paid as disability pensions if the term of service ends before the age of 60 due to disability. The agreements provide for a 3.5% annual increase in benefits (with the exception that Wilfried Porth's benefits will be adjusted in accordance with applicable law). The agreements include a provision by which a spouse of a deceased Board of Management member is entitled to 60% of that member's pension. That amount can increase by up to 30 percentage points depending on the number of dependent children.

Effective as of January 1, 2006, we substituted the pension agreements of the Board of Management members with a new arrangement, the so-called pension capital system. Under this system, each Board of Management member is credited with a capital component each year. This capital component comprises an amount equal to 15% of the sum of the Board of Management member's fixed base salary and the annual bonus that was actually achieved (50% + 50%), multiplied by an age factor equivalent to a certain rate of return, at present 6% (Wolfgang Bernhard and Wilfried Porth: 5%). In accordance with the regulations in force at Daimler AG, pension capital is only granted until the age of 60. The benefit from the pension plan is payable to surviving Board of Management members upon retirement at or after the age of 60, or as a disability pension upon retirement before the age of 60 due to disability.

Payment can be made in three ways:
– in a single amount;
– in 12 annual installments, whereby interest is paid on each partial amount until it is paid out;
– as a pension with or without benefits for surviving dependents, with an annual increase (see above).

The contracts specify that if a Board of Management member passes away before retirement, the spouse and/or dependent children is/are entitled to the full committed amount; if a Board of Management member passes away after retirement, in the case of payment of 12 annual installments the legal heirs are entitled to the remaining present value and in the case of a pension with benefits for surviving dependents the spouse and/or dependent children is/are entitled to 60% of the remaining cash value.

Departing Board of Management members receive, for the period beginning after the end of the original service period, payments in the amounts of the pension commitments granted as described in the previous section, as well as the use of a company car, in some case for a defined period. These payments are made until the age of 60, possibly reduced due to other sources of income, and are subject to the aforementioned annual increases.

Service costs for pension obligations according to IFRS amounted to €2.210 million in 2011 (2010: €1.945 million). The present value of the total defined benefit obligation according to IFRS amounted to €56.839 million at December 31, 2011 (December 31, 2010: €49.327 million). Taking age and period of service into account, the individual entitlements, service costs and present values are shown in the table.
↗6.03

Commitments upon early termination of service. No severance payments are foreseen for Board of Management members in the case of early termination of their service contracts. Solely in the case of early termination of a service contract by mutual consent, Board of Management service contracts include a commitment to payment of the base salary and provision of a company car until the end of the original service period. Such persons are only entitled to payment of the performance-related component of remuneration pro rata for the period until they leave the Company. Entitlement to payment of the performance-related component of remuneration with a long-term incentive effect is defined by the exercise conditions specified in the respective plans. In the case of early termination of service by mutual consent, the total of the payments described above including fringe benefits is limited, to the extent that they are subject to the regulations of the German Corporate Governance Code on the so-called severance-payment cap, to double the annual remuneration and may not exceed the total remuneration for the remaining period of the service contract.

Sideline activities of Board of Management members. The members of the Board of Management should accept management board or supervisory board positions and/or any other administrative or honorary functions outside the Group only to a limited extent. Furthermore, they require the consent of the Supervisory Board before commencing any sideline activities. This ensures that neither the time required nor the remuneration paid for such activities leads to any conflict with the members' duties to the Group. Insofar as such sideline activities are memberships of other supervisory boards or comparable boards, they are disclosed in the Notes to the Consolidated Financial Statements of Daimler AG and on our website. No remuneration is paid to Board of Management members for board positions held at other companies of the Group.

Loans to members of the Board of Management. In 2011, no advances or loans were made to members of the Board of Management of Daimler AG.

Payments made to former members of the Board of Management of Daimler AG and their survivors. Payments made in 2011 to former members of the Board of Management of Daimler AG and their survivors amounted to €13.9 million (2010: €17.5 million). Pension provisions for former members of the Board of Management and their survivors amounted to €195.9 million at December 31, 2011 (2010: €197.1 million).

6.03

Individual entitlements, service costs and present values for Board of Management pension plans in 2010/2011

In thousands of euros		Annual pension (as regulated until 2005) as of age 60	Service cost (for pension and pension capital)	Present value of obligations (for pension and pension capital)
Dr. Dieter Zetsche	2011	1,050	794	29,633
	2010	1,050	712	26,149
Dr. Wolfgang Bernhard	2011	–	234	715
	2010	–	205	410
Wilfried Porth	2011	156	140	4,303
	2010	156	118	3,715
Andreas Renschler	2011	250	278	7,067
	2010	250	243	6,102
Bodo Uebber	2011	275	461	6,439
	2010	275	397	5,357
Prof. Dr. Thomas Weber	2011	300	303	8.682
	2010	300	270	7,594
Total	2011	2,031	2,210	56,839
	2010	2,031	1,945	49,327

Dr. Hohmann-Dennhardt has no entitlement to a company retirement benefit.

Remuneration of the Supervisory Board

Supervisory Board remuneration in 2011. The remuneration of the Supervisory Board is determined by the Shareholders' Meeting of Daimler AG and is governed by the Company's Articles of Incorporation. The new regulations for Supervisory Board remuneration approved by the Annual Shareholders' Meeting in April 2011 specify that the members of the Supervisory Board receive, in addition to the refund of their expenses and the cost of any value-added tax incurred by them in performance of their office, fixed remuneration of €100,000. The Chairman of the Supervisory Board receives an additional €200,000 and the Deputy Chairman of the Supervisory Board receives an additional €100,000. The members of the Audit Committee are paid an additional €50,000, the members of the Presidential Committee are paid an additional €40,000 and the members of the other committees of the Supervisory Board are paid an additional €20,000; one exception is the Chairman of the Audit Committee, who is paid an additional €100,000. Additional payments are made for activities in a maximum of three committees; any persons who are members of more than three such committees receive additional payments for the three most highly paid functions.

Members of a Supervisory Board committee are only entitled to remuneration for such membership if the committee has actually convened to fulfill its duties in the respective year. The individual remuneration of the members of the Supervisory Board is shown in the table below. ↗ 6.04

The members of the Supervisory Board and its committees receive a meeting fee of €1,100 for each Supervisory Board meeting and committee meeting that they attend.

No remuneration was paid for services provided personally beyond the aforementioned board and committee activities, in particular for advisory or agency services, except for the remuneration paid to the members of the Supervisory Board representing the employees in accordance with their contracts of employment.

The remuneration of all the activities of the members of the Supervisory Board of Daimler AG in the year 2011 was thus €3.0 million (2010: €2.7 million).

Loans to members of the Supervisory Board. In 2011, no advances or loans were made to members of the Supervisory Board of Daimler AG.

6.04
Supervisory Board remuneration

Name	Function(s) remunerated	Total in 2011
In euros		
Dr. Manfred Bischoff	Chairman of the Supervisory Board, the Presidential Committee and the Nomination Committee	374,300
Erich Klemm [1]	Deputy Chairman of the Supervisory Board, the Presidential Committee and the Audit Committee	309,800
Dr. Paul Achleitner	Member of the Supervisory Board and the Nomination Committee (since April 13, 2011)	121,011
Sari Baldauf	Member of the Supervisory Board and the Nomination Committee (since April 13, 2011)	122,111
Dr. Clemens Börsig	Member of the Supervisory Board and of the Audit Committee	165,400
Prof. Dr. Heinrich Flegel	Member of the Supervisory Board	107,700
Dr. Jürgen Hambrecht	Member of the Supervisory Board and the Presidential Committee (since April 13, 2011)	136,522
Petraea Heynike	Member of the Supervisory Board (since April 13, 2011)	76,455
Jörg Hofmann [1]	Member of the Supervisory Board	106,600
Dr. Thomas Klebe [1, 3]	Member of the Supervisory Board and of the Presidential Committee	152,100
Gerard Kleisterlee	Member of the Supervisory Board	106,600
Jürgen Langer [1]	Member of the Supervisory Board	107,700
Ansgar Osseforth [4]	Member of the Supervisory Board	107,700
Valter Sanches [2]	Member of the Supervisory Board	106,600
Dr. Manfred Schneider	Member of the Supervisory Board, the Presidential Committee and the Nomination Committee (until April 13, 2011)	50,651
Stefan Schwaab [1]	Member of the Supervisory Board and of the Audit Committee	165,400
Jörg Spies [1]	Member of the Supervisory Board	106,600
Lloyd G. Trotter	Member of the Supervisory Board	105,500
Dr. h.c. Bernhard Walter	Member of the Supervisory Board and Chairman of the Audit Committee	214,300
Uwe Werner [1]	Member of the Supervisory Board	107,700
Lynton R. Wilson [5]	Member of the Supervisory Board and of the Nomination Committee (until April 13, 2011)	114,444

1 The employee representatives have stated that their board remuneration is to be transferred to the Hans-Böckler Foundation, in accordance with the guidelines of the German Trade Union Federation. The Hans-Böckler Foundation is a German not-for-profit organization of the German Trade Union Federation.
2 Mr. Sanches has directed that his board remuneration is to be paid to the Hans-Böckler Foundation.
3 Dr. Klebe also received remuneration and meeting fees of €13,700 for his board services at Daimler Luft- und Raumfahrt Holding AG. These amounts are also to be transferred to the Hans-Böckler Foundation.
4 Mr. Osseforth has directed that a portion of his board remuneration is to be paid to a German foundation for adult education ("Treuhandstiftung Erwachsenenbildung").
5 Mr. Wilson also received remuneration of €10,900 for his board services at Mercedes-Benz Canada Inc. and Mercedes-Benz Financial Services Canada Corp.

Integrity and Compliance

Our approach. We are convinced that in the long run, communities of values make the best communities of value creation. Integrity is one of our four corporate values and constitutes an important foundation for our business activities. A precondition for integrity is that we not only adhere to applicable law, but that we also take ethical principles into consideration. Following rules is a requirement, but not a sufficient guarantee, for “proper” business activities. So in addition to observing rules and regulations, Daimler aims for a corporate culture of integrity, whose principles are put into practice out of conviction; because business success can only be achieved over the long term when the principles of respect, honesty and propriety are adhered to.

In order to promote this corporate culture, the new Board of Management position of Integrity and Legal Affairs was created in 2011. It includes the Legal department, the compliance organization and the Corporate Data Protection department.

Integrity. The Global Compact of the United Nations is an important guideline for us. As a founding member of that initiative by Kofi Annan and as a member of the LEAD Group, Daimler is committed to exemplary behavior and to the values of the Global Compact (see page 174).

A shared understanding of values cannot simply be imposed by orders from above. For that reason, the entire Board of Management initiated a Group-wide dialogue on the subject of integrity in November 2011. The goal is to communicate openly with employees across all hierarchical levels and functions about what integrity means in terms of day-to-day behavior and for each individual. The results of the integrity dialogue flow into the new Integrity Code. Our Integrity Code is valid throughout the Group and provides all of our employees with orientation for responsible conduct in their daily work, while strengthening the basis for our success.

Furthermore, in May 2011, we started the “fairplay” campaign, which addresses questions from the fields of integrity and compliance for all areas of the Group around the world.

Compliance. A precondition for any sustainable business activity is to comply with all relevant laws, regulations and voluntary commitments, as well as with internal guidelines. We describe this conduct in conformance with applicable rules as compliance.

Strengthened compliance organization. In 2011, we focused the Group Compliance department more closely on the divisions. In the newly created functions, the divisional Chief Compliance Officers support the divisions with the assumption of responsibility for compliance in their daily work. They report to the Group Chief Compliance Officer, who in turn reports to the Member of the Board of Management for Integrity and Legal Affairs and to the Supervisory Board of Daimler AG. Worldwide, our Group Compliance organization employs approximately 160 persons, of whom 74 work at Group Headquarters.

Improved compliance management system. Even though adherence to all relevant laws, rules and regulations has to priority for Daimler, individual violations can never be completely ruled out. We therefore create the required framework and develop measures to protect the Group and its employees from wrong decisions and to promote compliant conduct. In order to reduce compliance risks and in particular to eliminate corruption, we have introduced new processes and systems; in addition, we have revised our existing prevention measures:

The Group Compliance department defines the Daimler Group’s annual compliance program on the basis of a systematic risk analysis. Qualitative and quantitative indicators are used to evaluate risks in the business units, including assessments of the business environment and Group statistical data.

In 2011, we fundamentally revised and improved the procedure for identifying and eliminating integrity risks with regard to business partners (compliance due diligence). This procedure is a key element of our business partner integrity management.

We also revised the process for the prevention of corruption in connection with transactions with governments und state agencies. In this context, we improved the collaboration between the sales departments and Group Compliance.

The effectiveness of the compliance program implemented at the Group is regularly evaluated with the use of a standardized control system, and is also included in the audit carried out by the Internal Auditing department.

Intensive staff training. Our employees are continually informed about the importance of compliance and the goals of the compliance program. The top management regularly makes statements on compliance at events and in internal print and online media. Newly appointed executives at Daimler are given a special introduction to the issue of compliance.

In addition, Daimler provides a comprehensive program of compliance training. More than 50,000 employees from subsidiaries and sales departments received web-based training on the prevention of corruption in 2011. And more than 150 presence courses attended by approximately 4,400 employees provided advanced training on corruption prevention. We identify the target groups for these courses on the basis of annual risk assessments of companies and operating units.

We developed a new course of antitrust training in 2011. Worldwide, approximately 16,500 executives and selected staff members of the relevant departments participated in the web-based training. The advanced courses in antitrust law were attended by approximately 654 executives.

Since the beginning of the year 2011, we have also offered compliance training for external partners, for joint-venture partners and for companies in which Daimler holds a minority interest. We inform them about possible minimum requirements for a compliance management system to help secure conduct in conformance with integrity in business dealings.

Points of contact for our employees. Our employees can contact the Compliance Consultation Desk (CCD) if they have any specific questions on avoiding bribery. Information on suspected misconduct is to be passed on to the Business Practices Office (BPO). In the year 2011, we fundamentally revised the BPO whistleblower system. One of the changes is that whistleblowers around the world now have access to the BPO in various ways and in several languages. The BPO examines whether or not to initiate an investigation according to defined criteria, one of which is to decide whether it is a case of a criminal offence or of potential damage to Daimler's reputation. Any possible misconduct is dealt with according to the principles of fairness, consistency, transparency and sustainability. We have strict rules on the protection of whistleblowers.

In Germany, as of the first quarter of 2012, whistleblowers will also have the possibility of raising any matter that concerns them with an external lawyer, who acts as a neutral mediator. Statutory provisions on lawyers' professional secrecy ensure that the identity of the whistleblower is not disclosed without his or her permission.

Corporate Governance Report

Our understanding

At Daimler, good corporate governance goes beyond the mere fulfillment of statutory provisions. The Board of Management and the Supervisory Board have the goal of aligning the Group's management and supervision with nationally and internationally recognized benchmarks of good and responsible corporate governance, in order to secure the continued success of the Group and its strong traditions by means of sustained value creation, and to contribute to the safeguarding of mobility as an element of individual freedom.

General conditions, the Corporate Governance Code

The legal framework for the corporate governance of Daimler AG is provided by German law, in particular the Stock Corporation Act (AktG), the Codetermination Act (MitbestG) and legislation concerning capital markets, as well as the Company's Articles of Incorporation.

The German Corporate Governance Code gives recommendations and makes suggestions for the details of this framework. There is no statutory duty to follow these standards. But according to the principle of comply or explain, the Board of Management and the Supervisory Board of Daimler AG are obliged by Section 161 of the German Stock Corporation Act (AktG) to make a declaration of compliance with regard to the recommendations of the German Corporate Governance Code and to disclose and justify any deviations from the Code's recommendations. The declaration of compliance of the Board of Management and the Supervisory Board can be found on page 175 of this Annual Report. With the two exceptions disclosed and justified there, Daimler AG has followed and continues to follow the recommendations of the German Corporate Governance Code as amended on May 26, 2010. In addition, Daimler AG has followed and continues to follow the suggestions of the Code with the two exceptions explained in this report.

The declaration of compliance can be accessed on our website at www.daimler.com/dai/gcgc. Previous, no longer applicable, declarations of compliance from the past five years are also available there.

The corporate bodies of Daimler AG ↗6.05

Shareholders' Meeting. The Company's shareholders exercise their membership rights, in particular their voting rights, at the Shareholders' Meeting. Each share in Daimler AG entitles its owner to one vote. There are no multiple voting rights, preferred stock, or maximum voting rights. Documents and information relating to the Shareholders' Meeting can be found on our website at www.daimler.com/ir/am (see also page 26).

The Annual Shareholders' Meeting is generally held within four months of the end of a financial year. The Company facilitates the exercise of voting rights for the shareholders by appointing proxies who are strictly bound by the shareholders' voting instructions. Absentee voting is also possible. It is possible to authorize the Daimler-appointed proxies and give them voting instructions or to cast absentee votes by using the so-called e-service for shareholders.

6.05

Governance Structure

Shareholders (Annual Meeting of shareholders)

Election of shareholder representatives to the Supervisory Board

Supervisory Board (10 shareholder and 10 employee representatives), Nomination Committee, Audit Committee, Presidential Committee, Mediation Committee

Appointments, monitoring, consulting

Board of Management (7 Board members)

Among other matters, the Annual Shareholders' Meeting decides on the appropriation of distributable profits, the ratification of the actions of the members of the Board of Management and the Supervisory Board, the election of the external auditors, the election of the members of the Supervisory Board representing the shareholders and the remuneration of the Supervisory Board. The Annual Meeting also makes other decisions, especially on amendments to the Articles of Incorporation, capital measures, and the approval of certain intercompany agreements. Shareholders can submit countermotions on resolutions proposed by the Board of Management and the Supervisory Board and can challenge resolutions passed by the Shareholders' Meeting in a court of law.

The influence of the Shareholders' Meeting on the management of the Company is limited by law, however. The Shareholders' Meeting can only make management decisions if it is requested to do so by the Board of Management.

Deviating from the suggestions in Clause 2.3.4 of the German Corporate Governance Code, the Annual Shareholders' Meeting is not transmitted in its entirety on the Internet, but only until the end of the report by the Board of Management. Continuing the broadcast after that point, particularly broadcasting comments made by individual shareholders, could be construed as an unjustified infringement of privacy rights. When considering this matter, the interests of transmission do not automatically take precedence over shareholders' privacy rights. This is reflected by the statutory requirement for the entire transmission to have a legal basis in the Company's Articles of Incorporation or in the rules of procedure for shareholders' meetings.

Supervisory Board. Daimler AG is obliged by the German Stock Corporation Act (AktG) to apply a dual management system featuring strict separation between the Board of Management and the Supervisory Board (two-tier board). No person may be a member of the two boards at the same time.

In accordance with the German Codetermination Act (MitbestG), the Supervisory Board of Daimler AG comprises 20 members. Half of them are elected by the shareholders at the Annual Meeting. The other half comprises members who are elected by the Company's employees who work in Germany. The members representing the shareholders and the members representing the employees are equally obliged by law to act in the Company's best interests.

The Supervisory Board monitors and advises the Board of Management with regard to its management of the Company. At regular intervals, the Supervisory Board receives reports from the Board of Management on the Group's strategy, corporate planning, revenue development, profitability, business development and general situation. The Supervisory Board has retained the right of approval for transactions of fundamental importance.

The Supervisory Board's duties include appointing and recalling the members of the Board of Management. In connection with the composition of the Board of Management, the Supervisory Board pays attention not only to the members' appropriate specialist qualifications, with due consideration of the Group's international operations, but also to diversity. This applies in particular to age, nationality, gender and other personal characteristics. In February 2011, a woman, Dr. Christine Hohmann-Dennhardt, was appointed to the Board of Management, which now has seven members.

The Supervisory Board decides on the system of remuneration for the Board of Management, reviews it regularly, and determines the individual remuneration of each member of the Board of Management.

The Supervisory Board has the task of reviewing the annual company financial statements, the annual consolidated financial statements and the management report of the Company and the Group, as well as the proposal for the appropriation of distributable profits. Following discussions with the external auditors and taking into consideration the audit reports of the external auditors and the results of the review by the Audit Committee, the Supervisory Board states whether, after the final results of its own review, any objections are to be raised. If that is not the case, the Supervisory Board approves the financial statements and the management report. Upon being approved, the annual company financial statements are adopted. The Supervisory Board reports to the Annual Shareholders' Meeting on the results of its own review and on the manner and scope of its supervision of the Board of Management during the previous financial year. The activities of the Supervisory Board in the year 2011 are described in detail in the Report of the Supervisory Board on pages 16 ff of this Annual Report.

The Supervisory Board has given itself a set of rules of procedure, which regulate not only its duties and responsibilities and the personal requirements placed upon its members, but above all the convening, preparation and chairing of its meetings and the procedure of passing resolutions. The rules of procedure of the Supervisory Board can be seen on our website at www.daimler.com/dai/rop.

With regard to its own composition, the Supervisory Board has stipulated in its rules of procedure that more than half of the members of the Supervisory Board representing the shareholders are to be independent in order to allow the Board of Management to be advised and monitored independently. The rules of procedure also stipulate that no person may be a member of the Supervisory Board who is a member of a board of, or advises, a significant competitor of Daimler AG or its subsidiaries, or who is subject to any other conflicts of interest. In its present composition, the Supervisory Board of Daimler AG more than fulfills this requirement.

One member representing the shareholders, the Chairman of the Supervisory Board, is a former member of the Board of Management. After stepping down from the Board of Management of Daimler AG in December 2003, he was elected to the Supervisory Board following a cooling-off period of more than two years in April 2006, and was elected as its Chairman following a cooling-off period of more than three years in April 2007. Only one member of the Supervisory Board is a member of the management board of a listed company; in addition to his management board position, he is not a member of more than three supervisory boards of listed companies outside the Daimler Group.

The rules of procedure of the Supervisory Board specify that candidates for election as representatives of the shareholders who are to hold the position for a full period of office should generally not be over the age of 68 at the time of the election.

Proposals of candidates for election as members of the Supervisory Board representing the shareholders of Daimler AG, for which the Nomination Committee makes recommendations, take not only the requirements of applicable law, the Articles of Incorporation and the German Corporate Governance Code into consideration, but also a list of criteria of qualifications and experience. They include for example market knowledge in the regions important to Daimler, expertise in the management of technologies, and experience in certain management functions. An important condition for productive work in the Supervisory Board and for being able to properly supervise and advise the Board of Management is the members' personal individual diversity with regard to nationality, ethnic origin, gender and other personal characteristics. With regard to the appropriate consideration of women, the Supervisory Board is guided by the Company's target of gradually increasing the proportion of women in executive positions to 20% by the year 2020. As of December 31, 2011, two of the ten members of the Supervisory Board representing the shareholders are women: Sari Baldauf and Petraea Heynike. With regard to ensuring sufficient internationality, a proportion of more than one third of non-German members is deemed to be appropriate and is currently exceeded.

The members of the Supervisory Board attend in their own responsibility such courses of training and further training as might be necessary for the performance of their tasks and are supported by the Company in doing so. Daimler AG offers courses of further training to the members of its Supervisory Board as required. Possible contents of such courses include subjects of technological and economic developments, accounting and financial reporting, internal control and risk management systems, compliance, new legislation and board of management remuneration.

The members of the Supervisory Board receive appropriate remuneration, as adjusted by a resolution of the Annual Shareholders' Meeting in 2011, consisting of fixed and function-related components and a meeting fee. As stated in the declaration of compliance, however, contrary to the recommendation of Clause 5.4.6 paragraph 2 sentence 1 of the German Corporate Governance Code, no performance-related component of remuneration is paid. Accordingly, the suggestion of Clause 5.4.6 paragraph 2 sentence 2 of the German Corporate Governance Code that an element of performance-related remuneration based on the Company's long-term performance should be paid is also not followed. In our view, the system of function-related remuneration is more appropriate to the monitoring task of the Supervisory Board than performance-related remuneration. In this way, it is also possible to preclude potential conflicts of interest with decisions of the Supervisory Board, which could have an impact on performance criteria.

The Supervisory Board has formed four committees, which perform to the extent legally permissible the tasks assigned to them in the name of and on behalf of the entire Supervisory Board: the Presidential Committee, the Nomination Committee, the Audit Committee and the Mediation Committee. The committee chairpersons report to the entire Supervisory Board on the committees' work at the latest in the meeting of the Supervisory Board following each committee meeting. The Supervisory Board has issued rules of procedure for each of its committees. These rules of procedure can be seen on our website at www.daimler.com/dai/rop; the current members of the Supervisory Board are listed at www.daimler.com/supervisoryboard and of its committees at www.daimler.com/dai/sbc. The members of the Supervisory Board and its committees are also listed on pages 22 and 23 of this Annual Report.

The **Presidential Committee** is composed of the Chairman of the Supervisory Board, his Deputy and two other members, who are elected by a majority of the votes cast on the relevant resolution of the Supervisory Board.

The Presidential Committee makes recommendations to the Supervisory Board on the appointment of members of the Board of Management and is responsible for their contractual affairs. It submits proposals to the Supervisory Board on the design of the remuneration system for the Board of Management and on the appropriate individual remuneration of its members. The Presidential Committee also decides on the granting of consent to sideline activities of Board of Management members.

In addition, the Presidential Committee decides on questions of corporate governance, on which it also makes recommendations to the Supervisory Board. It supports and advises the Chairman of the Supervisory Board and his Deputy, and prepares the meetings of the Supervisory Board.

The **Nomination Committee** is composed of at least three members, who are elected by a majority of the votes cast by the members of the Supervisory Board representing the shareholders. It is the only Supervisory Board Committee comprised solely of members representing the shareholders. It makes recommendations to the Supervisory Board concerning persons to be proposed for election as members of the Supervisory Board representing the shareholders at the Annual Shareholders' Meeting. In doing so, the Nomination Committee takes into consideration the requirements of the German Corporate Governance Code and the rules of procedure of the Supervisory Board, as well as the specific goals that the Supervisory Board has set for its own composition. Furthermore, it defines the requirements for each specific position to be occupied.

The **Audit Committee** is composed of four members, who are elected by a majority of the votes cast on the relevant resolution of the Supervisory Board. The Chairman of the Supervisory Board is not simultaneously the Chairman of the Audit Committee.

The Chairman of the Audit Committee, Dr. h. c. Bernhard Walter, and the other member of the Audit Committee representing the shareholders, Dr. Clemens Börsig, are qualified as "financial experts." They have special expertise and experience in the field of accounting and the application of internal control procedures, and fulfill the relevant independence criteria.

The Audit Committee deals with questions of accounting and risk management, the internal monitoring system, internal auditing, compliance and the annual external audit. At least once a year, it discusses with the Board of Management and the external auditors the effectiveness, functionality and appropriateness of the internal monitoring systems and the risk management system. Also at least once a year, it discusses with the Board of Management the effectiveness and appropriateness of the internal auditing system and compliance management. Furthermore, it regularly receives reports on the work of the Internal Auditing department and the compliance organization. At least four times a year, the Audit Committee receives a report from the Business Practices Office, which has been established to deal with complaints and information about any breaches of guidelines, criminal offences or dubious accounting, financial reporting or auditing. It regularly receives information about dealing with these complaints and information.

The Audit Committee discusses with the Board of Management the interim reports on the first quarter, first half and first nine months of the year before they are published. On the basis of the report of the external auditors, the Audit Committee reviews the annual company financial statements and the annual consolidated financial statements, as well as the management report of the Company and the Group, and discusses them with the external auditors. It makes a proposal to the Supervisory Board on the appropriation of profits and on the adoption of the annual company financial statements of Daimler AG and on the approval of the annual consolidated financial statements. The Committee also makes recommendations for the proposal on the election of external auditors, assesses those auditors' suitability and independence, and, after the external auditors are elected by the Annual Meeting, it commissions them to conduct the annual audit of the company and consolidated financial statements and to review the interim reports, negotiates an audit fee, and determines the focus of the annual audit.

The external auditors report to the Audit Committee on all accounting matters that might be regarded as critical and on any material weaknesses of the internal monitoring and risk management system with regard to accounting. Finally, the Audit Committee approves services that are not directly related to the annual audit provided by the firm of external auditors or its affiliates to Daimler AG or to companies of the Daimler Group.

The **Mediation Committee** is composed of the Chairman of the Supervisory Board and his Deputy, as well as one member of the Supervisory Board representing the employees and one member of the Supervisory Board representing the shareholders, each elected with a majority of the votes cast. It is formed solely to perform the functions laid down in Section 31 Subsection 3 of the German Codetermination Act (MitbestG). Accordingly, the Mediation Committee has the task of making proposals on the appointment of members of the Board of Management if in the first vote the majority required for the appointment of a Board of Management member of two thirds of the members of the Supervisory Board is not achieved.

Board of Management. As of December 31, 2011, the Board of Management of Daimler AG comprised seven members. Information on their areas of responsibility and curriculum vitae is posted on our website at www.daimler.com/dai/bom. The members of the Board of Management and their areas of responsibility are also listed on pages 14 and 15 of this Annual Report.

Each member of the Board of Management is a member of a maximum of three supervisory boards of other listed companies or of similar boards or committees of companies with comparable requirements.

The Board of Management manages Daimler AG and the Daimler Group. With the consent of the Supervisory Board, the Board of Management determines the Group's strategic focus and decides on the corporate goals. The members of the Board of Management have joint responsibility for managing the Group's entire business. Irrespective of this overall responsibility, the individual members of the Board of Management manage their allocated areas within the framework of their instructions in their own responsibility. The Chairman of the Board of Management coordinates the work of the Board of Management.

The Board of Management prepares the consolidated interim reports, the annual company financial statements of Daimler AG, the annual consolidated financial statements and the management report of the Company and the Group. It is responsible for adherence to the provisions of applicable law, official regulations and the Group's internal guidelines, and works to secure compliance with those rules and regulations by the companies of the Group. The tasks of the Board of Management also include establishing and monitoring an appropriate and efficient risk management system.

The Board of Management requires the consent of the Supervisory Board for certain types of transaction of fundamental importance. At regular intervals, the Board of Management reports to the Supervisory Board on corporate strategy, corporate planning, profitability, business development and the situation of the Group, as well as on the internal control system, the risk management system and compliance. Further information on compliance is provided in the Integrity and Compliance chapter on pages 167 and 168 of this Annual Report.

When making appointments to executive positions at the Group, the Board of Management gives due consideration to the issue of **diversity**, with regard for example to the criteria of age, internationality and gender. Diversity-management activities include diversity workshops, the development of internal networks, external cooperation with educational facilities, and membership of selected initiatives. A key area of action is the targeted promotion of women, by means for example of flexible working-time arrangements, setting up day nurseries close to workplaces, and a special mentoring program for women, The proportion of women in executive positions is to increase from the present significantly more than 10% to 20% by the year 2020.

The Board of Management has also given itself a set of rules of procedure, which can be seen on our website at www.daimler. com/dai/rop. Those rules describe for example the procedure to be observed when passing resolutions and ways to avoid conflicts of interest.

Information on the **remuneration** of the Board of Management including the performance phantom share plan and on the remuneration of the Supervisory Board is provided on pages 161 ff of this Annual Report.

Shares held by the Board of Management and the Supervisory Board, directors' dealings

At December 31, 2011, the members of the Board of Management held a total of 0.8 million shares or options of Daimler AG (0.076% of the shares issued). At the same date, members of the Supervisory Board held a total of 0.1 million shares or options of Daimler AG (0.006% of the shares issued).

