

# DAIMLER



Annual Financial Statements 2008. Daimler AG

**Cover:**

**Three drive concepts for sustainable mobility**

Daimler's strategy focuses on three approaches to individualized vehicle concepts. The first approach involves consistent optimization of vehicles equipped with state-of-the-art combustion engines. Activities in the second area seek to achieve further efficiency gains through hybrid systems that include gasoline or diesel engines. Thirdly, there is the goal of zero-emission driving with fuel cell and battery-powered vehicles.

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## Balance Sheet of Daimler AG

|   | Notes | 12/31/2008    | 12/31/2007 |
|---|-------|---------------|------------|
| € in million  |       |               |            |
| <b>ASSETS</b>   |       |               |            |
| <b>Fixed Assets</b>   |       |               |            |
| Intangible assets   | (1)   | 148           | 62         |
| Property, plant and equipment incl. equipment on operating leases | (2)   | 9,448         | 8,871      |
| Financial assets  | (3)   | 37,454        | 38,112     |
|   |       | <b>47,050</b> | 47,045     |
| <b>Non-fixed Assets</b>   |       |               |            |
| Inventories   | (4)   | 6,033         | 5,517      |
| Trade receivables   | (5)   | 2,024         | 2,115      |
| Receivables from affiliated companies                             | (5)   | 10,182        | 11,337     |
| Other receivables and other assets                                | (5)   | 1,993         | 2,310      |
| Securities  | (6)   | 230           | 471        |
| Cash and cash equivalents   | (7)   | 772           | 3,645      |
|   |       | <b>21,234</b> | 25,395     |
| <b>Prepaid expenses</b>   |       | <b>93</b>     | 17         |
|   |       | <b>68,377</b> | 72,457     |

|  | Notes | 12/31/2008    | 12/31/2007 |
|--|-------|---------------|------------|
| € in million   |       |               |            |
| <b>EQUITY AND LIABILITIES</b>                        |       |               |            |
| <b>Equity</b>  |       |               |            |
| Share capital<br>(conditional capital € 415 million) | (8a)  | 2,768         | 2,766      |
| Capital reserves                                     | (8b)  | 14,204        | 14,185     |
| Retained earnings                                    | (8c)  | 5,396         | 6,188      |
| Unappropriated profit                                | (8d)  | 556           | 6,184      |
|  |       | <b>22,924</b> | 29,323     |
| <b>Provisions</b>                                    |       |               |            |
| Provisions for pensions and similar obligations      | (9)   | 12,658        | 12,307     |
| Other provisions                                     | (10)  | 10,905        | 11,785     |
|  |       | <b>23,563</b> | 24,092     |
| <b>Liabilities</b>                                   |       |               |            |
| Trade liabilities                                    | (11)  | 3,431         | 4,012      |
| Liabilities due to affiliated companies              | (11)  | 13,247        | 13,423     |
| Other liabilities                                    | (11)  | 4,899         | 1,514      |
|  |       | <b>21,577</b> | 18,949     |
| <b>Deferred Income</b>                               |       | <b>313</b>    | 93         |
|  |       | <b>68,377</b> | 72,457     |

## Income Statement of Daimler AG

|   | Notes | 2008          | 2007     |
|---|-------|---------------|----------|
| € in million  |       |               |          |
| <b>Revenue</b>  | (12)  | <b>63,682</b> | 66,962   |
| Cost of sales   | (13)  | (57,064)      | (58,042) |
| <b>Gross profit</b>   |       | <b>6,618</b>  | 8,920    |
| Selling expenses  | (13)  | (5,553)       | (5,536)  |
| General administrative expenses                             | (13)  | (2,573)       | (2,594)  |
| Other operating income                                      | (14)  | 1,353         | 1,152    |
| Other operating expenses                                    | (15)  | (1,359)       | (1,070)  |
| Result from investments in affiliated and related companies | (16)  | 2,523         | 10,358   |
| Interest income   | (17)  | 127           | 857      |
| Other financial income                                      | (18)  | (1,291)       | 453      |
| <b>Income from ordinary activities</b>                      |       | <b>(155)</b>  | 12,540   |
| Income taxes  | (19)  | (177)         | (172)    |
| <b>Net loss (2007: Net income)</b>                          | (20)  | <b>(332)</b>  | 12,368   |
| <b>Profit carried forward</b>                               |       | <b>100</b>    | 0        |
| <b>Transfer from (2007: to) retained earnings</b>           |       | <b>788</b>    | (6,184)  |
| <b>Unappropriated profit</b>                                |       | <b>556</b>    | 6,184    |

