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SEMI-ANNUAL REPORT

Fiscal Year (2008)

From: January 1, 2008

To: June 30, 2008

DAIMLER AG

(0279)

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From: January 1, 2008

To: June 30, 2008

To: Director General of the Kanto Local Finance Bureau

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Table of Contents

	Japanese original	English translation
PART 1. COMPANY'S INFORMATION	2	1
I. Outline of the Legal and other Systems of the Company's Country of Incorporation	3	1
II. Outline of the Company	4	2
1. Changes in Major Management Accounts, etc.	4	2
2. Contents of Business	6	4
3. Description of Related Companies	7	5
4. Description of Employees	7	5
III. Description of Business	9	6
1. Outline of Business Results, etc.	9	6
a) Daimler Group	9	6
b) Mercedes-Benz Cars	18	15
c) Daimler Trucks	19	16
d) Daimler Financial Services	20	17
e) Vans, Buses, Other	21	18
2. Results of Productions, Orders Received and Sales	23	19
3. Matters to be Dealt with	24	20
4. Material Contracts Relating to Business	24	20
5. Activities on Research and Development	25	20
IV. Conditions of Facilities	27	23
1. Conditions of Major Facilities	27	23
2. Plans for Installation and Removal of Facilities	27	23
V. Description of the Company	28	24
1. Description of Shares, Etc.	28	24
2. Trends in Stock Prices	33	29
3. Directors, Officers and Statutory Auditors	34	30
VI. Financial Conditions (CPA's responsibility)	35	31
VII. Trends in Foreign Exchange Rates	71	31
VIII. Reference Information of the Company	71	31
PART 2. INFORMATION CONCERNING GUARANTOR, ETC.	72	31

Notes:

- (1) Unless otherwise specified, in this report, “we,” “us,” “our,” “Daimler,” the “Daimler Group” or the “Group” refers to Daimler AG and its consolidated subsidiaries, or any one or more of them, as the context may require. “Germany” means the Federal Republic of Germany.
- (2) In this Semi annual Report, unless otherwise noted, “Euro” refers to Euro. For the convenience of the Japanese reader, conversion into Japanese Yen has been made at the exchange rate of Euro 1.00 = ¥ 168.47(the means of the Telegraphic Transfer Spot Selling and Buying Exchange Rates of The Bank of Tokyo-Mitsubishi UFJ, Ltd. on July 31, 2008).
- (3) Where figures in tables in this Semi annual Report have been rounded, the totals may not necessarily agree with the sum of the figures.
- (4) Unless otherwise indicated, “shares” in this document refer to ordinary registered shares of the Company.
- (5) 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 economic downturn or slow economic growth in important economic regions, especially in Europe or North America; the effects of the credit crisis which could result in a weaker demand for our products particularly in the U.S. but as well in the European market; changes in currency exchange rates and interest rates; the introduction of competing products and the possible lack of acceptance of our products or services; price increases in fuel, raw materials, and precious metals; disruption of production due to shortages of materials, labor strikes or supplier insolvencies; a decline in resale prices of used vehicles; the business outlook for Daimler Trucks, which may be affected if the U.S. and Japanese commercial vehicle markets experience a sustained weakness in demand for a longer period than expected; the effective implementation of cost reduction and efficiency optimization programs; the business outlook of Chrysler, in which we hold an equity interest, including its ability to successfully implement its restructuring plans; the business outlook of the European Aeronautic Defence and Space Company (EADS), in which we hold an equity interest, including the financial effects of delays in and potentially lower volumes of future aircraft deliveries; 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 outcome of pending or threatened future legal proceedings; and other risks and uncertainties, some of which we describe in section III Description of Business under “4. Risk Factors” in the Securities Report filed on April 23, 2008 and under the headings “Risk Factors” and “Legal Proceedings” in Daimler’s most recent Annual Report on Form 20-F filed with the Securities and Exchange Commission. 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.

*In this translation the Euro amounts converted into Japanese Yen are omitted.

PART 1. COMPANY'S INFORMATION

I. Outline of the Legal and other Systems of the Company's Country of Incorporation

There has been no material change during the six-month period ended June 30, 2008 as well as since the filing of the Securities Report on April 23, 2008.

II. Outline of the Company

1. Changes in Major Management Accounts, etc.

The following table sets out the development of major management accounts of Daimler Group. We have prepared the Unaudited Interim Condensed Consolidated Financial Statements included in this report in accordance with IFRS as issued by the International Accounting Standards Board (IASB). Our financial statements are denominated in euros, which is the currency of our home country, Germany.

Daimler Group (amounts in millions of €)	1st half ended June 30 (unaudited)			Year ended Dec. 31, (audited)	
	2008 (IFRS)	2007 (IFRS)	2006 (IFRS)	2007 (IFRS)	2006 (IFRS)
Revenue	48,837	47,214	47,964	99,399	99,222
Western Europe	24,052	23,240	22,784	49,289	46,999
of which Germany	11,271	10,419	10,361	22,582	21,652
USA	9,041	9,929	12,296	20,270	24,943
Other markets	15,744	14,045	12,884	29,840	27,280
Employees (at period-end)	274,999	271,486	279,018	272,382	274,024
Investments in property, plant and equipment	1,536	1,544	1,638	2,927	3,005
Research and development expenditure	2,185	1,805	1,860	4,148	3,733
thereof: capitalized development costs	572	332	270	990	715
EBIT	4,029	5,426	2,619	8,710	4,992
Net profit	2,727	3,821	2,927	3,985	3,783
Earnings per share (in €)					
Basic	2.70	3.64	2.84	3.83	3.66
Diluted	2.69	3.60	2.82	3.80	3.64
Net profit from continuing operations	2,747	4,158	2,006	4,855	3,166
Earnings per share (in €)					
Basic	2.72	3.97	1.94	4.67	3.06
Diluted	2.71	3.92	1.92	4.63	3.04
Cash provided by operating activities ¹	3,500	7,576	7,549	13,088	14,337
Cash provided by (used for) investing activities ¹	(4,173)	(1,232)	(7,190)	20,537	(15,857)
Cash provided by (used for) financing activities ¹	(8,802)	(7,004)	(2,277)	(25,204)	2,396
Cash and cash equivalents ¹					
At beginning of period	15,631	8,409	8,063	8,409	8,063
At end of period	5,591	7,674	5,789	15,631	8,409

1) Figures for 2007 and 2006 including discontinued operations (Chrysler and the related financial services business).

Daimler Group (amounts in millions of €)	As of June 30 (unaudited)			As of December 31, (audited)	
	2008 (IFRS)	2007 (IFRS)	2006 (IFRS)	2007 (IFRS)	2006 (IFRS)
Equity attributable to shareholders of Daimler AG ¹	34,031	39,772	36,574	36,718	36,925
Minority interest ¹	1,541	1,514	406	1,512	421
Total equity ¹	35,572	41,286	36,980	38,230	37,346
Total assets ¹	128,903	215,745	217,634	135,094	217,634

1) Figures for 2007 and 2006 including discontinued operations.

2. Contents of Business (to and as of the end of August, 2008)

Daimler AG is the ultimate parent company of the Daimler Group. The Group develops, manufactures, distributes and sells a wide range of automotive products, mainly passenger cars, trucks, vans and buses. It also provides financial and other services relating to its automotive businesses.

The Group reports the following four segments:

- Mercedes-Benz Cars
- Daimler Trucks
- Daimler Financial Services
- Vans, Buses, Other

Potsdamer Platz. The closing of the sale of real-estate properties at Potsdamer Platz to the SEB Group on February 1, 2008, resulted in a cash inflow of €1.4 billion (thereof €0.1 billion in 2007). The sale transaction positively affected EBIT of Vans, Buses, Other by €149 million in the first half of 2008.

Tognum. During the second quarter, Daimler AG acquired a 22.3% equity interest in Tognum AG ("Tognum") from EQT, a Swedish financial investor. An additional 2.2% of Tognum's shares were acquired through the stock market. The price paid was in total €640 million. In the past two years, Tognum has become a globally leading producer of off-highway engines with above-average operating margins. This business has above-average growth potential. Furthermore, the acquisition of the equity interest will enable Daimler to protect its long-term supply relations with Tognum. The participation in Tognum will be included in the Vans, Buses, Other segment using the equity method of accounting as of June 30, 2008.

On July 23, 2008 the equity interest of Daimler AG in Tognum slightly exceeded the threshold of 25%. The price paid for the interest thus increased to €647 million in total.