In 2011, members of the Board of Management and the Supervisory Board and, pursuant to the provisions of Section 15a of the German Securities Trading Act (WpHG), persons in a close relationship with the aforementioned persons, conducted transactions with shares of Daimler AG or related financial instruments as listed in the table below. ↗ 6.06 Daimler AG discloses these transactions without delay after receiving notification of them. This information is also available on our website at www.daimler.com/dai/dd/en.

Risk management, financial reporting and transparency

Risk management at the Group. Daimler has a risk management system commensurate with its size and position as a company with global operations (see pages 113 ff). The risk management system is one component of the overall planning, controlling and reporting process. Its goal is to enable the Company's management to recognize significant risks at an early stage and to initiate appropriate countermeasures in a timely manner. The Supervisory Board deals with the risk management system in particular with regard to the approval of the operational planning. The Audit Committee discusses at least once a year the effectiveness, functionality and appropriateness of the risk management system with the Board of Management and the external auditors. In addition, the Audit Committee deals with the risk report once each quarter. The Chairman of the Supervisory Board has regular contacts with the Board of Management to discuss not only the Group's strategy and business development, but also the issue of risk management. The Corporate Audit department monitors adherence to the legal framework and Group standards by means of targeted audits and initiates appropriate actions as required.

6.06

Directors' dealings (pursuant to Section 15a of the German Securities Trading Act (WpHG)) in the year 2011

Date	Name	Function	Type and place of transaction	Number	Price	Total volume
Aug. 10, 2011	Dr. Bernhard Walter	Member of the Supervisory Board	Acquisition of shares, Frankfurt	3,800	€39.30	€149,340
Sept. 23, 2011	Stefan Hambrecht	Natural person closely related to a member of the Supervisory Board	Acquisition of shares, Frankfurt	200	€31.50	€6,300

Accounting principles. The consolidated financial statements of the Daimler Group are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, and with the supplementary standards to be applied according to Section 315a Subsection 1 of the German Commercial Code (HGB). Details of the IFRS are provided in this Annual Report in the Notes to the Consolidated Financial Statements (see Note 1). The annual financial statements of Daimler AG, which is the parent company, are prepared in accordance with the accounting standards of the German Commercial Code (HGB). Both sets of financial statements are audited by a firm of accountants elected by the Annual Shareholders' Meeting to conduct the external audit.

Interim reports for the Daimler Group are prepared in accordance with IFRS for interim reporting, as adopted by the European Union, and according to IFRS as promulgated by the International Accounting Standards Board (IASB) for interim reporting, as well as, with regard to the interim management report, the applicable provisions of the German Securities Trading Act (WpHG). Interim financial reports are reviewed by the external auditors elected by the Annual Shareholders' Meeting.

Transparency. We maintain close contacts with our shareholders in the context of comprehensive investor relations activities. We regularly inform our shareholders, financial analysts, shareholder associations, the media and the interested public about the situation of the Group and any significant changes in its business (see page 27).

All of the important information published in the 2011 financial year can be found on our website at www.daimler.com/ir/annualdoc11. Presentations from analyst and investor events and conference calls as well as audio recordings are also available there.

Fair disclosure. All new facts that are communicated to financial analysts and institutional investors are simultaneously made available also to all shareholders and the interested public. If any information is made public outside Germany as a result of regulations governing capital markets in the respective countries, we also make this information available without delay in Germany. In order to ensure that information is provided quickly, Daimler makes use of the Internet and other methods of communication. Information is published in English as well as in German.

Financial calendar. All the dates of important disclosures such as annual reports and interim reports and the date of the Annual Shareholders' Meeting are announced in advance in a financial calendar. The financial calendar can be seen inside the rear cover of this annual report and on our website at www.daimler.com/ir/calendar.

Integrity

Integrity Code. The Integrity Code is a set of guidelines for behavior which has been in effect since 1999 and was last revised in 2011. It defines a binding framework for the actions of all our employees worldwide and is regularly referred to. Among other things, the guidelines define personal behavior in business and in any cases of conflicts of interest, questions of equal treatment, the requirements of internal control systems and the duty to comply with applicable law, as well as other internal and external regulations. The Principles of Social Responsibility are also a component of the Integrity Code. In those principles, Daimler AG expresses its commitment to the ten principles of the Global Compact initiative of the United Nations. Daimler's management and its worldwide employee representatives have also agreed on principles of social responsibility for the Daimler Group with worldwide validity. We expect all of our employees to adhere strictly to the provisions of the Integrity Code. The full text of the Integrity Code is available on our website at www.daimler.com/dai/guidelines.

Code of Ethics. In July 2003, we introduced our Code of Ethics, which was amended in the year 2007 with the consent of the Supervisory Board. This code addresses the members of the Board of Management and persons with special responsibility for the contents of financial disclosure. The provisions of the code aim to prevent mistakes by the persons addressed and to promote ethical behavior and the complete, appropriate, accurate, timely and clear disclosure of information on the Group. The wording of the Code of Ethics can be seen on our website at www.daimler.com/dai/guidelines.

Declaration of Compliance with the German Corporate Governance Code

The Board of Management and Supervisory Board of Daimler AG declare that the recommendations of the German Corporate Governance Code Commission in the Code version dated May 26, 2010, published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette on July 2, 2010, have been and are being applied since the last declaration of compliance from May 2011, with the exceptions presented below.

1. D&O insurance deductible for the Supervisory Board (Clause 3.8, Paragraph 3). Daimler AG's Directors' & Officers' liability insurance (D&O insurance) also applies to the members of the Supervisory Board. Insurance coverage does not exist for intentional acts and omissions or for intentional breaches of duty. For negligent breaches of duty Supervisory Board members have a 50% deductible on the respective annual remuneration.

Since the compensation structure of the Supervisory Board is limited to fixed remuneration without performance bonus components, setting a deductible for Supervisory Board members in the amount of 1.5 times the fixed annual remuneration would have a disproportionate economic impact compared with the members of the Board of Management, whose compensation consists of fixed and performance bonus components. Therefore, the Supervisory Board has stipulated a deductible for its members in the amount of 50% of the respective annual remuneration, which exceeds the statutory deductible for the members of the Board of Management relative to the total remuneration.

2. Compensation of Members of the Supervisory Board (Clause 5.4.6, Paragraph 2, Sentence 1). The members of the Daimler AG Supervisory Board receive suitable remuneration, which includes fixed and function-based components, as well as attendance fees. A base annual fee is set for each member in the Articles of Incorporation, with corresponding increases for the Chair or Deputy Chair of the Supervisory Board and in the case of committee membership, and special consideration to the Chair in the Audit Committee in accordance with the respective area of responsibility. In our view a function-based remuneration system is also more appropriate for the supervisory role of the Supervisory Board members than a performance-based compensation since it eliminates possible conflicts of interest arising from decisions of the Supervisory Board that could influence performance criteria. Therefore, there is no performance-based compensation.

Stuttgart, December 2011

The Supervisory Board | The Board of Management

Consolidated Financial Statements

The Consolidated Financial Statements presented as follows have been prepared in accordance with the International Financial Reporting Standards (IFRS). They also include additional requirements set forth in Section 315a (1) of the German Commercial Code (HGB).

7 | Consolidated Financial Statements

Consolidated Statement of Income

7.01

	Note	Consolidated 2011	Consolidated 2010	Industrial Business (unaudited additional information) 2011	Industrial Business (unaudited additional information) 2010	Daimler Financial Services (unaudited additional information) 2011	Daimler Financial Services (unaudited additional information) 2010
		Year ended December 31,		Year ended December 31,		Year ended December 31,	
In millions of euros							
Revenue	4	106,540	97,761	94,460	84,973	12,080	12,788
Cost of sales	5	-81,023	-74,988	-71,152	-63,912	-9,871	-11,076
Gross profit		25,517	22,773	23,308	21,061	2,209	1,712
Selling expenses	5	-9,824	-8,861	-9,502	-8,517	-322	-344
General administrative expenses	5	-3,855	-3,474	-3,301	-2,951	-554	-523
Research and non-capitalized development costs	5	-4,174	-3,476	-4,174	-3,476	–	–
Other operating income	6	1,381	971	1,313	879	68	92
Other operating expense	6	-355	-660	-325	-569	-30	-91
Share of profit/loss from investments accounted for using the equity method, net	13	273	-148	286	-141	-13	-7
Other financial income/expense, net	7	-208	149	-162	157	-46	-8
Earnings before interest and taxes (EBIT) [1]		8,755	7,274	7,443	6,443	1,312	831
Interest income	8	955	825	951	821	4	4
Interest expense	8	-1,261	-1,471	-1,248	-1,457	-13	-14
Profit before income taxes		8,449	6,628	7,146	5,807	1,303	821
Income taxes	9	-2,420	-1,954	-1,929	-1,681	-491	-273
Net profit		6,029	4,674	5,217	4,126	812	548
Thereof profit attributable to non-controlling interest		362	176				
Thereof profit attributable to shareholders of Daimler AG		5,667	4,498				
Earnings per share (in €) for profit attributable to shareholders of Daimler AG	34						
Basic		5.32	4.28				
Diluted		5.31	4.28				

1 EBIT includes expenses from compounding of provisions and effects of changes in discount rates (2011: minus €225 million; 2010: minus €240 million).

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income/Loss [1]

7.02

	Consolidated	
	2011	2010
In millions of euros		
Net profit	**6,029**	4,674
Unrealized gains from currency translation adjustments	**153**	1,200
Unrealized losses from financial assets available for sale	**-78**	-121
Unrealized losses from derivative financial instruments	**-435**	-484
Unrealized losses from investments accounted for using the equity method	**-27**	-449
Other comprehensive income/loss, net of taxes	**-387**	146
Thereof income/loss attributable to non-controlling interest	**36**	-86
Thereof income/loss attributable to shareholders of Daimler AG	**-423**	232
Total comprehensive income	**5,642**	4,820
Thereof income attributable to non-controlling interest	**398**	90
Thereof income attributable to shareholders of Daimler AG	**5,244**	4,730

1 For other information regarding comprehensive income/loss, see Note 20.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

7.03

		Consolidated		Industrial Business (unaudited additional information)		Daimler Financial Services (unaudited additional information)	
		At December 31,		At December 31,		At December 31,	
	Note	**2011**	2010	**2011**	2010	**2011**	2010
In millions of euros							
Assets							
Intangible assets	10	**8,259**	7,504	**8,200**	7,450	**59**	54
Property, plant and equipment	11	**19,180**	17,593	**19,129**	17,544	**51**	49
Equipment on operating leases	12	**22,811**	19,925	**10,849**	9,611	**11,962**	10,314
Investments accounted for using the equity method	13	**4,661**	3,960	**4,631**	3,917	**30**	43
Receivables from financial services	14	**25,007**	22,864	**-32**	-45	**25,039**	22,909
Marketable debt securities	15	**947**	766	**14**	15	**933**	751
Other financial assets	16	**2,957**	3,194	**-367**	2,015	**3,324**	1,179
Deferred tax assets	9	**2,772**	2,613	**2,244**	2,108	**528**	505
Other assets	17	**420**	408	**-1,637**	214	**2,057**	194
Total non-current assets		**87,014**	78,827	**43,031**	42,829	**43,983**	35,998
Inventories	18	**17,081**	14,544	**16,575**	14,056	**506**	488
Trade receivables	19	**7,849**	7,192	**7,580**	6,964	**269**	228
Receivables from financial services	14	**20,560**	18,166	**-52**	-51	**20,612**	18,217
Cash and cash equivalents		**9,576**	10,903	**8,908**	9,535	**668**	1,368
Marketable debt securities	15	**1,334**	1,330	**1,157**	1,243	**177**	87
Other financial assets	16	**2,007**	2,247	**-5,120**	-5,282	**7,127**	7,529
Other assets	17	**2,711**	2,621	**429**	-1,335	**2,282**	3,956
Total current assets		**61,118**	57,003	**29,477**	25,130	**31,641**	31,873
Total assets		**148,132**	135,830	**72,508**	67,959	**75,624**	67,871
Equity and liabilities							
Share capital		**3,060**	3,058				
Capital reserve		**11,895**	11,905				
Retained earnings		**24,228**	20,553				
Other reserves		**441**	864				
Treasury shares		**–**	-7				
Equity attributable to shareholders of Daimler AG		**39,624**	36,373				
Non-controlling interest		**1,713**	1,580				
Total equity	20	**41,337**	37,953	**35,964**	33,088	**5,373**	4,865
Provisions for pensions and similar obligations	22	**3,184**	4,329	**2,985**	4,141	**199**	188
Provisions for income taxes		**2,498**	2,539	**2,496**	2,537	**2**	2
Provisions for other risks	23	**5,626**	5,548	**5,494**	5,367	**132**	181
Financing liabilities	24	**35,466**	27,861	**10,250**	3,480	**25,216**	24,381
Other financial liabilities	25	**1,911**	1,883	**1,840**	1,824	**71**	59
Deferred tax liabilities	9	**1,081**	675	**-920**	-1,813	**2,001**	2,488
Deferred income		**2,118**	1,824	**1,675**	1,481	**443**	343
Other liabilities	26	**56**	79	**50**	74	**6**	5
Total non-current liabilities		**51,940**	44,738	**23,870**	17,091	**28,070**	27,647
Trade payables		**9,515**	7,657	**9,233**	7,429	**282**	228
Provisions for income taxes		**1,030**	1,229	**921**	382	**109**	847
Provisions for other risks	23	**6,799**	6,992	**6,473**	6,711	**326**	281
Financing liabilities	24	**26,701**	25,821	**-12,525**	-4,838	**39,226**	30,659
Other financial liabilities	25	**7,782**	8,626	**6,276**	6,058	**1,506**	2,568
Deferred income		**1,548**	1,269	**1,064**	766	**484**	503
Other liabilities	26	**1,480**	1,545	**1,232**	1,272	**248**	273
Total current liabilities		**54,855**	53,139	**12,674**	17,780	**42,181**	35,359
Total equity and liabilities		**148,132**	135,830	**72,508**	67,959	**75,624**	67,871

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity [1]

7.04

				Other reserves							
	Share capital	Capital reserves	Retained earnings	Currency translation adjustment	Financial assets available-for-sale	Derivative financial instruments	Share of investments accounted for using the equity method	Treasury shares	Equity attributable to share-holders of Daimler AG	Non-controlling interest	Total equity
In millions of euros											
Balance at January 1, 2010	3,045	11,864	16,163	-213	270	268	307	-1,443	30,261	1,566	31,827
Net profit	–	–	4,498	–	–	–	–	–	4,498	176	4,674
Unrealized gains/losses	–	–	–	1,152	-128	-696	-461	–	-133	-148	-281
Deferred taxes on unrealized gains/losses	–	–	–	–	7	212	146	–	365	62	427
Total comprehensive income/loss	–	–	4,498	1,152	-121	-484	-315	–	4,730	90	4,820
Dividends	–	–	–	–	–	–	–	–	–	-93	-93
Share-based payment	–	4	–	–	–	–	–	–	4	–	4
Capital increase/Issue of new shares	13	156	–	–	–	–	–	–	169	5	174
Acquisition of treasury shares	–	–	–	–	–	–	–	-54	-54	–	-54
Issue and disposal of treasury shares	–	-110	-108	–	–	–	–	1,490	1,272	–	1,272
Other	–	-9	–	–	–	–	–	–	-9	12	3
Balance at December 31, 2010	3,058	11,905	20,553	939	149	-216	-8	-7	36,373	1,580	37,953
Net profit	–	–	**5,667**	–	–	–	–	–	**5,667**	**362**	**6,029**
Unrealized gains/losses	–	–	–	**110**	**-75**	**-608**	**-45**	–	**-618**	**26**	**-592**
Deferred taxes on unrealized gains/losses	–	–	–	–	**-3**	**173**	**25**	–	**195**	**10**	**205**
Total comprehensive income/loss	–	–	**5,667**	**110**	**-78**	**-435**	**-20**	–	**5,244**	**398**	**5,642**
Dividends	–	–	**-1,971**	–	–	–	–	–	**-1,971**	**-278**	**-2,249**
Share-based payment	–	**-4**	–	–	–	–	–	–	**-4**		**-4**
Capital increase/Issue of new shares	**2**	**25**	–	–	–	–	–	–	**27**	**16**	**43**
Acquisition of treasury shares	–	–	–	–	–	–	–	**-28**	**-28**	–	**-28**
Issue and disposal of treasury shares	–	–	**-21**	–	–	–	–	**35**	**14**	–	**14**
Other	–	**-31**	–	–	–	–	–	–	**-31**	**-3**	**-34**
Balance at December 31, 2011	**3,060**	**11,895**	**24,228**	**1,049**	**71**	**-651**	**-28**	–	**39,624**	**1,713**	**41,337**

1 For other information regarding changes in equity, see Note 20.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows [1]

7.05

	Consolidated		Industrial Business (unaudited additional information)		Daimler Financial Services (unaudited additional information)	
	2011	2010	2011	2010	2011	2010
In millions of euros						
Profit before income taxes	8,449	6,628	7,146	5,807	1,303	821
Depreciation and amortization	3,575	3,364	3,553	3,335	22	29
Other non-cash expense and income	-122	181	-184	152	62	29
Gains (-)/losses on disposals of assets	-102	-366	-113	-367	11	1
Change in operating assets and liabilities						
Inventories	-2,328	-955	-2,350	-1,018	22	63
Trade receivables	-620	-1,493	-570	-1,499	-50	6
Trade payables	1,762	1,778	1,705	1,763	57	15
Receivables from financial services	-4,526	-823	555	103	-5,081	-926
Vehicles on operating leases	-2,874	-571	-390	39	-2,484	-610
Other operating assets and liabilities	-1,093	1,990	-1,102	1,802	9	188
Income taxes paid	-2,817	-1,189	-904	-51	-1,913	-1,138
Cash provided by/used for operating activities	-696	8,544	7,346	10,066	-8,042	-1,522
Additions to property, plant and equipment	-4,158	-3,653	-4,137	-3,641	-21	-12
Additions to intangible assets	-1,718	-1,555	-1,702	-1,548	-16	-7
Proceeds from disposals of property, plant and equipment and intangible assets	252	329	244	320	8	9
Investments in share property	-899	-163	-899	-163	–	–
Proceeds from disposals of share property	203	365	201	362	2	3
Acquisition of marketable debt securities	-5,478	-11,710	-4,711	-11,710	-767	–
Proceeds from sales of marketable debt securities	5,241	16,035	4,747	15,603	494	432
Other	20	39	-6	36	26	3
Cash provided by/used for investing activities	-6,537	-313	-6,263	-741	-274	428
Change in short-term financing liabilities	2,589	-28	-235	203	2,824	-231
Additions to long-term financing liabilities	26,037	13,828	6,464	-4,484	19,573	18,312
Repayment of long-term financing liabilities	-20,560	-21,482	-7,069	-2,474	-13,491	-19,008
Dividend paid to shareholders of Daimler AG	-1,971	–	-1,971	–	–	–
Dividends paid to non-controlling interests	-278	-93	-270	-86	-8	-7
Proceeds from issuance of share capital	71	278	64	278	7	–
Acquisition of treasury shares	-28	-54	-28	-54	–	–
Acquisition of non-controlling interests in subsidiaries	-18	–	-18	–	–	–
Internal equity transactions	–	–	1,278	-286	-1,278	286
Cash provided by/used for financing activities	5,842	-7,551	-1,785	-6,903	7,627	-648
Effect of foreign exchange rate changes on cash and cash equivalents	64	423	75	378	-11	45
Net increase/decrease in cash and cash equivalents	-1,327	1,103	-627	2,800	-700	-1,697
Cash and cash equivalents at the beginning of the period	10,903	9,800	9,535	6,735	1,368	3,065
Cash and cash equivalents at the end of the period	9,576	10,903	8,908	9,535	668	1,368

1 For other information regarding consolidated statements of cash flows, see Note 27.

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Significant accounting policies

General information

The consolidated financial statements of Daimler AG and its subsidiaries (“Daimler” or “the Group”) have been prepared in accordance with Section 315a of the German Commercial Code (HGB) and International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union.

Daimler AG is a stock corporation organized under the laws of the Federal Republic of Germany. The company is entered in the Commercial Register of the Stuttgart District Court under No. HRB 19360 and its registered office is located at Mercedesstraße 137, 70327 Stuttgart, Germany.

The consolidated financial statements of Daimler AG are presented in euros (€). Unless otherwise stated, all amounts are stated in millions of euros. All figures shown are rounded in accordance with standard business rounding principles.

The Board of Management authorized the consolidated financial statements for publication on February 20, 2012.

Basis of preparation

Applied IFRSs. The accounting policies applied in the consolidated financial statements comply with the IFRSs required to be applied as of December 31, 2011. Initial application of accounting policies in 2011 did not result in any material effects on the consolidated financial statements.

IFRSs issued but neither EU endorsed nor yet adopted. In November 2009, the IASB published IFRS 9 Financial Instruments as part of its project of a revision of the accounting guidance for financial instruments. Requirements for financial liabilities were added to IFRS 9 in October 2010. The requirements for financial liabilities were carried forward unchanged from IAS 39, with the exception of certain changes to the fair value option for financial liabilities that address the consideration of own credit risk. The new standard provides guidance on the accounting of financial assets and financial liabilities as far as classification and measurement are concerned. The standard will be effective for annual periods beginning on or after January 1, 2015. Earlier application is permitted.

In May 2011, the IASB issued three new standards that provide guidance with respect to accounting for investments of the reporting entity in other entities. IFRS 10 Consolidated Financial Statements establishes a single consolidation model based on control that applies to all entities irrespective of the type of controlled entity. IFRS 11 Joint Arrangements provides new guidance on accounting for joint arrangements. In the future, it has to be decided whether a joint operation or a joint venture exists. IFRS 10 and 11 are to be applied on a retrospective basis in financial statements for annual periods beginning on or after January 1, 2013. Earlier application is permitted. IFRS 12 Disclosure of Interests in Other Entities provides guidance on disclosure requirements for interests in other entities by combining existing disclosure requirements from several standards in one comprehensive disclosure standard. IFRS 12 is to be applied on a prospective basis in financial statements for annual periods beginning on or after January 1, 2013. Earlier application is permitted. In May 2011, the IASB also published IFRS 13 Fair Value Measurement. The new standard replaces the fair value measurement rules contained in individual IFRSs and combines them in one standard for a single source of fair value measurement guidance. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

Daimler is currently in the process of determining the effects of these new standards on the Group's consolidated financial statements.

In June 2011, the IASB issued an amendment to IAS 19 Employee Benefits. The amendment removes the corridor method. Actuarial gains and losses have to be recognized exclusively in other comprehensive income/loss. In addition, expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amended standard generally has to be applied retrospectively with a few exceptions in financial statements for annual periods beginning on or after January 1, 2013. Earlier application is permitted. Daimler is currently in the process of determining the effects of the new IAS 19. A major effect will be the one-time offset of net actuarial losses, which were not recognized in the statement of financial position up to now, with total equity. As a result of this offset, group equity will decrease in the amount of €4.3 billion.

Other IFRSs issued but not required to be adopted are not expected to have a significant influence on the Group's financial position, cash flows or earnings.

Presentation. Presentation in the statement of financial position differentiates between current and non-current assets and liabilities. Assets and liabilities are classified as current if they mature within one year or within a longer operating cycle. Deferred tax assets and liabilities as well as assets and provisions for pensions and similar obligations are generally presented as non-current items.

The consolidated statement of income is presented using the cost-of-sales method.

Commercial practices with respect to certain products manufactured by the Group necessitate that sales financing, including leasing alternatives, be made available to the Group's customers. Accordingly, the Group's consolidated financial statements are significantly influenced by the activities of its financial services business.

To enhance readers' understanding of the Group's consolidated financial statements, unaudited information with respect to the results of operations and financial position of the Group's industrial and financial services business activities is provided in addition to the audited consolidated financial statements. Such information, however, is not required by IFRS and is not intended to, and does not represent the separate IFRS results of operations and financial position of the Group's industrial or financial services business activities. Eliminations of the effects of transactions between the industrial and financial services businesses have generally been allocated to the industrial business columns.

To increase the transparency of the consolidated statement of cash flows, the Group separately discloses the cash flows from income taxes in the cash flow provided by/used for operating activities. Therefore the cash flow provided by/used for operating activities is derived from profit before income taxes instead of net profit. Prior-year presentation has been modified accordingly. Furthermore, prior-year amounts of the items "Other non-cash expense and income" and "Other operating assets and liabilities" have been adjusted for effects related to income taxes from €434 million to €181 million and from €2,502 million to €1,990 million respectively.

Measurement. The consolidated financial statements have been prepared on the historical cost basis with the exception of certain items such as available-for-sale financial assets, derivative financial instruments, hedged items and pensions and similar obligations. The measurement models applied to those exceptions are described below.

Principles of consolidation. The consolidated financial statements include the financial statements of Daimler AG and, in general, the financial statements of Daimler AG's subsidiaries, including special purpose entities which are directly or indirectly controlled by Daimler AG. Control means the power, directly or indirectly, to govern the financial and operating policies of an entity so that the Group obtains benefits from its activities.

The financial statements of consolidated subsidiaries are generally prepared as of the reporting date of the consolidated financial statements, except for Mitsubishi Fuso Truck and Bus Corporation (MFTBC), a significant subgroup which is consolidated with a one-month time lag. Adjustments are made for significant events or transactions that occur during the time lag.

The financial statements of Daimler AG and its subsidiaries included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to consolidated subsidiaries and consolidated special purpose entities have been eliminated.

Subsidiaries, whose business is non-active or of low volume and that are not material for the Group and the fair presentation of financial position, liquidity and capital resources, and profitability are generally not consolidated. The aggregate balance sheet totals of these subsidiaries amount to approximately 1% of the Group's balance sheet total; the aggregate revenues and the aggregate profit/loss before income taxes amount to approximately 1% of Group revenue and profit before income taxes.

Equity investments in which Daimler has the ability to exercise significant influence over the financial and operating policies of the investee (associated companies) and entities over whose activities Daimler has joint control with a partner (joint ventures) are generally included in the consolidated financial statements using the equity method.

Table ↗7.06 shows the composition of the Group.

Business combinations are accounted for using the purchase method.

Changes in equity interests in Group subsidiaries that reduce or increase Daimler's percentage ownership without loss of control are accounted for as an equity transaction between owners.

As an additional funding source, Daimler transfers finance receivables, in particular receivables from the leasing and automotive business, to special purpose entities. Daimler thereby principally retains significant risks of the transferred receivables. According to IAS 27 Consolidated and Separate Financial Statements and the Standing Interpretations Committee (SIC) Interpretation 12 Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by the transferor. The transferred financial assets remain in Daimler's consolidated statement of financial position.

Investments in associated companies and joint ventures. Associated companies and joint ventures are generally accounted for using the equity method.

At the acquisition date, the excess of the cost of Daimler's initial investment in an associate or joint venture and the share of the net fair value of the associate's or joint venture's identifiable assets and liabilities is recognized as investor level goodwill and is included in the carrying amount of the investment accounted for using the equity method. Step acquisitions, through which significant influence or joint control is obtained for the first time, are generally accounted for in accordance with IFRS 3 Business Combinations, which means the previously held equity interest is remeasured at its acquisition-date fair value; resulting gains and losses are recognized in profit or loss. In case an additional ownership interest in an existing associated company is acquired while significant influence is still maintained, goodwill is calculated only to the incremental interest acquired. The pre-existing investment is not measured anew at fair value.

Daimler assesses at each reporting date whether objective evidence of impairment is present with regard to its investments in associated companies and joint ventures. If such indication exists, the Group determines the impairment. If the carrying amount exceeds the recoverable amount of an investment, the carrying amount is reduced to the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss or the reversal of such a loss is recognized in the statement of income in the line item "Share of profit/loss from investments accounted for using the equity method, net." Income and expenses from the sale of investments accounted for using the equity method are shown in the same line item.

7.06

Composition of the Group

	2011	2010
Consolidated subsidiaries		
Germany	74	72
International	286	276
Subsidiaries accounted for at cost		
Germany	46	47
International	80	86
Subsidiaries accounted for using the equity method		
Germany	1	1
International	4	5
Associated companies and joint ventures		
Germany	20	23
International	46	50
	557	560

Profits from transactions with associated companies and joint ventures are eliminated by reducing the carrying amount of the investment.

Daimler's share of any dilution gains and losses resulting from capital increases by its investees accounted for using the equity method in which the Group or other shareholders do not participate are recognized in share of profit/loss from investments accounted for using the equity method, net.

For the investments in the European Aeronautic Defence and Space Company EADS N.V. (EADS) and Kamaz OAO (Kamaz), the Group's proportionate share of the results of operations is included in Daimler's consolidated financial statements with a three-month time lag because the financial statements of those associated companies are not made available to Daimler in good time. Adjustments are made for all significant events or transactions that occur during the time lag (see also Note 13).

7.07

Exchange rates of the US dollar

	2011	2010
	€1 =	€1 =
Average exchange rate on December 31	1.2939	1.3362
Average exchange rates		
First quarter	1.3680	1.3829
Second quarter	1.4391	1.2709
Third quarter	1.4127	1.2910
Fourth quarter	1.3482	1.3590

Foreign currency translation. Transactions in foreign currency are translated at the relevant foreign exchange rates prevailing at the transaction date. In subsequent periods, assets and liabilities denominated in foreign currency are translated into euros using period-end exchange rates; gains and losses from this measurement are recognized in profit and loss (except for gains and losses resulting from the translation of available-for-sale equity instruments which are recognized in other comprehensive income/loss).

Assets and liabilities of foreign companies for which the functional currency is not the euro are translated into euros using period-end exchange rates. The translation adjustments are presented in other comprehensive income/loss. The components of equity are translated using historical rates. The consolidated statements of income and cash flows are translated into euros using average exchange rates during the respective periods.

The exchange rates of the US dollar, the most significant foreign currency for Daimler, were as shown in table ↗ 7.07.

Accounting policies

Revenue recognition. Revenue from sales of vehicles, service parts and other related products is recognized when the risks and rewards of ownership of the goods are transferred to the customer, the amount of revenue can be estimated reliably and collectability is reasonably assured. Revenue is recognized net of sales reductions such as cash discounts and sales incentives granted.

Daimler uses sales incentives in response to a number of market and product factors, including pricing actions and incentives offered by competitors, the amount of excess industry production capacity, the intensity of market competition, and consumer demand for the product. The Group may offer a variety of sales incentive programs at any point in time, including cash offers to dealers and consumers, lease subsidies which reduce the consumers' monthly lease payment, or reduced financing rate programs offered to costumers.

Revenue from receivables from financial services is recognized using the effective interest method. When loans are issued below market rates, related receivables are recognized at present value and revenue is reduced for the interest incentive granted. If subsidized leasing fees are agreed upon in connection with finance leases, revenue from the sale of a vehicle is reduced by the amount of the interest incentive granted.

The Group offers an extended, separately priced warranty for certain products. Revenue from these contracts is deferred and recognized into income over the contract period in proportion to the costs expected to be incurred based on historical information. In circumstances in which there is insufficient historical information, income from extended warranty contracts is recognized on a straight-line basis. A loss on these contracts is recognized in the current period if the sum of the expected costs for services under the contract exceeds unearned revenue.

For transactions with multiple deliverables, such as when vehicles are sold with free or reduced-in-price service programs, the Group allocates revenue to the various elements based on their estimated fair values.