# Notes to the Financial Statements of Daimler AG

## Accounting policies and methods

The financial statements of Daimler AG have been prepared in accordance with the accounting principles of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG); the amounts shown are in millions of euros (€) and the comparable figures for the year ended December 31, 2007 are also shown. The items summarized in the balance sheet and the income statement are listed individually and explained in these Notes.

For the sake of clarity, the system of presentation has been modified in accordance with Section 266 of the HGB. Other receivables and other assets comprise receivables due from affiliated companies and other assets. Other provisions comprise provisions for taxes and other provisions. Other liabilities comprise liabilities to affiliated companies, loans and bonds, liabilities to banks and other liabilities. No use was made of the possibility to net off liabilities to subsidiaries from the transfer of losses with receivables.

The income statement has been prepared according to the internationally predominant cost-of-sales method. The system of presentation according to Section 275 of the HGB has been modified to improve clarity with regard to financial activities. Financial activities are presented as income from investments in affiliated and related companies, interest income and other financial income.

## Recognition and measurement

*Intangible assets* are measured at cost of acquisition, reduced by systematic straight-line amortization. Most of them have a useful life between three and thirty years.

*Property, plant and equipment* are measured at cost of acquisition or production, reduced by systematic depreciation.

The production costs of self-constructed assets comprise individual items as well as prorated material and production overheads, including depreciation, to the extent that they are caused by the production process.

Systematic depreciation for technical equipment and machinery, other equipment and furniture and office equipment is usually based on a useful life of 3 to 10 years. Correspondingly shorter periods apply for equipment used in multiple shifts.

Movable goods, which have been recognized after January 1, 2008, are depreciated using the straight-line method. Movable goods which have been recognized before January 1, 2008, are generally depreciated using the declining-balance method. The method of depreciation is changed from declining-balance to straight-line as soon as the equal distribution of the carrying value over the remaining useful life leads to higher depreciation amounts. In general, the maximum depreciation rates permitted for tax purposes are applied. Impairments are recognized if an asset has to be measured at a lower value.

From January 1, 2008 low-value assets up to costs of 150 € are written off immediately. For assets with costs of 150 € to 1,000 €, recognized from January 1, 2008, a collective item is build which is depreciated straight line 20 % p.a.

*Leased assets* are measured at cost of acquisition or production and systematically depreciated. Systematic depreciation is based on a useful life of 3 to 21 years. Leased assets, which have been recognized after January 1, 2008, are reduced by systematic depreciation using the straight-line method. Depending on the various lessees, leased assets, which have been recognized before January 2008, are depreciated using the straight-line method or the declining-balance method. The method of depreciation is changed from declining-balance to straight-line as soon as the equal distribution of the carrying value over the remaining useful life leads to higher depreciation amounts.

*Shares in affiliated, related companies and other financial assets* are measured at cost of acquisition, or, if there is an indication of permanent impairment, at the lower fair value. Loans bearing low interest or no interest are measured at their present value.

For the sake of better clarity, we have supplemented the statement of non-current assets with the item of leased assets under property, plant and equipment and with the item of special asset pension trust under financial assets.

*Raw materials and manufacturing supplies and goods* are measured at the lower of cost of acquisition or fair value; *unfinished and finished products* are measured at cost of production. Cost of production comprises direct material and labor as well as the prorated material and production overheads, including depreciation, to the extent that they are caused by the production process. Impairments for inventory risks are recognized to an appropriate extent. The principle of loss-free valuation is applied in accordance with applicable tax regulations.