Kamaz. As part of its growth strategy for the BRIC countries (Brazil, Russia, India, China), Daimler Trucks is currently examining various possibilities for entering the Russian volume market. Along with the option of building a new factory for local assembly of Daimler Trucks, the division is also studying the possibility of acquiring a stake in the Russian truck manufacturer Kamaz that would enable the two companies to combine their development, production, and sales expertise. Daimler would bring in the technological know-how of the global industry leader, while Kamaz has the production facilities, sales structures, and a good network in Russia.

In the second quarter of 2008, Daimler had started negotiations with the investment company "Troika Dialog", which would like to sell 42% of the shares in Kamaz. In a bidding process with diverse Western OEMs involved, Daimler was then chosen as the exclusive negotiating partner. Shortly after that Daimler started a due diligence in order to evaluate all relevant factors for a possible company participation.

A final decision on Daimler Trucks' strategy for Russia is expected to be made by the end of this year.

3. Description of Related Companies

During the second quarter of 2008, Daimler AG acquired an equity interest in Tognum AG, a stock corporation, incorporated in Germany and publicly listed at Frankfurt Stock Exchange (Prime Standard segment). Tognum's total capital stock amounts to €131,375,000.00. Tognum AG's business address is Maybachplatz 1, 88045 Friedrichshafen, Germany. On July 23, 2008 the equity interest of Daimler AG in Tognum slightly exceeded the threshold of 25%.

Tognum is one of the world's leading suppliers of off-highway engines whose profitability could be improved significantly in recent years. In 2007, revenue increased by 12% compared with the prior year to €2.8 billion and adjusted EBIT rose by 26% to €90 million. Adjusted return on sales increased to more than 14% in 2007.

Daimler and Tognum continued their traditionally intensive cooperation also after the sale of Tognum by Daimler in 2005. For example, the Mercedes-Benz plant in Mannheim supplied more than 17,000 diesel engines and the Detroit Diesel Corporation plant in Detroit more than 5,000 diesel engines to Tognum in 2007. They are used for example in agricultural machinery, industrial applications such as cranes, pumps or snow cats, marine applications, as well as in power generation systems. In particular, volumes in the fast-growing worldwide industrial-agricultural market are to be further expanded in the future, thus also making a contribution to the long-term supply with engines from Daimler.

Tognum generates annual revenue of more than €300 million from sales of engines from Daimler and an additional €160 million from sales of drive shafts to Daimler.

Furthermore, Daimler and Tognum are currently discussing the possible future supply of Daimler's new and technologically leading medium-duty engine generation (MDEG) in the power segment below MTU's future new engine Series 1600.

For further details, please refer to "2. Contents of Business" in section "II. Outline of the Company" above.

4. Description of Employees (as of June 30, 2008)

At the end of the first half of 2008, Daimler employed 274,999 people worldwide (end of H1 2007: 271,486). Of this total, 168,342 were employed in Germany (end of H1 2007: 166,581).

The table below provides the number of employees by segments as of June 30, 2008:

Number of Employees	As of June 30	
	2008	2007
Mercedes-Benz Cars	98,011	97,634
Daimler Trucks	80,839	80,853
Daimler Financial Services	7,214	6,649
Vans, Buses, Other	36,005	35,056
Other*	52,930	51,294
Daimler Group	274,999	271,486

* Includes the Group's corporate functions and sales & marketing organization.

III. Description of Business

1. Outline of Business Results, etc.

The Group is conducting its business activities through the following segments: Mercedes-Benz Cars (b); Daimler Trucks (c); Daimler Financial Services (d); and Vans, Buses, Other (e). The table below sets forth revenue and earnings before interest and taxes (EBIT) for each segment:

	1st half ended June 30			
	2008		2007	
	Revenue	EBIT	Revenue	EBIT
(amounts in millions of €)				
Mercedes-Benz Cars	25,418	2,364	24,628	1,996
Daimler Trucks	13,712	1,011	14,220	1,129
Daimler Financial Services	4,474	351	4,247	434
Vans, Buses, Other	7,522	519	6,258	2,129
Reconciliation	(2,289)	(216)	(2,139)	(262)
Total	48,837	4,029	47,214	5,426

a) Daimler Group

Unit Sales and Revenue

In the first half of 2008, Daimler Group sold 1,070,300 cars and commercial vehicles, surpassing the figure for the prior-year period by 10%.

Compared to the first six months of 2007, the Mercedes-Benz Cars division increased its worldwide unit sales by 14% to 672,300 vehicles, with unit sales of the Mercedes-Benz brand rising by 10% and of smart by 66%. Daimler Trucks sold 230,500 vehicles, compared to 231,300 in the first half of last year, despite the ongoing economic weakness in the United States. Mercedes-Benz Vans achieved a new record for unit sales of 147,300 vehicles, 9% more than in the prior-year period. Daimler Buses also increased its unit sales by 9% to 20,200 buses and chassis. Daimler Financial Services expanded its contract volume by 4% to €60.4 billion in the first half of 2008. Adjusted for exchange-rate effects and changes in the consolidated group, its portfolio grew by 8%.

In the first half of 2008, Daimler's revenue increased by 3% to €48.8 billion. Adjusted for exchange-rate effects and changes in the consolidated group, revenue growth amounted to 7%.

For the revenue by regions, please refer to the table in "II. Outline of the Company, 1. Changes in Major Management Accounts, etc."

EBIT

For the first half of 2008, *Daimler* posted EBIT of €4,029 million (H1 2007: €5,426 million). The decrease in earnings is primarily due to the fact that EBIT for the first half of 2007 included a special gain of €1,524 million related to the transfer of shares in EADS. In the first six months of 2008, special gains were realized in connection with the sale of the real-estate properties at Potsdamer Platz (€449 million) as well as the transfer of EADS shares (€137 million). There were opposing effects from charges of €64 million related to the interest in Chrysler.

One of the main positive aspects of the first half of 2008 was the improvement in EBIT from €1,996 million to €2,364 million at the *Mercedes-Benz Cars* division. This pleasing development was primarily the result of increased unit sales and ongoing efficiency improvements. There were negative effects on the division's earnings mainly from exchange-rate effects and higher raw material prices. Earnings in the first half of 2007 had been reduced by €2 million due to the financial support provided to suppliers.

Daimler Trucks achieved EBIT of €1,011 million in the first half of this year (H1 2007: €1,129 million). Burdens on earnings primarily resulting from the ongoing difficult economic environment in the United States and higher costs of raw materials were partially offset by the positive development of unit sales in Europe, Latin America and some other markets, a positive product mix, and efficiency improvements. In addition, the prior-year period was positively affected by a gain of €8 million realized on the sale of real-estate properties in Japan.

Daimler Financial Services posted EBIT of €351 million, which was lower than in the first half of last year (€434 million). The decline in earnings was mainly due to higher cost of risk compared to the low levels of the prior-year period. Furthermore, there were expenses related to setting up a new financial services organization in the NAFTA region following the transfer of a majority interest in Chrysler. There was a positive impact on earnings, however, from the increased contract volume.

The main reason for the decrease in the first-half of 2008 EBIT at *Vans, Buses, Other* to €19 million (H1 2007: €2,129 million) is that the prior-year result included a substantially higher amount of special gains than that in this year connected with the transfer of shares in EADS (H1 2008: €137 million; H1 2007: €1,524 million). However, in the first six months of 2008, a special gain of €449 million was realized on the sale of the real-estate properties at Potsdamer Platz.

Mercedes-Benz Vans and Daimler Buses benefited from the continued very positive development of unit sales and both achieved higher earnings.

Daimler's share of the earnings of EADS amounted to €4 million (H1 2007: €260 million). The prior-year result reflects the Group's share of restructuring expenses (€14 million) recorded by EADS. The Group's interest in Chrysler reduced EBIT by a total of €64 million in the first six months of this year. This reflects the equity-result (€96 million), which also includes expenses of €87 million related to restructuring actions at Chrysler. Furthermore, in connection with the transfer of a majority interest in Chrysler, Daimler retained rights contingent upon the development of certain economic circumstances. In light of falling residual values of Chrysler vehicles, these rights had to be fully written off, resulting in a total impairment charge of €68 million in the first half of this year.

In addition, the *reconciliation* to Group EBIT includes corporate expenses of €200 million (H1 2007: €266 million) and eliminations of internal transaction (H1 2008: expense of €16 million; H1 2007: income of €4 million).