Sales in which the Group guarantees the minimum resale value of the product, such as sales to certain rental car companies, are accounted for similar to an operating lease. The guarantee of the resale value may take the form of an obligation by Daimler to pay any deficiency between the proceeds the customer receives upon resale and the guaranteed amount, or an obligation to reacquire the vehicle after a certain period of time at a set price. Gains or losses from the resale of these vehicles are included in gross profit.

Revenue from operating leases is recognized on a straight-line basis over the lease term. Among the assets subject to operating leases are Group products which are purchased by Daimler Financial Services from independent third-party dealers and leased to customers. After revenue recognition from the sale of the vehicles to independent third-party dealers, these vehicles create further revenue from leasing and remarketing as a result of lease contracts entered into. The Group estimates that the revenue recognized following the sale of vehicles to dealers equals approximately the additions to leased assets at Daimler Financial Services. Additions to leased assets at Daimler Financial Services were approximately €6 billion in 2011 (2010: approximately €5 billion).

Research and non-capitalized development costs. Expenditure for research and development that does not meet the conditions for capitalization according to IAS 38 Intangible Assets is expensed as incurred.

Borrowing costs. Borrowing costs are expensed as incurred unless they are directly attributable to the acquisition, construction or production of a qualifying asset and are therefore part of the cost of that asset.

Government grants. Government grants related to assets are deducted from the carrying amount of the asset and are recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense. Government grants which compensate the Group for expenses are recognized as other financial income in the same periods as the expenses themselves.

Interest income and interest expense. Interest income and interest expense includes interest income from investments in securities, cash and cash equivalents as well as interest expense from liabilities. Furthermore, interest and changes in fair values related to interest rate hedging activities as well as income and expense resulting from the allocation of premiums and discounts are included. The interest components of pensions and similar obligations are also presented in this line item.

An exception to the aforementioned principles is made for Daimler Financial Services. In this case, the interest income and expense and the result from derivative financial instruments are disclosed under revenue and cost of sales respectively.

Other financial income/expense, net. Other financial income/expense, net includes all income and expense from financial transactions which are not included in interest income and/or interest expense, and for Daimler Financial Services are not included in revenue and/or cost of sales. For example, expense from the compounding of interest on provisions for other risks is recorded in this line item.

Income taxes. Current income taxes are determined based on the respective local taxable income of the period and local tax rules. In addition, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest expense and penalties on the underpayment of taxes. Changes in deferred tax assets and liabilities are included in income taxes except for changes recognized in other comprehensive income/loss or directly in equity.

Deferred tax assets or liabilities are determined based on temporary differences between financial reporting and the tax basis of assets and liabilities including differences from consolidation, loss carryforwards and tax credits. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences. Daimler recognizes a valuation allowance for deferred tax assets when it is unlikely that a corresponding amount of future taxable profit will be available.

Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Earnings per share. Basic earnings per share are calculated by dividing profit attributable to shareholders of Daimler AG by the weighted average number of shares outstanding. Diluted earnings per share additionally reflect the potential dilution that would occur if all stock option plans were exercised.

Goodwill. For acquisitions, goodwill represents the excess of the consideration transferred over the fair values assigned to the separately identifiable assets acquired and liabilities assumed. Goodwill is accounted for at the subsidiaries in the functional currency of those subsidiaries.

In connection with obtaining control, non-controlling interest in the acquiree is principally recognized at the proportionate share of the acquiree's identifiable assets, which are measured at fair value.

7.08

Useful lives of property, plant and equipment

Buildings and site improvements	10 to 50 years
Technical equipment and machinery	6 to 25 years
Other equipment, factory and office equipment	2 to 30 years

Other intangible assets. Intangible assets acquired are measured at cost less accumulated amortization. If necessary, accumulated impairment losses are recognized.

Intangible assets with indefinite lives are reviewed annually to determine whether indefinite-life assessment continues to be appropriate. If not, the change in the useful-life assessment from indefinite to finite is made on a prospective basis.

Intangible assets other than development costs with finite useful lives are generally amortized on a straight-line basis over their useful lives (3 to 10 years) and are tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period for intangible assets with finite useful lives is reviewed at least at each year-end. Changes in expected useful lives are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recorded in functional costs.

Development costs for vehicles and components are recognized if the conditions for capitalization according to IAS 38 are met. Subsequent to initial recognition, the asset is carried at cost less accumulated amortization and accumulated impairment losses. Capitalized development costs include all direct costs and allocable overheads and are amortized on a straight-line basis over the expected product life cycle (2 to 10 years). Amortization of capitalized development costs is an element of the manufacturing costs and is allocated to those vehicles and components by which they were generated and is included in cost of sales when the inventory (vehicles) is sold.

Property, plant and equipment. Property, plant and equipment are measured at acquisition or manufacturing costs less accumulated depreciation. If necessary, accumulated impairment losses are recognized.

The costs of internally produced equipment and facilities include all direct costs and allocable overheads. Acquisition or manufacturing costs include the estimated costs, if any, of dismantling and removing the item and restoring the site. Plant and equipment under finance leases are stated at the lower of present value of minimum lease payments or fair value less the respective accumulated depreciation and any accumulated impairment losses. Depreciation expense is recognized using the straight-line method. The residual value of the asset is considered. Property, plant and equipment are depreciated over the useful lives as shown in table ↗7.08.

Leasing. Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. The Group is a lessee of property, plant and equipment and a lessor of its products. It is evaluated on the basis of the risks and rewards of a leased asset whether the ownership of the leased asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Rent expense on operating leases by which the Group is lessee is recognized over the respective lease terms on a straight-line basis. Equipment on operating leases by which the Group is lessor is carried initially at its acquisition or manufacturing cost and is depreciated to its expected residual value over the contractual term of the lease, on a straight-line basis. The same accounting principles apply to assets if Daimler sells such assets and leases them back from the buyer.

Impairment of non-current non-financial assets. Daimler assesses at each reporting date whether there is an indication that an asset may be impaired. If such indication exists, Daimler estimates the recoverable amount of the asset. The recoverable amount is determined for each individual asset unless the asset generates cash inflows that are not largely independent of those from other assets or groups of assets (cash-generating units). In addition, goodwill and other intangible assets with indefinite useful lives are tested annually for impairment; this takes place at the level of the cash-generating units. If the carrying amount of an asset or of a cash-generating unit exceeds the recoverable amount, an impairment loss is recognized for the difference.

The recoverable amount is the higher of fair value less costs to sell and value in use. For cash generating units, Daimler determines the recoverable amount as fair value less costs to sell and compares it with the carrying amount (including goodwill). If no observable market prices exist, fair value is measured by discounting future cash flows using a risk-adjusted interest rate. Cash flows are estimated on the basis of multi-year planning. Periods not covered by the forecast are taken into account by recognizing a residual value (terminal value), which generally does not consider any growth rates. If fair value less costs to sell is lower than the carrying amount, value in use is additionally calculated to determine the recoverable amount.

An assessment for assets other than goodwill is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If this is the case, Daimler records a partial or an entire reversal of the impairment; the carrying amount is thereby increased to its recoverable amount. However, the increased carrying amount may not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized in prior years.

Non-current assets held for sale and disposal groups. The Group classifies non-current assets or disposal groups as held for sale if the conditions of IFRS 5 Non-current assets held for sale and discontinued operations are fulfilled. In this case, the assets or disposal groups are no longer depreciated but measured at the lower of carrying amount and fair value less costs to sell. If fair value less costs to sell subsequently increases, any impairment loss previously recognized is reversed, this reversal is restricted to the impairment loss previously recognized for the assets or disposal group concerned. The Group generally discloses these assets or disposal groups separately in the statement of financial position.

Inventories. Inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition. Costs for large numbers of inventories that are interchangeable are allocated under the average cost formula. In the case of manufactured inventories and work in progress, cost also includes production overheads based on normal capacity.

Financial instruments. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments in the form of financial assets and financial liabilities are generally presented separately. Financial instruments are recognized as soon as Daimler becomes a party to the contractual provisions of the financial instrument.

Upon initial recognition, financial instruments are measured at fair value. For the purpose of subsequent measurement, financial instruments are allocated to one of the categories mentioned in IAS 39 Financial Instruments: Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered by determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. If the transaction date and the settlement date (i.e. the date of delivery) differ, Daimler uses the transaction date for purposes of initial recognition or derecognition.

Financial assets. Financial assets primarily comprise receivables from financial services, trade receivables, receivables from banks, cash on hand, derivative financial assets and marketable securities and investments.

Financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss include those financial assets designated as held for trading.

Financial assets at fair value through profit or loss comprise derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting. Shares and marketable debt securities acquired for the purpose of selling in the near term are classified as held for trading. Gains or losses on financial assets held for trading are recognized in profit or loss.

Loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as receivables from financial services or trade receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the statement of income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Available-for-sale financial assets. Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or that are not classified in any of the preceding categories. This category includes equity instruments and debt instruments such as government bonds, corporate bonds and commercial paper.

After initial measurement, available-for-sale financial assets are measured at fair value, with unrealized gains or losses being recognized in other comprehensive income/loss. If objective evidence of impairment exists or if changes occur in the fair value of a debt instrument resulting from currency fluctuations, these changes are recognized in profit or loss. Upon disposal of financial assets, the accumulated gains and losses recognized in other comprehensive income/loss resulting from measurement at fair value are recognized in profit or loss. If a reliable estimate of the fair value of an unquoted equity instrument, such as an investment in a German limited liability company, cannot be made, this instrument is measured at cost (less any impairment losses). Interest earned on available-for-sale financial assets is generally reported as interest income using the effective interest method. Dividends are recognized in profit or loss when the right of payment has been established.

Cash and cash equivalents. Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks, as well as debt instruments and certificates of deposits with an original term of up to three months. Cash and cash equivalents correspond with the classification in the consolidated statement of cash flows.

Impairment of financial assets. At each reporting date, the carrying amounts of financial assets other than those to be measured at fair value through profit or loss are assessed to determine whether there is objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment. For quoted equity instruments, a significant or prolonged decline in fair value is additional objective evidence of possible impairment. Daimler has defined criteria for the significance and duration of a decline in fair value. A decline in fair value is deemed significant if it exceeds 20% of the carrying amount of the investment; a decline is deemed prolonged if the carrying amount exceeds the fair value for a period longer than nine months.

Loans and receivables. The amount of the impairment loss on loans and receivables is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be attributed objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

In most cases, an impairment loss on loans and receivables (e.g. receivables from financial services including finance lease receivables and trade receivables) is recorded using allowance accounts. The decision to account for credit risks using an allowance account or by directly reducing the receivable depends on the estimated probability of the loss of receivables. When receivables are assessed as uncollectible, the impaired asset is derecognized.

Available-for-sale financial assets. If an available-for-sale financial asset is impaired, the difference between its cost (net of any principal payment and amortization) and its current fair value (less any impairment loss previously recognized in the statement of income) is reclassified from other comprehensive income/loss to the statement of income. Reversals with respect to equity instruments classified as available for sale are recognized in other comprehensive income/loss. Reversals of impairment losses on debt instruments are reversed through the statement of income if the increase in fair value of the instrument can be objectively attributed to an event occurring after the impairment losses were recognized in the statement of income.

Financial liabilities. Financial liabilities primarily include trade payables, liabilities to banks, bonds, derivative financial liabilities and other liabilities.

Financial liabilities measured at amortized cost. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities at fair value through profit or loss. Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Derivatives, including embedded derivatives separated from the host contract which are not used as hedging instruments in hedge accounting, are classified as held for trading. Gains or losses on liabilities held for trading are recognized in profit or loss.

Derivative financial instruments and hedge accounting. Daimler uses derivative financial instruments mainly for the purpose of hedging interest rate and currency risks that arise from its operating and financing activities. To an increasing extent, the Group uses derivatives also to hedge raw material price risk.

Embedded derivatives are separated from the host contract, which is not measured at fair value through profit or loss, if an analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IAS 39 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as either a fair value hedge or a cash flow hedge. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is hedged. In a cash flow hedge, the variability of cash flows to be received or paid related to a recognized asset or liability or a highly probable forecast transaction is hedged. The documentation of the hedging relationship includes the objectives and strategy of risk management, the type of hedging relationship, the nature of risk being hedged, the identification of the hedging instrument and the hedged item, as well as a description of the method used to assess hedge effectiveness. The hedging transactions are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are regularly assessed to determine that they have actually been highly effective throughout the financial reporting periods for which they are designated.

Changes in the fair value of derivative financial instruments are recognized periodically in either profit or loss or other comprehensive income/loss, depending on whether the derivative is designated as a hedge of changes in fair value or cash flows. For fair value hedges, changes in the fair value of the hedged item and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument are recognized in other comprehensive income/loss. Amounts recognized in other comprehensive income/loss are reclassified to the statement of income when the hedged transaction affects the statement of income. The ineffective portions of fair value changes are recognized in profit or loss.

If derivative financial instruments do not or no longer qualify for hedge accounting because the qualifying criteria for hedge accounting are not or are no longer met, the derivative financial instruments are classified as held for trading.

Pensions and similar obligations. The measurement of defined benefit plans for pensions and other post-employment benefits (medical care) in accordance with IAS 19 Employee Benefits is based on the projected unit credit method. For the valuation of defined post-employment benefit plans, differences between actuarial assumptions used and actual developments and changes in actuarial assumptions result in actuarial gains and losses, which generally have to be amortized in future periods in accordance with the corridor approach. This approach requires partial amortization of actuarial gains and losses in the following year with an effect on earnings if the unrecognized gains and losses exceed 10% of the greater of (1) the present value of the defined post-employment benefit obligation or (2) the fair value of the plan assets. In such cases, the amount of amortization recognized in profit or loss by the Group is the resulting excess divided by the average remaining service period of active employees expected to receive benefits under the plan.

Plan assets invested to cover defined pension benefit obligations and other post-employment benefit obligations (medical care) are measured at fair value and offset against the corresponding obligations. Plan assets are recognized in the consolidated statement of income with their expected returns with an effect on earnings (see also Note 22).

Expenses resulting from the compounding of pension benefit obligations and other post-employment benefit obligations as well as the expected returns on plan assets are presented within interest expense and interest income. The amortization of unrecognized actuarial gains and losses is also included in these line items. Other expenses resulting from providing pension benefits and other post-employment benefits are allocated to the functional costs in the consolidated statement of income.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs.

Provisions for other risks and contingent liabilities. A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions with an original maturity of more than one year are discounted to the present value of the expenditures expected to settle the obligation at the end of the reporting period. Provisions are regularly reviewed and adjusted as further information becomes available or circumstances change.

The provision for expected warranty costs is recognized when a product is sold, upon lease inception, or when a new warranty program is initiated. Estimates for accrued warranty costs are primarily based on historical experience.

Daimler records the fair value of an asset retirement obligation from the period in which the obligation is incurred.

Restructuring provisions are set up in connection with programs that materially change the scope of business performed by a segment or business unit or the manner in which business is conducted. In most cases, restructuring expenses include termination benefits and compensation payments due to the termination of agreements with suppliers and dealers. Restructuring provisions are recognized when the Group has a detailed formal plan that has either commenced implementation or been announced.

Share-based payment. Share-based payment comprises cash-settled liability awards and equity-settled equity awards.

The fair value of equity awards is generally determined by using a modified Black-Scholes option pricing model at grant date and represents the total payment expense to be recognized during the service period with a corresponding increase in equity (paid-in capital).

Liability awards are measured at fair value at each balance sheet date until settlement and are classified as provisions. The expense of the period comprises the addition to and/or the reversal of the provision between two balance sheet dates and the dividend equivalent paid during the period, and is included in the functional costs.

Presentation in the consolidated statement of cash flows. Interest and taxes paid as well as interest and dividends received are classified as cash provided by/used for operating activities. Dividends paid are shown in cash provided by/used for financing activities.

2. Accounting estimates and assessments

In the consolidated financial statements, to a certain degree, estimates, assessments and assumptions have to be made which can affect the amounts and reporting of assets and liabilities, the reporting of contingent assets and liabilities on the balance sheet date and the amounts of income and expense reported for the period. The major items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

Recoverable amounts of cash-generating units and investments accounted for using the equity method. In the context of impairment tests for non-financial assets, estimates have to be made to determine the recoverable amounts of cash-generating units. Assumptions have to be made in particular with regard to future cash inflows and outflows for the planning period and the following periods. The estimates include assumptions regarding future market share and the growth of the respective markets as well as regarding the products' profitability. On the basis of the impairment tests carried out, the recoverable amounts are substantially larger than the net assets of the Group's cash-generating units.

When objective evidence of impairment is present, estimates and assessments also have to be made to determine the recoverable amount of an equity-method financial investment. The determination of the recoverable amount is based on assumptions regarding future business developments for the determination of the expected future cash flows of that financial investment. See Note 13 for the presentation of carrying values and fair values of equity-method financial investments in listed companies.

Equipment on operating leases. Daimler regularly reviews the factors determining the values of its leased vehicles. In particular, it is necessary to estimate the residual values of vehicles at the end of their leases, which constitute a substantial part of the expected future cash flows from leased assets. In this context, assumptions have to be made regarding the future supply of and demand for vehicles, as well as the development of vehicle prices.

Those assumptions are determined either by qualified estimates or by expertise provided by third parties; qualified estimates are based, as far as they are publicly available, on external data with consideration of internally available additional information such as historical experience of price developments and recent sale prices. The residual values thus determined serve as a basis for systematic depreciation; changes in residual values lead either to prospective adjustments to the systematic depreciation or, in the case of a significant drop in expected residual values, to impairment. If systematic depreciation is prospectively adjusted, changes in estimates of residual values do not have a direct effect but are equally distributed over the remaining periods of the lease contracts.

Collectability of receivables from financial services. The Group regularly estimates the risk of default on receivables from financial services. Many factors are taken into consideration in this context, including historical loss experience, the size and composition of certain portfolios, current economic events and conditions and the estimated fair values and adequacy of collateral. Changes in economic conditions can lead to changes in our customers' creditworthiness and to changes in used vehicle prices which would have a direct effect on the market values of the vehicles assigned as collateral. Changes to the estimation and assessment of these factors influence the allowance for credit losses with a resulting impact on the Group's net results. See also Notes 14 and 31 for further information.

Product warranties. The recognition and measurement of provisions for product warranties is generally connected with estimates.

The Group provides various types of product warranties depending on the type of product and market conditions. Provisions for product warranties are generally recognized when vehicles are sold, upon lease inception, or when new warranty programs are initiated. Based on historical warranty claim experience, assumptions have to be made on the type and extent of future warranty claims and customer goodwill, as well as on possible recall or buyback campaigns for each model series. In addition, the estimates also include assumptions on the amounts of potential repair costs per vehicle and the effects of possible time or mileage limits. The provisions are regularly adjusted to reflect new information.

Further information on provisions for other risks is provided in Note 23.

Legal proceedings. Various legal proceedings, claims and governmental investigations are pending against Daimler AG and its subsidiaries on a wide range of topics. Adverse decisions in one or more of those proceedings could require us to pay substantial compensatory and punitive damages or to undertake service actions, recall campaigns or other costly actions. Litigation and governmental investigations often involve complex legal issues and are connected with a high degree of uncertainty. Accordingly, the assessment of whether an obligation exists on the balance sheet date as a result of an event in the past, and whether a future cash outflow is likely and the obligation can be reliably estimated, largely depends on estimations by the management. Daimler regularly evaluates the current stage of legal proceedings, also with the involvement of external legal counsel. It is therefore possible that the amounts of the provisions for pending or potential litigation will have to be adjusted due to future developments. Changes in estimates and premises can have a material effect on the Group's future profitability. The end of a legal dispute can result in Daimler having to make payments in excess of the provisions recognized for that purpose.

It is also possible that the outcome of individual cases for which no provisions could be recognized might force the Group to make payments whose amounts or range of amounts could not be reliably estimated at December 31, 2011. Although the final outcome of such cases can have a material effect on Daimler's earnings or cash flows in a certain reporting period, in our assessment, any such resulting obligations will not have a sustained impact on the Group's financial position. Further information on legal proceedings is provided in Note 28.

Pension obligations. To calculate the present values of defined-benefit pension obligations, it is necessary among other things to determine discounting factors. Discounting factors are to be determined by reference to market yields at the end of the reporting period on high-quality corporate bonds in the respective markets. In addition, at the beginning of the financial year, Daimler has to estimate the expected returns on plan assets on the basis of market expectations for the types of investment included in the plan assets. The level of the discount rate has a material effect on the funded status of the pension plans and the expected return on plan assets has a significant effect on net periodic pension costs. Due to the use of the corridor approach, changes in assumptions do not directly affect the consolidated statement of financial position or the consolidated statement of income. Further information in this context is provided in Note 22.

Income taxes. For the calculation of deferred tax assets, assumptions have to be made regarding future taxable income and the time of realization of the deferred tax assets. In this context, we take into consideration, among other things, the projected earnings from business operations, the effects on earnings of the reversal of taxable temporary differences, and realizable tax strategies. As future business developments are uncertain and are sometimes beyond Daimler's control, the assumptions to be made in connection with accounting for deferred tax assets are connected with a substantial degree of uncertainty. On each balance sheet date, Daimler carries out impairment tests on deferred tax assets on the basis of the planned taxable income in future financial years; if Daimler assesses that the probability of future tax advantages being partially or fully unrealized is more than 50%, the deferred tax assets are impaired. Further information is provided in Note 9.

3. Significant acquisitions and dispositions of interests in companies and of other assets and liabilities

Acquisitions

Renault-Nissan. In April 2010, within the framework of a wide-ranging strategic cooperation with the Renault-Nissan Alliance, the Group entered into a cross-shareholding structure. In this regard, Daimler received a 3.1% equity interest in Renault SA (Renault) as well as 3.1% of the shares of Nissan Motor Company Ltd. (Nissan) from Renault in an equivalent total amount of €1.3 billion. Daimler used treasury shares for the acquisitions and additionally paid €90 million in cash. See Note 20 for information on the number of treasury shares used.

Dispositions

MBtech Group. On December 7, 2011, Daimler and AKKA Technologies SA signed a contract on the sale of a 65% interest in the Daimler subsidiary MBtech Group GmbH & Co. KGaA (MBtech Group). The transaction will probably be concluded in the year 2012. At December 31, 2011, the assets of MBtech Group amounted to €90 million and its liabilities amounted to €78 million. Fair-value measurement did not result in any impairment loss. Due to the minor significance for the Daimler Group's financial position, cash flows and profitability, the disposal of these assets and liabilities is not presented separately in the consolidated statement of financial position. MBtech Group is allocated to the Mercedes-Benz Cars segment.

Daimler Financial Services. Most of the non-automotive assets subject to finance leases that were presented separately as held for sale in the consolidated statement of financial position at December 31, 2009 (€310 million) were sold in 2010. These transactions resulted in a cash inflow of €274 million and a pre-tax expense of €1 million in 2010. In the third quarter of 2010, the Group reclassified the remaining non-automotive assets presented as held for sale to receivables from financial services, as the criteria for held for sale classification were no longer met. In 2010, the measurement of these assets resulted in a pre-tax gain of €1 million.

Moreover, in 2010, the Group sold additional non-automotive assets subject to finance leases which were previously shown under receivables from financial services. These transactions resulted in a cash inflow of €187 million and a total pre-tax expense of €9 million in 2010 (including a pre-tax expense of €35 million from the measurement of these assets).

The results of the above-mentioned transactions are included in "cost of sales" in the consolidated statement of income. The expense is allocated to the Daimler Financial Services segment.

Tata Motors. In March 2010, the Group sold its equity interest of approximately 5% in Tata Motors Limited to various groups of investors through the capital market. This transaction resulted in a cash inflow of €303 million and a gain before income taxes of €265 million in 2010. The gain is included in "other financial income/expense, net" in the consolidated statement of income and in the reconciliation from total segments' EBIT to Group EBIT within the segment reporting.

4. Revenue

Table ↗7.09 shows the composition of revenue at Group level.

Revenue by segment ↗7.84 and region ↗7.86 is presented in Note 32.

5. Functional costs

Cost of sales. Items included in cost of sales are displayed in table ↗7.10.

Selling expenses. In 2011, selling expenses amounted to €9,824 million (2010: €8,861 million). Selling expenses include direct selling costs as well as selling overhead expenses and consist of personnel expenses, material costs and other selling costs.

General administrative expenses. General administrative expenses amounted to €3,855 million in 2011 (2010: €3,474 million) and comprise expenses which were not attributable to production, sales, research and development functions, including personnel expenses, depreciation and amortization on fixed and intangible assets, and other administrative costs.

Research and non-capitalized development costs. Research and non-capitalized development costs were €4,174 million in 2011 (2010: €3,476 million) and primarily comprise personnel expenses and material costs.

Amortization expense of capitalized development costs is recognized in cost of sales and amounted to €829 million in 2011 (2010: €719 million).

Optimization programs. Measures and programs with implementation costs that materially impacted EBIT of the segments are briefly described below:

Daimler Financial Services. In May 2010, the Board of Management decided to restructure the business activities of Daimler Financial Services AG and Mercedes-Benz Bank AG in Germany by the end of 2012. Among other effects, this repositioning will result in streamlined structures and simplified processes. Expenses recorded in this regard in 2010 amounted to €82 million and primarily relate to personnel measures. In 2011, these measures resulted in cash outflows of €25 million (2010: €6 million). As of December 31, 2011, the provision recognized amounts to €56 million (2010: €76 million). Furthermore, ongoing expenditures negatively affected earnings in 2011.

Daimler Trucks. The optimization programs at our subsidiaries Daimler Trucks North America and Mitsubishi Fuso Truck and Bus Corporation, which the Group initiated in 2008 and 2009, respectively, were almost completed and did not materially affect the 2011 consolidated financial statements. In 2010, total expenses recorded in this regard amounted to €40 million; the cash outflow was €171 million.

Expenses associated with the aforementioned programs are primarily included in general administrative expenses.

7.09
Revenue

In millions of euros	2011	2010
Sales of goods	94,274	84,573
Rental and leasing business	9,014	9,971
Interest from the financial services business at Daimler Financial Services	2,893	2,862
Sales of services	359	355
	106,540	97,761

7.10
Cost of sales

In millions of euros	2011	2010
Expense of goods sold	-73,335	-66,956
Depreciation of equipment on operating leases	-3,370	-3,404
Refinancing costs at Daimler Financial Services	-1,849	-2,021
Impairment losses on receivables from financial services	-417	-536
Other cost of sales	-2,052	-2,071
	-81,023	-74,988

7.11
Personnel expenses and number of employees

	2011	2010
In millions of euros and number of people employed		
Personnel expenses	-17,424	-16,454
Average number of people employed		
Mercedes-Benz Cars	97,542	94,975
Daimler Trucks	76,039	70,888
Mercedes-Benz Vans	14,740	14,874
Daimler Buses	17,199	17,034
Daimler Financial Services	6,865	6,762
Sales and Marketing	49,240	48,286
Other	5,649	5,301
	267,274	258,120

7.12
Other operating income

	2011	2010
In millions of euros		
Reimbursements under insurance policies	133	22
Gains on sales of property, plant and equipment	115	148
Government grants and subsidies	108	110
Rental income, other than income relating to financial services	41	45
Other miscellaneous income	984	646
	1,381	971

7.13
Other operating expense

	2011	2010
In millions of euros		
Loss on sales of property, plant and equipment	-66	-73
Other miscellaneous expense	-289	-587
	-355	-660

7.14
Other financial income/expense, net

	2011	2010
In millions of euros		
Expense from compounding of provisions and effects of changes in discount rates [1]	-225	-240
Miscellaneous other financial income/expense, net	17	389
	-208	149

1 Excluding the expense from compounding provisions for pensions and similar obligations.

Personnel expenses and number of employees. Personnel expenses included in the consolidated statement of income as well as the average numbers of people employed are included in table ↗7.11.

Information on the remuneration of the current and former members of the Board of Management and the current members of the Supervisory Board is included in Note 36.

6. Other operating income and expense

For the composition of other operating income see table ↗7.12.

In 2011, other operating income includes reimbursements under insurance policies relating to the natural disaster in Japan.

Government grants and subsidies mainly comprise reimbursements relating to current partial retirement contracts and subsidies for alternative drive systems.

Other miscellaneous income includes recharged services to unrelated parties, reimbursements of non-income related taxes, income from employee canteens and other miscellaneous items. In 2010, other miscellaneous income comprised pretax income of €218 million related to the positive outcome of a legal dispute involving Daimler AG in October 2010.

For the composition of other operating expense see table ↗7.13.

Other miscellaneous expenses include losses from sales of current assets, changes in other provisions partially in connection with legal proceedings and other miscellaneous items.

In 2010, expenses of €88 million from the capital increase for the Daimler and Benz Foundation on the occation of the 125th anniversary of the invention of the automobile were included in other miscellaneous expenses.

7. Other financial income/expense, net

In 2011, an impairment of €110 million of the equity interest in Renault SA is included in miscellaneous other financial income/expense, net. In 2010, income of €265 million from the sale of the equity interest in Tata Motors is included in miscellaneous other financial income/expense, net.

8. Interest income and interest expense

Table ↗7.15 shows the components of interest income and interest expense.

9. Income taxes

Profit before income taxes is comprised as shown in table ↗7.16.

Profit before income taxes in Germany includes the income/loss from investments accounted for using the equity method if the shares of those companies are held by German companies.

Table ↗7.17 shows the components of income taxes.

The current tax expense includes tax benefits at German and foreign companies of €469 million (2010: €101 million) recognized for prior periods.

The deferred tax expense is comprised of the components in table ↗7.18.

For German companies, in 2011 and 2010, deferred taxes were calculated using a federal corporate tax rate of 15%, a solidarity tax surcharge of 5.5% on each year's federal corporate taxes, plus a trade tax of 14%. In total, the tax rate applied for the calculation of German deferred taxes in both years amounted to 29.825%. For non-German companies, the deferred taxes at period-end were calculated using the tax rates of the respective countries.

7.15
Interest income and interest expense

In millions of euros	2011	2010
Interest income		
Expected return on pension and other post-employment benefit plan assets	670	622
Interest and similar income	285	203
	955	825
Interest expense		
Interest cost for pension and other post-employment benefit plans	-1,029	-1,011
Interest and similar expense	-232	-460
	-1,261	-1,471

7.16
Profit before income taxes

In millions of euros	2011	2010
German companies	3,976	2,318
Non-German companies	4,473	4,310
	8,449	6,628

7.17
Components of income taxes

In millions of euros	2011	2010
Current taxes		
German companies	-731	-464
Non-German companies	-1,213	-1,237
Deferred taxes		
German companies	-468	-376
Non-German companies	-8	123
	-2,420	-1,954

7.18
Components of deferred tax expense

In millions of euros	2011	2010
Deferred taxes	-476	-253
due to temporary differences	160	1,205
due to tax loss carry forwards and tax credits	-636	-1,458

7.19

Reconciliation of expected income tax expense to actual income tax

	2011	2010
In millions of euros		
Expected income tax expense	-2,520	-1,977
Foreign tax rate differential	-71	-65
Trade tax rate differential	32	38
Tax law changes	-35	-22
Change of valuation allowance on deferred tax assets	182	259
Tax-free income and non-deductible expenses	56	-143
Other	-64	-44
Actual income tax expense	-2,420	-1,954

7.20

Split of tax assets and liabilities before offset

	At December 31, 2011	2010
In millions of euros		
Intangible assets	49	81
Property, plant and equipment	453	673
Equipment on operating leases	819	917
Inventories	762	695
Investments accounted for using the equity method	26	16
Receivables from financial services	209	168
Other financial assets	3,803	3,336
Tax loss and tax credit carry forwards	4,102	4,970
Provisions for pensions and similar obligations	642	607
Other provisions	2,043	2,048
Liabilities	1,543	1,427
Deferred income	1,011	863
Other	111	78
	15,573	15,879
Valuation allowances	-3,516	-3,578
Deferred tax assets, gross	12,057	12,301
Development costs	-1,992	-1,795
Other intangible assets	-100	-88
Property, plant and equipment	-1,192	-1,066
Equipment on operating leases	-1,934	-2,582
Inventories	-53	-142
Receivables from financial services	-656	-727
Other financial assets	-169	-181
Other assets	-344	-296
Provisions for pensions and similar obligations	-3,458	-2,882
Other provisions	-202	-235
Taxes on undistributed earnings of non-German subsidiaries	–	-50
Other	-266	-319
Deferred tax liabilities, gross	-10,366	-10,363
Deferred tax assets, net	1,691	1,938

Table ↗7.19 includes a reconciliation of expected income tax expense to actual income tax expense determined using the applicable German combined statutory rate of 29.825% (2010: 29.825%).