*Receivables and other assets* are measured at their nominal values with consideration of all recognizable risks. If they have a remaining maturity of more than one year and are non-interest bearing, they are discounted to their present value on the balance sheet date. General allowances are recognized for doubtful accounts.

*Other securities* are measured at the lower of cost of acquisition or fair value on the balance sheet date.

*Provisions for pensions and similar obligations* are measured with the use of the projected unit credit method. This method has been used for the measurement of pension obligations in accordance with IFRS (IAS 19), i.e. in accordance with the accounting method applied for the consolidated financial statements since January 1, 2007, and leads to a higher amount than the method according to Section 6a of the German Income Tax Act. When using the projected unit credit method, the obligation at the balance sheet date is recognized in accordance with the expected claims with consideration of expected future increases in wages and salaries.

*Provisions for taxes and other provisions* are calculated in accordance with the principle of reasonable commercial judgment.

Derivative financial transactions (especially currency futures and currency option transactions and interest rate swaps) are pooled as a unit of valuation with an underlying transaction, provided there is a direct hedging context between the financial transaction and the underlying transaction.

In these cases, the results of currency contracts concluded as foreign exchange hedges are not recognized until maturity. Financial transactions for which no units of valuation are formed are measured individually at fair value. Any resulting unrealized losses are expensed.

*Liabilities* are measured at their repayment amounts.

*Receivables and liabilities denominated in foreign currencies* are translated into euros at the exchange rate on the date of the book-keeping entry or at the exchange rate on the balance sheet date if that is lower or higher, respectively.

Daimler AG recognizes *revenues* from sales of vehicles, spare parts, leasing and other related products. Revenue is recognized net of discounts, cash sales incentives, customer bonuses and rebates granted. For transactions with multiple deliverables, such as when vehicles are sold with free service programs, Daimler AG allocates revenue to the various elements based on their objectively and reliably determined fair values. For the first time in 2008 outstanding elements are stated as deferred income according to the group's financial statements.

## Fixed Assets Schedule of Daimler AG

|   | Cost of acquisition or production |                |                             |           |                | Depreciation/Amortization/Write-ups |                 |               |                        |                |                | Book value     |                |
|---|-----------------------------------|----------------|-----------------------------|-----------|----------------|-------------------------------------|-----------------|---------------|------------------------|----------------|----------------|----------------|----------------|
|   | 01/01/<br>2008                    | Addi-<br>tions | Reclas-<br>sifica-<br>tions | Disposals | 12/31/<br>2008 | 01/01/<br>2008                      | Current<br>year | Write-<br>ups | Reclassi-<br>fications | Dispos-<br>als | 12/31/<br>2008 | 12/31/<br>2008 | 12/31/<br>2007 |
| € in million  |                                   |                |                             |           |                |                                     |                 |               |                        |                |                |                |                |
| <b>Intangible assets</b>  |                                   |                |                             |           |                |                                     |                 |               |                        |                |                |                |                |
| Concessions, industrial prop-<br>erty rights and similar rights<br>and values, as well as licenses<br>to such rights and values | 229                               | 111            | .                           | 36        | 304            | 178                                 | 35              | -             | .                      | 36             | 177            | 127            | 51             |
| Advance payments made   | 11                                | 10             | .                           | -         | 21             | -                                   | -               | -             | -                      | -              | -              | 21             | 11             |
|   | 240                               | 121            | .                           | 36        | 325            | 178                                 | 35              | -             | .                      | 36             | 177            | 148            | 62             |
| <b>Property, plant and equip-<br/>ment</b>  |                                   |                |                             |           |                |                                     |                 |               |                        |                |                |                |                |
| Technical equipment and<br>machinery  | 8,951                             | 817            | 343                         | 83        | 10,028         | 6,983                               | 966             | -             | .                      | 81             | 7,868          | 2,160          | 1,968          |
| Other equipment, factory and<br>office equipment  | 6,700                             | 993            | 101                         | 167       | 7,627          | 4,921                               | 874             | -             | .                      | 159            | 5,636          | 1,991          | 1,779          |
| Leased assets   | 6,702                             | 3,319          | -                           | 2,899     | 7,122          | 2,127                               | 1,184           | -             | -                      | 1,086          | 2,225          | 4,897          | 4,575          |
| Advance payments and con-<br>struction in progress  | 549                               | 314            | (444)                       | 14        | 405            | -                                   | 5               | -             | -                      | -              | 5              | 400            | 549            |
|   | 22,902                            | 5,443          | .                           | 3,163     | 25,182         | 14,031                              | 3,029           | -             | .                      | 1,326          | 15,734         | 9,448          | 8,871          |
| <b>Financial assets</b>   |                                   |                |                             |           |                |                                     |                 |               |                        |                |                |                |                |
| Shares in subsidiaries  | 28,166                            | 793            | 3                           | 200       | 28,762         | 666                                 | 193             | -             | -                      | -              | 859            | 27,903         | 27,500         |
| Loans to subsidiaries   | 317                               | 29             | -                           | 13        | 333            | 6                                   | 7               | (1)           | -                      | -              | 12             | 321            | 311            |
| Shares in affiliated companies  | 1,030                             | 206            | (3)                         | 180       | 1,053          | 555                                 | 34              | -             | -                      | 96             | 493            | 560            | 475            |
| Other loans   | 8                                 | 14             | -                           | -         | 22             | 1                                   | .               | -             | -                      | .              | 1              | 21             | 7              |
| Special assets Pension Trust  | 9,819                             | 724            | -                           | 985       | 9,558          | -                                   | 909             | -             | -                      | -              | 909            | 8,649          | 9,819          |
|   | 39,340                            | 1,766          | -                           | 1,378     | 39,728         | 1,228                               | 1,143           | (1)           | -                      | 96             | 2,274          | 37,454         | 38,112         |
| <b>Fixed assets</b>   | 62,482                            | 7,330          | -                           | 4,577     | 65,235         | 15,437                              | 4,207           | (1)           | -                      | 1,458          | 18,185         | 47,050         | 47,045         |