The special items shown in the table below influenced EBIT in the first six months of the years 2008 and 2007:

Special items effecting EBIT	1st half ended June 30	
	2008	2007
(amounts in millions of €)		
Mercedes-Benz Cars		
Financial support for suppliers	—	(82)
Daimler Trucks		
Sale of real estate in Japan	—	68
Vans, Buses, Other		
Gains related to transfer of shares in EADS	137	1,524
Restructuring program at EADS	—	(114)
Restructuring program at Chrysler	(187)	—
Impairment of rights due to reduced residual values of Chrysler vehicles	(168)	—
Sale of real-estate (Potsdamer Platz)	449	—
Reconciliation		
New management model	(108)	(93)

Net Profit

Unaudited Consolidated Statements of Income (amounts in millions of €)	1st half	
	2008	2007
Revenue	48,837	47,214
Cost of sales	(36,827)	(36,102)
Gross profit	12,010	11,112
Selling expenses	(4,271)	(4,153)
General administrative expenses	(1,866)	(1,825)
Research and non-capitalized development costs	(1,613)	(1,473)
Other operating income, net	643	210
Share of profit (loss) from companies accounted for using the equity method, net	(530)	1,679
Other financial expense, net	(344)	(124)
Earnings before interest and taxes (EBIT)¹	4,029	5,426
Interest income, net	57	190
Profit before income taxes	4,086	5,616
Income tax expense	(1,339)	(1,458)
Net profit from continuing operations	2,747	4,158
Net loss from discontinued operations	(20)	(337)
Net profit	2,727	3,821
Minority interest	(83)	(53)
Profit attributable to shareholders of Daimler AG	2,644	3,768

Interest income. Net interest income in the first half of the year amounted to €57 million (H1 2007: €190 million). The main reason for the decrease is that the financing liabilities that were originally incurred to refinance the Chrysler business were not yet fully repaid, while the Group's liquid funds resulting from the repayment of Chrysler's former internal financing liabilities were reinvested at relatively low interest rates. Lower expected returns on the pension-plan assets and higher expenses connected with post-employment benefit obligations also contributed to the decrease in net interest income.

Income tax expense. The income tax expense for the first half of 2008 was €1,339 million (H1 2007: €1,458 million). The relatively low income tax expense for the prior-year period was mainly a result of the tax-free gains realized in the context of the transfer of EADS shares.

Net profit from continuing operations. First-half of 2008 net profit from continuing operations decreased to €2,747 million (H1 2007: €4,158 million) due to lower special income related to the transfer of EADS shares and the charges associated with the interest in Chrysler. Earnings per share from continuing operations amounted to €2.72 (H1 2007: €3.97).

Net loss from discontinued operations. The net loss from discontinued operations of €20 million (H1 2007: €337 million) reflects adjustments of the result from the deconsolidation of the Chrysler activities for the first half of the year. The net loss for the prior-year period includes the operating result, the net interest result and the income-tax expense of the Chrysler activities.

¹ EBIT includes expenses from compounding of provisions (H1 2008: €14 million, H1 2007: €207 million).

Net profit. Net profit for the first half of the year amounted to €2,727 million (H1 2007: €3,821 million), equivalent to earnings per share of €2.70 (H1 2007: €3.64).

Cash Flow

The presentation of cash flows is unchanged from the prior-year period and in the year 2007 also includes the cash flows of the discontinued Chrysler operations.

Cash flow provided by operating activities. Cash provided by operating activities in the first half of 2008 amounted to €3.5 billion (H1 2007: €7.6 billion). The prior-year figure included a cash inflow of €3.0 billion from the discontinued operations.

Excluding the effects of the discontinued operations, compared with the prior-year period, cash provided by operating activities decreased by €1.1 billion. This decrease primarily reflects a larger increase in inventories than in the first half of 2007, which was mainly the result of changes in production and unit-sales volumes during the year at Mercedes-Benz Cars and Daimler Trucks. The changes in trade receivables and trade liabilities that took place in this context offset each other with regard to continued activities. Additional factors reducing cash provided by operating activities were the increase in inventory-related receivables from financial services and higher research and development expenditures. Positive effects compared with the prior-year period resulted in particular from lower payments for staff-reduction actions at Mercedes-Benz Cars as well as from lower tax payments in Germany.

Cash used for investing activities. The cash flows from investing activities in the first six months of 2008 resulted in a net cash outflow of €4.2 billion, compared with a net outflow of €1.2 billion in the first half of 2007. The prior-year period included proceeds of €3.5 billion related to the transfer of EADS shares and €1.0 billion from the sale of real-estate properties by Mitsubishi Fuso Truck and Bus Corporation. The first half of 2008 was generally less affected by extraordinary transactions, because the cash inflow of €1.3 billion from the sale of real-estate properties at Potsdamer Platz was offset by payments made for the acquisition of shares in Tognum (€0.6 billion) and the granting of a loan to Chrysler (€1.0 billion). Investment of €1.5 billion in property, plant and equipment for the continued operations was nearly unchanged compared with the prior-year period, while investments in intangible assets resulted in a higher cash outflow for capitalized development costs, in particular related to the new E-Class and engine projects. Without taking into consideration the discontinued activities, the financial services business resulted in a higher cash outflow for investing activities than in the prior-year period. In total, the cash flows for investing activities in the first half of 2007 included a cash outflow of €1.8 billion for the discontinued activities.

Cash used for financing activities. Cash used for financing activities amounted to €3.8 billion (H1 2007: €7.0 billion). In addition to the dividend for the year 2007 (€1.9 billion), this was primarily related to the ongoing optimization of the capital structure following the separation from the Chrysler activities in 2007. During the reporting period, therefore, further financing liabilities were repaid and the share buyback was continued (€3.0 billion).

Cash and cash equivalents with an original maturity of three months or less were €10.0 billion lower than at December 31, 2007, after taking exchange-rate effects into consideration. Total liquidity, which also includes deposits and marketable securities with an original maturity of more than three months, was reduced as planned by €10.0 billion to €7.1 billion, mainly as a result of the cash outflow for financing activities.

Total liquidity, which had been exceptionally high at December 31, 2007 in connection with the transfer of a majority interest in Chrysler, was therefore reduced to a level appropriate to the Daimler Group.

Free cash flow of the industrial business. The free cash flow of the industrial business, the parameter used by Daimler to measure financial strength, was still positive but decreased significantly by €4.5 billion to €0.1 billion.

The reduction in the free cash flow was primarily due to the fact that the cash inflows last year from the transfer of EADS shares (€3.5 billion) and from the sale of real-estate properties by Mitsubishi Fuso Truck and Bus Corporation (€1.0 billion) were higher than the cash inflow this year from the sale of real estate properties at Potsdamer Platz (€1.3 billion). In addition, the acquisition of an equity interest in Tognum (€0.6 billion) and the granting of a loan to Chrysler (€1.0 billion) reduced the free cash flow in the first half of 2008. Cash outflows were also increased by the development of inventories. However, there were positive effects on the free cash flow in particular from the discontinued activities, which had negatively impacted the free cash flow in 2007. The development of sales and earnings at Mercedes-Benz Vans and Daimler Buses also had positive effects.

Free cash flow of the industrial business (amounts in millions of €)	1st half	
	2008	2007
Cash provided by operating activities	1,046	3,086
Cash provided by (used for) investing activities	(617)	1,351
Changes in cash (>3 months) and marketable securities included in liquidity	(309)	176
Free cash flow of the industrial business	120	4,613

Net liquidity of the industrial business. The net liquidity of the industrial business decreased by €4.2 billion to €3.8 billion.

Net liquidity of the industrial business (amounts in millions of €)	June 30	Dec. 31
	2008	2007
Cash and cash equivalents	4,724	14,894
Marketable securities and term deposits	1,375	1,276
Liquidity	6,099	16,170
Financing liabilities	454	(5,019)
Market valuation and currency hedges for financing liabilities	2,204	1,761
Net liquidity	8,757	12,912

The reduction is mainly a result of the share buyback and the payment of the dividend for the year 2007.

Net debt at Group level, which is primarily related to the refinancing of the sales-financing business, increased by €5.0 billion compared with December 31, 2007. In addition to the effects from the industrial business, this was primarily due to the expansion of the leasing and sales-financing business. Opposing effects reducing net debt resulted from changes in currency exchange rates.