In 2011 and 2010, the Group released valuation allowances on deferred tax assets of foreign subsidiaries. The resulting tax benefits are included in the line “Change of valuation allowance on deferred tax assets.”

Tax-free income and non-deductible expenses include all other effects at foreign and German companies relating to tax-free income and non-deductible expenses, for instance tax-free gains included in net periodic pension costs at the German companies and tax-free results of our equity-method investments. Moreover, in 2010, the line also includes tax-free gains realized on the sale of Daimler’s equity interest in Tata Motors.

In respect of each type of temporary difference and in respect of each type of unutilized tax losses and unutilized tax credits, the deferred tax assets and liabilities before offset are summarized in table ↗7.20.

Deferred tax assets and deferred tax liabilities were offset if the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and if there is the right to set off current tax assets against current tax liabilities. In the statement of financial position, the deferred tax assets and liabilities are not divided into current and non-current.

In 2011, the decrease in deferred tax assets, net, amounted to €247 million (2010: increase of €214 million) and was composed as shown in table ↗7.21.

Including the items recognized in other comprehensive income/loss (including items from investments accounted for using the equity method), the expense for income taxes is composed as shown in table ↗7.22.

The valuation allowances relate primarily to deferred tax assets of foreign companies.

At December 31, 2011, the valuation allowance on deferred tax assets relates, among other things, to tax loss carryforwards in connection with capital losses (€1,658 million), corporate income tax loss carryforwards (€859 million) and tax credits (€156 million). The deferred tax assets on loss carryforwards connected with capital losses were reduced to zero by valuation allowances because the carryforward periods of those losses are limited and can only be utilized with future capital gains. These are not expected to occur in the coming years. Of the total amount of deferred tax assets adjusted by valuation allowances, deferred tax assets in connection with capital losses amounting to €1,273 million expire in 2014, €100 million expire in 2015 and €285 million expire in 2016. Deferred tax assets for corporate income tax loss carryforwards amounting to €219 million expire in 2012, €459 million expire at various dates from 2013 through 2016, €58 million expire at various dates from 2017 through 2031 and €123 million can be carried forward indefinitely. Of the deferred tax assets for tax credit carryforwards adjusted by a valuation allowance, €144 million expire at various dates from 2012 through 2016, €10 million expire at various dates from 2017 through 2031 and €2 million can be carried forward indefinitely. Furthermore, the valuation allowance primarily relates to temporary differences and net operating losses for state and local taxes at the US companies. Daimler believes that it is more likely than not that those deferred tax assets cannot be utilized. In 2011 and prior years, the Group had tax losses at several subsidiaries in several countries. After offsetting the deferred tax assets with deferred tax liabilities, the deferred tax assets not subject to valuation allowances amounted to €895 million for those foreign subsidiaries. Daimler believes it is more likely than not that due to future taxable income, deferred tax assets which are not subject to valuation allowances can be utilized. In future periods, Daimler's estimate of the amount of deferred tax assets that is considered realizable may change, and hence the valuation allowances may increase or decrease.

In 2011, the deferred tax liabilities for German tax of €50 million on €3,323 million in cumulative undistributed earnings of non-German subsidiaries on the future payout of these foreign dividends to Germany have been released through profit and loss because, as of today, the earnings are intended to be permanently reinvested in those operations.

The Group did not recognize deferred tax liabilities on retained earnings of non-German subsidiaries of €14,539 million (2010: €9,578 million) because these earnings are intended to be permanently reinvested in those operations. If the dividends are paid out, an amount of 5% of the dividends will be taxed under the German taxation rules and, if applicable, with non-German withholding tax. Additionally, income tax consequences could arise if the dividends first had to be distributed by a non-German subsidiary to a non-German holding company. Normally, the distribution would lead to an additional income tax expense. It is not practicable to estimate the amount of taxable temporary differences for these undistributed foreign earnings.

The Group has various unresolved issues concerning open income tax years with the tax authorities in a number of jurisdictions. Daimler believes that it has recognized adequate provisions for any future income taxes that may be owed for all open tax years.

7.21
Change of deferred tax assets, net

	2011	2010
In millions of euros		
Deferred tax expense	-476	-253
Change in deferred tax benefit on financial assets available-for-sale included in other comprehensive income/loss	-3	7
Change in deferred tax benefit on derivative financial instruments included in other comprehensive income/loss	173	212
Income tax expense for deduction in excess of compensation expense for equity-settled employee stock option plans	-1	-1
Other changes [1]	60	249

1 Primarily effects from currency translation.

7.22
Tax expense in equity

	2011	2010
In millions of euros		
Income tax expense	-2,420	-1,954
Income tax benefit recorded in other reserves	205	427
Income tax expense for deduction in excess of remuneration expense for equity-settled employee stock option plans	-1	-1
	-2,216	-1,528

10. Intangible assets

Intangible assets developed as shown in table ↗7.23.

At December 31, 2011, goodwill of €435 million (2010: €426 million) relates to the Daimler Trucks segment and €197 million (2010: €199 million) relates to the Mercedes-Benz Cars segment.

Non-amortizable intangible assets primarily relate to goodwill and development costs for projects which have not yet been completed (carrying amount at December 31, 2011: €2,402 million; carrying amount at December 31, 2010: €2,906 million). In addition, other intangible assets with a carrying amount at December 31, 2011 of €173 million (2010: €161 million) are not amortizable. Other non-amortizable intangible assets mainly comprise trademarks, which relate to the Daimler Trucks segment and can be utilized without restrictions.

The Group plans to continue to use these trademarks unchanged.

Table ↗7.24 shows the line items of the consolidated statement of income in which total amortization expense for intangible assets are included.

11. Property, plant and equipment

Property, plant and equipment developed as shown in table ↗7.25.

In 2011, government grants of €57 million (2010: €17 million) were deducted from the additions to property, plant and equipment.

Property, plant and equipment include buildings, technical equipment and other equipment capitalized under finance lease arrangements with a carrying amount of €443 million (2010: €453 million). In 2011, depreciation expense on assets under finance lease arrangements amounted to €83 million (2010: €69 million).

7.23
Intangible assets

In millions of euros	Goodwill (acquired)	Development costs (internally generated)	Other intangible assets (acquired)	Total
Acquisition or manufacturing costs				
Balance at January 1, 2010	925	7,934	1,983	10,842
Additions due to business combinations	–	–	–	–
Other additions	–	1,378	190	1,568
Reclassifications	–	–	–	–
Disposals	–	-165	-166	-331
Other changes [1]	9	37	149	195
Balance at December 31, 2010	934	9,184	2,156	12,274
Additions due to business combinations	–	–	–	–
Other additions	–	1,480	258	1,738
Reclassifications	–	–	–	–
Disposals	–	-249	-65	-314
Other changes [1]	80	11	52	143
Balance at December 31, 2011	1,014	10,426	2,401	13,841
Amortization				
Balance at January 1, 2010	231	2,581	1,277	4,089
Additions	–	719	168	887
Reclassifications	–	–	–	–
Disposals	–	-156	-155	-311
Other changes [1]	-26	31	100	105
Balance at December 31, 2010	205	3,175	1,390	4,770
Additions	–	829	174	1,003
Reclassifications	–	–	–	–
Disposals	–	-249	-62	-311
Other changes [1]	73	12	35	120
Balance at December 31, 2011	278	3,767	1,537	5,582
Carrying amount at December 31, 2010	729	6,009	766	7,504
Carrying amount at December 31, 2011	736	6,659	864	8,259

1 Primarily changes from currency translation.

7.24

Amortization expense for intangible assets in the consolidated statement of income

In millions of euros	2011	2010
Cost of sales	935	810
Selling expenses	31	37
General administrative expenses	32	35
Research and non-capitalized development costs	5	5
	1,003	887

7.25

Property, plant and equipment

In millions of euros	Land, leasehold improvements and buildings including buildings on land owned by others	Technical equipment and machinery	Other equipment, factory and office equipment	Advance payments relating to plant and equipment and construction in progress	Total
Acquisition or manufacturing costs					
Balance at January 1, 2010	13,496	18,962	16,118	1,032	49,608
Additions due to business combinations	–	–	–	–	–
Other additions	246	471	1,053	2,023	3,793
Reclassifications	201	352	587	-1,140	–
Disposals	-236	-857	-690	-33	-1,816
Other changes [1]	358	191	424	78	1,051
Balance at December 31, 2010	14,065	19,119	17,492	1,960	52,636
Additions due to business combinations	–	–	–	–	–
Other additions	313	906	1,411	1,589	4,219
Reclassifications	417	611	564	-1,592	–
Disposals	-176	-574	-556	-33	-1,339
Other changes [1]	133	8	90	-26	205
Balance at December 31, 2011	14,752	20,070	19,001	1,898	55,721
Depreciation					
Balance at January 1, 2010	7,404	13,780	12,436	23	33,643
Additions	300	781	1,396	–	2,477
Reclassifications	-3	28	-25	–	–
Disposals	-116	-816	-618	-17	-1,567
Other changes [1]	81	85	324	–	490
Balance at December 31, 2010	7,666	13,858	13,513	6	35,043
Additions	277	842	1,453	–	2,572
Reclassifications	-1	1	-1	1	–
Disposals	-105	-542	-488	-5	-1,140
Other changes [1]	21	-11	57	-1	66
Balance at December 31, 2011	7,858	14,148	14,534	1	36,541
Carrying amount at December 31, 2010	6,399	5,261	3,979	1,954	17,593
Carrying amount at December 31, 2011	6,894	5,922	4,467	1,897	19,180

1 Primarily changes from currency translation.

7.26

Equipment on operating leases

In millions of euros	
Acquisition or manufacturing costs	
Balance at January 1, 2010	24,502
Additions due to business combinations	–
Other additions	11,643
Reclassifications	–
Disposals	-11,498
Other changes [1]	1,036
Balance at December 31, 2010	25,683
Additions due to business combinations	–
Other additions	12,687
Reclassifications	–
Disposals	-9,904
Other changes [1]	404
Balance at December 31, 2011	**28,870**
Depreciation	
Balance at January 1, 2010	5,970
Additions	3,404
Reclassifications	–
Disposals	-3,930
Other changes [1]	314
Balance at December 31, 2010	5,758
Additions	3,370
Reclassifications	–
Disposals	-3,123
Other changes [1]	54
Balance at December 31, 2011	**6,059**
Carrying amount at December 31, 2010	19,925
Carrying amount at December 31, 2011	**22,811**

1 Primarily changes from currency translation.

7.27

Maturity of minimum lease payments for equipment on operating leases

	At December 31, 2011	2010
In millions of euros		
Maturity		
within one year	4,134	3,794
between one and five years	4,565	4,255
later than 5 years	154	213
	8,853	8,262

12. Equipment on operating leases

The development of equipment on operating leases is included in table ↗7.26.

As of December 31, 2011, equipment on operating leases with a carrying amount of €2,086 million is pledged as security for liabilities from ABS transactions which are related to a securitization transaction of future lease payments on operating leases and related vehicles (December 31, 2010: -) (see also Note 24).

Minimum lease payments. Non-cancelable future lease payments to Daimler for equipment on operating leases are due as presented in table ↗7.27.

13. Investments accounted for using the equity method

Table ↗7.28 contains key financial figures of investments accounted for using the equity method.

Table ↗7.29 presents summarized IFRS financial information on investments accounted for using the equity method, which was the basis for applying the equity method in the Group's consolidated financial statements.

7.28

Key financial figures of investments accounted for using the equity method

	EADS	Engine Holding	Tognum	BBAC	Kamaz	Others [1]	Total
Amounts in millions of euros							
December 31, 2011							
Equity interest (in %)	**22.5**	**50.0**	**–**	**50.0**	**15.0**	**–**	**–**
Market value (based on listed share prices) [2]	**4,428**	**–**	**–**	**–**	**89**	**–**	**–**
Equity investment [3]	**2,475**	**1,255**	**–**	**339**	**139**	**453**	**4,661**
Equity result (2011) [3]	**143**	**7**	**28**	**142**	**-35**	**-12**	**273**
December 31, 2010							
Equity interest (in %)	22.5	–	28.4	50.0	15.0	–	–
Market value (based on listed share prices) [2]	3,197	–	737	–	188	–	–
Equity investment [3]	2,415	–	672	175	177	521	3,960
Equity result (2010) [3]	-261	–	9	86	-4	22	-148

1 Also including joint ventures accounted for using the equity method.
2 Proportionate market values.
3 Including investor-level adjustments.

7.29

Summarized IFRS financial information on investments accounted for using the equity method

	EADS	Engine Holding	Tognum	BBAC	Kamaz	Others [1]	Total
In millions of euros							
Income statement information [2]							
2011							
Sales	**46,871**	**1,132**	**–**	**3,202**	**2,291**	**4,194**	**57,690**
Net profit/loss	**710**	**-45**	**–**	**382**	**-1**	**-54**	**992**
2010							
Sales	44,567	–	2,462	1,804	1,731	3,502	54,066
Net profit/loss	-1,021	–	97	123	-27	44	-784
Balance sheet information [3]							
2011							
Total assets	**83,895**	**5,648**	**–**	**2,855**	**1,875**	**3,524**	**97,797**
Equity	**10,888**	**2,865**	**–**	**733**	**718**	**1,153**	**16,357**
Liabilities	**73,007**	**2,783**	**–**	**2,122**	**1,157**	**2,371**	**81,440**
2010							
Total assets	78,441	–	2,611	1,416	1,651	3,586	87,705
Equity	10,552	–	720	288	736	1,558	13,854
Liabilities	67,889	–	1,891	1,128	915	2,028	73,851

1 Also including joint ventures accounted for using the equity method.
2 Figures of EADS, Tognum and Kamaz principally relate to the period from October 1 to September 30. Figures of BBAC relate to the period from January 1 to December 31. Figures of Engine Holding relate to the period from entry in the commercial register (March 4) to December 31.
3 Figures of EADS, Tognum and Kamaz as of September 30. Figures of BBAC and Engine Holding as of December 31.

EADS. The Group reports its investment in and its proportionate share in the results of the European Aeronautic Defence and Space Company EADS N.V. (EADS) in the reconciliation of total segments' assets to Group assets and total segments' EBIT to Group EBIT, respectively, in the segment reporting.

As a result of the recognition of the proportionate share in EADS' results with a three-month time lag, Daimler recognized its share in the loss provisions regarding the A400M military transporter program established at EADS for the purpose of their 2009 consolidated financial statements in its equity result for 2010. The Group's proportionate share in those expenses was €237 million.

In 2007, a subsidiary of Daimler which holds Daimler's 22.5% interest in EADS issued equity interests to investors in exchange for cash. As a result of this transaction, the Group reports a non-controlling interest in its consolidated statement of financial position representing the investor's ownership in the consolidated subsidiary that issued the equity interest. The amount reported as non-controlling interest reflects the investor's 33% share in the net assets of that subsidiary.

Engine Holding/Tognum. Daimler AG and Rolls-Royce Holdings plc (Rolls-Royce) received all the relevant regulatory approvals for the acquisition of Tognum AG (Tognum) on August 25, 2011. The public tender offer by Engine Holding GmbH (Engine Holding) was concluded in September 2011. As of September 30, 2011, the assets of Engine Holding consisted almost solely of an equity interest in Tognum of approximately 98%. Through the 50% equity interest in Engine Holding therefore, approximately 49% of Tognum's shares are to be allocated to Daimler. Before making the voluntary public tender offer for Tognum together with Rolls-Royce, Daimler held 28.4% of Tognum's shares.

Daimler's participation in the public tender offer by Engine Holding – with regard to the existing 28.4% equity interest in Tognum – has been accounted for with no effect on profit and loss. From an economic perspective, Daimler has transferred the Tognum shares it already held to Engine Holding in return for an indirect holding in Tognum of similar nature and value. With the granting of all regulatory approvals, Daimler indirectly acquired another 20.5% of Tognum's shares in the third quarter of 2011; in this context, Daimler had a cash outflow of €0.7 billion in the third quarter of 2011.

In the context of this transaction, Rolls-Royce received the option, following the conclusion of a domination agreement between Engine Holding and Tognum AG, without further financial compensation to demand additional rights from Daimler which would lead to Engine Holding becoming a subsidiary company of the Rolls-Royce Group. Due to the high acceptance rate for the public tender offer and the squeeze-out procedure that has been initiated, Daimler assumes that the domination agreement will be signed in 2012. For Daimler, this means that also in the future through its equity interest in Engine Holding, it will still only have a significant influence on Tognum.

In return, Rolls-Royce has granted Daimler AG the right to exercise a put option on the shares it holds in Engine Holding at a price which generally hedges Daimler's investment in Engine Holding. Part of the cost for the indirect acquisition of shares in Tognum, which also includes a premium for the control of Tognum, has been allocated to this option. The initial measurement of this option resulted in a fair value of €171 million. The option has been recognized as an asset which is to be measured at fair value through profit and loss in the following periods. The carrying value of this option and future changes in its fair value are recognized in segment reporting as corporate items in the reconciliation to Group figures.

With the completion of the public tender offer, the management of the Daimler Trucks segment assumed control of Daimler's equity interest in Engine Holding. Engine Holding was therefore allocated to the Daimler Trucks segment as of September 30, 2011. As a result, our equity interest in Tognum and our proportionate share of Tognum's profit or loss, which were previously presented in segment reporting in the reconciliation from the segments to the Group, are now also allocated to the Daimler Trucks segment. The prior-year figures have been adjusted accordingly.

At December 31, 2011, the value of this option was €177 million. The change in the fair value of the option during 2011 resulted in a gain of €6 million, which is recognized in other financial income/expense, net.

BBAC. The investment and the proportionate share in the results of Beijing Benz Automotive Co., Ltd. (BBAC) are allocated to the Mercedes-Benz Cars segment.

Kamaz. Resulting from its representation on the board of directors of Kamaz OAO (Kamaz) and its significant contractual rights under the terms of a shareholder agreement, the Group can exercise significant influence on Kamaz. Therefore, the Group accounts for its equity interest in Kamaz using the equity method; the investment and the proportionate share in the results of Kamaz are allocated to the Daimler Trucks segment.

In 2010, the Group and the European Bank for Reconstruction and Development (EBRD) completed an increase in their strategic investments in Kamaz. Daimler has thus increased its equity interest in Kamaz by one percentage point to 11%, while the remaining 4% are legally held by EBRD. Due to the contractual situation Daimler is deemed to be the economic owner of the shares held by EBRD pursuant to IFRS.

In 2011, the Group recorded an impairment loss of €32 million with respect to its investment in Kamaz. The loss is included in the equity-method result of Kamaz. The impairment is based on Kamaz's expectation of reduced cash inflows.

Others. The Group's investment in Tesla Motors, Inc. (Tesla) is included in other investments. Daimler's equity interest amounted to 7.8% as of December 31, 2011 (2010: 7.9%). The fair value and the carrying amount of its investment were €179 million and €32 million as of December 31, 2011 respectively (December 31, 2010: €149 million and €36 million). Resulting from its representation on the board of directors of Tesla and its significant contractual rights under the terms of a shareholder agreement, the Group can exercise significant influence on Tesla. Therefore, the Group accounts for its equity interest in Tesla using the equity method; the investment and the proportionate share in the results of Tesla are allocated to the Mercedes-Benz Cars segment.

Further information on investments accounted for using the equity method is included in Note 35.

14. Receivables from financial services

Table ↗7.30 shows the components of receivables from financial services.

Types of receivables. Retail receivables include loans and finance leases to end users of the Group's products who purchased their vehicle either from a dealer or directly from Daimler.

Wholesale receivables represent loans for floor financing programs for vehicles sold by the Group's automotive businesses to dealers or loans for assets purchased by dealers from third parties, primarily used vehicles traded in by dealers' customer or real estate such as dealer showrooms.

Other receivables mainly represent non-automotive assets from contracts of the financial services business with third parties.

All cash flow effects attributable to receivables from financial services are presented within cash provided by/used for operating activities in the consolidated statement of cash flows.

7.30

Receivables from financial services

	At December 31, 2011			At December 31, 2010		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Receivables from						
Retail	13,174	23,234	36,408	12,436	21,363	33,799
Wholesale	7,718	1,434	9,152	6,131	1,091	7,222
Other	115	838	953	76	1,017	1,093
Gross carrying amount	21,007	25,506	46,513	18,643	23,471	42,114
Allowances for doubtful accounts	-447	-499	-946	-477	-607	-1,084
Carrying amount, net	20,560	25,007	45,567	18,166	22,864	41,030

7.31

Changes in the allowance account for receivables from financial services

	2011	2010
In millions of euros		
Balance at January 1	1,084	1,168
Charged to costs and expenses	394	534
Amounts written off	-213	-439
Reversals	-299	-241
Currency translation and other changes	-20	62
Balance at December 31	946	1,084

7.32

Credit risks included in receivables from financial services

	At December 31, 2011	2010
In millions of euros		
Receivables, neither past due nor impaired individually	42,496	37,827
Receivables past due, not impaired individually		
less than 30 days	1,101	1,195
30 to 59 days	305	367
60 to 89 days	62	99
90 to 119 days	35	52
120 days or more	156	255
Total	1,659	1,968
Receivables impaired individually	1,412	1,235
Carrying amount, net	45,567	41,030

Allowances. Changes in the allowance account for receivables from financial services are included in table ↗7.31.

The total expense of impairment losses on receivables from financial services amounted to €417 million in 2011 (2010: €536 million).

Credit risks. Table ↗7.32 gives an overview of credit risks included in receivables from financial services.

Receivables not subject to an individual impairment assessment are grouped and subject to collective impairment allowances to cover credit losses.

Further information on financial risks and nature of risks is provided in Note 31.

Finance leases. Finance leases consist of leasing contracts for which all substantial risks and rewards incidental to the leasing objects are transferred to the lessee.

Maturities of the finance lease contracts are shown in table ↗7.33.

Sale of receivables. Based on market conditions and liquidity needs, Daimler may sell portfolios of retail and wholesale receivables to third parties. At the time of the sale, Daimler determines whether the legally transferred receivables meet the criteria for derecognition in conformity with the appropriate provisions. If the criteria are not met, the receivables continue to be recognized in the Group's consolidated statement of financial position.

As of December 31, 2011, the carrying amount of receivables from financial services sold but not derecognized for accounting purposes amounted to €3,496 million (2010: €1,254 million). The associated risks and rewards are similar to those with respect to receivables from financial services that have not been transferred. For information on the related total liabilities associated with these receivables sold but not derecognized, see Note 24.

15. Marketable debt securities

As of December 31, 2011, current and non-current marketable debt securities with a carrying amount of €2,281 million in total are presented separately in the consolidated statement of financial position (December 31, 2010: €2,096 million).

The marketable debt securities are part of the Group's liquidity management and comprise debt instruments and are classified as available-for-sale.

Further information on marketable debt securities is provided in Note 30.

16. Other financial assets

The item "other financial assets" shown in the consolidated statement of financial position is comprised of the classes presented in table ↗7.34.

In 2011, equity instruments carried at cost with a carrying amount of €74 million (2010: €23 million) were sold. The realized gains from the sales were €16 million in 2011 (2010: gains of €23 million). As of December 31, 2011, the Group principally did not intend to dispose of any reported equity instruments carried at cost.

Financial liabilities recognized at fair value through profit or loss relate exclusively to derivative financial instruments which are not used in hedge accounting.

As of December 31, 2011, other receivables and financial assets include a loan and accumulated interest to Chrysler LLC of US$1.9 billion (December 31, 2010: US$1.8 billion). As in the previous year, the receivables were fully impaired.

Further information on other financial assets is provided in Note 30.

7.33
Maturities of the finance lease contracts

	At December 31, 2011				At December 31, 2010			
	< 1 year	1 year up to 5 years	> 5 years	Total	< 1 year	1 year up to 5 years	> 5 years	Total
In millions of euros								
Contractual future lease payments	4,229	6,458	657	11,344	4,036	6,526	1,076	11,638
Unguaranteed residual values	558	1,207	90	1,855	740	915	165	1,820
Gross investment	4,787	7,665	747	13,199	4,776	7,441	1,241	13,458
Unearned finance income	-488	-853	-94	-1,435	-530	-846	-271	-1,647
Gross carrying amount	4,299	6,812	653	11,764	4,246	6,595	970	11,811
Allowances for doubtful accounts	-194	-225	-12	-431	-189	-275	-19	-483
Carrying amount, net	4,105	6,587	641	11,333	4,057	6,320	951	11,328

7.34
Other financial assets

	At December 31, 2011			At December 31, 2010		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Available-for-sale financial assets	–	1,940	1,940	–	2,199	2,199
Thereof equity instruments recognized at fair value through profit or loss	–	1,300	1,300	–	1,485	1,485
Thereof equity instruments carried at cost	–	640	640	–	714	714
Derivative financial instruments used in hedge accounting	133	426	559	345	471	816
Financial assets recognized at fair value through profit or loss	88	262	350	565	166	731
Other receivables and financial assets	1,786	329	2,115	1,337	358	1,695
	2,007	2,957	4,964	2,247	3,194	5,441

17. Other assets

Non-financial other assets are comprised as shown in table ↗ 7.35.

Other expected reimbursements predominantly relate to recovery claims from our suppliers in connection with issued product warranties.

18. Inventories

Inventories are comprised as shown in table ↗ 7.36.

The amount of write-down of inventories to net realizable value recognized as expense in cost of sales was €317 million in 2011 (2010: €269 million). Inventories that are expected to be turned over after more than twelve months amounted to €726 million at December 31, 2011 (2010: €718 million) and are primarily spare parts.

Based on the requirement to provide collateral for certain vested employee benefits in Germany, the value of company cars included in inventories at Daimler AG in an amount of €494 million (2010: €482 million) was pledged as collateral to the Daimler Pension Trust e.V.

The carrying amount of inventories recognized during the period by taking possession of collateral held as security amounted to €89 million in 2011 (2010: €124 million). The utilization of these assets occurs in the context of normal business cycle.

7.35
Other assets

	At December 31, 2011			At December 31, 2010		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Reimbursements due to income tax refunds	338	40	378	525	31	556
Reimbursements due to other tax refunds	1,357	6	1,363	1,181	17	1,198
Reimbursements due to the Medicare Act (USA)	.	142	142	.	112	112
Other expected reimbursements	331	13	344	339	26	365
Prepaid expenses	305	72	377	298	81	379
Others	380	147	527	278	141	419
	2,711	420	3,131	2,621	408	3,029

7.36
Inventories

	At December 31, 2011	2010
In millions of euros		
Raw materials and manufacturing supplies	1,802	1,509
Work in progress	2,451	2,002
Finished goods, parts and products held for resale	12,737	10,974
Advance payments to suppliers	91	59
	17,081	14,544

19. Trade receivables

Trade receivables are comprised as shown in table ↗ 7.37.

As of December 31, 2011, €118 million of the trade receivables mature after more than one year (2010: €25 million).

Allowances. Table ↗ 7.38 includes changes in the allowance account for trade receivables.

The total expenses relating to the impairment losses of trade receivables amounted to €165 million in 2011 (2010: €176 million).

Credit risks. Table ↗ 7.39 gives an overview of credit risk included in trade receivables.

Receivables not subject to an individual impairment assessment are grouped and subject to collective impairment allowances to cover credit losses.

Further information on financial risk and types of risk is provided in Note 31.

Sale of receivables. Based on market conditions and liquidity needs, Daimler may sell portfolios of trade receivables to third parties. At the time of the sale, Daimler determines whether the legally transferred receivables meet the criteria for derecognition in conformity with the appropriate provisions. If the criteria are not met, the receivables continue to be recognized in the Group's consolidated statement of financial position.

As of December 31, 2011, the carrying amount of trade receivables sold but not derecognized for accounting purposes amounted to €15 million (2010: €83 million). The associated risks and rewards are similar to those with respect to trade receivables that have not been transferred. For information on the liabilities related to receivables sold but not derecognized, see Note 24.

7.37
Trade receivables

	At December 31, 2011	2010
In millions of euros		
Gross carrying amount	8,316	7,598
Allowances for doubtful accounts	-467	-406
Carrying amount, net	7,849	7,192

7.38
Changes in the allowance account for trade receivables

	2011	2010
In millions of euros		
Balance at January 1	406	390
Charged to costs and expenses	117	86
Amounts written off	-82	-73
Currency translation and other changes	26	3
Balance at December 31	467	406

7.39
Credit risks included in trade receivables

	At December 31, 2011	2010
In millions of euros		
Receivables neither past due nor impaired individually	5,083	4,675
Receivables past due, not impaired individually		
less than 30 days	668	555
30 to 59 days	106	113
60 to 89 days	36	39
90 to 119 days	21	40
120 days or more	84	107
Total	915	854
Receivables impaired individually	1,851	1,663
Carrying amount, net	7,849	7,192

20. Equity

See also the consolidated statement of changes in equity ↗7.04.

The share capital is divided into no-par value shares. All shares are fully paid up. Each share confers the right to one vote at the Annual Shareholders' Meeting of Daimler AG and, if applicable, with the exception of any new shares potentially not entitled to dividend, to an equal portion of the profits as defined by the dividend distribution resolved at the Annual Meeting. Each share represents a proportionate amount of approximately €2.87 of the share capital. For the development of shares issued or outstanding see ↗7.40.

7.40
Development of shares issued

	2011	2010
In millions of shares		
Shares issued on January 1	1,066	1,061
Reacquired shares not cancelled (share buyback program) previous years	.	-37
Shares outstanding on January 1	1,066	1,024
Utilization of treasury shares to enter into a cross-shareholding structure between Daimler AG, Renault SA and Nissan Motor Company Ltd	–	35
Repurchase of treasury shares to settle obligations towards former AEG shareholders	.	-1
Utilization of treasury shares due to the settlement of obligations towards former AEG shareholders	.	3
Reacquired shares not cancelled (employee share purchase plan)	-1	.
Reissued shares to employees (employee share purchase plan)	1	.
Creation of new shares by exercise of stock options	.	5
Shares outstanding on December 31	1,066	1,066
Reacquired shares not cancelled (share buyback program)	–	.
Shares issued on December 31	1,066	1,066

Treasury shares. By resolution of the Annual Meeting on April 14, 2010, the Board of Management, with the consent of the Supervisory Board, was authorized until April 13, 2015 to acquire treasury shares for all legal purposes, in a volume up to 10% of the share capital issued as of the day of the resolution. The authorization applies for example to the purchase of shares for the purpose of cancellation, for using them for business combinations or to acquire companies or for disposal in other ways than through the stock exchange or by offering them to all shareholders. This authorization has not been exercised in the reporting period.