# Notes to the Balance Sheet of Daimler AG

## 1 Intangible assets

Intangible assets of € 148 million primarily comprise acquired licenses and similar values. Systematic amortization amounted to € 35 million in 2008.

## 2 Property, plant and equipment

Additions of € 5,443 million include € 3,319 million of leased assets. These are primarily vehicles sold with leasing contracts. Further additions consist only of movable property. Systematic depreciation on property, plant and equipment amounted to € 3,024 million (2007: € 3,160 million).

An exceptional depreciation of € 5 million is related to an asset that was intended for a closed contract with Chrysler LLC, Auburn Hills, Michigan, USA. In 2008 this contract was aborted.

## 3 Investments and long term financial assets

Shares in affiliated and related companies increased by € 488 million to € 28,463 million (2007: € 27,975 million).

In 2008 Daimler AG acquired 10 % of the Russian company Kamaz OAO, Nabereschnyje, Tschelny, Russia. Further additions were caused by increases in capital stock of domestic partnerships, investments in an Indian Joint Venture (Daimler Hero Commercial Vehicles Ltd., Chennai, India), the new plant for passenger cars in Hungary and Financial Services activities. In 2008, shares in affiliated and related companies were written off by € 227 million (2007: € 193 million).

Pursuant to Section 287 of the German Commercial Code, a list of the principal holdings of Daimler AG is attached as a separate appendix to these Notes.

Loans to affiliated companies increased by € 10 million, primarily as a result of two new loans made to Daimler Mitarbeiter Wohnfinanz GmbH. There were opposing effects from the repayment of capital on loans, in particular by Grundstücksverwaltungsgesellschaft Auto-Henne GmbH & Co. OHG.

The Special asset Pension Trust comprises the financial assets transferred to the Daimler Pension Trust e.V. These assets and the yield from them are solely used for the purpose of meeting the pension obligations.

Decreases in value of the special assets Pension Trust assessed to be persistent, have led to an exceptional depreciation in 2008 of € 909 million. After the depreciation the book value of the Pension Trust assets at December 31, 2008 is € 8.649 million, fair value is € 7.434 million. In the context of an estimated future recovery of capital markets no further depreciation was conducted.