Net debt of the Daimler Group (amounts in millions of €)	June 30 2008	Dec. 31 2007
Cash and cash equivalents	5,591	15,631
Marketable securities and term deposits	1,481	1,424
Liquidity	7,072	17,055
Financing liabilities	(50,397)	(54,967)
Market valuation and currency hedges for financing liabilities	2,204	1,761
Net liquidity (debt)	(41,121)	(36,151)

Balance Sheet Structure

Compared with December 31, 2007, the balance sheet total decreased by €6.2 billion to €28.9 billion; €3.1 billion of the decrease was due to exchange-rate effects. €3.4 billion of the balance sheet total is accounted for by the financial services business, equivalent to 49% of all of the Daimler Group's assets and liabilities (December 31, 2007: €2.0 billion and 46%).

Property, plant and equipment. As capital expenditure exceeded depreciation, property, plant and equipment increased to €4.9 billion, despite negative exchange-rate effects. The increase was mainly for the German plants.

Equipment on operating leases and receivables from financial services. Equipment on operating leases and receivables from financial services increased by 2% to €0.1 billion (December 31, 2007: €8.9 billion); adjusted for the effects of currency translation, there was an increase of 5%. These items' share of the balance sheet total amounted to 47% at the end of the first half (December 31, 2007: 44%).

Investments accounted for using the equity method. The investments accounted for using the equity method (€4.8 billion) primarily comprise the carrying values of our equity interests in EADS, Chrysler and Tognum. The increase resulting from the purchase of Tognum shares in the second quarter (€0.6 billion) was offset by the decrease in the book value of the Chrysler investment (€0.7 billion).

Inventories. Inventories increased by €2.0 billion to €6.1 billion (+14%) and accounted for 13% of the balance sheet total. The increase was mainly due to changes in production volumes and unit sales during the year and the launch of new models in the second half of this year. In this context, trade receivables also increased by 16% to €7.4 billion and trade payables rose by 18% to €8.2 billion.

Other financial assets. Other financial assets of €9.7 billion were at the same level as at the end of 2007. This includes the loan of US\$1.5 billion (€52 million) granted to Chrysler in the second quarter, which is due to be repaid in February 2014.

Cash and cash equivalents. Compared with December 31, 2007, cash and cash equivalents decreased by €10.0 billion to €5.6 billion. This change mainly reflects the discharge of financing liabilities, the cash outflow from the share buyback programs, which were continued in the first half of the year (€3.0 billion), and the dividend payout in April (€1.9 billion). Along with the reduction in cash and cash equivalents, total liquidity, which had been extremely high at December 31, 2007 following the transfer of a majority interest in Chrysler, was reduced to a level appropriate to the Daimler Group.

Potsdamer Platz. With the conclusion of the sale of land and buildings at Potsdamer Platz in Berlin on February 1, 2008, the “assets held for sale” of €0.9 billion that were separately reported at the end of 2007 were derecognized. In 2008, the Group received a cash inflow of €1.3 billion from this transaction.

Provisions. Provisions, which mainly comprise warranty, personnel and pension obligations, amounted to 15% of the balance sheet total. The decrease of €0.7 billion to an amount of €8.8 billion as of June 30, 2008 was mainly due to the positive development of product warranties and the payment of the employee profit-sharing bonus.

Financing liabilities. Financing liabilities decreased compared to December 31, 2007 as scheduled by €4.6 billion to €50.4 billion. Financing liabilities account for 39% of the balance sheet total (December 31, 2007: 41%). The reduction was primarily a result of redeeming bonds and exchange-rate effects, whereas liabilities connected with deposits in the direct banking business of Mercedes-Benz Bank increased by €1.0 billion compared with the beginning of the year.

Other financing liabilities. Other financing liabilities decreased by €0.7 billion (-7%) to €9.5 billion. Adjusted for exchange-rate effects, the decrease was €0.4 billion. The change reflects lower accrued interest and falling liabilities related to the new management model.

Group equity. The Group’s equity decreased by €2.7 billion compared with December 31, 2007. The net profit of €2.7 billion only partially offset the share buybacks, the dividend payout for the year 2007 (€1.9 billion) and exchange-rate effects. The equity ratio of 27.6% at June 30, 2008 was above the prior-year level. The equity ratio for the industrial business was 47.6% (December 31, 2007: 43.7%). The equity ratios as of December 31, 2007 are adjusted by the dividend payment for the year 2007.

Additional share buyback program to optimize capital structure

For the further optimization of Daimler’s capital structure, the Board of Management of the company decided to carry out a new share buyback program. The Supervisory Board of Daimler AG approved this decision.

In exercise of the authorization granted by the Annual Meeting on April 9, 2008, 10% or approximately 96.4 million of the outstanding shares are to be bought back for a maximum amount of €6 billion. In order to optimize the buyback, shares may also be acquired with the use of derivative financial instruments. The resolution of the Board of Management and of the Supervisory Board limits the period of the share buyback until the Annual Meeting on April 8, 2009.

Daimler’s capital structure is to be further optimized with the goal of reducing the use of equity capital, which is more expensive than borrowed capital. This will avoid investment decisions being limited by excessively high capital costs.

Credit Ratings

Standard & Poor's Rating Services (S&P), Moody's Investors Service, Inc. (Moody's), Fitch Ratings Ltd. (Fitch) and Dominion Bond Rating Service (Dominion Bond) rate our commercial paper (short-term) and our senior unsecured long-term debt (long-term).

Our debt ratings are an assessment by the rating agencies of the credit risk associated with our company and are based on information provided by us or other sources. Lower ratings generally result in higher borrowing costs and reduced access to capital markets. Debt ratings are not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal by the rating agencies at any time. As rating agencies may have different criteria in evaluating the risks associated with a company, you should evaluate each rating independently of other ratings.

As of August 30, 2008, our credit ratings are as follows:

	S&P	Moody's	Fitch	Dominion Bond
Short-term debt	A-2	P-2	F2	R-1 (low)
Long-term debt	A-	A3	A-	A (low)

While the short-term rating of all four rating agencies remained unchanged during the first half of 2008, the following changes occurred for the long-term ratings during that period:

S&P Ratings. In April 2008, S&P raised our long-term rating from BBB+ to A- with a positive outlook.

Fitch Ratings. In June 2008, Fitch changed the outlook for its long-term rating from stable to positive.

b) Mercedes-Benz Cars

Amounts in millions of €	1st half 2008	1st half 2007	% change
EBIT	2,364	1,996	+18
Revenue	25,418	24,628	+3
Unit Sales	672,261	591,209	+14
Production	718,794	612,195	+17
Employees (June 30)	98,011	97,634	+0

Mercedes-Benz Cars increased its unit sales by 14% in the first half of the year. Revenue rose by 3% to €25.4 billion and EBIT grew by 18% to €2,364 million. For further information on the factors influencing EBIT, please refer to the discussion of Group EBIT in “III. Description of Business, 1. Outline of Business Results, etc., a) Daimler Group” above.

Mercedes-Benz brand. Unit sales of Mercedes-Benz brand vehicles grew by 10% to a new record of 596,000 vehicles.

The S-Class was once again the clear market leader in the luxury segment, with 52,400 units sold worldwide in the first half. 95,400 E-Class cars were sold, fewer than in the prior-year period for lifecycle reasons (H1 2007: 110,100). Unit sales of the C-Class increased by 48% to 241,500 vehicles, making the C-Class sedan the worldwide market leader in its segment.

In the SUV segment, unit sales decreased by 2% to 80,800 vehicles of the M-/R-/GL- and G-Class. The new generation of the M-Class will be available this autumn. Sales of 125,900 A- and B-Class units were below the prior-year period (H1 2007: 135,100), reflecting the launch of the new models at the end of June.

smart brand. smart achieved a significant increase in unit sales of 66%, selling 70,700 vehicles. The increase reflects strong growth in our markets in Western Europe (+36%) and the market introduction of the smart fortwo in the US.

Regional sales trends. Mercedes-Benz Cars’ sales of 388,800 units in Western Europe were 6% up compared to the prior-year first half. In the United States, shipments increased by 29% to 135,600 vehicles. The Mercedes-Benz brand alone recorded an increase of 18% to 123,300 vehicles. 12,300 units of the smart fortwo were sold in the United States in the first six months of the year. The Mercedes-Benz Cars division’s unit sales increased at a very high rate also in China (+65%).