The resolution passed by the Annual Meeting on April 9, 2008 authorizing Daimler AG to acquire, until October 9, 2009, treasury shares in a volume of up to 10% of the share capital as of the day of the resolution for certain predefined purposes including for the purpose of using them for business combinations or to acquire companies had been partially utilized by Daimler AG between June and October 2008. Of the treasury shares purchased under this resolution, 37.1 million shares were held as treasury stock of Daimler AG as of December 31, 2009.

In 2010, 32.9 million of these shares representing €94 million or 3.1% of the share capital worth a total of €1,278 million were transferred in the context of a cross-shareholding structure by which Daimler AG acquired a 3.1% equity interest in each of Renault SA and Nissan Motor Company (see also Note 3). 2.4 million treasury shares representing €7 million or 0.23% of the share capital were sold on the stock exchange for a total of €90 million to settle a cash obligation of this transaction.

Through a final verdict reached by the higher regional court in Frankfurt am Main in November 2009, the exchange ratio specified in the domination and profit and loss transfer agreement between the former Daimler-Benz AG and the former AEG AG from 1988 as well as the compensation payment for unpaid AEG dividends determined in this agreement had been increased for the benefit of those AEG shareholders. In 2010, 1.5 million treasury shares representing €4 million or 0.15% of the share capital were repurchased for a price of €40 million by exercising a forward contract. This forward contract was concluded with regard to the litigation mentioned above but without any obligation to purchase shares. In 2010, claims of former AEG shareholders were settled using 3.1 million treasury shares worth a total of €108 million. 1.2 million of those treasury shares, representing €3 million or 0.11% of the share capital were sold on the stock exchange for a total of €44 million to settle claims to cash compensation of former AEG shareholders resulting from the litigation. The additional 1.9 million shares representing €6 million or 0.19% of the share capital were transferred to former AEG shareholders to satisfy their claims to additional Daimler shares.

The remaining 0.2 million treasury shares as of December 31, 2010 representing €0.6 million or 0.02% of the share capital were transferred to former AEG shareholders to satisfy their claims to additional Daimler shares. Furthermore in 2011, simultaneously to the continuing enforcement of claims of the former AEG shareholders to additional Daimler shares, a further 0.1 million treasury shares worth a total of €7 million were purchased and transferred to former AEG shareholders to satisfy their claims to additional Daimler shares. These treasury shares represented €0.4 million or 0.01% of the share capital.

As of December 31, 2011, no treasury shares are held by Daimler AG.

Employee share purchase plan. In 2011, 0.6 million Daimler shares representing €2 million or 0.06% of the share capital were purchased for a price of €28 million and reissued to employees (2010: 0.4 million Daimler shares representing €1 million or 0.03% of the share capital were purchased for a price of €14 million).

Authorized capital. By resolution of the Annual Meeting on April 8, 2009, the Board of Management was authorized, with the consent of the Supervisory Board, to increase the share capital of Daimler AG in the period until April 7, 2014 by a total of €1 billion in one lump sum or by separate partial amounts at different times by issuing new, registered no-par-value shares in exchange for cash and/or non-cash contributions (Approved Capital 2009). Among other things, the Board of Management was authorized with the consent of the Supervisory Board to exclude shareholders' subscription rights under certain conditions.

Conditional capital. By resolution of the Annual Meeting on April 14, 2010, the Board of Management, was authorized with the consent of the Supervisory Board, until April 13, 2015 to issue once or several times convertible and/or warrant bonds or a combination of these instruments ("bonds") with a total face value of up to €10 billion and a maturity of no more than ten years. The Board of Management is allowed to grant the holders of these bonds conversion or warrant rights for new registered no-par-value shares in Daimler AG with an allocable portion of the share capital of up to €500 million in accordance with the details defined in the terms and conditions of the bonds. The bonds can also be issued by majority-owned direct or indirect subsidiaries of Daimler AG. Accordingly, the share capital is conditionally increased by an amount of up to €500 million (Conditional Capital 2010). The authorization to issue convertible and/or warrant bonds has not yet been exercised.

Stock option plans. As of December 31, 2011, 6 million options from stock option plans initiated until and including 2004 granting subscription rights to new shares representing €16 million of the share capital had not yet been exercised (December 31, 2010: 11 million options from stock option plans granting subscription rights to new shares representing €32 million of the share capital).

Dividends. Under the German Stock Corporation Act (AktG), the dividend is paid out of the distributable profit reported in the annual financial statements of Daimler AG (parent company only) in accordance with the German Commercial Code (HGB). For the year ended December 31, 2011, the Daimler management will propose to the shareholders at the Annual Meeting to pay out €2,346 million of the distributale profit of Daimler AG as a dividend to the shareholders, equivalent to €2.20 per no-par-value share entitled to dividend (2010: €1,971 million and €1.85 per no-par-value share entitled to dividend respectively).

Table ↗7.41 shows the details of changes in other reserves from other comprehensive income/loss.

7.41

Changes in other reserves

	2011 Before taxes	2011 Taxes	2011 Net of taxes	2010 Before taxes	2010 Taxes	2010 Net of taxes
In millions of euros						
Unrealized gains from currency translation adjustments	153	–	153	1,200	–	1,200
Financial assets available for sale						
Unrealized gains/losses	-74	-3	-77	137	3	140
Income (-)/expense reclassified through profit or loss	-1	.	-1	-265	4	-261
Unrealized gains/losses from financial assets available for sale	-75	-3	-78	-128	7	-121
Derivative financial instruments						
Unrealized gains/losses	-547	165	-382	-987	301	-686
Income (-)/expense reclassified through profit or loss	-61	8	-53	291	-89	202
Unrealized gains/losses from derivative financial instruments	-608	173	-435	-696	212	-484
Investments accounted for using the equity method						
Unrealized gains/losses	-60	28	-32	-523	165	-358
Income (-)/expense reclassified through profit or loss	-2	7	5	-134	43	-91
Unrealized gains/losses from investments accounted for using the equity method	-62	35	-27	-657	208	-449
Other comprehensive income/loss	-592	205	-387	-281	427	146

In the line item "Unrealized gains/losses from investments accounted for using the equity method," the amounts for 2011 include the following components (amounts attributable to shareholders of Daimler AG only): unrealized gains from currency translation adjustments before taxes and net of taxes of €5 million (2010: unrealized gains before taxes and net of taxes of €40 million), unrealized gains from financial assets available for sale before taxes of €15 million and net of taxes of €19 million (2010: unrealized losses before taxes of €15 million and net of taxes of €19 million) and unrealized losses from derivative financial instruments before taxes of €65 million and net of taxes of €44 million (2010: unrealized losses before taxes of €486 million and net of taxes of €336 million).

The changes in other reserves directly recognized in equity that are attributable to non-controlling interest are shown in table ↗ 7.42.

21. Share-based payment

As of December 31, 2011, the Group has the 2008-2011 Performance Phantom Share Plans (PPSP) and the Stock Option Plans 2002-2004 outstanding. The unexercised rights from Stock Option Plan 2001 expired on April 1, 2011. The exercisable stock options of 2003 and 2004 are equity-settled share-based payment instruments and are measured at fair value at the date of grant. The PPSP are cash-settled share-based payment instruments and are measured at their respective fair values at the balance sheet date.

The PPSP are paid out at the end of the stipulated holding period; earlier, pro-rated payoff is possible only if certain defined conditions are met. PPSP 2007 was paid out as planned in the first quarter of 2011.

Moreover, starting with the annual bonus for 2011, 50% of the annual bonus of the members of the Board of Management will be paid out after a waiting period of one year. The actual payout is determined by the development of the Daimler share compared to an automobile related index (Auto-STOXX). The fair value of this medium-term annual bonus, which depends from this development, is measured by using the intrinsic value at the reporting date.

The pre-tax effects of share-based payment arrangements for the executive managers of the Group and the members of the Board of Management of Daimler AG on the consolidated statement of income and statement of financial position are presented in table ↗ 7.43.

7.42

Changes in other reserves directly recognized in equity attributable to non-controlling interest

			2011			2010
	Before taxes	Taxes	Net of taxes	Before taxes	Taxes	Net of taxes
In millions of euros						
Unrealized gains/losses from currency translation adjustments	43	–	43	48	–	48
Unrealized gains/losses from investments accounted for using the equity method	-17	10	-7	-196	62	-134
Other comprehensive income/loss	26	10	36	-148	62	-86

7.43

Effects of share-based payment

		Remuneration expense		Provision at December 31,
	2011	2010	2011	2010
In millions of euros				
PPSP	-85	-69	141	124
SOP	4	-4	–	–
Medium-term component of annual bonus of the members of the Board of Management	-6	–	6	–
	-87	-73	147	124

Table ↗ 7.44 includes expenses in the consolidated statement of income resulting from rights of current members of the Board of Management.

The details shown in the overview do not represent any paid or committed remuneration, but refer to expense which has been calculated according to IFRS. Details of the remuneration of the members of the Board of Management in 2011 can be found in the Remuneration Report.

Performance Phantom Share Plans. In 2011, the Group adopted a Performance Phantom Share Plan (PPSP), similar to that used from 2005 to 2010, under which eligible employees are granted phantom shares entitling them to receive cash payments after four years. The amount of cash paid to eligible employees is based on the number of vested phantom shares (determined over a three-year performance period) multiplied by the quoted price of Daimler's ordinary shares (calculated as an average price over a specified period at the end of the four-year plan period). The vesting period is therefore four years. For the plans granted as of 2009, the quoted price of Daimler's ordinary shares to be used for the payout is limited to 2.5 times the Daimler share price at the date of grant.

The number of phantom shares that vest will depend on the achievement of corporate performance goals based on competitive and internal benchmarks (return on net assets and return on sales).

The Group recognizes a provision for awarding the PPSP. Since payment per vested phantom share depends on the quoted price of one Daimler ordinary share, the quoted price almost completely represents the fair value of each phantom share. The proportionate remuneration expenses for the individual years are determined on the basis of the year-end quoted price of Daimler ordinary shares and the estimated target achievement.

7.44

Expenses in the consolidated statement of income resulting from share-based payments of current members of the Board of Management

	Dr. Dieter Zetsche		Dr. Wolfgang Bernhard		Dr. Christine Hohmann-Dennhardt		Wilfried Porth	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
In millions of euros								
PPSP	**-4.0**	-3.5	**-0.9**	-0.6	**-0.3**	–	**-1.4**	-0.9
SOP	**2.2**	-2.0	**–**	–	**–**	–	**–**	–
Medium-term component of the annual bonus	**-2.0**	–	**-0.7**	–	**-0.6**	–	**-0.7**	–

	Andreas Renschler		Bodo Uebber		Prof. Dr. Thomas Weber	
	2011	2010	**2011**	2010	**2011**	2010
In millions of euros						
PPSP	**-1.8**	-1.6	**-1.9**	-1.7	**-1.7**	-1.5
SOP	**–**	–	**–**	-0.9	**0.9**	-0.8
Medium-term component of the annual bonus	**-0.8**	–	**-0.9**	–	**-0.7**	–

Stock Option Plans. In April 2000, the Group's shareholders approved the Daimler Stock Option Plan (SOP), which grants stock options for the purchase of Daimler ordinary shares to eligible employees. Options granted under the SOP are exercisable at a reference price per Daimler ordinary share, which is determined in advance, plus a 20% premium. The options become exercisable in equal installments at the earliest on the second and third anniversaries of the date of grant. All unexercised options expire ten years after the date of grant. If the market price per Daimler ordinary share on the date of exercise is at least 20% higher than the reference price, the holder is entitled to receive a cash payment equal to the original exercise premium of 20%. No new stock options were granted after 2004.

In the event of exercise, the Group has generally issued ordinary shares so far.

Table ↗ 7.45 shows the basic terms of the SOP (in millions).

Options granted to the Board of Management in 2004 for which – according to the recommendations of the German Corporate Governance Code – the Presidential Committee can impose a limit, or reserve the right to impose a limit in the event of exceptional and unpredictable developments, are measured at their intrinsic values as of December 31.

Table ↗ 7.46 shows an analysis of the stock options issued.

The weighted average share price of Daimler ordinary shares during the exercise period was €50.53 (2010: €50.42). As of December 31, 2011, the weighted average remaining contractual life of outstanding stock options was 1.5 years (2010: 1.5 years).

7.45
Basic terms of the SOP

	Reference price euros per share	Exercise price euros per share	Options granted in millions	Options outstanding in millions	Options exercisable in millions
				At December 31, 2011	
Year of grant					
2002	42.93	51.52	20.0	1.4	1.4
2003	28.67	34.40	20.5	1.6	1.6
2004	36.31	43.57	18.0	2.5	2.5

7.46
Analysis of the stock options issued

	2011		2010	
	Number of stock options in millions	Average exercise price euros per share	Number of stock options in millions	Average exercise price euros per share
Balance at beginning of the year	11.1	52.90	22.4	56.57
Exercised	-0.7	45.22	-4.5	45.04
Disposals/Forfeited	-4.9	65.21	-6.8	70.07
Outstanding at year-end	5.5	42.80	11.1	52.90
Exercisable at year-end	5.5	42.80	11.1	52.90

Table ↗ 7.47 includes an analysis of the stock options issued to the current members of the Board of Management.

The members of the Board of Management Dr. Wolfgang Bernhard and Dr. Christine Hohmann-Dennhardt had no exercisable or outstanding option rights, neither in 2011 nor in the prior year.

With regard to the figures shown in table ↗ 7.47, it has to be considered that benefits from the stock option plans only arise if the Daimler share price exceeds the hurdle which has been individually defined for each stock option plan and if the owner of the stock options realizes an exercise. As variable compensation, only the difference between the reference and exercise price of the respective stock option plan is paid out. The following average exercise price is only a statistical factor, which results from the weighted average of the exercise prices shown in the table for the basic terms of the SOP. The sum of rights shown here is calculated from the addition of the different amounts of options that were granted in the years 2000 to 2004.

7.47

Analysis of the stock options issued to the current members of the Board of Management

Dr. Dieter Zetsche

	2011 Number of stock options in millions	2011 Average exercise price euros per share	2010 Number of stock options in millions	2010 Average exercise price euros per share
Balance at beginning of year	0.6	49.04	1.0	52.99
Exercised	–	-	-0.3	51.52
Disposals/Forfeited	-0.2	66.96	-0.1	74.76
Outstanding at year-end	0.4	37.84	0.6	49.04
Exercisable at year-end	0.4	37.84	0.6	49.04
Weighted maturity		1.4 years		1.5 years

Wilfried Porth

	2011 Number of stock options in millions [1]	2011 Average exercise price euros per share	2010 Number of stock options in millions [1]	2010 Average exercise price euros per share
Balance at beginning of year	.	66.96	.	65.40
Exercised	–	–	.	51.52
Disposals/Forfeited	.	66.96	.	74.76
Outstanding at year-end	–	–	.	66.96
Exercisable at year-end	–	–	.	66.96
Weighted maturity		–		0.3 years

1 For number of stock options partially no disclosure due to rounding.

Andreas Renschler

	Number of stock options in millions [1]	2011 Average exercise price euros per share	Number of stock options in millions [1]	2010 Average exercise price euros per share
Balance at beginning of year	0.1	48.46	0.2	51.88
Exercised	–	–	.	48.67
Disposals/Forfeited	.	66.96	.	74.76
Outstanding at year-end	0.1	39.43	0.1	48.46
Exercisable at year-end	0.1	39.43	0.1	48.46
Weighted maturity		1.5 years		1.7 years

1 For number of stock options partially no disclosure due to rounding.

Bodo Uebber

	Number of stock options in millions [1]	2011 Average exercise price euros per share	Number of stock options in millions [1]	2010 Average exercise price euros per share
Balance at beginning of year	.	66.96	0.1	49.51
Exercised	–	–	-0.1	43.34
Disposals/Forfeited	.	66.96	.	74.76
Outstanding at year-end	–	–	.	66.96
Exercisable at year-end	–	–	.	66.96
Weighted maturity		–		0.3 years

1 For number of stock options partially no disclosure due to rounding.

Prof. Dr. Thomas Weber

	Number of stock options in millions [1]	2011 Average exercise price euros per share	Number of stock options in millions [1]	2010 Average exercise price euros per share
Balance at beginning of year	0.2	40.56	0.2	43.61
Exercised	–	–	.	51.52
Disposals/Forfeited	.	66.96	.	74.76
Outstanding at year-end	0.2	37.54	0.2	40.56
Exercisable at year-end	0.2	37.54	0.2	40.56
Weighted maturity		1.3 years		2.1 years

1 For number of stock options partially no disclosure due to rounding.

22. Pensions and similar obligations

Table ↗7.48 shows how provisions for pension benefit plans and similar obligations are comprised.

Defined benefit pension plans. Provisions for pension benefits were solely made for defined entitlements to active or former employees. Under a defined benefit pension plan, beneficiaries obtain an entitlement to a defined benefit when retirement occurs. Daimler primarily provides pension benefits with defined entitlements to its employees. The majority of the active employees are entitled to pay-related defined pension benefits. Under these plans, employees earn benefits for each year of service. The benefits earned per year of service are dependent on the salary level and age of the respective employees. Principally, the defined benefit pension plans provided by Daimler vary according to the economic, tax and legal circumstances of the country concerned. Generally, defined benefit pension plans also provide benefits for invalidity and death. The defined benefit obligations are funded in large part with assets in pension funds.

Defined contribution pension plans. To a minor degree, Daimler also maintains defined contribution plans. Under these plans, Daimler makes defined contributions to external insurances or funds. Basically, there are no further contractual obligations or risks for Daimler in excess of the defined contributions. The Group also pays contributions to governmental pension schemes. In 2011, the total cost from payments made under defined contribution plans amounted to €1.3 billion (2010: €1.2 billion). These payments are primarily related to governmental pension plans.

Other post-employment benefits. Certain foreign subsidiaries of Daimler, mainly in the United States, provide their employees with post-employment health care benefits with defined entitlements, which have to be accounted for as defined benefit plans. These obligations are funded to a small extent through reimbursement rights and plan assets. Table ↗7.49 provides key data for other post-employment benefits.

As a result of the adjustment of defined health care and pension benefits at our subsidiary Daimler Trucks North America, the Group recorded a pre-tax gain of €160 million in 2010. The gain is mainly included in cost of sales in the consolidated statement of income and is allocated to the Daimler Trucks segment. This pre-tax gain is included in the 2010 net periodic cost/income for defined health care and pension benefits, as presented in this Note.

7.48

Compositions of provisions for pension benefit plans and similar obligations

	At December 31, 2011	2010
In millions of euros		
Provision for pension benefits	2,151	3,449
Provision for other post-employment benefits	1,033	880
	3,184	4,329

7.49

Key data for other post-employment benefits

	2011	2010
In millions of euros		
Present value of defined benefit obligations	1,355	1,056
Fair value of plan assets and reimbursement rights	153	130
Funded status	-1,202	-926
Net periodic cost/income for other-postemployment benefits	-104	76

Details of defined pension benefit plans

Funded status. The following information with respect to the funded status of the Group's defined pension benefit plans is presented separately for German plans and non-German plans.

The development of the funded status since 2007 is presented in table ↗7.50.

Table ↗7.51 shows the reconciliation of the funded status to the net amounts recognized in the consolidated statement of financial position for defined benefit pension plans.

7.50

Development of the funded status

	At December 31, 2011			At December 31, 2010			At December 31, 2009		
	Total	German plans	Non-German plans	Total	German plans	Non-German plans	Total	German plans	Non-German plans
In millions of euros									
Present value of defined benefit obligations	19,067	16,053	3,014	17,684	15,040	2,644	16,529	14,183	2,346
Less fair value of plan assets	12,597	10,726	1,871	11,177	9,542	1,635	10,624	9,197	1,427
Funded status	-6,470	-5,327	-1,143	-6,507	-5,498	-1,009	-5,905	-4,986	-919

	At December 31, 2008			At December 31, 2007		
	Total	German plans	Non-German plans	Total	German plans	Non-German plans
In millions of euros						
Present value of defined benefit obligations	15,044	12,780	2,264	15,686	13,539	2,147
Less fair value of plan assets	10,110	8,796	1,314	13,774	12,073	1,701
Funded status	-4,934	-3,984	-950	-1,912	-1,466	-446

7.51

Reconciliation of the funded status to the net amounts of defined benefit pension plans

	At December 31, 2011			At December 31, 2010		
	Total	German plans	Non-German plans	Total	German plans	Non-German plans
In millions of euros						
Funded status	-6,470	-5,327	-1,143	-6,507	-5,498	-1,009
Unrecognized actuarial net losses	4,393	3,853	540	3,120	2,741	379
Unrecognized past service cost	2	–	2	–	–	–
Net amounts recognized	-2,075	-1,474	-601	-3,387	-2,757	-630
Thereof recognized in: Other assets	76	–	76	62	–	62
Thereof recognized in: Provisions for pensions and similar obligations	-2,151	-1,474	-677	-3,449	-2,757	-692

Present value of defined pension benefit obligations and fair value of plan asset. The development of these metrics in the reported periods is shown in table ↗7.52.

Experience adjustments. The experience related adjustments, which are the differences between the earlier actuarial assumptions applied and actual developments, are as shown in table ↗7.53 (based on the pension benefit plans and plan assets at December 31).

7.52

Present value of defined pension benefit obligations and fair value of plan assets

			2011			2010
	Total	German plans	Non-German plans	Total	German plans	Non-German plans
In millions of euros						
Present value of the defined benefit obligation at January 1	17,684	15,040	2,644	16,529	14,183	2,346
Current service cost	354	282	72	337	264	73
Interest cost	849	730	119	859	734	125
Contributions by plan participants	103	100	3	7	4	3
Actuarial losses	744	564	180	620	518	102
Past service cost/income (-)	3	–	3	-8	-18	10
Curtailments	3	–	3	-24	–	-24
Settlements	-40	–	-40	-93	–	-93
Pension benefits paid	-761	-666	-95	-744	-647	-97
Currency exchange-rate and other changes	128	3	125	201	2	199
Present value of the defined benefit obligation at December 31	19,067	16,053	3,014	17,684	15,040	2,644
Thereof pension plans financed with plan assets	17,741	14,851	2,890	16,404	13,873	2,531
Thereof pension plans financed without plan assets	1,326	1,202	124	1,280	1,167	113
Fair value of plan assets at January 1	11,177	9,542	1,635	10,624	9,197	1,427
Expected return on plan assets	653	546	107	609	503	106
Actuarial gains/losses	-611	-626	15	226	168	58
Actual return/losses on plan assets	42	-80	122	835	671	164
Contributions by the employer	2,041	1,858	183	345	246	99
Contributions by plan participants	2	–	2	2	–	2
Settlements	-40	–	-40	-85	–	-85
Benefits paid	-672	-594	-78	-660	-572	-88
Currency exchange-rate and other changes	47	–	47	116	–	116
Fair value of plan assets at December 31	12,597	10,726	1,871	11,177	9,542	1,635

7.53

Experience adjustments

					At December 31,
	2011	2010	2009	2008	2007
In millions of euros					
Present value of defined benefit obligation	140	550	-43	-194	154
Fair value of plan assets	-611	226	-32	-3,970	-238

Composition of plan assets. At December 31, 2011, plan assets were invested in diversified portfolios that consisted primarily of debt and equity securities. Plan assets and income from plan assets are used solely to pay pension benefits and to administer the plans. The Group's plan asset allocations are presented in table ↗ 7.54.

Alternative investments consist of private equity and debt investments as well as investments in commodities and hedge funds.

Assumptions. The measurement date for the Group's defined benefit pension obligations and plan assets is generally December 31. The measurement date for the Group's net periodic pension cost is generally January 1. The assumptions used to calculate the projected benefit obligations together with the expectations regarding long-term rates of return on plan assets vary according to the economic conditions of the country in which the pension plans are situated.

Table ↗ 7.55 shows the weighted average assumptions which the Group used to determine pension benefit obligations.

Table ↗ 7.56 shows the weighted average assumptions which the Group used to determine net periodic pension cost.

7.54

Composition of plan assets

	Plan assets German plans At December 31, 2011	2010	Plan assets Non-German plans At December 31, 2011	2010
In % of plan assets				
Equity securities	30	34	31	41
Debt securities	51	46	53	43
Alternative investments	9	11	4	4
Real estate	3	4	3	3
Liquidity and other plan assets	7	5	9	9

7.55

Assumptions used to determine pension benefit obligations

	German plans At December 31, 2011	2010	Non-German plans At December 31, 2011	2010
In %				
Discount rates	4.7	5.0	4.3	4.7
Expected long-term remuneration increases [1]	–	–	3.6	4.1
Expected increase in cost of living [2]	1.7	1.7	–	–

1 For most German plans, expected increases in long-term remuneration are not a part of the benefit formula.
2 For most non-German plans, expected increases in cost of living are not a part of the benefit formula.

7.56

Assumptions used to determine net periodic pension cost

	German plans 2011	2010	Non-German plans 2011	2010
In %				
Discount rates	5.0	5.3	4.7	5.1
Expected long-term returns on plan assets	5.4	5.5	6.5	7.0
Expected long-term remuneration increases [1]	–	–	4.1	3.9
Expected increase in cost of living [2]	1.7	1.8	–	–

1 For most German plans, expected increases in long-term remuneration are not a part of the benefit formula.
2 For most non-German plans, expected increases in cost of living are not a part of the benefit formula.

Discount rates. The discount rates for German and non-German pension plans are determined annually as of December 31 on the basis of high-quality corporate bonds with maturities and values matching those of the pension payments.

Expected return on plan assets. The expected long-term rates of return for German and non-German plan assets are primarily derived from the asset allocations of plan assets and expected future returns for the various asset classes in the portfolios. Temporary variability in the asset allocations of plan assets does not result in adjustments of the expected long-term rates of return. For the determination of the expected long-term rates of return, our investment committees survey banks and large asset portfolio managers about their expectations for future returns for the relevant market indices. The allocation-weighted average return expectations serve as an initial indicator for the expected rate of return on plan assets for each pension fund.

In addition, Daimler considers long-term actual plan assets' results and historical market returns in its evaluation in order to reflect the long-term character of the plan assets. Based on updated expectations the Group lowered the expected rate of return for plan assets of Daimler AG from 5.5% to 4.4% towards the end of 2011.

Multi-employer plans. Daimler participates in some collectively bargained defined benefit pension plans maintained by more than one employer. The Group accounts for several of these plans in its consolidated financial statements as defined contribution plans because the information required to use defined benefit accounting is not available in a timely manner and in sufficient detail. The Group cannot exercise direct control over such plans and the plan-trustees have no legal obligation to share information directly with participating employers. Higher contributions by the Group to such a pension plan could result in particular when an underfunded status exceeds a specific level.

Net periodic pension cost. The components of net periodic pension cost included in the consolidated statement of income are presented in table ↗ 7.57.

Table ↗ 7.58 presents the line items within the consolidated statement of income in which the net periodic pension cost are included.

Expected payments. In 2012, Daimler expects to make cash contributions of €1.1 billion to its pension plans. In addition, the Group expects to make pension benefit payments of €0.1 billion under pension benefit schemes without plan assets.

7.57

Components of net period pension cost

	2011			2010		
	Total	German plans	Non-German plans	Total	German plans	Non-German plans
In millions of euros						
Current service cost	-354	-282	-72	-337	-264	-73
Interest cost	-849	-730	-119	-859	-734	-125
Expected return on plan assets	653	546	107	609	503	106
Amortization of net actuarial losses	-97	-77	-20	-79	-66	-13
Past service cost/income	–	–	–	17	18	-1
Curtailments and settlements	-9	–	-9	7	–	7
Net periodic pension cost	-656	-543	-113	-642	-543	-99

7.58

Net period pension cost within the consolidated statement of income

	2011	2010
In millions of euros		
Cost of sales	-218	-197
Selling expenses	-71	-51
General administrative expenses	-33	-32
Research and non-capitalized development costs	-41	-33
Interest income	653	609
Interest expense	-946	-938
	-656	-642

23. Provisions for other risks

The development of provisions for other risks is summarized in table ↗7.59.

Product warranties. Daimler issues various types of product warranties, under which it generally guarantees the performance of products delivered and services rendered for a certain period. The provision for these product warranties covers expected costs for legal and contractual warranty claims, as well as expected costs for policy coverage, recall campaigns and buyback commitments. The provision for buyback commitments represents the expected costs related to the Group's obligation, under certain conditions, to repurchase a vehicle from a customer. Buybacks may occur for a number of reasons including litigation, compliance with laws and regulations in a particular region and customer satisfaction issues. The utilization date of product warranties depends on the incidence of the warranty claims and can span the entire term of the product warranties. The cash outflow for non-current product warranties is principally expected within a period until 2014.

Personnel and social costs. Provisions for personnel and social costs primarily comprise expected expenses of the Group for employee anniversary bonuses, profit sharing arrangements and management bonuses, as well as early retirement and partial retirement plans. The additions recorded to the provisions for profit sharing and management bonuses in the reporting year usually result in cash outflows in the following year. The expected maturity of non-current provisions for personnel and social costs is primarily a period of more than 5 years.

Other. Provisions for other risks include obligations for expected reductions in revenue already recognized such as bonuses, discounts and other price reduction commitments. They also include expected costs in connection with liability and litigation risks, obligations under the EU End-of-Life Vehicles Directive and environmental protection risks, as well as provisions for other taxes and various other risks.

Further information on other provisions for other risks is provided in Note 28.

24. Financing liabilities

Based on market conditions and liquidity needs, Daimler may sell certain receivables and future lease payments resulting from equipment on operating leases to third parties. As of December 31, 2011, liabilities relating to these transactions which do not meet all the criteria for derecognition are accounted in the value of €3,203 million (2010: €1,197 million). The respective liabilities are reported under liabilities from ABS transactions in the amount of €3,188 million (2010: €1,114 million) and under liabilities to financial institutions in the amount of €15 million (2010: €83 million).

Liabilities from finance leases relate primarily to leases of property, plant and equipment which transfer substantially all risks and rewards to the Group as lessee. Future minimum lease payments under finance leases at December 31, 2011 amounted to €712 million (2010: €780 million). The reconciliation of future minimum lease payments from finance lease arrangements to the corresponding liabilities is included in table ↗7.61.

7.59
Provisions for other risks

	Product warranties	Personnel and social costs	Other	Total
In millions of euros				
Balance at December 31, 2010	5,640	3,117	3,783	12,540
Thereof current	2,783	1,693	2,516	6,992
Thereof non-current	2,857	1,424	1,267	5,548
Additions	2,243	1,633	2,245	6,121
Utilizations	-2,250	-1,518	-1,740	-5,508
Reversals	-164	-72	-679	-915
Addition of accrued interest and effects of changes in discount rates	101	81	43	225
Currency translation and other changes	38	-131	55	-38
Balance at December 31, 2011	5,608	3,110	3,707	12,425
Thereof current	2,694	1,679	2,426	6,799
Thereof non-current	2,914	1,431	1,281	5,626

25. Other financial liabilities

The composition of other financial liabilities is presented in table ↗7.62.

Financial liabilities recognized at fair value through profit or loss relate exclusively to derivative financial instruments which are not used in hedge accounting.

Further information on other financial liabilities is provided in Note 30.