The development of fixed assets is presented in the fixed assets schedule.

## 4 Inventories

| € in million                             | 12/31/2008   | 12/31/2007 |
|--|--------------|------------|
| Raw material and manufacturing supplies  | 1,124        | 1,119      |
| Unfinished products, unfinished services | 885          | 871        |
| Finished products and goods              | 4,070        | 3,583      |
| Inventories                              | <b>6,079</b> | 5,573      |
| Advance payments received                | (46)         | (56)       |
|  | <b>6,033</b> | 5,517      |

Finished products and goods comprise vehicles and spare parts produced both in the plants of Daimler AG and in the context of contract manufacturing, used vehicles are also included.

## 5 Other receivables and Other assets

| € in million                            | 12/31/2008    | 12/31/2007    |
|---|---------------|---------------|
| Trade receivables                       | 2,024         | 2,115         |
| thereof more than 1 year until maturity | 4             | 12            |
| Receivables from affiliated companies   | 10,182        | 11,337        |
| thereof more than 1 year until maturity | 918           | 206           |
| Receivables from related companies      | 350           | 664           |
| thereof more than 1 year until maturity | -             | 11            |
| Other assets                            | 1,643         | 1,646         |
| thereof more than 1 year until maturity | 69            | 194           |
| <b>Receivables and Other assets</b>     | <b>14,199</b> | <b>15,762</b> |
| thereof more than 1 year until maturity | 991           | 423           |

Receivables from affiliated companies primarily consist of receivables that originally arose from invoicing within the consolidated group within the context of central financial and liquidity management (€ 8,015 million, 2007: € 9,099 million), as well as from the supply of goods and services to companies of the consolidated group in Germany and abroad (€ 2,167 million, 2007: € 2,238 million). Receivables from related companies primarily comprise trade receivables that originally arose from companies of the consolidated group in Germany and abroad (€ 349 million, 2007: € 365 million).

Other assets include tax-refund claims (€ 909 million, 2007: € 903 million), premiums for currency options (€ 144 million, 2007: € 175) and other receivables to employees (€ 70 million, 2007: € 6 million).

## 6 Securities

| € in million     | 12/31/2008 | 12/31/2007 |
|------------------|------------|------------|
| Other securities | 230        | 471        |

Other securities comprise fixed-interest securities. The decrease in other securities by € 241 million is primarily due to a reduction in commercial papers of € 369 million.

In 2008, Daimler AG acquired a total of 1,472,521 of its own shares (representing € 4,225,087.14 or 0.153 % of the share capital) at an average price of € 35.38 per share. These shares were bought as a part of the employee wealth-creation actions of Daimler AG. 1,428,456 shares, (representing € 4,098,651.96 or 0.148 % of the share capital) were sold on to employees. Another 44,065 shares (representing € 126,435.18 or 0.005 % of the share capital) were sold at the price of acquisition to companies of the consolidated group to be sold on to their employees. The following table gives an overview of the average price per share for the employees:

| Period                | Price per share € |
|-----------------------|-------------------|
| February - March 2008 | 53.60             |
| October 2008          | 23.86             |

In addition, voluntary contributions were made by Daimler AG. With an acquisition of 5 shares, this contribution amounted to € 67.50, with 10 shares € 135. If an employee acquired at least 15 shares, a bonus share was granted free of charge. Within the second round of the employee share program 2008 an additional share was granted with the purchase of 10 shares and an additional 2 shares were granted with the purchase of 20 shares.

## 7 Cash and cash equivalents

Cash and cash equivalents amounted to € 772 million at the end of the year (2007: € 3,645 million) and consisted of bank balances, cash in hand and checks.

Liquidity also includes securities (€ 230 million, 2007: € 471 million).