For the unit sales by regions and the total number of production for Mercedes-Benz Cars, please refer to the table in “III. Description of Business, 2. Results of Production, Orders Received and Sales” below.

c) **Daimler Trucks**

Amounts in millions of €	1st half 2008	1st half 2007	% change
EBIT	1,011	1,129	-10
Revenue	13,712	14,220	-4
Unit Sales	230,537	231,272	-0
Production	236,471	232,480	+2
Employees (June 30)	80,839	80,853	-0

Daimler Trucks sold 230,500 vehicles in the first six months of 2008, similar to the prior-year level. This was achieved against the ongoing weakness of the US economy and a supplier bottleneck in Germany in the first quarter of the year. Revenue decreased from €4.2 billion to €3.7 billion, while EBIT amounted to €1,011 million (H1 2007: €1,129 million). For further information on the factors influencing EBIT, please refer to the discussion of Group EBIT in “III. Description of Business, 1. Outline of Business Results, etc., a) Daimler Group” above.

Trucks Europe/Latin America. Trucks Europe/Latin America (Mercedes-Benz) increased its unit sales by 9% to 80,300 vehicles, thus setting another record. The development in Brazil was particularly positive (+36%). In Western Europe, unit sales were similar to the prior-year level primarily due to lower sales in Germany (-7%) as a result of a supplier bottleneck at the beginning of the year. Significant increases in unit sales were achieved in Eastern Europe (+10%) and the Middle East (+34%).

Trucks NAFTA. Trucks NAFTA (Freightliner, Sterling, Western Star, Thomas Built Buses) sold 54,600 vehicles, which was significantly fewer than in the prior-year period (H1 2007: 70,633). In the first six months of 2008, there was a significant negative impact on demand from the economic slowdown in the USA. The demand revival anticipated for 2008 has still not materialized due to the weak economy in the United States. In addition, the introduction of the US emission standard EPA 07 had led to purchases being brought forward until the first quarter of 2007 and a subsequent drop in demand from the large fleet operators. In the first quarter of 2007, it was still possible to register trucks in the United States that only fulfilled the previous emission standards.

Trucks Asia. The unit sales attained by Trucks Asia (Mitsubishi Fuso) increased from 87,300 to 95,600 vehicles for the first half of the year. This growth resulted from the international business, which meanwhile accounts for 78% of total unit sales. Significant growth was recorded particularly in Indonesia (+76%) and the Middle East (+20%). Unit sales in Japan decreased for reasons related to market cycles (-28%).

For the unit sales by regions and the total number of production for Daimler Trucks, please refer to the table in “III. Description of Business, 2. Results of Production, Orders Received and Sales” below.

d) Daimler Financial Services

Amounts in millions of €	1st half 2008	1st half 2007	% change
EBIT	351	434	-19
Revenue	4,474	4,247	+5
New Business	14,427	14,116	+2
Contract Volume	60,399	58,120	+4
Employees (June 30)	7,214	6,649	+8

Daimler Financial Services increased its total contract volume by 4% to €60.4 billion in the first six months of 2008. Compared with the prior year, 15 additional companies were fully consolidated for the first time, most of them in Asia and Eastern Europe. Adjusted for this effect and for exchange-rate effects, the increase was 8%. New business of €14.4 billion was 2% higher than in the first half of 2007. Adjusted for the aforementioned effects, new business increased by 3%. EBIT amounted to €351 million (H1 2007: €434 million). For further information on the factors influencing EBIT, please refer to the discussion of Group EBIT in “III. Description of Business, 1. Outline of Business Results, etc., a) Daimler Group” above.

Europe, Africa & Asia/Pacific. At the end of the first half, contract volume of €36.4 billion in the Europe, Africa & Asia/Pacific region was 9% higher than a year earlier. The most dynamic growth was achieved in the markets Czech Republic, United Kingdom and Japan.

The contract volume of Mercedes-Benz Bank in Germany increased to €16.5 billion (H1 2007: €16.1 billion). Mercedes-Benz Bank once again expanded its customer base in the direct banking business. Customers’ funds increased from €3.8 billion to €5.1 billion. A mobility package entitled “Private Leasing plus” was successfully launched on the market at the end of April, comprising a leasing contract with an option to buy, auto insurance, and a service card to be used when processing any claims. With this product, Mercedes-Benz Bank is driving the trend towards leasing in the business with private customers.

At the end of May, Mercedes-Benz Bank opened its first branch in Spain to provide Spanish dealers with credit for their floor-plan financing. This will allow our Spanish sales partners to profit from the favorable refinancing conditions offered by Mercedes-Benz Bank in Germany.

Two years after the start of the FUSO Financial business unit, the business of commercial-vehicle financing continues its very dynamic growth in Japan. In the past twelve months, FUSO Financial’s contract volume increased by 71% to €187 million.

Americas region. In the Americas region, contract volume amounted to €24.0 billion at the end of the first half (H1 2007: €24.9 billion). Adjusted for exchange-rate effects, the portfolio grew by 11%.

Following the separation from Chrysler Financial in North America at the beginning of April, the focus is now on building up a more efficient organization for the US business units – Truck Financial and Mercedes-Benz Financial. To achieve this goal, decentralized functions currently located in California, Florida, New Jersey and Illinois are being brought together in the new operations center in Dallas, Texas, and at the headquarters in Farmington Hills, Michigan.

e) **Vans, Buses, Other**

Amounts in millions of €	1st half 2008	1st half 2007	% change
EBIT	519	2,129	-76
Revenue Segment	7,522	6,258	+20
Revenue Mercedes-Benz Vans	4,892	4,344	+13
Revenue Daimler Buses	2,240	1,889	+19
Unit Sales Mercedes-Benz Vans	147,255	135,526	+9
Unit Sales Daimler Buses	20,243	18,640	+9

The Vans, Buses, Other segment primarily comprises the Mercedes-Benz Vans and Daimler Buses units and our equity interests in Chrysler Holding LLC and EADS. In the future, this segment will also include our equity interest in Tognum, which is accounted for using the equity method as of June 30, 2008.

The first-half EBIT of the Vans, Buses, Other segment amounted to €519 million (H1 2007: €2,129 million). For further information on the factors influencing EBIT, please refer to the discussion of Group EBIT in “III. Description of Business, 1. Outline of Business Results, etc., a) Daimler Group” above.

Mercedes-Benz Vans. The Mercedes-Benz Vans unit increased its unit sales by 9% in the first half of 2008, setting a new record of 147,300 vans sold. Worldwide sales of the Sprinter increased by 15% to 92,700 units. As a result of sustained strong demand for the Sprinter, we have decided to expand our production capacities in Düsseldorf and Ludwigsfelde. Second-quarter unit sales of the Vito/Viano models totaled 52,000 vehicles, slightly lower than the high figure for the prior-year period (-2%). Unit sales of the Vario increased by 15%.

Daimler Buses. Daimler Buses sold 20,200 buses and chassis, thus surpassing the very high prior-year sales level by 9% and setting a new unit-sales record. A major contribution came from sales of 3,100 Mercedes-Benz and Setra buses in Western Europe (+39%), while 11,300 chassis were sold in Latin America, an increase of 8% compared to the high level of the prior-year period. Daimler Buses thus maintained its worldwide market leadership. The 10,000th Series 400 Setra bus was delivered in the first half of 2008. Since April 2008, the Mercedes-Benz bus range has been supplemented by a new low-entry articulated city bus, the Conecto G.

Chrysler. Chrysler LLC sold 1,175,259 vehicles globally during the first six months of 2008, a sales decrease of 16.6 percent compared with the same time last year, (H1 2007: 1,408,993 units). The activities relating to Chrysler’s international sales organization have been placed into separate companies, which have been prepared for transfer to Chrysler. With the separation of IT systems at the beginning of April, the separation from Chrysler Financial was completed during the first half. In June, Chrysler LLC utilized the subordinated credit line of US\$1.5 billion that had been agreed upon with Daimler at the time of the transfer of a majority interest in Chrysler.

EADS. Airbus, a subsidiary of EADS, delivered 245 aircraft to its customers in the first half (H1 2007: 230). Orders received were below the figure for the prior-year period at 525 units (H1 2007: 680). The order backlog rose to 3,663 aircraft at June 30, 2008 (June 30, 2007: 2,925). EADS has published its second-quarter figures on July 30, 2008.

2. Results of Production, Orders Received and Sales

Unit sales and revenue have already been discussed under “III. Description of Business, 1. Outline of Business Results, etc.” Therefore, the tables below just show the unit sales by regions and the total number of production for Mercedes-Benz Cars and Daimler Trucks.