7.60
Financing liabilities

		At December 31, 2011			At December 31, 2010	
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Notes/bonds	5,594	20,725	26,319	10,322	15,801	26,123
Commercial paper	1,233	–	1,233	91	–	91
Liabilities to financial institutions	10,574	8,601	19,175	6,295	8,033	14,328
Deposits in the direct banking business	7,012	4,023	11,035	7,856	3,020	10,876
Liabilities from ABS transactions	1,534	1,654	3,188	595	519	1,114
Liabilities from finance leases	91	373	464	80	419	499
Loans, other financing liabilities	663	90	753	582	69	651
	26,701	35,466	62,167	25,821	27,861	53,682

7.61
Minimum lease payments from finance lease arrangements

	Future minimum lease payments At December 31,		Interest included in future minimum lease payments At December 31,		Liabilities from finance lease arrangements At December 31,	
	2011	2010	2011	2010	2011	2010
In millions of euros						
Maturity						
within one year	111	105	20	25	91	80
between one and five years	219	233	78	84	141	149
later than five years	382	442	150	172	232	270
	712	780	248	281	464	499

7.62
Other financial liabilities

		At December 31, 2011			At December 31, 2010	
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Derivative financial instruments used in hedge accounting	691	594	1,285	468	390	858
Financial liabilities recognized at fair value through profit or loss	613	253	866	662	488	1,150
Liabilities from residual value guarantees	1,046	779	1,825	1,016	659	1,675
Liabilities from wages and salaries	999	–	999	1,005	–	1,005
Other	4,433	285	4,718	5,475	346	5,821
Miscellaneous other financial liabilities	6,478	1,064	7,542	7,496	1,005	8,501
	7,782	1,911	9,693	8,626	1,883	10,509

26. Other liabilities

Table ↗ 7.63 shows the composition of other liabilities.

27. Consolidated statement of cash flows

Cash provided by/used for operating activities. The changes in other operating assets and liabilities are presented in table ↗ 7.64.

The decrease in provisions in 2011 mainly resulted from provisions for pensions and similar obligations due to the high contributions to the Group's pension plans. In 2010, the change in provisions was primarily caused by the increase in provisions for personnel costs.

Table ↗ 7.65 shows cash flows included in cash provided by/used for operating activities.

The line item other non-cash expense and income within the reconciliation of profit before income taxes to cash provided by/used for operating activities primarily comprises the Group's share in the profit/loss of companies accounted for using the equity method.

Cash provided by/used for financing activities. Cash provided by/used for financing activities includes cash flows from hedging the currency risks of financial liabilities. In 2011, cash used for financing activities included payments for the reduction of the outstanding finance lease liabilities of €109 million (2010: €75 million).

7.63
Other liabilities

	At December 31, 2011			At December 31, 2010		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Income tax liabilities	118	47	165	169	73	242
Miscellaneous other liabilities	1,362	9	1,371	1,376	6	1,382
	1,480	56	1,536	1,545	79	1,624

7.64
Changes in other operating assets and liabilities

	2011	2010
In millions of euros		
Provisions	-1,332	1,215
Financial instruments	294	-60
Miscellaneous other assets and liabilities	-55	835
	-1,093	1,990

7.65
Cash flows included in cash provided by/used for operating activities

	2011	2010
In millions of euros		
Interest paid	-489	-633
Interest received	234	202
Dividends received	140	38

28. Legal proceedings

Various legal proceedings, claims and governmental investigations (legal proceedings) are pending against Daimler AG and its subsidiaries on a wide range of topics, including vehicle safety, emissions, fuel economy, financial services, dealer, supplier and other contractual relationships, intellectual property rights, product warranties, environmental matters, and shareholder matters. Some of these proceedings allege defects in various components in several different vehicle models or allege design defects relating to vehicle stability, pedal misapplication, brakes or crashworthiness. Some of the claims asserted by way of class action suits seek repair or replacement of the vehicles or compensation for their alleged reduction in value, while others seek recovery for damage to property, personal injuries or wrongful death. Adverse decisions in one or more of these proceedings could require us to pay substantial compensatory and punitive damages or undertake service actions, recall campaigns or other costly actions.

In mid-January 2011, the European Commission carried out antitrust investigations of European commercial vehicle manufacturers, including Daimler AG. Daimler is taking the Commission's initial suspicion very seriously and is also – parallel to the Commission's investigations – carrying out its own extensive internal investigation to clarify the underlying circumstances. If antitrust infringements are discovered, the European Commission can impose considerable fines depending on the gravity of the infringement. In accordance with IAS 37.92 the Group does not provide further information on this antitrust investigation and the associated risk for the Group, especially with regard to the measures taken in this context, in order not to impair the outcome of the proceeding.

On April 1, 2010, Daimler announced a settlement of the previously disclosed US Securities and Exchange Commission (SEC) and US Department of Justice (DOJ) investigations into possible violations by Daimler of the anti-bribery, record-keeping, and internal-controls provisions of the US Foreign Corrupt Practices Act (FCPA).

Pursuant to the settlement reached with the SEC, the SEC filed a civil complaint against Daimler AG in the US District Court for the District of Columbia (the Court). Without admitting or denying the allegations in the complaint, Daimler AG consented to the entry by the Court of a final judgment. Pursuant to the Court's judgment: (i) Daimler AG disgorged US$91.4 million in profits, (ii) Daimler AG is enjoined from violating the anti-bribery, record-keeping and internal-controls provisions of the FCPA, and (iii) the Honorable Louis J. Freeh is Daimler AG's post-settlement monitor for a three-year period.

Pursuant to the settlement reached with the DOJ, Daimler AG entered into a deferred-prosecution agreement with a two-year term under which the DOJ filed with the Court a two-count criminal information against Daimler AG charging it with: (i) conspiracy to violate the record-keeping provisions of the FCPA, and (ii) violating the record-keeping provisions of the FCPA. Herewith, Daimler AG agreed to pay a maximum criminal fine of US$93.6 million, to engage the Honorable Louis J. Freeh as post-settlement monitor for a three-year period, and to continue to implement a compliance and ethics program designed to prevent and detect violations of the FCPA and other applicable anti-corruption laws. In addition, a China-based subsidiary, Daimler North East Asia, Ltd. (DNEA), entered into a deferred-prosecution agreement with the same term with the DOJ under which the DOJ filed with the Court a two-count criminal information against DNEA.

In addition, a Russia-based subsidiary, Mercedes-Benz Russia SRO (MB Russia), and a Germany-based subsidiary, Daimler Export and Trade Finance GmbH (ETF), each entered into plea agreements with the DOJ with a three-year probation period under which they pleaded guilty to: (i) conspiracy to violate the anti-bribery provisions of the FCPA, and (ii) violating the anti-bribery provisions of the FCPA. Under their respective plea agreements, the Court sentenced MB Russia to pay a criminal fine of US$27.36 million and sentenced ETF to pay a criminal fine of US$29.12 million. These amounts were deducted from the maximum fine Daimler AG agreed to pay (US$93.6 million).

As a result of the SEC and DOJ settlements, Daimler paid a total of US$185 million in fines and civil disgorgement. Daimler previously recognized sufficient provisions to cover these fines. In addition, Daimler has taken personnel and remedial actions to ensure that its conduct going forward complies with the FCPA and similar applicable laws, including establishing a company-wide compliance organization and evaluating and revising Daimler's governance policies and internal-control procedures.

Failure to comply with the terms and conditions of either the SEC or the DOJ settlement, including the terms of the deferred-prosecution agreements, could result in resumed prosecution and other regulatory sanctions.

Communications with and provision of documents to the offices of German public prosecutors regarding the matters that have been under investigation by the DOJ and SEC have taken place.

The DOJ and Daimler AG are speaking about a possible extension of the term of the Deferred Prosecution Agreement to align the Deferred Prosecution Agreements' provisions more closely with the Monitor's review period and to provide Daimler with additional time to improve the sustainability of its compliance systems.

On August 17, 2009, the Official Committee of Unsecured Creditors of OldCarCo LLC (formerly Chrysler LLC) filed a lawsuit with the United States Bankruptcy Court, Southern District of New York, against Daimler AG, Daimler North America Corporation and others. The Committee has been substituted by the Liquidation Trust, which claims unspecified damages based on theories of constructive fraudulent transfer and other legal theories, alleging that the consideration received in certain transactions effected in connection with the investment by Cerberus in Chrysler LLC was not fair consideration. Daimler has successfully submitted miscellaneous legal defense arguments, so that the Bankruptcy Court dismissed all claims with prejudice as of May 12, 2011. The appeal of the Liquidation Trust led to a confirmation of the Bankruptcy Court's decision by the United States District Court of the Southern District of New York. Daimler still considers these claims and allegations of the Liquidation Trust to be without merit and will continue to defend itself vigorously in the next legal instance.

The Federal Republic of Germany initiated arbitration proceedings against Daimler Financial Services AG, Deutsche Telekom AG and Toll Collect GbR and submitted its statement of claims in August 2005. It seeks damages, contractual penalties and the transfer of intellectual property rights to Toll Collect GmbH. In particular, the Federal Republic of Germany is claiming

- lost revenue of €3.33 billion for the period September 1, 2003 through December 31, 2004 plus interest at 5% per annum over the respective base rate since submission of claims (amount as of November 21, 2010 at €1.4 billion),
- and contractual penalties of approximately €1.65 billion through July 31, 2005 plus interest at 5% per annum over the respective base rate since submission of claims (amount as of November 21, 2010 at €282 million),
- plus refinancing costs of €115 million.

Since, among other things, some of the contractual penalties are dependent on time and further claims for contractual penalties have been asserted by the Federal Republic of Germany, the amount claimed as contractual penalties may increase.

Defendants submitted their response to the statement of claims on June 30, 2006. The Federal Republic of Germany delivered its reply to the arbitrators on February 15, 2007, and the defendants delivered their rebuttal on October 1, 2007 (see also Note 29). The arbitrators held the first hearing on June 16 and 17, 2008. Additional briefs from the claimant and the defendants were filed since then. A hearing of witnesses and experts took place between December 6 and 14, 2010. The parties submitted further written statements on July 15 and November 15, 2011. Daimler believes the claims are without merit and will continue to defend itself vigorously.

Legal proceedings are subject to many uncertainties and Daimler cannot predict the outcome of individual matters with assurance. The Group establishes provisions in connection with pending or threatened proceedings if a loss is probable and can be reasonably estimated. Since these provisions, which are reflected in the Group's consolidated financial statements, represent estimates, it is reasonably possible that the resolution of some of these proceedings could require us to make payments in excess of the amounts accrued in an amount or range of amounts that could not be reasonably estimated on December 31, 2011. It is also reasonably possible that the resolution of some of the proceedings for which provisions could not be made may require the Group to make payments in an amount or range of amounts that could not be reasonably estimated on December 31, 2011. Although the final resolution of any such proceedings could have a material effect on Daimler's operating results and cash flows for a particular reporting period, Daimler believes that it should not materially affect the Group's financial position.

29. Guarantees and other financial commitments

Guarantees. Table ↗7.66 shows the amounts of provisions and liabilities at December 31 which have been established by the Group in connection with its issued guarantees (excluding product warranties).

Financial guarantees. Financial guarantees principally represent contractual arrangements that require the Group as the guarantor to make certain payments if guarantee holders fail to meet their financial obligations. The maximum potential obligation resulting from these guarantees amounted to €1,367 million at December 31, 2011 (December 31, 2010: €1,140 million). These amounts include guarantees, which the Group issued for the benefit of Chrysler in connection with the Chrysler transactions entered into in 2007 and 2009. On the one hand, Daimler guarantees payments of up to US$200 million into the Chrysler pension plans. The term of this guarantee is limited until August 2012. On the other hand, the Group provides guarantees for other Chrysler obligations; at December 31, 2011, these guarantees amounted to €0.3 billion. For a portion of these financial guarantees, Chrysler provided collateral of €0.2 billion to an escrow account.

Guarantees under buyback commitments. Guarantees under buyback commitments represent arrangements whereby the Group guarantees specified trade-in or resale values for sold vehicles. Such guarantees provide the holder with the right to return purchased vehicles to the Group, the right being primarily contingent on the future purchase of vehicles or services. Residual value guarantees related to arrangements for which revenue recognition is precluded due to the Group's obligation to repurchase assets sold to unrelated guaranteed parties are not included in those amounts.

Other guarantees. Other guarantees principally comprise pledges or indemnifications related to the quality or timing of performance by third parties or participations in performance guarantees of consortiums. As of December 31, 2011, the best estimate for obligations under other guarantees for which no provisions had yet been recorded was €41 million (2010: €50 million).

In 2002, our subsidiary Daimler Financial Services AG, Deutsche Telekom AG and Compagnie Financière et Industrielle des Autoroutes S.A. (Cofiroute) entered into a consortium agreement in order to jointly develop, install, and operate under a contract with the Federal Republic of Germany (operating agreement) a system for the electronic collection of tolls for all commercial vehicles over 12 tons GVW using German highways. Daimler Financial Services AG and Deutsche Telekom AG each hold a 45% equity interest and Cofiroute holds the remaining 10% equity interest in both the consortium (Toll Collect GbR) and the joint venture company (Toll Collect GmbH) (together Toll Collect).

According to the operating agreement, the toll collection system had to be operational no later than August 31, 2003. After a delay of the launch date of the toll collection system, which resulted in a loss of revenue for Toll Collect and in payments of contractual penalties for delays, the toll collection system was introduced on January 1, 2005 with on-board units that allowed for slightly less than full technical performance in accordance with the technical specification (phase 1). On January 1, 2006, the toll collection system was installed and started to operate with full effectiveness as specified in the operating agreement (phase 2). On December 20, 2005, Toll Collect GmbH received a preliminary operating permit as specified in the operating agreement. Toll Collect GmbH expects to receive the final operating permit, and continues to operate the toll collection system under the preliminary operating permit in the interim.

Failure to perform various obligations under the operating agreement may result in penalties, additional revenue reductions and damage claims that could become significant over time. However, penalties and revenue reductions are capped at €150 million per year until the final operating permit has been issued and at €100 million per year following the issuance of the final operating permit. These cap amounts are subject to a 3% increase for every year of operation.

Beginning in June 2006, the Federal Republic of Germany began reducing monthly payments to Toll Collect GmbH by €8 million in partial set-off against amounts claimed in the arbitration proceeding referred to below. This offsetting may require the consortium members to provide additional operating funds to Toll Collect GmbH.

The operating agreement calls for the submission of all disputes related to the toll collection system to arbitration. The Federal Republic of Germany has initiated arbitration proceedings against Daimler Financial Services AG, Deutsche Telekom AG and the consortium. According to the statement of claims received in August 2005, the Federal Republic of Germany is seeking damages including contractual penalties and reimbursement of lost revenue that allegedly arose from delays in the operability of the toll collection system. See Note 28 for additional information.

7.66

Provisions and liabilities recognized in connection with guarantees

	At December 31, 2011	2010
In millions of euros		
Financial guarantees	249	227
Guarantees under buyback commitments	44	60
Other guarantees	132	106
	425	393

Each of the consortium members (including Daimler Financial Services AG) has provided guarantees supporting the obligations of Toll Collect GmbH towards the Federal Republic of Germany relating to the completion and operation of the toll collection system, which are subject to specific triggering events. In addition, Daimler AG has guaranteed bank loans obtained by Toll Collect GmbH. The guarantees are described in detail below:

- *Guarantee of bank loans.* Daimler AG issued a guarantee to third parties up to a maximum amount of €105 million for bank loans which could be obtained by Toll Collect GmbH. This amount represents the Group's 50% share of Toll Collect GmbH's external financing guaranteed by its shareholders.
- *Equity maintenance undertaking.* The consortium members have the obligation to contribute, on a joint and several basis, additional funds to Toll Collect GmbH as may be necessary for Toll Collect GmbH to maintain a minimum equity (based on German Commercial Code accounting principles) of 15% of total assets (a so-called "equity maintenance undertaking"). This obligation will terminate on August 31, 2015, when the operating agreement expires, or earlier if the agreement is terminated. Such obligation may arise if Toll Collect GmbH is subject to revenue reductions caused by underperformance, if the Federal Republic of Germany is successful in claiming lost revenue against Toll Collect GmbH for any period the system was not fully operational, or if Toll Collect GmbH incurs penalties that may become payable under the above mentioned agreements. If such penalties, revenue reductions or other events reduce Toll Collect GmbH's equity to a level below the minimum equity percentage agreed upon, the consortium members are obligated to fund Toll Collect GmbH's operations to the extent necessary to reach the required minimum equity.

Cofiroute's risks and obligations are limited to €70 million. Daimler Financial Services AG and Deutsche Telekom AG are jointly obliged to indemnify Cofiroute for amounts exceeding this limitation.

While Daimler's maximum future obligation resulting from the guarantee of the bank loan can be determined (2011: €105 million), the Group is unable to reasonably estimate the amount or range of amounts of possible loss resulting from the financial guarantee in form of the equity maintenance undertaking due to the various uncertainties described above, although it could be material. Only the guarantee for the bank loan is included in the above disclosures for financial guarantees.

Obligations associated with product warranties are also not included in the above disclosures. See Note 23 for provisions relating to such obligations.

Other financial commitments. In connection with its production programs, Daimler has committed to purchase various volumes of parts and components over extended periods. The Group also has entered into service arrangements for the provision of future services. In addition, the Group has committed to purchase or invest in the construction and maintenance of production facilities. Amounts under the latter arrangements represent commitments to purchase plant or equipment in the future. As of December 31, 2011, total other financial commitments amounted to €8.9 billion (2010: €7.4 billion).

The Group has also entered into operating leases for property, plant and equipment. In 2011, Daimler recognized as expense rental payments of €495 million (2010: €491 million). Table ↗7.67 provides an overview of when future minimum lease payments under long-term lease agreements fall due (nominal amounts).

In addition, the Group issued loan commitments for a total of €2.0 billion and €1.9 billion as of December 31, 2011 and 2010 respectively. These loan commitments are unused as of those dates.

7.67

Future minimum lease payments under long-term lease agreements

	At December 31, 2011	2010
In millions of euros		
Maturity		
within one year	**401**	297
between one and three years	**632**	504
between four and five years	**490**	396
later than five years	**957**	953
	2,480	2,150

30. Financial instruments

Carrying amounts and fair values of financial instruments

Table ↗ 7.68 shows the carrying amounts and fair values of the Group's financial instruments. The fair value of a financial instrument is the price at which a party would accept the rights and/or obligations of that financial instrument from another independent party. Given the varying influencing factors, the reported fair values can only be viewed as indicators of the prices that may actually be achieved on the market.

The fair values of financial instruments were calculated on the basis of market information available on the balance sheet date. The following methods and premises were used:

Receivables from financial services. The fair values of receivables from financial services with variable interest rates are estimated to be equal to the respective carrying amounts because the interest rates agreed and those available on the market do not significantly differ. The fair values of receivables from financial services with fixed interest rates are determined on the basis of discounted expected future cash flows. The discounting is based on the current interest rates at which similar loans with identical terms could have been borrowed as of December 31, 2011 and December 31, 2010.

Trade receivables and cash and cash equivalents. Due to the short terms of these financial instruments, it is assumed that their fair values are equal to the carrying amounts.

7.68

Carrying amounts and fair values of financial instruments

	At December 31, 2011		At December 31, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
In millions of euros				
Financial assets				
Receivables from financial services	45,567	45,786	41,030	41,107
Trade receivables	7,849	7,849	7,192	7,192
Cash and cash equivalents	9,576	9,576	10,903	10,903
Marketable debt securities				
Available-for-sale financial assets	2,281	2,281	2,096	2,096
Other financial assets				
Available-for-sale financial assets [1]	1,940	1,940	2,199	2,199
Financial assets recognized at fair value through profit or loss	350	350	731	731
Derivative financial instruments used in hedge accounting	559	559	816	816
Other receivables and assets	2,115	2,115	1,695	1,695
	70,237	70,456	66,662	66,739
Financial liabilities				
Financing liabilities	62,167	63,494	53,682	55,419
Trade payables	9,515	9,515	7,657	7,657
Other financial liabilities				
Financial liabilities recognized at fair value through profit or loss	866	866	1,150	1,150
Derivative financial instruments used in hedge accounting	1,285	1,285	858	858
Miscellaneous other financial liabilities	7,542	7,542	8,501	8,501
	81,375	82,702	71,848	73,585

1 Includes equity interests measured at cost whose fair value can not be determined with sufficient reliability (2011: €640 million; 2010: €714 million).

Marketable debt securities and other financial assets. *Financial assets available for sale* include:

- debt and equity instruments measured at fair value; these instruments were measured using quoted market prices at December 31. Otherwise, the fair value measurement of these debt and equity instruments is based on inputs that are either directly or indirectly observable on active markets. Equity instruments measured at fair value predominantly comprise the investments in Renault and Nissan.
- equity interests measured at cost; for these financial instruments fair values could not be determined because market prices or fair values are not available. These equity interests comprise investments in non-listed companies for which no objective evidence existed at the balance sheet date that these assets are impaired and whose fair values cannot be determined with sufficient reliability. It is assumed that the fair values approximate the carrying amounts.

Financial assets recognized at fair value through profit or loss include derivative financial instruments not used in hedge accounting. These financial instruments as well as *derivative financial instruments used in hedge accounting* comprise:

- derivative currency hedging contracts; the fair values of currency forwards and cross currency interest rate swaps are determined on the basis of the discounted estimated future cash flows using market interest rates appropriate to the remaining terms of the financial instruments. Currency options were measured using price quotations or option pricing models using market data.
- derivative interest rate hedging contracts; the fair values of interest rate hedging instruments (e.g. interest rate swaps) are calculated on the basis of the discounted estimated future cash flows using the market interest rates appropriate to the remaining terms of the financial instruments. Interest options were measured using price quotations or with option pricing models using market data.
- derivative commodity hedging contracts; the fair values of commodity hedging contracts (e.g. commodity forwards) are determined on the basis of current reference prices in consideration of forward premiums and discounts.

Financial assets recognized at fair value through profit and loss also include the option held by Daimler to sell shares in Engine Holding to Rolls-Royce (see also Note 13). The fair value of this option has been determined with the use of an option pricing model; estimated future cash flows and, to the extent available, market parameters were applied.

7.69

Fair value hierarchy of financial assets and liabilities measured at fair value

	At December 31, 2011				At December 31, 2010			
	Total	Level 1 [1]	Level 2 [2]	Level 3 [3]	Total	Level 1 [1]	Level 2 [2]	Level 3 [3]
In millions of euros								
Assets measured at fair value								
Financial assets available for sale	3,581	2,070	1,511	–	3,581	2,150	1,431	–
Financial assets recognized at fair value through profit or loss	350	–	173	177	731	–	731	–
Derivative financial instruments used in hedge accounting	559	–	559	–	816	–	816	–
	4,490	2,070	2,243	177	5,128	2,150	2,978	–
Liabilities measured at fair value								
Financial liabilities recognized at fair value through profit or loss	866	–	866	–	1,150	–	1,150	–
Derivative financial instruments used in hedge accounting	1,285	–	1,285	–	858	–	858	–
	2,151	–	2,151	–	2,008	–	2,008	–

1 Fair value measurement based on quoted prices (unadjusted) in active markets for these or identical assets or liabilities.
2 Fair value measurement for the asset or liability based on inputs that are observable on active markets either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3 Fair value measurement for the asset or liability based on inputs that are not observable market data.

Other receivables and assets are carried at amortized cost. Because of the predominantly short maturities of these financial instruments, it is assumed that the fair values approximate the carrying amounts.

Financing liabilities. The fair values of bonds, loans, commercial papers, deposits in the direct banking business and liabilities from ABS transactions are calculated as the present values of the estimated future cash flows. Market interest rates for the appropriate terms are used for discounting.

Trade payables. Due to the short maturities of these financial instruments, it is assumed that their fair values are equal to the carrying amounts.

Other financial liabilities. *Financial liabilities recognized at fair value through profit or loss* comprise derivative financial instruments not used in hedge accounting. For information regarding these financial instruments as well as *derivative financial instruments used in hedge accounting* see the notes above under "Marketable debt securities and other financial assets."

Miscellaneous other financial liabilities are carried at amortized cost. Because of the predominantly short maturities of these financial instruments, it is assumed that the fair values approximate the carrying amounts.

Table ↗ 7.69 provides an overview of the classification of financial assets and liabilities measured at fair value in the fair value hierarchy (according to IFRS 7).

The development of financial assets recognized at fair value through profit or loss and classified as level 3 can be seen in table ↗ 7.70.

The financial assets shown as classified as level 3 and presented in the table ↗ 7.70 consist solely of Daimler's option to sell the shares it holds in Engine Holding to Rolls-Royce (see also Note 13).

Parameters with a significant influence on the measurement of the option are the value of Engine Holding as determined with the use of a discounted cash flow method and the expected volatility of that value. A sensitivity analysis shows that a 10% increase in the value of Engine Holding would lead to a reduction in the value of the option of €35 million. On the other hand, a 10% decrease in the value of Engine Holding would increase the value of the option by €46 million. A 10% increase in the expected volatility of the value of Engine Holding would lead to an increase in the value of the option of €43 million. However, a 10% decrease in the expected volatility of the value of Engine Holding would reduce the value of the option by €38 million.

7.70

Development of financial assets recognized at fair value through profit or loss classified as level 3

In millions of euros	
Balance at December 31, 2010	–
Gains recognized in other financial income/expense, net	6
Purchases	171
Balance at December 31, 2011	**177**
Gains for 2011 relating to financial assets held at December 31, 2011	6

The carrying amounts of financial instruments presented according to IAS 39 measurement categories are shown in table ↗7.71.

Net gains or losses

Table ↗7.72 shows the net gains or losses of financial instruments included in the consolidated statement of income (not including derivative financial instruments used in hedge accounting):

Net gains and losses of financial assets and liabilities recognized at fair value through profit or loss primarily include gains and losses attributable to changes in fair value.

Net gains and losses on financial assets available for sale include realized income from equity instruments and gains or losses from their disposal.

Net gains and losses on loans and receivables mainly comprise impairment losses and recoveries that are charged to cost of sales, selling expenses and other financial income/expense, net.

Net gains and losses on financial liabilities measured at cost mainly comprise gains and losses from the valuation of liabilities denominated in foreign currencies.

7.71

Carrying amounts of financial instruments presented according to IAS 39 measurement categories

	At December 31, 2011	2010
In millions of euros		
Assets		
Receivables from financial services [1]	34,234	29,702
Trade receivables	7,849	7,192
Other receivables and assets	2,115	1,695
Loans and receivables	44,198	38,589
Marketable debt securities	2,281	2,096
Other financial assets	1,940	2,199
Available-for-sale financial assets	4,221	4,295
Financial assets recognized at fair value through profit or loss [2]	350	731
Liabilities		
Trade payables	9,515	7,657
Financing liabilities [3]	58,500	51,986
Other financial liabilities [4]	7,293	8,274
Financial liabilities measured at cost	75,308	67,917
Financial liabilities recognized at fair value through profit or loss [2]	866	1,150

The table above does not include cash and cash equivalents or the carrying amounts of derivative financial instruments used in hedge accounting as these financial instruments are not assigned to an IAS 39 measurement category.

1 This does not include lease receivables of €11,333 million (2010: €11,328 million) as these are not assigned to an IAS 39 measurement category.
2 Financial instruments classified as held for trading purposes. These figures comprise financial instruments that are not used in hedge accounting.
3 This does not include liabilities from finance leases of €464 million (2010: €499 million) or liabilities from non-transference of assets of €3,203 million (2010: €1,197 million) as these are not assigned to an IAS 39 measurement category.
4 This does not include liabilities from financial guarantees of €249 million (2010: €227 million) as these are not assigned to an IAS 39 measurement category.

7.72

Net gains or losses

	2011	2010
In millions of euros		
Financial assets and liabilities recognized at fair value through profit or loss [1]	-140	-613
Financial assets available for sale	-9	353
Loans and receivables	-239	-237
Financial liabilities measured at cost	29	255

1 Financial instruments classified as held for trading purposes. These figures comprise financial instruments that are not used in hedge accounting.

Total interest income and total interest expense

Total interest income and total interest expense for financial assets or financial liabilities that are not measured at fair value through profit or loss are presented in table ↗7.73.

Please refer to Note 1 for qualitative descriptions of accounting for financial instruments (including derivative financial instruments).

Information on derivative financial instruments

Use of derivatives. The Group uses derivative financial instruments primarily for the purpose of hedging interest rate and currency risks that arise from its operating and financing activities. To an increasing extent the Group uses derivatives also to hedge raw material price risk. For these hedging purposes the Group mainly uses currency forward transactions, cross currency interest rate swaps, interest rate swaps, options and commodity forwards.

Fair values of hedging instruments. Table ↗7.74 shows the fair values of hedging instruments at the end of the reporting period.

Fair value hedges. The Group uses fair value hedges primarily for hedging interest rate risks.

Net gains and losses from these hedging instruments and the changes in the value of the underlying transactions are presented in table ↗7.75.

Cash flow hedges. The Group uses cash flow hedges for hedging currency risks, interest rate risks and commodity price risks.

Unrealized pre-tax gains and losses on the measurement of derivatives, which are recognized during the period in other comprehensive income, are shown in table ↗7.76.

Table ↗7.77 gives an overview of the reclassifications of pre-tax gains/losses from equity to the statement of income for the period.

The unrealized pre-tax gains and losses on the measurement of derivatives as well as reclassifications of pre-tax gains and losses from equity to the statement of income do not include gains and losses from derivatives entered into by our equity-method investments (see Note 20 for further information).

7.73

Total interest income and total interest expense

In millions of euros	2011	2010
Total interest income	2,969	2,881
Total interest expense	-2,150	-2,322

7.74

Fair values of hedging instruments

In millions of euros	At December 31, 2011	2010
Fair value hedges	321	240
Cash flow hedges	-1,047	-282

7.75

Net gains and losses from fair value hedges

In millions of euros	2011	2010
Net gains/losses from hedging instruments	317	-66
Net gains/losses from underlying transactions	-398	67

7.76

Unrealized losses from cash flow hedges

In millions of euros	2011	2010
Unrealized losses	547	987

7.77

Reclassifications of pre-tax gains/losses from equity to the statements of income

In millions of euros	2011	2010
Revenue	6	-265
Cost of sales	69	11
Interest income	–	–
Interest expense	-14	-37
	61	-291

The consolidated net profit for 2011 includes net losses (before income taxes) of €42 million (2010: net gains of €2 million) attributable to the ineffectiveness of derivative financial instruments entered into for hedging purposes.

In 2011, the discontinuation of cash flow hedges as a result of non-realizable hedged items resulted in gains of €3 million (2010: gains of €3 million).

The maturities of the interest rate hedges and cross currency interest rate hedges correspond with those of the underlying transactions. As of December 31, 2011, Daimler utilized derivative instruments with a maximum maturity of 39 months (2010: 44 months) as hedges for currency risks arising from future transactions.

Nominal values of derivative financial instruments. Table ↗7.78 shows the nominal values of derivative financial instruments entered into for the purpose of hedging currency risks, interest rate risks and commodity price risks that arise from the Group's operating and/or financing activities.

Most of the hedging transactions for which the effects from the mark-to-market valuation of the hedging instrument and the underlying transaction to a large extent offset each other in the consolidated statement of income/loss are not classified for hedge accounting treatment.

Explanations regarding the hedging of exchange rate risks, interest rate risks and commodity price risks can be found in Note 31 in the sub-item "Finance market risk."