## 8 Equity

| € in million          | 12/31/2008    | 12/31/2007 |
|-----------------------|---------------|------------|
| Share capital         | 2,768         | 2,766      |
| Capital reserves      | 14,204        | 14,185     |
| Retained earnings     | 5,396         | 6,188      |
| Unappropriated profit | 556           | 6,184      |
| <b>Equity</b>         | <b>22,924</b> | 29,323     |

### a) Share capital

| € in million                          | 2008         | 2007  |
|---------------------------------------|--------------|-------|
| <b>Share capital</b>                  |              |       |
| <b>Balance at 01/01</b>               | <b>2,766</b> | 2,673 |
| Contribution from exercise of options | 2            | 93    |
| <b>Balance at 12/31</b>               | <b>2,768</b> | 2,766 |

|  | 2008                 | 2007          |
|--|----------------------|---------------|
| <b>Shares outstanding at 01/01</b>                             | <b>1,013,868,596</b> | 1,028,163,751 |
| Creation of new shares by exercise of Stock option plans       | 497,150              | 35,664,845    |
| Reacquired and cancelled shares from share buyback program     | (49,808,314)         | (49,960,000)  |
| <b>Shares issued at 12/31</b>                                  | <b>964,557,432</b>   | 1,013,868,596 |
| Reacquired but not cancelled shares from share buyback program | (37,116,831)         | 0             |
| <b>Shares outstanding at 12/31</b>                             | <b>927,440,601</b>   | 1,013,868,596 |

The capital stock is allocated into no-par value shares. All shares are fully paid up. Each share grants one vote at the Annual Meeting of Daimler AG and a par portion in profits as defined by the dividend distribution resolved at the Annual Meeting.

**Share buyback program.** Reacquisition of treasury shares cancelled in 2008 without reduction of capital stock as well as cancellation itself were based on the resolution of the Annual Meeting on April 4, 2007 that authorized the Board of Management to acquire, until October 4, 2008, treasury shares for certain predefined purposes, i. a. for the purpose of cancellation and to meet the subscription rights arising from stock option programs, up to an amount of € 267 million of the capital stock, or nearly 10 % of the capital stock as of that date. Between August 30, 2007 and March 28, 2008, Daimler AG exercised the authorization granted by the Annual Meeting by repurchasing a total of 99.77 million shares (49.81 million of which after December 31, 2007 between February 14, 2008 and March 28, 2008) representing € 267 million of the capital stock as of the time of the resolution of the Annual Meeting 2007, equivalent to 10 %, for a total consideration of € 6,197 million (€ 2,717 of which for the shares repurchased after December 31, 2007). By way of cancellation of 49,808,314 repurchased shares without reduction of the capital stock with effect as of the end of April 3, 2008, the amount of capital stock attributable to one share increased from round about € 2.73 to round about € 2.87.

On April 9, 2008, the Annual Meeting authorized the Board of Management to acquire, until October 9, 2009, treasury shares for certain predefined purposes, i. a. for the purpose of cancellation and to meet the subscription rights arising from stock option programs, up to 10 % of the capital stock in the amount of € 2,766 million issued as of the day of the resolution. Between June 18, 2008, and October 23, 2008, Daimler AG partly exercised the authorization by repurchasing a total of 37.28 million shares representing € 107 million of the capital stock as of the time of the Annual Meeting, equivalent to approximately 3.87 %, for a total consideration of € 1,449 million. 0.17 million repurchased shares with a total of € 6 million were used in 2008 to meet subscription rights arising from stock option programs. 37.11 million treasury shares are still held by Daimler AG as of December 31, 2008.

**Authorized and conditional capital.** By way of a resolution adopted at the Annual Meeting on April 9, 2008, the Board of Management was authorized, with the consent of the Supervisory Board, to increase Daimler AG's capital in the period until April 8, 2013 by a total of € 500 million (Approved Capital I) by issuing new registered no-par value shares in exchange for cash contributions and by a total of € 500 million (Approved Capital II) by issuing new registered no-par value shares in exchange for non-cash contributions.

By way of a resolution adopted at the Annual Meeting on April 6, 2005, the Board of Management was authorized, with the consent of the Supervisory Board, to issue convertible bonds and / or notes with warrants with a total face value of up to € 15 billion at terms not exceeding 20 years and to grant the bearers or creditors of these bonds convertible or option rights to new Daimler shares with an allocable portion of the capital stock of up to € 300 million, in line with the specified conditions, by April 5, 2010 (Conditional Capital I). This authorization has not been exercised yet. The share capital was conditionally increased by up to € 115 million through the issue of up to 40.20 million new registered shares of the company (remaining Conditional Capital II).