Mercedes-Benz Cars

Unit sales	1 st half 2008	1 st half 2007	% change
Western Europe	388,751	368,057	+6
Germany	168,788	161,845	+4
United States	135,560	104,760	+29
Japan	18,198	19,310	-6
Other markets	129,752	99,082	+31
Unit Sales	672,261	591,209	+14
Production	718,794	612,195	+17

Daimler Trucks

Unit sales	1 st half 2008	1 st half 2007	% change
Western Europe	40,341	40,058	+1
Germany	16,844	17,844	-6
United States	41,179	58,878	-30
Latin America (excl. Mexico)	29,912	25,130	+19
Asia	73,327	65,453	+12
Other markets	45,778	41,753	+10
Unit Sales	230,537	231,272	-0
Production	236,471	232,480	+2

3. Matters to be Dealt with

The material contracts, agreements, business developments and competition are described under:

- “2. Contents of Business” in “II. Outline of the Company”,
- “5. Activities on Research and Development” in “III. Description of Business”,
- “2. Plans for Installation and Removal of Facilities” in “IV. Conditions of Facilities”,
- and note 2 and note 3 to the Unaudited Interim Condensed Consolidated Financial Statements included in this document.

Furthermore, the automotive industry is subject to extensive government regulation. Laws in various countries regulate the emission levels, fuel economy, noise, and safety of vehicles, as well as the levels of pollutants generated by the plants that produce them. These regulations often impose differing standards and substantial testing and certification requirements. The cost of complying with these varying regulations can be significant, and we expect to incur significant compliance costs in the future. We recognize, however, that leadership in environmental protection and safety is an increasingly important competitive factor in the marketplace.

For a full description of risk factors influencing the Group’s business development, please refer to section “III. Description of Business” subsection “4. Risk Factors” of the Securities Report filed on April 23, 2008 and consider note 5 of the Table of Contents of this document.

4. Material Contracts Relating to Business

a) Change of Control Clauses

No material change during the six-month period ended June 30, 2008. For existing Change of Control Clauses please refer to section “5. Material Contracts Relating to Business” of the Securities Report filed on April 23, 2008.

b) Material Contracts

No material change during the six-month period ended June 30, 2008.

For additional information about material acquisitions and dispositions during the first half of 2008 and the Chrysler transaction, please read “2. Contents of Business” under “II. Outline of the Company” and refer to note 2 and 3 to the Unaudited Interim Condensed Consolidated Financial Statements.

5. Activities on Research and Development

In the first half of 2008, Daimler spent a total of €2.2 billion on research and development (H1 2007: €1.8 billion). Total research and development costs reached 4.5% of the Group’s total revenue. 26% of the research and development costs have been capitalized.

The table below shows research and development expenditures during the first six months of 2008 and 2007:

Research and development expenditures (€in millions)	First half ended June 30,	
	2008	2007
Research and development expenditures	2,185	1,805
thereof: Capitalized development costs	572	332

Strategic Approach and Organization

To be competitive in our principal markets and to secure technological leadership, it is essential for us to develop innovative products and production systems and to shorten lead times in research and development. Innovation is an important element of our overall corporate strategy, and our corporate research function plays a significant role in meeting this strategic goal together with our operating businesses. In particular, key challenges for sustainable mobility will be the further reduction of both conventional fossil fuel-based fuel consumption and exhaust emissions, especially carbon dioxide. We follow a three-step strategy to meet these challenges: first, further improvement of conventional combustion engine technology in combination with the development of hybrids as a bridging technology; second, the development of alternative fuels; and third, commercial development of fuel cell propulsion and plug-in electric vehicles. Maintaining and securing our position among the leading companies in the area of alternative propulsion technologies is a cornerstone of our corporate strategy.

In addition to the corporate function for research and advanced engineering, we have development functions in each of our automotive businesses which are responsible for developing production-ready vehicles.

Our corporate function for research and advanced engineering

- is closely integrated with the development function of the Mercedes-Benz Cars segment;
- approaches research and development systematically and comprehensively, and formulates a technological strategy for our Group as a whole in close cooperation with our operating business units;
- performs research and advanced engineering tasks that cross divisional boundaries or require long lead times;
- assists the product development teams of our operating units in applying new technologies in the design, development and testing of new products and production processes;
- works as a centralized forum for the exchange of new ideas and a think tank for the development of new technologies, materials and concepts; and
- performs internal R&D reviews to ensure the strategic alignment, quality, efficiency, and effectiveness of our programs.

On the corporate level, we conduct our research work in eleven strategic fields which are assigned to three primary technical areas:

- *Body and Powertrain:* Combustion engines and powertrain; alternative energy and drive systems; vehicle concepts; human machine interaction; and materials and manufacturing technology.

- *Electronics and Mechatronics:* Cabin and powertrain electrics/electronics; assistance systems and chassis; product creation and information technology; software technology; reliability and diagnosis; and infotainment and telematics.
- *Society and Technology:* Interrelationship between society and technology to identify long-term trends.

Most of the facilities of our centralized research and advanced engineering function are located in Germany, but we also maintain several research centers in North America and Asia. These include a research and technology center in Palo Alto, California, a research center for information and communication technology in Bangalore, India, and an R&D collaboration regarding hybrid powertrain systems with General Motors and BMW in Troy, Michigan. In addition, we participate in the international exchange of new ideas and concepts through co-operations and joint ventures with world renowned research institutes and exchange programs for scientists and employees.

A key area for Daimler's research and development activities in 2008 is the ongoing development of conventional drive technologies to achieve engines that are even cleaner and more fuel efficient. In order to reduce CO₂ emissions even further and to be able to offer vehicles that are compatible with future requirements over the long term, we are also working on alternative drive systems such as fuel cells, battery and electric vehicles and lightweight construction methods.

IV. Conditions of Facilities

1. Conditions of Major Facilities

No material change during the six-month period ended June 30, 2008.

2. Plans for Installation and Removal of Facilities

No material change during the six-month period ended June 30, 2008. However, to be able to react quickly to fluctuations in demand, over the coming years and as part of the efficiency-improvement programs at the Mercedes-Benz Cars, Daimler Trucks, and our van and bus businesses, the automotive divisions will further improve its manufacturing flexibility and modernize its production equipment.

In the future, Mercedes-Benz will be better represented in the compact-car segment with four models instead of the present two. In this context, full capacity utilization at the Rastatt plant is to be guaranteed by investments totaling €600 million. To secure sustained competitiveness following the expansion of the product range, but also to create the additional production capacity needed to serve new sales markets, in June 2008 Mercedes-Benz announced the construction of a new plant in Kecskemét, Hungary. This location meets the high quantitative and qualitative criteria for the successful production of Mercedes-Benz cars, and offers the best economic conditions of all the sites that came into consideration.

As a result of sustained strong demand for the Sprinter, we have decided to expand our production capacities in Düsseldorf and Ludwigsfelde.

V. Description of the Company

1. Description of Shares, Etc.

(1) Total Number of Shares, Etc.

(i) Total number of shares

Authorized number of Shares: (as of June 30, 2008)	1,457,832,950	
Issued and outstanding Shares: (as of June 30, 2008)	964,497,707	
Shares not yet issued: (as of June 30, 2008)	493,335,243	
	174,259,246	(authorized capital I)
	174,259,246	(authorized capital II)
	104,555,547	(conditional capital I)
	40,261,204	(conditional capital II)

Authorized capital I: The Board of Management is authorized with the consent of the Supervisory Board to increase the Company's capital stock in the period until April 8, 2013 by a total of €500,000,000.00, in one lump sum or by several partial amounts at different times, by issuing new, registered no par value shares in exchange for cash contributions. The Board of Management is authorized with the consent of the Supervisory Board to exclude shareholders' subscription rights under certain conditions. The Board of Management is authorized with the consent of the Supervisory Board to stipulate the other details of the shares' rights and the conditions for issuing those shares. Authorized capital I has been resolved by resolution of the shareholders' meeting on April 9, 2008.

Authorized capital II: The Board of Management is authorized with the consent of the Supervisory Board to increase the Company's capital stock in the period until April 8, 2013 by a total of €500,000,000.00, in one lump sum or by several partial amounts at different times by issuing new, registered no par value shares in exchange for non-cash contributions. The Board of Management is authorized with the consent of the Supervisory Board to stipulate the other details of the shares' rights and the conditions for issuing those shares. Authorized capital II has been resolved by resolution of the shareholders' meeting on April 9, 2008.

Authorized capital III: The Board of Management was authorized to increase the capital stock of the corporation through April 8, 2008 by a total of €26,000,000.00, in one lump sum or by separate partial increases at different times, upon the approval of the Supervisory Board, by issuing new, no par value registered shares in exchange for cash or non-cash contributions in order to issue the new shares to employees of Daimler AG and its subsidiaries. The Board of Management was authorized with the consent of the Supervisory Board to stipulate the other details of the shares' rights and the conditions for issuing those shares. Authorized capital III expired on April 8, 2008 and has not been renewed.