31. Risk management

General information on financial risk

As a result of its businesses and the global nature of operations, Daimler is exposed in particular to market risks from changes in foreign currency exchange rates and interest rates, while commodity price risks arise from procurement. An equity price risk results from investments in listed companies (including EADS, Kamaz, Renault and Nissan). In addition, the Group is exposed to credit risks from its lease and financing activities and from its operating business (trade receivables). With regard to the lease and financing activities credit risks arise from operating lease contracts, finance lease contracts and financing contracts. Furthermore, the Group is exposed to liquidity risks relating to its credit and market risks or a deterioration of its operating business or financial market disturbances. If these financial risks materialize, they could adversely affect Daimler's financial position, cash flows and profitability.

Daimler has established guidelines for risk controlling procedures and for the use of financial instruments, including a clear segregation of duties with regard to financial activities, settlement, accounting and the related controlling. The guidelines upon which the Group's risk management processes are based are designed to identify and analyze these risks throughout the Group, to set appropriate risk limits and controls and to monitor the risks by means of reliable and up-to-date administrative and information systems. The guidelines and systems are regularly reviewed and adjusted to changes in markets and products.

7.78
Nominal values of derivative financial instruments

	December 31, 2011		December 31, 2010	
	Nominal values	thereof fair value hedges and cash flow hedges	Nominal values	thereof fair value hedges and cash flow hedges
In millions of euros				
Hedging of currency risks from receivables/liabilities				
Forward exchange contracts	5,033	–	7,192	–
Cross currency interest rate swaps	6,929	1,825	9,475	1,950
Hedging of currency risks from forecasted transactions				
Forward exchange contracts and currency options	28,394	27,372	24,032	23,199
Hedging of interest rate risks from receivables/liabilities				
Interest rate swaps	20,313	18,837	21,312	17,430
Hedging of commodity price risks from forecasted transactions				
Forward commodity contracts	2,014	1,484	831	736
	62,683	49,518	62,842	43,315

The Group manages and monitors these risks primarily through its operating and financing activities and, if required, through the use of derivative financial instruments. Daimler does not use derivative financial instruments for purposes other than risk management. Without these derivative financial instruments, the Group would be exposed to higher financial risks (additional information on financial instruments and especially on the nominal values of the derivative financial instruments used is included in Note 30). Daimler regularly evaluates its financial risks with due consideration of changes in key economic indicators and up-to-date market information.

Any market sensitive instruments including equity and debt securities that the funds hold to finance pension and other post-employment health care benefits are not included in the following quantitative and qualitative analysis. Please refer to Note 22 for additional information regarding Daimler's pension and healthcare benefit plans.

Credit risk

Credit risk is the risk of economic loss arising from counterparty's failure to repay or service debt in accordance with the contractual terms. Credit risk encompasses both the direct risk of default and the risk of a deterioration of creditworthiness as well as concentration risks.

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts (without consideration of collateral, if available). Table ↗7.79 shows the maximum risk positions.

Liquid assets. Liquid assets consist of cash and cash equivalents and marketable debt securities classified as available for sale. With the investment of liquid assets, banks and issuers of securities are selected very carefully and diversified in accordance with a limit system. The limit system was already revised in connection with the financial crisis in 2008/2009. At the beginning of the European sovereign debt crisis, counterparty limits were adjusted and Daimler reduced most of the lines. At the same time, the Group increased the number of financial institutions with which investments are made. In connection with investment decisions, top priority is placed on the borrower's creditworthiness and on balanced risk diversification. The limits and their utilizations are reassessed continuously. In this assessment Daimler also considers the credit risk assessment of its counterparties by the capital markets. In line with the Group's risk policy, most liquid assets are held in investments with an external rating of "A" or better.

Receivables from financial services. Daimler's financing and leasing activities are primarily focused on supporting sales of the Group's automotive products. As a consequence of these activities, the Group is exposed to credit risk, which is monitored and managed based on defined standards, guidelines and procedures. Daimler Financial Services manages its credit risk irrespective of whether it is related to a financing contract or to an operating lease or a finance lease contract. For this reason, statements concerning the credit risk of Daimler Financial Services refer to the entire financing and leasing business, unless specified otherwise.

Exposure to credit risk from financing and lease activities is monitored based on the portfolio subject to credit risk. The portfolio subject to credit risk is an internal control quantity that consists of receivables from financial services, the portion of the operating lease portfolio that is subject to credit risk and the volumes from dealer inventory financing. Receivables from financial services comprise claims arising from finance lease contracts and repayment claims from financing loans. The operating lease portfolio is reported under "equipment on operating leases" in the Group's consolidated financial statements.

7.79

Maximum risk positions of financial assets

	See also Note	Maximum risk position 2011	Maximum risk position 2010
In millions of euros			
Liquid assets		11,857	12,999
Receivables from financial services	14	45,567	41,030
Trade receivables	19	7,849	7,192
Derivative financial instruments used in hedge accounting (assets only)	16	559	816
Derivative financial instruments not used in hedge accounting (assets only)	16	350	731
Loan commitments	29	1,960	1,910
Other receivables and financial assets	16	2,115	1,695

In addition, the Daimler Financial Services segment is exposed to credit risk from irrevocable loan commitments to retailers and end customers. At December 31, 2011, irrevocable loan commitments of Daimler Financial Services amounted to €1,921 million (2010: €1,722 million), of which €1,603 million had a maturity of less than one year (2010: €1,436 million), €135 million had maturities between one and three years (2010: €262 million), €27 million had maturities between three and four years (2010: €24 million) and €156 million had maturities between four and five years (2010: -).

The Daimler Financial Services segment has guidelines at a global as well as at a local level which set the framework for effective risk management. In particular, these rules deal with minimum requirements for all risk-relevant credit processes, the evaluation of customer quality, requests for collateral as well as the treatment of unsecured loans and non-performing claims. The limitation of concentration risks is implemented primarily by means of global limits, which refer to single customer exposures. As of December 31, 2011, exposure to the top 15 customers did not exceed 4.0% (2010: 4.2%) of the total portfolio.

With respect to its financing and lease activities, the Group holds collateral for customer transactions. The value of collateral generally depends on the amount of the financed assets. Usually, the financed vehicles serve as collateral. Furthermore, Daimler Financial Services mitigates the credit risk from financing and lease activities, for example through advance payments from customers.

Scoring systems are applied for the assessment of the default risk of retail and small business customers. Corporate customers are evaluated using internal rating instruments. Both evaluation processes use external credit bureau data if available.

The scoring and rating results as well as the availability of security and other risk mitigation instruments, such as pre-payments, guarantees and, to a lower extent, residual debt insurances, are essential elements for credit decisions.

Significant financing loans and finance leases to corporate customers are tested individually for impairment. An individual loan or finance lease is considered impaired when there is objective evidence that the Group will be unable to collect all amounts due as specified by the contractual terms. Examples of objective evidence that loans or finance lease receivables maybe impaired include the following factors: significant financial difficulty of the borrower, a rising probability that the borrower will become bankrupt, delinquency in his installment payments, and restructured or renegotiated contracts to avoid immediate delinquency.

The vast majority of loans and finance lease receivables related to retail or small business customers are grouped into homogeneous pools and collectively assessed for impairment. Objective evidence that loans and finance lease receivables are impaired includes adverse changes in the payment status of the borrowers included in the pool and an unfavorable change in the economic conditions affecting the portfolio with similar risk characteristics.

Within the framework of testing for impairment, existing collateral is generally given due consideration. In that context, any excess collateral of individual customers is not netted of with insufficient collateral of other customers. The maximum credit risk is limited by the fair value of collateral (e.g. financed vehicles).

If single loans and lease receivables are identified to be individually impaired, procedures are initiated to take possession of the asset financed or leased or, alternatively, to renegotiate the impaired contract. Restructuring policies and practices are based on the indicators or criteria which, in the judgment of local management, indicate that repayment will probably continue and that the total proceeds expected to be derived from the renegotiated contract exceed the expected proceeds to be derived from repossession and remarketing.

The southern European countries were especially affected by developments in the euro zone. For these countries, the main focus was the permanent close monitoring of the risk situation and the adaptation of the risk management systems to the ongoing developments.

Further details on receivables from financial services and the balance of the recorded impairments are also provided in Note 14.

The positive development of delinquent receivables triggered a decline of risk provisions at Daimler Financial Services in 2011 compared to the previous year which was still affected by the impact of the global financial crisis.

Trade receivables. Trade receivables are mostly receivables from worldwide sales activities of vehicles and spare parts. The credit risk from trade receivables encompasses the default risk of customers, e.g. dealers and general distribution companies, as well as other corporate and private customers. Daimler manages its credit risk from trade receivables using appropriate IT applications and databases on the basis of internal guidelines which have to be followed globally.

A significant part of the trade receivables from each country's domestic business is secured by various country-specific types of collateral. This collateral includes conditional sales, guarantees and sureties as well as mortgages and cash deposits. In addition, Group companies guard against credit risk via credit assessments.

For trade receivables from export business, Daimler also evaluates each general distribution company's creditworthiness by means of an internal rating process and its country risk. In this context, the year-end financial statements and other relevant information on the general distribution companies such as payment history are used and assessed.

Depending on the creditworthiness of the general distribution companies, Daimler usually establishes credit limits and limits credit risks with the following types of collateral:

- credit insurances,
- first-class bank guarantees and
- letters of credit.

These procedures are defined in the export credit guidelines, which have Group-wide validity.

Appropriate provisions are recognized for the risks inherent in trade receivables. For this purpose, all receivables are regularly reviewed and impairments are recognized if there is any objective indication of non-performance or other contractual violations. In general, substantial individual receivables and receivables whose realizability is jeopardized are assessed individually. In addition, taking country-specific risks and any collateral into consideration, the other receivables are grouped by similarity of contract and tested for impairment collectively. One important factor for the definition of the provision's level is the immanent country risk.

The immanent country risk of a receivable is an important factor for the determination of the impairment to be recognized.

Further information on trade receivables and the status of impairments recognized is provided in Note 19.

Derivative financial instruments. The Group does not use derivative financial instruments for purposes other than risk management. Daimler manages the credit risk exposure in connection with derivative financial instruments through a limit system, which is based on the review of each counterparty's financial strength. This system limits and diversifies the credit risk. As a result, Daimler is exposed to credit risk only to a small extent with respect to its derivative financial instruments. In accordance with the Group's risk policy, most derivatives are contracted with counterparties which have an external rating of "A" or better.

Other receivables and financial assets. With respect to other receivables and financial assets in 2011 and 2010, Daimler is exposed to credit risk only to a small extent.

Liquidity risk

Liquidity risk comprises the risk that a company cannot meet its financial obligations in full.

Daimler manages its liquidity by holding adequate volumes of liquid assets and by maintaining syndicated credit facilities in addition to the cash inflows generated by its operating business. Additionally, the possibility to securitize receivables of financial services business (ABS transactions) also reduces the Group's liquidity risk. Liquid assets comprise cash and cash equivalents as well as debt instruments classified as held for sale. The Group can dispose of these liquid assets at short notice.

In general, Daimler makes use of a broad spectrum of financial instruments to cover its funding requirements. Depending on funding requirements and market conditions, Daimler issues commercial paper, bonds and financial instruments secured by receivables in various currencies. In 2011, Daimler had good access to the capital markets. Credit lines are also used to cover financing requirements.

In addition, customer deposits at Mercedes-Benz Bank have been used as a further source of refinancing.

The funds raised are primarily used to finance the cash needs of the lease and financing business as well as working capital and capital expenditure requirements. In accordance with internal guidelines, the refunding of the lease and financing business is generally carried out with matching maturities so that financing liabilities have the same maturity profile as the leased assets and the receivables from financial services.

At year-end 2011 liquidity amounted to €11.9 billion (2010: €13.0 billion). In 2011, significant cash outflows resulted from contributions to pension plan assets (see Note 22) and from the indirect acquisition of shares in Tognum AG (see Note 13).

At year-end 2011 the Group had short-term and long-term credit lines totaling €29.0 billion, of which €9.3 billion was not utilized. These credit lines include a syndicated €7.0 billion credit facility of Daimler AG with 5 year tenor which was signed in October 2010. This syndicated facility serves as a back-up for commercial paper drawings and provides funds for general corporate purposes. At the end of 2011, this facility was unused.

From an operating point of view, the management of the Group's liquidity exposures is centralized by a daily cash pooling process. This process enables Daimler to manage its liquidity surplus and liquidity requirements according to the actual needs of the Group and each subsidiary. The Group's short-term and mid-term liquidity management takes into account the maturities of financial assets and financial liabilities and estimates of cash flows from the operating business.

Information on the Group's financing liabilities is also provided in Note 24.

Table ↗ 7.80 provides an insight into how the future liquidity situation of the Group is affected by the cash flows from liabilities and financial guarantees as of December 31, 2011.

Finance market risks

The global nature of its businesses exposes Daimler to significant market risks resulting from fluctuations in foreign currency exchange rates and interest rates. In addition, the Group is exposed to market risks in terms of commodity price risk associated with its business operations, which the Group hedges partially through derivative financial instruments. The Group is also exposed to equity price risk in connection with its investments in listed companies (including EADS, Kamaz, Renault and Nissan). If these market risks materialize, they will adversely affect the Group's financial position, cash flows and profitability.

Daimler manages market risks to minimize the impact of fluctuations in foreign exchange rates, interest rates and commodity prices on the results of the Group and its segments. The Group calculates its overall exposure to these market risks to provide the basis for hedging decisions, which include the selection of hedging instruments and the determination of hedging volumes and the corresponding periods. Decisions regarding the management of market risks resulting from fluctuations in foreign exchange rates, interest rates (asset-/liability management) and commodity prices are regularly made by the relevant Daimler risk management committees.

As part of its risk management system, Daimler employs value at risk analyses as recommended by the Bank for International Settlements. In performing these analyses, Daimler quantifies its market risk exposure to changes in foreign currency exchange rates and interest rates on a regular basis by predicting the maximum loss over a target time horizon (holding period) and confidence level.

The value at risk calculations employed:

- express potential losses in fair values, and
- assume a 99% confidence level and a holding period of five days.

Daimler calculates the value at risk for exchange rate and interest rate risk according to the variance-covariance approach. The value at risk calculation method for commodity hedging instruments is based on the Monte Carlo simulation.

When calculating the value at risk by using the variance-covariance approach, Daimler first computes the current fair value of the Group's financial instruments portfolio. Then the sensitivity of the portfolio value to changes in the relevant market risk factors, such as particular foreign currency exchange rates or interest rates of specific maturities, is quantified. Based on expected volatilities and correlations of these market risk factors which are obtained from the RiskMetrics™ dataset, a statistical distribution of potential changes in the portfolio value at the end of the holding period is computed. The loss which is reached or exceeded with a probability of only 1% can be deduced from this calculation and represents the value at risk.

7.80

Liquidity runoff for liabilities and financial guarantees [1]

In millions of euros	Total	2012	2013	2014	2015	2016	≥ 2017
Financing liabilities [2]	68,621	28,968	16,552	11,513	2,571	3,873	5,144
Derivative financial instruments [3]	2,929	1,819	825	224	30	9	22
Trade payables [4]	9,515	9,437	71	7	–	–	–
Other financial liabilities excluding derivatives	7,542	6,478	380	310	141	80	153
Irrevocable loan commitments of the Daimler Financial Services segment and of Daimler AG [5]	1,960	1,642	–	135	27	156	–
Financial guarantees [6]	1,367	1,367	–	–	–	–	–
	91,934	49,711	17,828	12,189	2,769	4,118	5,319

1 The values were calculated as follows:
(a) If the counterparty can request payment at different dates, the liability is included on the basis of the earliest date on which Daimler can be required to pay. The customer deposits of Mercedes-Benz Bank are considered in this analysis to mature within the first year.
(b) The cash flows of floating interest financial instruments are estimated on the basis of forward rates.
2 The stated cash flows of financing liabilities consist of their undiscounted principal and interest payments.
3 The undiscounted sum of the net cash outflows of the derivative financial instruments are shown for the respective year. For single time bands, this may also include negative cash flows from derivatives with an overall positive fair value.
4 The cash outflows of trade payables are undiscounted.
5 The maximum available amounts are stated.
6 The maximum potential obligations under the issued guarantees are stated. It is assumed that the amounts are due within the first year.

The Monte Carlo simulation uses random numbers to generate possible changes in market risk factors over the holding period. The changes in market risk factors indicate a possible change in the portfolio value. Running multiple repetitions of this simulation leads to a distribution of portfolio value changes.

The value at risk can be determined based on this distribution as the portfolio value loss which is reached or exceeded with a probability of 1%.

In accordance with the risk management standards of the international banking industry, Daimler maintains its financial controlling system independent of Corporate Treasury and with a separate reporting line.

Exchange rate risk. *Transaction risk and currency risk management.* The global nature of Daimler's businesses exposes cash flows and earnings to risks arising from fluctuations in exchange rates. These risks primarily relate to fluctuations between the US dollar and the euro, which also apply to the export of vehicles and parts to China.

In the operating vehicle business, the Group's exchange rate risk primarily arises when revenue is generated in a currency that is different from the currency in which the costs of generating the revenue are incurred (so-called transaction risk). When the revenue is converted into the currency in which the costs are incurred, it may be inadequate to cover the costs if the value of the currency in which the revenue is generated declined in the interim relative to the value of the currency in which the costs were incurred. This risk exposure primarily affects the Mercedes-Benz Cars segment, which generates a major portion of its revenue in foreign currencies and incurs manufacturing costs primarily in euros. The Daimler Trucks segment is also subject to transaction risk, but to a lesser extent because of its global production network. The Mercedes-Benz Vans and Daimler Buses segments are also directly exposed to transaction risk, but only to a minor degree compared to the Mercedes-Benz Cars and Daimler Trucks segments. In addition, the Group is indirectly exposed to transaction risk from its equity-method investments.

Cash inflows and outflows of the business segments are offset if they are denominated in the same currency. This means that the exchange rate risk resulting from revenue generated in a particular currency can be offset by costs in the same currency, even if the revenue arises from a transaction independent of that in which the costs are incurred. As a result, only the net exposure is subject to transaction risk. In addition, natural hedging opportunities exist to the extent that currency exposures of the operating businesses of individual segments offset each other at Group level, thereby reducing overall currency exposure. These natural hedges eliminate the need for hedging to the extent of the matched exposures. To provide an additional natural hedge against any remaining transaction risk exposure, Daimler generally strives to increase cash outflows in the same currencies in which the Group has a net excess inflow.

In order to mitigate the impact of currency exchange rate fluctuations for the operating business (future transactions), Daimler continually assesses its exposure to exchange rate risks and hedges a portion of those risks by using derivative financial instruments. These hedging transactions mainly represent macro hedges. Daimler's Foreign Exchange Committee (FXCo) manages the Group's exchange rate risk and its hedging transactions through currency derivatives. The FXCo consists of representatives of the relevant segments and central functions. The Corporate Treasury department assesses foreign currency exposures and carries out the FXCo's decisions concerning foreign currency hedging through transactions with international financial institutions. Risk Controlling regularly informs the Board of Management of the actions taken by Corporate Treasury based on the FXCo's decisions.

The Group's targeted hedge ratios for forecasted operating cash flows in foreign currency are indicated by a reference model. On the one hand, the hedging horizon is naturally limited by uncertainty related to cash flows that lie far in the future; on the other hand, it may also be limited by the fact that appropriate currency contracts are not available. This reference model aims to protect the Group from unfavorable movements in exchange rates while preserving some flexibility to participate in favorable developments. Based on this reference model and depending on the market outlook, the FXCo determines the hedging horizon, which usually varies from one to three years, as well as the average hedge ratios. Reflecting the character of the underlying risks, the hedge ratios decrease with increasing maturities. At year-end 2011, the centralized foreign exchange management showed an unhedged position in the automotive business for the underlying forecasted cash flows in US dollars in calendar year 2012 of 25%. The corresponding figure at year-end 2010 for calendar year 2011 was 28%. The lower unhedged position compared to last year contributes to a lower exposure of cash flows to currency risk with respect to the US dollar.

The hedged position of the operating vehicle businesses is influenced by the amount of derivative currency contracts held. The derivative financial instruments used to cover foreign currency exposure are primarily forward foreign exchange contracts and currency options. Daimler's guidelines call for a mixture of these instruments depending on the assessment of market conditions. Value at risk is used to measure the exchange rate risk inherent in these derivative financial instruments.

Table ↗7.81 shows the period-end, high, low and average value at risk figures for the 2011 and 2010 portfolios of derivative financial instruments, which were entered into primarily in connection with the operative vehicle businesses. Average exposure has been computed on an end-of-quarter basis. The offsetting transactions underlying the derivative financial instruments are not included in the following value at risk presentation. See also table ↗7.78 for the nominal volumes on the balance sheet date of derivative currency instruments entered into to hedge the currency risk from forecasted transactions.

In 2011, the development of foreign currency value at risk, which refers to the portfolio of the derivative foreign currency hedging contracts, was mainly driven by changes in foreign currency volatilities.

The Group's investments in liquid assets generally do not result in currency risk, as this is governed by internal guidelines. Transaction risks arising from payables in foreign currencies that result from the Group's refinancing on money and capital markets are generally hedged against currency risks at the time of refinancing in accordance with Daimler's internal guidelines. The Group uses appropriate derivative financial instruments (e.g. cross currency interest rate swaps) to hedge against currency risk.

Since currency risks arising from the Group's refinancing in foreign currencies and the respective hedging transactions principally offset each other these financial instruments are not included in the value at risk calculation above presented.

Effects of currency translation. For purposes of Daimler's consolidated financial statements, the income and expenses and the assets and liabilities of subsidiaries located outside the euro zone are converted into euros. Therefore, period-to-period changes in average exchange rates may cause translation effects that have a significant impact on, for example, revenue, segment results (earnings before interest and taxes – EBIT) and assets and liabilities of the Group. Unlike exchange rate transaction risk, exchange rate translation risk does not necessarily affect future cash flows. The Group's equity position reflects changes in book values caused by exchange rates. Daimler does not generally hedge against exchange rate translation risk.

Interest rate risk. Daimler uses a variety of interest rate sensitive financial instruments to manage the liquidity and cash needs of its day-to-day operations. A substantial volume of interest rate sensitive assets and liabilities results from the leasing and sales financing business operated by the Daimler Financial Services segment. The Daimler Financial Services companies enter into transactions with customers that primarily result in fixed-rate receivables. Daimler's general policy is to match funding in terms of maturities and interest rates wherever economically feasible. However, for a limited portion of the receivables portfolio in selected and developed markets, the Group does not match funding in terms of maturities in order to take advantage of market opportunities. As a result, Daimler is exposed to risks due to changes in interest rates. In this regard, the Group is not exposed to any liquidity risks.

An asset/liability committee consisting of members of the Daimler Financial Services segment, the Corporate Treasury department and the Corporate Controlling department manages the interest rate risk relating to Daimler's leasing and financing activities by setting targets for the interest rate risk position. The Treasury Risk Management department and the local Daimler Financial Services companies are jointly responsible for achieving these targets. As a separate function, the Daimler Financial Services Risk Management department monitors target achievement on a monthly basis. In order to achieve the targeted interest rate risk positions in terms of maturities and interest rate fixing periods, Daimler also uses derivative financial instruments, such as interest rate swaps. Daimler assesses its interest rate risk position by comparing assets and liabilities for corresponding maturities, including the impact of the relevant derivative financial instruments. Most of the interest rate risk hedges are micro hedges.

Derivative financial instruments are also used in conjunction with the refinancing related to the industrial business. Daimler coordinates the funding activities of the industrial and financial services businesses at the Group level.

Table ↗7.82 shows the period-end, high, low and average value at risk figures for the 2011 and 2010 portfolio of interest rate sensitive financial instruments and derivative financial instruments of the Group, including the derivative financial instruments of the leasing and sales financing business. In this respect, the table shows the interest rate risk regarding the unhedged position of interest rate sensitive financial instruments. The average values have been computed on an end-of-quarter basis.

While the average value at risk of the interest rate sensitive financial instruments in 2011 was almost unchanged compared to 2010, the variation of value at risk figures was higher during 2011 due to sharp fluctuations in interest rate volatilities.

Commodity price risk. Daimler is exposed to the risk of changes in commodity prices in connection with procuring raw materials and manufacturing supplies used in production. Some of the raw material price risk, primarily relating to forecasted procurement of certain metals, is mitigated with the use of derivative financial instruments. These hedges are macro hedges.

For precious metals, central commodity management shows an unhedged position of 24% of the forecasted commodity purchases at year-end for calendar year 2012. The corresponding figure at year-end 2010 was 26% for calendar year 2011.

Table ↗ 7.83 shows the period-end, high, low and average value at risk figures for the 2011 and 2010 portfolio of derivative financial instruments used to hedge raw material price risk. Average exposure has been computed on an end-of-quarter basis. The offsetting transactions underlying the derivative financial instruments are not included in the following value at risk presentation. See also table ↗ 7.78 for the nominal volumes on the balance sheet date of derivative commodity price hedges.

Because the disclosed commodity value at risk refers to the portfolio of the derivative commodity hedging contracts, the increase of the hedging volume in 2011 caused an increase of the commodity value at risk. Additionally, partially sharp fluctuations in the commodity price volatilities influenced the development of the commodity value at risk in 2011.

Equity price risk. Daimler almost exclusively holds investments in listed equity securities (including EADS, Kamaz, Renault and Nissan), which are classified as long-term investments. Therefore, the Group does not include these investments in its equity price risk assessment.

In connection with the takeover of Tognum AG by Engine Holding GmbH (Engine Holding), Rolls-Royce has granted Daimler AG the right to exercise a put option on the shares it holds in Engine Holding (see also Note 13). As this option hedges the value of Daimler's investment in Engine Holding, this derivative financial instrument is also excluded from the analysis of market risk.

7.81
Value at risk for exchange rate risk

				2011				2010
	Period-end	High	Low	Average	Period-end	High	Low	Average
In millions of euros								
Exchange rate risk (from derivative financial instruments)	651	651	385	563	558	590	346	507

7.82
Value at risk for interest rate risk

				2011				2010
	Period-end	High	Low	Average	Period-end	High	Low	Average
In millions of euros								
Interest rate risk	60	78	29	50	49	52	33	45

7.83
Value at risk for commodity price risk

				2011				2010
	Period-end	High	Low	Average	Period-end	High	Low	Average
In millions of euros								
Commodity price risk (from derivative financial instruments)	94	115	45	79	52	52	27	38

32. Segment reporting

Reportable segments. The reportable segments of the Group are Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans, Daimler Buses and Daimler Financial Services. The segments are largely organized and managed separately according to nature of products and services provided, brands, distribution channels and profile of customers.

The vehicle segments develop and manufacture passenger cars and off-road vehicles, trucks, vans and buses. Mercedes-Benz Cars sells its passenger cars and off-road vehicles under the brand names Mercedes-Benz, smart and Maybach. Daimler Trucks distributes its trucks under the brand names Mercedes-Benz, Freightliner, Western Star and Fuso. The vans of the Mercedes-Benz Vans segment are primarily sold under the brand name Mercedes-Benz. Daimler Buses sells completely built-up buses under the brand names Mercedes-Benz, Setra and Orion. In addition, Daimler Buses produces and sells bus chassis. The vehicle segments also sell related spare parts and accessories.

The Daimler Financial Services segment supports the sales of the Group's vehicle segments worldwide. Its product portfolio mainly comprises tailored financing and leasing packages for customers and dealers. The segment also provides services such as insurance, fleet management, investment products and credit cards.

Management reporting and controlling systems. The Group's management reporting and controlling systems principally use accounting policies that are the same as those described in Note 1 in the summary of significant accounting policies under IFRS.

The Group measures the performance of its operating segments through a measure of segment profit or loss which is referred to as "EBIT" in our management and reporting system.

EBIT is the measure of segment profit/loss used in segment reporting and comprises gross profit, selling and general administrative expenses, research and non-capitalized development costs, other operating income and expense, and our share of profit/loss from investments accounted for using the equity method, net, as well as other financial income/expense, net.

Intersegment revenue is generally recorded at values that approximate third-party selling prices.

Segment assets principally comprise all assets. The industrial business segments' assets exclude income tax assets, assets from defined pension benefit plans and other post-employment benefit plans and certain financial assets (including liquidity).

Segment liabilities principally comprise all liabilities. The industrial business segments' liabilities exclude income tax liabilities, liabilities from defined pension benefit plans and other post-employment benefit plans and certain financial liabilities (including financing liabilities).

Pursuant to risk sharing agreements between Daimler Financial Services and the respective vehicle segments the residual value risks associated with the Group's operating leases and its finance lease receivables are primarily borne by the vehicle segments that manufactured the leased equipment. The terms of the risk sharing arrangement vary by segment and geographic region.

Non-current assets comprise of intangible assets, property, plant and equipment and equipment on operating leases.

Capital expenditures for property, plant and equipment and intangible assets reflect the cash effective additions to these property, plant and equipment and intangible assets as far as they do not relate to capitalized borrowing costs or goodwill and finance leases.

The effects of certain legal proceedings are excluded from the operative results and liabilities of the segments, if such items are not indicative of the segments' performance, since their related results of operations may be distorted by the amount and the irregular nature of such events. This may also be the case for items that refer to more than one reportable segment.

If the Group hedges investments in associated companies for strategic reasons, the related financial assets and earnings effects are generally not allocated to the segments. They are included in the reconciliation to Group figures as corporate items.

With respect to information about geographical regions, revenue is allocated to countries based on the location of the customer; non-current assets are disclosed according to the physical location of these assets.

Table ↗7.84 presents segment information as of and for the years ended December 31, 2011 and 2010.