**Stock Option Plan.** As of December 31, 2008, 24 million options of the 2000 stock option plan with a nominal amount of € 70 million had not yet been exercised.

#### b) Capital reserves

| Capital reserves                     |               |        |
|--------------------------------------|---------------|--------|
| € in million                         | 2008          | 2007   |
| <b>Balance at 01/01</b>              | <b>14,185</b> | 12,356 |
| Transferred from exercise of options | 19            | 1,829  |
| <b>Balance at 12/31</b>              | <b>14,204</b> | 14,185 |

The capital reserves amounted to € 14,204 million at the end of 2008. During 2008, € 19 million was transferred to the capital reserves as a result of the exercise of share options from Stock Option Plan 2000.

#### c) Retained earnings

| Other retained earnings                                  |              |         |
|--|--------------|---------|
| € in million   | 2008         | 2007    |
| <b>Balance at 01/01</b>                                  | <b>6,188</b> | 3,483   |
| Applied for share buyback                                | (4,160)      | (3,479) |
| Transfer decision of the Annual Meeting 2008 for 2007    | 4,156        | -       |
| Withdrawal from (2007: Transferred to) retained earnings | (788)        | 6,184   |
| <b>Balance at 12/31</b>                                  | <b>5,396</b> | 6,188   |

At December 31, 2008, retained earnings amounted to € 5,396 million.

For 49.81 million shares (€ 2,717 million) already cancelled and for 37.11 million shares (€ 1,443 million) still held by the company € 4,160 million was withdrawn from retained earnings.

The Annual Meeting of 2008 decided to transfer an amount of € 4,156 million to retained earnings after payment of dividends.

#### d) Unappropriated Profit

As allowed by Section 158, Subsection 1 of the German Stock Corporation Act (AktG) unappropriated profit is determined as follows:

| Unappropriated Profit 12/31/2008  |              |
|-----------------------------------|--------------|
| € in million                      |              |
| Net loss 2008                     | <b>(332)</b> |
| Profit carried forward            | <b>100</b>   |
| Withdrawal from retained earnings | <b>788</b>   |
| <b>Unappropriated Profit</b>      | <b>556</b>   |

Profit carried forward results from the lower dividend payments in comparison to the proposal of profit distribution due to the continuation of the share buyback program before the Annual Shareholders' Meeting on April 9, 2008.

To compensate net loss € 788 million have been withdrawn from retained earnings leading to unappropriated profit of € 556 million.

#### e) Proposal for the appropriation of earnings

In compliance with the Section 58 of the German Stock Corporation Act distributable dividends are measured on the basis of the unappropriated profit of the parent company determined according to German commercial code.

The Board of Management proposes to the Annual Meeting to pay a dividend of € 0.60 per share for the financial year 2008.

## Share-based payment

As of December 31, 2008, the Company has the following awards outstanding that were issued under a variety of plans: the 2005-2008 Performance Phantom Share Plans ("PPSP"), the Stock Option Plans 2000-2004 ("SOP") and a stock appreciation rights ("SAR") plan 1999. The plans of share-based payments are measured according to the probability of their claiming at the balance sheet date.

The PPSP are paid off at the end of the stipulated holding period; earlier, pro-rated pay off is possible only in case of leaving the Daimler Group if certain defined conditions are met. For the SOP Plan and SAR Plan, the waiting periods have passed, so that all plans are exercisable except for special vesting periods and under consideration of the exercise prices.

**Performance Phantom Share Plans.** In 2008, Daimler AG adopted a "Performance Phantom Share Plan", similar to that used in 2007, 2006 and 2005, 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 years of service). The number of phantom shares that vest will depend on the achievement of corporate performance goals, based on return on net assets and return on sales in comparison to competitors.

**Stock Option Plans.** In April 2000, the Annual Meeting approved the Daimler 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 on the second and third anniversaries from the date of grant. All unexercised options expire ten years from 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 %. After 2004 no new stock options were granted.