Conditional capital I: The capital stock of the corporation shall be conditionally increased by an amount not to exceed €300,000,000.00. The conditional capital increase shall be undertaken only to the extent that

- a) the holders or creditors of conversion rights or option certificates attached to the convertible bonds and notes with warrants to be issued by Daimler AG or its majority owned direct or indirect subsidiaries up to April 5, 2010, in accordance with the enabling resolution of the Annual Meeting of the Shareholders on April 6, 2005, actually exercise their conversion or option rights or
- b) the holders or creditors of the convertible bonds to be issued by Daimler AG or its majority-owned direct or indirect subsidiaries up to April 5, 2010 in accordance with the enabling resolution of the Annual Meeting of the Shareholders on April 6, 2005 fulfill their conversion obligation.

The new shares shall participate in the profits of the corporation as of the beginning of the financial year in which such shares are created through the exercising of conversion or option rights or through the fulfillment of conversion obligations.

Conditional capital II: The capital stock of the corporation shall be conditionally increased by an amount not to exceed €16,719,285.20 through the issuance of up to 40,678,829 no par value registered shares. The conditional capital increase shall be undertaken only to the extent that the holders of option rights, issued by Daimler AG in the period up to April 18, 2005, in conformity with the resolution passed at the Annual Meeting held on April 19, 2000, actually exercise their options and the corporation does not grant any of its own shares in fulfillment of the options. The new shares shall participate in the profits of the corporation as of the beginning of the financial years of their issuance.

For further details on the before mentioned authorized and conditional capital, please refer to section II. Capital Stock and Shares, paragraph 3 of the Company's Articles of Incorporation.

(ii) Issued and outstanding shares

Kind: registered ordinary shares, no par value

Number of shares: 964,497,707
(as of June 30, 2008)

Stock Exchanges on which the Shares are listed or Securities Dealers Associations with which the Securities are registered: The principal trading markets for our ordinary shares are the Frankfurt Stock Exchange and the New York Stock Exchange. In addition, our ordinary shares are listed in Germany on the Stuttgart Stock Exchange.

Reference: N/A

(2) **Description of Number of Issued and Outstanding Shares and Share Capital**

<u>Date or time</u>	<u>Increase in share capital</u>	<u>Total share capital after the increase/change</u>	<u>Remarks</u>
(ten thousand Yen)			
Balance as of Dec. 31, 2007	1,013,868,596 shares	€2,766,169,590.44 (46,601,659)	End of fiscal 2007
January 1 to March 28 2008	€54,020.96 (19,800 shares)	€2,766,223,611.40 (46,602,569)	Exercise of stock options
April 3, 2008	-49,808,314 shares	€2,766,223,611.40 (46,602,569)	Cancellation of shares
April 4 to June 30, 2008	€1,198,286.49 (417,625 shares)	€2,767,421,897.89 (46,622,757)	Exercise of stock options
Balance as of June 30, 2008	964,497,707 shares	€2,767,421,897.89 (46,622,757)	End of first half 2008

During the first quarter of 2008, the company bought back 49,808,314 shares. These shares were cancelled at the end of April 3, 2008, without reducing the capital stock and therefore increasing the pro-rata amount of the share capital attributable to each share to around €2.87.

On June 17, 2008, we announced that for the further optimization of Daimler's capital structure, the Board of Management of the company decided to carry out a new share buyback program. The Supervisory Board of Daimler AG has approved this decision. In exercise of the authorization granted by the Annual Meeting of April 9, 2008, the decision of the Board of Management allows for the buyback of 10% or approximately 96.4 million of the outstanding shares for a maximum amount of €6 billion. In order to optimize the buyback, shares may also be acquired with the use of derivatives. By June 30, 2008, 6,550,000 shares have already been bought back.

For a description of the stock option plans for our Board of Management and other management employees, such as the exercise prices, please refer to Note 20 of our Consolidated Financial Statements disclosed with the Securities Report filed on April 23, 2008. An update of the basic terms of the stock option plans as of June 30, 2008 is provided in the table below:

Year of grant	Reference price (in €)	Exercise price (in €)	Options granted (in millions)	At June 30, 2008	
				Options outstanding (in millions)	Options exercisable (in millions)
2000	62.30	74.76	15.2	7.5	7.5
2001	55.80	66.96	18.7	6.8	6.8
2002	42.93	51.52	20.0	5.2	5.2
2003	28.67	34.40	20.5	3.5	3.5
2004	36.31	43.57	18.0	5.4	5.4

Issuance of new shares under Conditional Capital II in case of execution of stock options leads to a corresponding increase of capital stock in the pro-rata amount of the

share capital attributable to the new shares at the business day following to the exercise date (valuta date). As a result the Conditional Capital II will be reduced correspondingly in the amount by which the capital stock increases. In addition, the company can also compensate rights from the exercise of stock options by delivering shares, acquired at the market or bought back as part of the buyback program. In that case, the capital stock and the Conditional Capital II remain unchanged.

(3) Major shareholders

The table below shows the number of ordinary shares of the major shareholders as defined under Japanese regulation, and their percentage of ownership as of June 30, 2008:

Identity of the Person or Group	Shares owned	Percent
Kuwait Investment Authority as agent for the Government of the State of Kuwait	73,169,320	7.59%
Capital Research and Management Company	30,688,637	3.03%
Barclays Global Investors UK Holdings Limited	28,958,243	3.004%

Our capital stock consists of ordinary shares without par value (Stückaktien). Our ordinary shares are issued in registered form. Under our Articles of Incorporation (Satzung), each ordinary share represents one vote. Major shareholders do not have different voting rights.

Under the German Securities Trading Act (Wertpapierhandelsgesetz), shareholders of a listed German company must notify the company of the level of their holding whenever it reaches, exceeds, or falls below specified thresholds. These thresholds are 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of a company's outstanding voting rights.

During the first half of 2008, the following voting rights announcements have been disclosed:

- On February 11, 2008, *UBS AG Zurich and Basel*, Switzerland has informed us according to Article 21, Section 1 of the WpHG (German Securities Trading Act) that via shares its voting rights in Daimler AG, Stuttgart, Deutschland, have exceeded the threshold of 3% of the voting rights on February 5, 2008 and now amount to 3.21% (this corresponds to 32,589,832 voting rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 0.34% of the voting rights (this corresponds to 3,514,921 voting rights) are to be attributed to the company.
- On February 14, 2008, *UBS AG Zurich and Basel*, Switzerland has informed us according to Article 21, Section 1 of the WpHG (German Securities Trading Act) that via shares its voting rights in Daimler AG, Stuttgart, Deutschland, fell below the threshold of 3% of the voting rights on February 8, 2008 and now amount to 2.83% (this corresponds to 28,739,784 voting rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 0.70% of the voting rights (this corresponds to 7,136,613 voting rights) are to be attributed to the company.
- On February 20, 2008, *Capital Research and Management Company*, Los Angeles, USA, has informed us according to Article 21, Section 1 of the WpHG (German Securities Trading Act) that its voting rights in Daimler AG, Stuttgart, Deutschland, exceeded the threshold of 3% of the voting rights on February 14,

2008 and now amount to 3.03% (this corresponds to 30,688,637 voting rights). According to Article 22, Section 1, Sentence 1, No. 6 of the WpHG, 3.03% of the voting rights (this corresponds to 30,688,637 voting rights) are to be attributed to Capital Research and Management Company.