7.84
Segment information

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total Segments	Recon-ciliation	Consoli-dated
2011								
Revenue	55,565	26,405	8,835	4,347	11,388	106,540	–	106,540
Intersegment revenue	1,845	2,346	344	71	692	5,298	-5,298	–
Total revenue	57,410	28,751	9,179	4,418	12,080	111,838	-5,298	106,540
Segment profit (EBIT)	5,192	1,876	835	162	1,312	9,377	-622	8,755
thereof share of profit/loss from investments accounted for using the equity method	87	32	-8	1	-13	99	174	273
Segment assets	39,888	20,977	4,918	3,271	75,624	144,678	3,454	148,132
thereof investments accounted for using the equity method	482	1,603	66	4	30	2,185	2,476	4,661
Segment liabilities	28,113	10,978	3,890	2,111	70,251	115,343	-8,548	106,795
Additions to non-current assets	8,850	2,358	864	367	6,252	18,691	-47	18,644
thereof capital expenditures for intangible assets	1,174	344	148	37	16	1,719	-1	1,718
thereof capital expenditures for property, plant and equipment	2,724	1,201	109	103	21	4,158	–	4,158
Depreciation and amortization of non-current assets	3,142	1,097	391	155	2,095	6,880	65	6,945
thereof amortization of intangible assets	737	171	74	10	10	1,002	1	1,003
thereof depreciation of property, plant and equipment	1,685	657	151	67	12	2,572	–	2,572

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total Segments	Recon-ciliation	Consoli-dated
2010								
Revenue	51,721	21,961	7,517	4,487	12,075	97,761	–	97,761
Intersegment revenue	1,705	2,063	295	71	713	4,847	-4,847	–
Total revenue	53,426	24,024	7,812	4,558	12,788	102,608	-4,847	97,761
Segment profit (EBIT)	4,656	1,332	451	215	831	7,485	-211	7,274
thereof share of profit/loss from investments accounted for using the equity method	80	41	-5	–	-7	109	-257	-148
Segment assets	36,206	18,014	4,555	3,118	67,871	129,764	6,066	135,830
thereof investments accounted for using the equity method	311	1,046	63	7	43	1,470	2,490	3,960
Segment liabilities	25,833	9,799	3,432	2,055	63,006	104,125	-6,248	97,877
Additions to non-current assets	8,246	2,294	685	351	5,618	17,194	-190	17,004
thereof capital expenditures for intangible assets	1,021	445	54	36	7	1,563	-8	1,555
thereof capital expenditures for property, plant and equipment	2,457	1,003	91	95	12	3,658	-5	3,653
Depreciation and amortization of non-current assets	3,014	1,018	449	145	2,039	6,665	103	6,768
thereof amortization of intangible assets	658	129	74	10	16	887	–	887
thereof depreciation of property, plant and equipment	1,586	602	207	68	13	2,476	1	2,477

7.85

Reconciliation to Group figures

In millions of euros	2011	2010
Total segments' profit/loss (EBIT)	9,377	7,485
Share of profit/loss from investments accounted for using the equity method [1]	174	-257
Other corporate items	-619	17
Eliminations	-177	29
Group EBIT	8,755	7,274
Interest income	955	825
Interest expense	-1,261	-1,471
Profit/loss before income taxes	8,449	6,628
Total segments' assets	144,678	129,764
Investments accounted for using the equity method [1]	2,476	2,490
Income tax assets [2]	2,575	2,605
Unallocated financial assets (including liquidity) and assets from defined benefit plans	10,459	11,777
Other corporate items and eliminations	-12,056	-10,806
Group assets	148,132	135,830
Total segments' liabilities	115,343	104,125
Income tax liabilities [2]	2,551	1,887
Unallocated financial liabilities and liabilities from defined benefit plans [2]	1,672	3,488
Other corporate items and eliminations	-12,771	-11,623
Group liabilities	106,795	97,877

1 Includes mainly the Group's proportionate share in the investment and results of EADS. For further information see Note 13.
2 Industrial business

Daimler Trucks. In 2011, the Group recorded an impairment loss of €32 million with respect to its investment in Kamaz. The loss is included in the Daimler Trucks segment's EBIT.

The optimization programs at our subsidiaries Daimler Trucks North America (DTNA) and Mitsubishi Fuso Truck and Bus Corporation, which the Group initiated in 2008 and 2009 respectively, were almost completed and did not materially affect the 2011 consolidated financial statements (see also Note 5 for further information).

In 2010, as a result of the adjustment of defined health care and pension benefits at our subsidiary DTNA, the Group recorded a non-cash effective pre-tax gain of €160 million, which is included in the segment's EBIT.

Daimler Financial Services. In 2010, the Board of Management decided to restructure the business activities of Daimler Financial Services AG and Mercedes-Benz Bank AG in Germany by the end of 2012. In this regard, in 2011, ongoing expenditures negatively affected earnings. In 2010, the Group recorded pre-tax expenses of €82 million, of which €76 million were non-cash effective (see also Note 5).

Reconciliations. Reconciliations of the total segment amounts to respective items included in financial statements are presented in table ↗7.85.

The reconciliation includes corporate items for which headquarters are responsible. Transactions between the segments are eliminated in the context of consolidation and the eliminated amounts are included in the reconciliation.

In 2011, the line item "Other corporate items" within the reconciliation to Group EBIT mainly comprises an impairment charge on the equity investment in Renault (€110 million) and expenses in connection with legal proceedings. In addition, in 2011, further expenses were incurred at corporate level some of which relate to IT projects and compliance activities. In 2010, this line item includes pre-tax income of €218 million related to the positive outcome of a legal dispute involving Daimler AG and a pre-tax gain of €265 million on the sale of Daimler's equity interest in Tata Motors. Due to the very good development of earnings in 2010 and on the occasion of the 125th anniversary of the invention of the automobile in 2011, the Board of Management committed in December 2010 to pay out an anniversary bonus in an amount of approximately €125 million to all persons employed by the Group. The Group also committed to increase the capital of the Daimler and Benz Foundation from €37 million to €125 million. These expenses, as well as additional expenses in connection with legal proceedings, are also included in this line item.

Revenue and non-current assets by region. Revenue from external customers by region is shown in table ↗7.86.

The split of non-current assets by region is included in table ↗7.87.

33. Capital management

"Net assets" and "value added" represent the basis for capital management at Daimler. The assets and liabilities of the segments in accordance with IFRS provide the basis for the determination of net assets at Group level. The industrial segments are accountable for the operational net assets; all assets, liabilities and provisions which they are responsible for in day-to-day operations are therefore allocated to them. Performance measurement at Daimler Financial Services is on an equity basis, in line with the usual practice in the banking business. Net assets at Group level additionally include assets and liabilities from income taxes as well as other corporate items and eliminations. The average annual net assets are calculated from the average quarterly net assets.

The average quarterly net assets are calculated as an average of the net assets at the beginning and the end of the quarter and are shown in table ↗ 7.88.

The cost of capital of the Group's average net assets is reflected in "value added." Value added shows to which extent the Group achieves or exceeds the minimum return requirements of the shareholders and creditors, thus creating additional value. The required rate of return on net assets, and thus the cost of capital, are derived from the minimum rates of return that investors expect on their invested capital. The Group's cost of capital comprises the cost of equity as well as the costs of debt and pension obligations of the industrial business; in addition, the expected returns on liquidity and on the plan assets of the pension funds of the industrial business are considered with the opposite sign. In the reporting period, the cost of capital used for our internal capital management amounted to 8% after taxes.

The objective of capital management is to increase value added among other things by optimizing the cost of capital. This is achieved on the one hand by the management of the net assets, for instance by optimizing working capital, which is in the operational responsibility of the segments. In addition, taking into account legal regulations, Daimler strives to optimize the capital structure and, consequently, the cost of capital under cost and risk aspects. Examples for this include a balanced relationship between equity and financial liabilities as well as an appropriate level of liquidity, oriented towards the operational requirements.

7.86
Revenue by region

	2011	2010
In millions of euros		
Western Europe	39,387	38,478
thereof Germany	19,753	19,281
United States	22,222	20,216
Other American Countries	10,232	9,112
Asia	22,643	19,659
thereof China	11,093	9,094
Other countries	12,056	10,296
	106,540	97,761

7.87
Non-current assets by region

	2011	2010
In millions of euros		
Germany	27,272	24,985
United States	12,168	10,154
Other countries	10,810	9,883
	50,250	45,022

7.88
Average net assets

	2011	2010
In millions of euros		
Mercedes-Benz Cars	11,814	10,146
Daimler Trucks	9,000	7,533
Mercedes-Benz Vans	1,212	1,228
Daimler Buses	1,161	1,200
Daimler Financial Services [1]	5,147	5,156
Net assets of the segments	28,334	25,263
Investments accounted for using the equity method [2]	2,643	2,449
Assets and liabilities from income taxes [3]	-385	1,278
Other corporate items and eliminations [3]	834	348
Net assets Daimler Group	31,426	29,338

1 Equity
2 Unless allocated to segments
3 Industrial business

7.89

Earnings per share

	2011	2010
In millions of euros		
Profit attributable to shareholders of Daimler AG – basic	5,667	4,498
Diluting effects in net profit	–	–
Profit attributable to shareholders of Daimler AG – diluted	5,667	4,498
In millions of shares		
Weighted average number of shares outstanding – basic	1,066.0	1,050.8
Dilutive effect of stock options	1.1	0.7
Weighted average number of shares outstanding – diluted	1,067.1	1,051.5

34. Earnings per share

The computation of basic and diluted earnings per share for net profit attributable to shareholders of Daimler AG is included in table ↗7.89.

The computations of diluted earnings per share for 2011 and 2010 do not include stock options for the acquisition of 1.4 million and 9.3 million Daimler ordinary shares, respectively, that were issued in connection with the stock option plan, because the options' underlying exercise prices were higher than the average market prices of Daimler ordinary shares in those periods.

35. Related party relationships

Associated companies and joint ventures. Most of the goods and services supplied within the ordinary course of business between the Group and related parties comprise transactions with associated companies and joint ventures and are included in table ↗7.90.

A large proportion of the sales and purchases of goods and services with associated companies results from business relations with Engine Holding GmbH (Engine Holding) and/or Tognum AG (Tognum), which is meanwhile owned by Engine Holding. Tognum purchases engines, parts and services from the Group. Daimler AG and Rolls-Royce Holdings plc (Rolls-Royce) made a voluntary public tender offer for Tognum through Engine Holding, a related company, on April 6, 2011. Following the complete granting of all relevant regulatory approvals, the take-over was completed in September 2011. In this context, Daimler has committed to provide Engine Holding with additional cash up to a limit of €0.2 billion to support the contribution by Rolls-Royce to Engine Holding of the medium-speed reciprocating-engine business which trades under the Bergen brand. This capital contribution was made in January 2012. See Note 13 for further information on the public tender offer and on other transactions with Engine Holding.

7.90

Transactions with associated companies and joint ventures

	Sales of goods and services and other income		Purchases of goods and services and other expense		Receivables At December 31,		Payables At December 31,	
	2011	2010	2011	2010	2011	2010	2011	2010
In millions of euros								
Associated companies	789	797	197	163	239	218	46	55
Joint ventures	2,825	2,251	418	342	526	457	24	154

In June 2011, Daimler closed the sale of its equity interest in DADC Luft- und Raumfahrt Beteiligungs AG (DADC) to EADS for €110 million in cash. DADC is a holding company which primarily holds the shares in Dornier GmbH. This sale resulted in a gain of €29 million in 2011, which is included in table ↗ **7.90**.

Transactions with joint ventures predominantly comprise the business relationship with Beijing Benz Automotive Co., Ltd. (BBAC). BBAC assembles and distributes Mercedes-Benz vehicles for the Group in China. To enable the Group to fully exploit the huge growth potential of the Chinese market, Daimler will further intensify the cooperation with its local partner, Beijing Automotive Industry Corporation and plans to invest approximately €2 billion in the joint venture BBAC.

Additional significant sales and purchases of goods and services relate to joint ventures in Austria and Taiwan. These joint ventures distribute cars and spare parts of the Group. Since the middle of 2010, substantial business relations relate to the Chinese joint venture Fujian Daimler Automotive Co., Ltd. (FJDA). FJDA produces and distributes vans under the brand name Mercedes-Benz in China.

The joint ventures Mercedes-Benz Trucks Vostok OOO and Fuso Kamaz Trucks Rus Ltd., which have been established with Kamaz OAO, another of the Group's associated companies, commenced most of their business activities in 2010. These joint ventures produce and distribute trucks of the Mercedes-Benz and Fuso brands in Russia. Furthermore, buses of the Mercedes-Benz and Setra brands are sold in Russia. In addition, at the end of 2010, Daimler signed a memorandum of understanding with Kamaz to produce axles in a joint venture in Russia.

In December 2011, the joint venture company Beijing Foton Daimler Automotive Co., Ltd. was established by Daimler and the Chinese truck manufacturer Beiqi Foton Motor Co., Ltd. The company's business object is to produce trucks of the Auman brand, some of which will be equipped with Mercedes-Benz engines. In the course of 2012, Daimler will make a cash contribution to the joint venture company of €0.3 billion.

In connection with the Group's 45% equity interest in Toll Collect GmbH, Daimler has provided a number of guarantees for Toll Collect, which are not included in table ↗ **7.90** (€105 million as of December 31, 2011 and December 31, 2010). See Note 29 for further information.

Board members. Throughout the world, the Group has business relationships with numerous entities that are customers and/or suppliers of the Group. Those customers and/or suppliers include companies that have a connection with some of the members of the Supervisory Board or of the Board of Management of Daimler AG or its subsidiaries.

Board of Management and Supervisory Board members may also purchase goods and services from Daimler AG or its subsidiaries as customers. When such business relationships exist, transactions are concluded on the basis of customary market conditions.

From time to time, companies of the Daimler Group purchase goods and services (primarily advertising) from and sell or lease vehicles or provide financial services to companies of the Lagardère Group in the ordinary course of business. Arnaud Lagardère, who became a member of the Supervisory Board of Daimler AG in April 2005 and departed from the board on April 14, 2010, is the general partner and Chief Executive Officer of Lagardère SCA, a publicly traded company and the ultimate parent company of the Lagardère Group.

For information on the remuneration of board members, see Note 36.

Contributions to plan assets. In 2011 and 2010, the Group made contributions of €2,053 million (2010: €354 million) to its external funds to cover pension and other post-employment benefits. For further information, see also Note 22.

36. Remuneration of the members of the Board of Management and the Supervisory Board

Remuneration granted to the members of the Board of Management and the Supervisory Board affecting net profit for the year ended December 31 was as presented in table ↗ 7.91.

7.91

Remuneration of the members of the Board of Management and the Supervisory Board

	2011	2010
In millions of euros		
Remuneration granted to the members of the Board of Management		
Fixed remuneration	7.4	4.8
Short-term variable remuneration	6.4	13.5
Mid-term variable remuneration [1]	6.4	–
Variable remuneration with a long-term incentive effect	8.9	13.5
Post-employment benefits (service cost)	2.2	1.9
Termination benefits	–	–
	31.3	33.7
Remuneration granted to the members of the Supervisory Board	3.0	2.7
	34.3	36.4

1 Unlike in previous years, only 50% of the short-term component of variable remuneration is paid out in the March of the following year, instead of the full amount. The other half is paid out a year later with the application of a bonus-malus rule.

7.92

Principal accountant fees

	2011	2010
In millions of euros		
Annual audit	27	30
thereof in Germany	12	14
Other attestation services	18	13
thereof in Germany	12	9
Tax consulting services	.	.
thereof in Germany	.	.
Other services	4	1
thereof in Germany	3	1
	49	44

Expenses for variable remuneration with long-term incentive effect, as shown in table ↗ 7.91, result from the ongoing measurement at fair value at each balance sheet date of all rights granted and not yet forfeited under the Performance Phantom Share Plans (PPSP). In addition, the measurement at their intrinsic values of the stock options granted in 2004 is included. In 2011, the active members of the Board of Management were granted 176,064 (2010: 250,221) million phantom shares in connection with the PPSP; the fair value of these phantom shares at the grant date was €8.8 million (2010: €7.5 million). According to Section 314 Subsection 1 Number 6a of the German Commercial Code (HGB) the overall remuneration granted to the members of the Board of Management, excluding service cost resulting from entitlements to post-employment benefits, amounted to €29.0 million (2010: €25.8 million). For additional information on share-based payment of the members of the Board of Management see Note 21.

The members of the Supervisory Board are solely granted short-term benefits for their board and committee activities except for remuneration and other benefits paid to those members representing the employees in accordance with their contracts of employment. No remuneration was paid for services provided personally beyond board and committee activities, in particular for advisory or agency services, in 2011 or 2010.

No advances or loans were made to members of the Board of Management or members of the Supervisory Board of Daimler AG.

The payments made in 2011 to former members of the Board of Management of Daimler AG and their survivors amounted to €13.9 million (2010: €17.5 million). The pension provisions for former members of the Board of Management and their survivors amounted to €195.9 million as of December 31, 2011 (2010: €197.1 million).

Information regarding the remuneration of the members of the Board of Management and of the Supervisory Board is disclosed on an individual basis in the Remuneration Report, which is part of the Management Report.

37. Principal accountant fees

The components of principal accountant fees for services of KPMG are included in table ↗ 7.92.

The annual audit fees are for the audit of the consolidated financial statements and the company financial statements of Daimler AG and all subsidiaries included in the Group's consolidated financial statements. Fees for other attestation services relate in particular to the review of the interim IFRS financial statements. This item also includes audits of the internal-control system as well as project-related audits performed in the context of the introduction of IT systems and other voluntary audits.

38. Additional information

German Corporate Governance Code. The Board of Management and the Supervisory Board of Daimler AG have issued a declaration pursuant to Section 161 of the German Stock Corporation Act and have made it permanent available to their shareholders on Daimler's website at http://www.daimler.com/company/organization-and-management/corporate-governance/declaration.

Third-party companies. At December 31, 2011, the Group was a shareholder of the companies included in table ↗7.93 that meet the criteria of a significant third-party company as defined by the German Corporate Governance Code.

Information on investments. The statement of investments of Daimler AG pursuant to Sections 285 and 313 of the German Commercial Code (HGB), which is an integral part of the Company and Consolidated Financial Statements of Daimler AG, can be seen on Daimler's website at http://www.daimler.com/investor-relations/reports-and-key-figures/reports. In addition, it is indicated in the statement of investments which consolidated companies are exempt pursuant to Section 264 Subsection 3 or Section 264b of the HGB from the requirement to disclose their financial statements or to prepare a management report or notes to their financial statements. The Consolidated Financial Statements of Daimler AG releases those subsidiaries from those requirements.

7.93

Name of the company	Renault SA [2]	Nissan Motor Company Ltd. [3]
Headquarters of the company	Boulogne-Billancourt, France	Tokyo, Japan
Equity interest in % [1]	3.1	3.1
Total equity in millions of euros	24,567	33,854
Net profit in millions of euros	2,139	2,821

1 As of December 31, 2011.
2 Based in IFRS consolidated financial statements for the year ended December 31, 2011.
3 Based on national consolidated financial statements for the year ended March 31, 2011.

Responsibility Statement

in accordance with Section 37y (1) of the WpHG (German Securities Trading Act) in conjunction with Section 297 (2), 4 and Section 315 (1), 6 of the HGB (German Commercial Law)

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report, which has been combined with the management report for DAG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Stuttgart, February 20, 2012

Dieter Zetsche

Wolfgang Bernhard

Christine Hohmann-Dennhardt

Wilfried Porth

Andreas Renschler

Bodo Uebber

Thomas Weber

Independent Auditors' Report

We have audited the consolidated financial statements prepared by the Daimler AG, Stuttgart, comprising the statement of income (loss), statement of comprehensive income (loss), statement of financial position, statement of changes in equity, statement of cash flows and notes to the consolidated financial statements together with the report on the position of the company and the group for the business year from January 1 to December 31, 2011. The preparation of the consolidated financial statements and the management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a section 1 HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) [Institute of Public Auditors in Germany] as well as in supplementary compliance with International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a section 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Stuttgart, February 20, 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Nonnenmacher
Wirtschaftsprüfer

Meyer
Wirtschaftsprüfer

Ten Year Summary [1]

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Amounts in millions of euros										
From the statements of income										
Revenue	147,408	136,437	142,059	95,209	99,222	101,569	98,469	78,924	97,761	106,540
Personnel expenses [2]	24,163	24,287	24,216	24,650	23,574	20,256	15,066	13,928	16,454	17,424
Research and development expenditure	5,942	5,571	5,658	3,928	3,733	4,148	4,442	4,181	4,849	5,634
thereof capitalized	–	–	–	591	715	990	1,387	1,285	1,373	1,460
Operating profit (loss)/EBIT	6,827	5,686	5,754	2,873	4,992	8,710	2,730	-1,513	7,274	8,755
Operating margin	4.6%	4.2%	4.1%	3.0%	5.0%	8.6%	2.8%	-1.9%	7.4%	8.2%
Income (loss) before income taxes and extraordinary items	6,439	596	3,535	2,426	4,902	9,181	2,795	-2,298	6,628	8,449
Net operating income/ Net operating profit (loss)	6,116	1,467	3,165	4,834	4,032	4,123	1,370	-2,102	5,120	6,240
as % of net assets (RONA)	9.4%	2.5%	5.7%	10.0%	8.3%	10.5%	4.4%	-6.6%	17.5%	19.9%
Net income (loss)/Net profit (loss)	5,098	448	2,466	4,215	3,783	3,985	1,414	-2,644	4,674	6,029
Net income (loss) per share (€)/ Net profit (loss) per share (€)	5.06	0.44	2.43	4.09	3.66	3.83	1.41	-2.63	4.28	5.32
Diluted net income (loss) per share (€)/ Diluted net profit (loss) per share (€)	5.03	0.44	2.43	4.08	3.64	3.80	1.40	-2.63	4.28	5.31
Total dividend	1,519	1,519	1,519	1,527	1,542	1,928	556	0	1,971	2,346
Dividend per share (€)	1.50	1.50	1.50	1.50	1.50	2.00	0.60	0.00	1.85	2.20

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
From the balance sheets										
Property, plant and equipment	36,285	32,933	34,017	35,295	32,747	14,650	16,087	15,965	17,593	19,180
Leased equipment	28,243	24,385	26,711	34,236	36,949	19,638	18,672	18,532	19,925	22,811
Other non-current assets	–	–	–	76,200	67,507	39,686	42,077	40,044	41,309	45,023
Inventories	15,642	14,948	16,805	19,699	18,396	14,086	16,805	12,845	14,544	17,081
Liquid assets	12,439	14,296	11,666	8,063	8,409	15,631	6,912	9,800	10,903	9,576
Other current assets	–	–	–	54,519	53,626	31,403	31,672	31,635	31,556	34,461
Total assets	187,527	178,450	182,872	228,012	217,634	135,094	132,225	128,821	135,830	148,132
Shareholders' equity	35,076	34,486	33,522	35,957	37,346	38,230	32,730	31,827	37,953	41,337
thereof share capital	2,633	2,633	2,633	2,647	2,673	2,766	2,768	3,045	3,058	3,060
Equity ratio Group	17.9%	18.5%	17.5%	15.1%	16.5%	26.9%	24.3%	24.7%	26.5%	26.3%
Equity ratio industrial business	24.9%	26.1%	25.2%	23.7%	27.1%	43.7%	42.7%	42.6%	45.8%	46.4%
Non-current liabilities	–	–	–	96,823	90,452	47,998	47,313	49,456	44,738	51,940
Current liabilities	–	–	–	95,232	89,836	48,866	52,182	47,538	53,139	54,855
Net liquidity industrial business	380	1,774	2,193	8,016	9,861	12,912	3,106	7,285	11,938	11,981
Net assets (average)	65,128	59,572	55,885	48,313	48,584	39,187	31,466	31,778	29,338	31,426

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Amounts in millions of euros										
From the statements of cash flows [2]										
Investments in property, plant and equipment	7,145	6,614	6,386	6,480	5,874	4,247	3,559	2,423	3,653	**4,158**
Depreciation and amortization	–	–	–	7,363	7,169	4,146	3,023	3,264	3,364	**3,575**
Cash provided by (used for) operating activities	15,909	13,826	11,060	11,032	14,337	7,146	-786	10,961	8,544	**-696**
investing activities	-10,839	-13,608	-16,682	-10,237	-15,857	26,479	-4,812	-8,950	-313	**-6,537**
financing activities	-5,490	2,518	2,549	-1,284	2,396	-25,204	-2,915	1,057	-7,551	**5,842**
Free cash flow of the industrial business	7,271	3,877	1,757	2,423	2,679	7,637	-3,915	2,706	5,432	**989**
From the stock exchanges										
Share price at year-end (€)	29.35	37.00	35.26	43.14	46.80	66.50	26.70	37.23	50.73	**33.92**
Average shares outstanding (in millions)	1,008.3	1,012.7	1,012.8	1,014.7	1,022.1	1,037.8	957.7	1,003.8	1,050.8	**1,066.0**
Average diluted shares outstanding (in millions)	1,013.9	1,012.7	1,014.5	1,017.7	1,027.3	1,047.3	959.9	1,003.8	1,051.5	**1,067.1**
Ratings										
Credit rating, long-term										
Standard & Poor's	BBB+	BBB	BBB	BBB	BBB	BBB+	A-	BBB+	BBB+	**BBB+**
Moody's	A3	A3	A3	A3	Baa1	A3	A3	A3	A3	**A3**
Fitch	–	BBB+	BBB+	BBB+	BBB+	A-	A-	BBB+	BBB+	**A-**
DBRS	–	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)	**A (low)**
Average annual number of employees	370,677	370,684	379,019	296,109	277,771	271,704	274,330	258,628	258,120	**267,274**

1 For the years 2002 through 2004, figures according to US GAAP, since 2005 according to IFRS.
2 Until August 3, 2007, including Chrysler.

Glossary

BlueEFFICIENCY. Efficiency packages for saving fuel. They include measures taken inside engines, bodywork weight reductions, tires with low roll resistance, aerodynamic improvements, the ECO start-stop function etc. As a result, fuel consumption can be reduced by more than 20%.

BLUETEC. A combination of inner-engine measures to reduce emissions and the treatment of exhaust gases. It improves diesel engines' efficiency for cars and commercial vehicles by optimizing their combustion, and reduces their emissions with SCR catalysts.

BRIC. This abbreviation stands for the four countries of Brazil, Russia, India and China.

Code of Ethics. The Daimler Code of Ethics applies to the members of the Board of Management and senior executives with special responsibility for the contents of financial reporting. The regulations contained in the Code are designed to prevent misconduct and to ensure ethical behavior and the correct disclosure of information on the Group.

Compliance. By the term compliance, we understand adherence to all laws, rules, regulations and voluntary commitments that are relevant for our business, as well as the related internal policies and guidelines of the Daimler Group.

Consolidated Group. The consolidated Group is the total of all those companies that are included in the consolidated financial statements.

Corporate governance. The term corporate governance applies to the proper management and supervision of a company. The structure of corporate governance at Daimler AG is determined by Germany's Stock Corporation Act (AktG), Codetermination Act (MitbestG) and capital-market legislation.

Cost of capital. The cost of capital is the product of the average amount of capital employed and the cost-of-capital rate. The cost-of-capital rate is derived from the investors' required rate of return (see pages 89 ff).

CSR – corporate social responsibility. A collective term for the social responsibility assumed by companies, including economic, environmental and social aspects.

EBIT. Earnings before interest and taxes are the measure of operating profit before taxes (see pages 86 ff).

Equity method. Accounting and valuation method for shareholdings in associated companies and joint ventures, as well as for subsidiaries that are not fully consolidated.

Fair value. The amount for which an asset or liability could be exchanged in an arm's length transaction between knowledgeable and willing parties who are independent of each other.

Goodwill. Goodwill represents the excess of the cost of an acquired business over the fair values assigned to the separately identifiable assets acquired and liabilities assumed.

Hybrid drive. Hybrid drive systems combine internal-combustion engines with electric motors, which can be operated separately or together depending on the type of vehicle and driving situation.

IFRS – International Financial Reporting Standards. The IFRS are a set of standards and interpretations for companies' external accounting and financial reporting developed by an independent private-sector committee, the International Accounting Standards Board (IASB).

Integrity Code. The Integrity Code has been in effect since 1999 and was last amended in 2011. It lays down binding rules of conduct for all employees worldwide.

Lithium-ion batteries. They are at the heart of future electric drive systems. Compared with conventional batteries, lithium-ion batteries are considerably smaller and feature significantly higher power density, short charging times and long lives.

Net assets. Net assets represent the capital employed by the Group and the industrial divisions. The relevant capital basis for Daimler Financial Services is equity capital (see pages 89 ff).

NEDC – New European Driving Cycle. A measuring method used in Europe for the objective assessment of vehicles' fuel consumption.

Net operating profit. Net operating profit is the relevant parameter for measuring the Group's operating performance after taxes.

Rating. An assessment of a company's creditworthiness issued by a rating agency.

ROE – return on equity. The profitability of Daimler Financial Services is measured by return on equity. ROE is defined as the quotient of EBIT and shareholders' equity.

ROS – return on sales. The profitability of the industrial divisions is measured by return on sales. ROS is defined as the quotient of EBIT and revenue.

Sustainability. Sustainability means using natural resources in such a way that they continue to be available to fulfill the needs of future generations. In the view of the Daimler Group, sustainable business operations have to give due consideration to economic, environmental and social aspects.

Value added. Value added indicates the extent to which operating profit exceeds the cost of capital. When value added is positive, return on net assets is higher than the cost of capital (see pages 89 and 90).

Value at risk. This measures the potential future loss (related to market value) for a given portfolio in a certain period and for which there is a certain probability that it will not be exceeded.

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Internet | Information | Addresses

Information on the Internet. Special information on our shares and earnings development can be found in the "Investor Relations" section of our website (www.daimler.com). It includes the Group's annual and interim reports and the company financial statements of Daimler AG. You can also find topical reports, presentations, an overview of various key figures, information on our share price and other services.

www.daimler.com/investors

Publications for our shareholders:
- Annual Report (German, English)
- Interim Reports for the 1st, 2nd and 3rd quarters (German, English)
- Sustainability Report (German, English)
- Brochure: The Road to Emission-free Driving (German, English)
- Brochure: The Road to Accident-free Driving (German, English)

www.daimler.com/ir/reports
www.daimler.com/downloads/en

The company financial statements of Daimler AG were prepared in accordance with German accounting principles; the consolidated financial statements and the combined management report for Daimler AG and the Daimler Group were prepared in accordance with the International Financial Reporting Standards (IFRS). Both sets of financial statements and the management report were audited by KPMG AG Wirtschaftsprüfungsgesellschaft and an unqualified audit opinion was issued thereon. These financial statements are filed with the operator of the electronic version of the German Federal Gazette and are published in the electronic version of the German Federal Gazette.

The aforementioned publications can be requested from: Daimler AG, Investor Relations, HPC 0324, 70546 Stuttgart, Germany. They can also be ordered by phone or fax using the number +49 711 17 92287.

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Daimler Worldwide

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Sales Organization Automotive Businesses	Daimler Financial Services
Europe						
Production locations	11	7	4	7	–	–
Sales outlets	–	–	–	–	3,973	35
Revenue in millions of euros	25,940	9,235	7,293	2,332	–	5,371
Employees	91,143	32,045	13,289	14,798	40,782	4,325
NAFTA						
Production locations	1	12	1	3	–	–
Sales outlets	–	–	–	–	1,422	5
Revenue in millions of euros	11,449	8,315	727	468	–	5,355
Employees	3,083	18,483	93	1,386	3,389	1,232
Latin America (excluding Mexico)						
Production locations	1	2	1	2	–	–
Sales outlets	–	–	–	–	588	5
Revenue in millions of euros	772	4,102	427	1,300	–	388
Employees	–	13,516	1,507	1,311	–	356
Africa						
Production locations	1	1	–	1	–	–
Sales outlets	–	–	–	–	332	1
Revenue in millions of euros	2,057	904	192	67	–	267
Employees	4,865	1,149	–	–	–	298
Asia						
Production locations	2	3	1	2	–	–
Sales outlets	–	–	–	–	1,588	8
Revenue in millions of euros	16,156	5,480	377	190	–	461
Employees	–	12,102	–	–	4,510	700
Australia/Oceania						
Production locations	–	–	–	–	–	–
Sales outlets	–	–	–	–	269	2
Revenue in millions of euros	958	707	164	54	–	237
Employees	–	–	–	–	1,018	154

Note: Unconsolidated revenue of each division (segment revenue).

Financial Calendar 2012

Annual Press Conference
February 9, 2012

Analysts' and Investors' Conference Call
February 9, 2012

Presentation of the Annual Report 2011
February 22, 2012

Annual Meeting
April 4, 2012
10:00 a.m. CEST | 4:00 a.m. EST
Messe Berlin

Interim Report Q1 2012
April 27, 2012

Interim Report Q2 2012
July 25, 2012

Interim Report Q3 2012
October 25, 2012

As we cannot rule out changes of dates, we recommend checking them on the Internet at http://www.daimer.com/ir/calendar.

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