- On February 20, 2008, UBS AG Zurich and Basel, Switzerland has informed us according to Article 21, Section 1 of the WpHG (German Securities Trading Act) that via shares its voting rights in Daimler AG, Stuttgart, Deutschland, have exceeded the threshold of 3% of the voting rights on February 14, 2008 and now amount to 3.64% (this corresponds to 36,932,557 voting rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 0.73% of the voting rights (this corresponds to 7,430,135 voting rights) are to be attributed to UBS AG.
- On March 12, 2008, Daimler AG informs according to Article 26, Section 1 Sentence 2 German Securities Trading Act that its own shares in Daimler AG, Stuttgart, Deutschland, have exceeded the 3% threshold of the voting rights on March 12, 2008 and now amount to 3.20% (this corresponds to 32,485,868 voting rights).
- On April 4, 2008, Daimler AG informs according to Article 26, Section 1 Sentence 2 German Securities Trading Act (WpHG) that its own shares in Daimler AG, Stuttgart, Deutschland, fell below the 3% threshold of the voting rights by the end of April 3, 2008 and now amount to 0.00% (this corresponds to 0 voting rights).
- On April 4, 2008, Deutsche Bank Aktiengesellschaft, Frankfurt am Main, has notified us pursuant to Section 21, Subsection 1 and Section 24 of the German Securities Trading Act that on April 1, 2008, DB Equity S.à r.l., 6, avenue Pasteur, L – 2310 Luxembourg, fell below the threshold participation interest of 3% of the voting rights in Daimler AG, Mercedesstraße 137, 70546 Stuttgart, and presently holds 0.02% (equals to 153,714 voting rights) of our voting stock. Deutsche Bank Aktiengesellschaft also notified us pursuant to Section 21, Subsection 1 and Section 24 of the German Securities Trading Act that on April 1, 2008, also DB Valoren S.à r.l., 6, avenue Pasteur, L – 2310 Luxembourg, fell below the threshold participation interest of 3% of the voting rights in Daimler AG, Mercedesstraße 137, 70546 Stuttgart, Germany, and presently holds 0.02% (equals to 153,714 voting rights) of our voting stock. These voting rights are attributed to DB Valoren S.à r.l., according to Section 22, Subsection 1, Sentence 1, No. 1 German Securities Trading Act. Further Deutsche Bank Aktiengesellschaft has informed us, that the overall participation interest in the voting stock held by the Deutsche Bank AG has not changed by this transaction in a way that would require a notification.
- On April 18, 2008 Barclays Global Investors UK Holdings Limited, London, England, has notified us according to Article 21 and Article 22 of the WpHG (German Securities Trading Act) that Barclays Global Investors UK Holdings Limited exceeded the 3% threshold of Article 21 Section 1 WpHG on April 16, 2008 and at that date held 3.004% of the voting rights (this corresponds to 28,958,243 shares with voting rights) in Daimler AG, Stuttgart. We were further informed that Barclays Global Investors UK Holdings Limited was attributed these 3.004% of the voting rights (this corresponds to 28,958,243 shares with voting rights) in Daimler AG pursuant to Article 22 Section 1 Sentence 1 No. 6 WpHG in connection with Article 22 Section 1 Sentence 2 WpHG.

- On April 28, 2008, *UBS AG Zurich and Basel*, Switzerland has informed us according to Article 21, Section 1 of the WpHG (German Securities Trading Act) that on April 22, 2008 as a result of the sale of shares its voting rights in Daimler AG, Stuttgart, Deutschland, fell below the threshold of 3% of the voting rights and now amount to 2.88% (this corresponds to 27,741,428 voting rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 0.83% of the voting rights (this corresponds to 7,955,562 voting rights) are to be attributed to UBS AG.
- On April 30, 2008, *UBS AG Zurich and Basel*, Switzerland has informed us according to Article 21, Section 1 of the WpHG (German Securities Trading Act) that on April 24, 2008 as a result of the acquisition of shares its voting rights in Daimler AG, Stuttgart, Deutschland, exceeded the threshold of 3% of the voting rights and now amount to 3.2% (this corresponds to 30,876,057 voting rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 0.84% of the voting rights (this corresponds to 8,063,399 voting rights) are to be attributed to UBS AG.
- In addition, *Deutsche Bank Aktiengesellschaft*, Frankfurt am Main, Germany, has notified us pursuant to Section 21, Subsection 1 of the German Securities Trading Act that on June 5, 2008, Deutsche Bank AG, Theodor-Heuss-Allee 70, 60486 Frankfurt, Germany, fell below the threshold participation interest of 3% of the voting rights in Daimler AG, Stuttgart, Germany, and presently holds 2.974% (28,682,230 voting rights) of the voting stock. Deutsche Bank Aktiengesellschaft also notified us that of the above mentioned voting rights 2.966% (28,603,714 voting rights) are attributed to Deutsche Bank AG pursuant to Section 22, Subsection 1, Sentence 1, No. 1 German Securities Trading Act and 0.008 (78,516 voting rights) are attributed to Deutsche Bank AG pursuant to Section 22, Subsection 1, Sentence 1, No. 6 in conjunction with Section 22, Subsection 1, Sentence 2 German Securities Trading Act.
- On July 15, 2008, UBS AG Zurich and Basel, Switzerland, notified us that UBS retracted its notification on voting rights of April 30, 2008, which was published by Daimler AG on May 2, 2008, because no thresholds had actually been reached so that there was in fact no obligation of notification.

2. Trends in Stock Prices

Monthly High and Low Stock Prices of Shares for each of the Last Six Months in the Period

The table below shows the highest and lowest stock prices on the *Frankfurt Stock Exchange* – the primary stock market of Daimler shares - for each of the first six months of the year:

Month:	Jan 08	Feb 08	Mar 08	Apr 08	May 08	June 08
Stock price per share (in €)						
Highest:	64.68	57.74	55.60	55.34	52.85	48.54
Lowest:	48.24	50.28	50.86	49.12	48.87	39.28

3. Directors, Officers and Statutory Auditors

(a) The Supervisory Board

No material changes since the filing of the Securities Report on April 23, 2008. However, for the sake of completeness, the following changes, which have occurred since year-end 2007, are repeated:

- Dr. Jürgen Hambrecht was appointed by the local district court as a member of the Supervisory Board effective February 8, 2008, for a term ending with the next Annual General Meeting to be held in 2008.
- Sari Baldauf was appointed by the local district court as a member of the Supervisory Board effective February 11, 2008, for a term ending with the next Annual General Meeting to be held in 2008.
- Following to the election of the employee's representatives at the beginning of 2008 and effective with the end of the Annual General Meeting on April 9, 2008, Gerd Rheude and Wolf Jürgen Röder were succeeded by Ansgar Osseforth and Jörg Hofmann as members of the Supervisory Board, representing the employees.
- On April 9, 2008, the Annual General Meeting of our shareholders elected Ms. Sari Maritta Baldauf and Dr. Jürgen Hambrecht as shareholder representatives to the Supervisory Board.

Ms. Baldauf, Mr. Hambrecht, Mr. Hofmann and Mr. Osseforth are elected until the end of the Annual General Meeting in 2013.

(b) The Board of Management

No material change since the filing of the Securities Report on April 23, 2008.

(c) Compensation of the Supervisory Board and Board of Management

No material change since the filing of the Securities Report on April 23, 2008. However, for the sake of completeness, we would like to refer to the changes resulting from the shareholders' approvals at the Annual Meeting:

On April 9, 2008, the Annual Meeting resolved a change in the Supervisory Board's remuneration. According to that resolution, the remuneration shall amount to €100,000.00 for the individual member, three times this amount for the Chairman of the Supervisory Board, twice this amount for the Deputy Chairman of the Supervisory Board and the Chairman of the Audit Committee, 1.5 times this amount for chairmen of other Supervisory Board committees and for members of the Audit Committee, and 1.3 times this amount for members of the other Supervisory Board committees. If a member of the Supervisory Board exercises several of the aforementioned functions, he shall be remunerated solely according to the function with the highest remuneration. Membership of a committee for a financial year is only remunerated if the relevant committee has held at least one meeting in discharge of its duties in that period. The members of the Supervisory Board shall receive a flat fee of €1,100.00 for each meeting of the Supervisory Board and its committees that they attend as members.

VI. Financial Conditions

The unaudited condensed consolidated financial statements, prepared according to IFRS, and additional explanations required under Japanese law have been omitted. They are included on pages 35 to 70 of the original Japanese version.

VII. Trends in Foreign Exchange Rates

Omitted because the foreign exchange rates between Yen and Euro, currency used in the Company's financial statements, have been published for the last 6 months in more than one Japanese newspaper concerning current events.

VIII. Reference Information of the Company

The following documents have been filed since the commencement of the relevant half fiscal year up to the filing date of this Semi-Annual Report.

- 1 Securities Report and its attachments filed with the Director General of the Kanto Local Finance Bureau on April 23, 2008.

(For the fiscal year from January 1, 2007 through December 31, 2007)

- 2 Shelf Registration Statement

Shelf Registration Statement filed with the Director General of the Kanto Local Finance Bureau on April 23, 2008.

- 3 Amendment*

An Amendment Report (an amendment report to the Securities Report described in 1 above) filed with the Director General of the Kanto Local Finance Bureau on September 3, 2008.

*The English translation of the Amendment Report to the Securities Report is omitted because amendments in the Amendment Report only relate to the Japanese version.

PART 2. INFORMATION CONCERNING GUARANTOR, ETC.

Not applicable.