In case of exercise Daimler AG has mainly issued new shares.

Exercise prices of the stock option plans are between € 34.40 and € 74.76.

**Stock Appreciation Rights Plan.** In 1999, Daimler established a stock appreciation rights plan (the "SAR Plan 1999"), which provides eligible employees with the right to receive cash equal to the appreciation of Daimler Ordinary shares subsequent to the date of grant. The stock appreciation rights granted under the SAR Plan 1999 vest in equal installments on the second and third anniversaries from the grant date. All unexercised SARs expire ten years from the grant date. The exercise price of a SAR is € 89.70.

## 9 Provision for pensions and similar obligations

| € in million            | 12/31/2008 | 12/31/2007 |
|-------------------------|------------|------------|
| Provisions for pensions | 12,658     | 12,307     |

The measurement of provisions for pensions is based upon the projected unit credit method in accordance with IFRS (IAS 19). They were determined at the beginning of the financial year 2008 based on the pension liabilities of the company and the assets of Daimler Unterstützungskasse GmbH. The assumptions used in calculating the actuarial values according to the "Richttafeln 2005 G" (actuarial mortality assumptions) of Dr. Klaus Heubeck for the pension liabilities were a discount rate of 5.4 % (2007: 4.5 %), a long-term rate for increasing remunerations from 2008 of 3.1 % (2007: 2.5 %), an increase in living costs respectively future annual increase in benefits of 1.9 % (2007: 1.9 %) and an expected long-term rate of return on plan assets (Daimler Unterstützungskasse GmbH) of 6.5 % (2007: 7.5 %).

The calculation of DBO is based on "Richttafeln 2005 G" (actuarial mortality assumptions) of Dr. Klaus Heubeck. The valuation of DBO at December 31, 2008 is based on a discount rate of 5.9 % (2007: 5.4 %) and the estimated annual increase of cost of living respectively future annual increase in benefits of 1.8 % (2007: 1.9 %).

## 10 Other provisions

| € in million         | 12/31/2008 | 12/31/2007 |
|----------------------|------------|------------|
| Provisions for taxes | 1,888      | 1,745      |
| Other provisions     | 9,017      | 10,040     |
|                      | 10,905     | 11,785     |

The provisions recorded for income and other taxes relate to income taxes for years not yet finally assessed.

Other provisions consist mainly of accrued warranty costs, accrued personnel and social costs, obligations from sales business, reserves for lawsuits, unrealized losses from valuation of forward exchange dealings as well as obligations for end-of-life vehicles. Additionally, other provisions include accruals for deferred maintenance to be carried out in the first quarter of the following year. The change in other provisions compared to the prior year mainly results from a decrease in personnel and social obligations and accrued warranty costs.

## 11 Liabilities

| € in million                                    | 12/31/2008    | 12/31/2007    |
|---|---------------|---------------|
| <b>Liabilities</b>                              |               |               |
| Notes/Bonds and Commercial Paper                | 2,434         | 155           |
| of which due in less than 1 year                | 1,746         | 47            |
| of which due in more than 5 years               | 75            | -             |
| Liabilities to financial institutions           | 1,233         | 66            |
| of which due in less than 1 year                | 63            | 31            |
| of which due in more than 5 years               | -             | 7             |
| Trade liabilities                               | 3,431         | 4,012         |
| of which due in less than 1 year                | 3,431         | 4,011         |
| of which due in more than 5 years               | -             | -             |
| Liabilities due to affiliated companies         | 13,247        | 13,423        |
| of which due in less than 1 year                | 11,489        | 13,423        |
| of which due in more than 5 years               | 169           | -             |
| Liabilities due to related companies            | 17            | 30            |
| of which due in less than 1 year                | 17            | 30            |
| of which due in more than 5 years               | -             | -             |
| Other liabilities                               | 1,215         | 1,263         |
| of which due in less than 1 year                | 1,149         | 1,255         |
| of which due in more than 5 years               | -             | -             |
| of which tax liabilities                        | 146           | 128           |
| of which obligations concerning social security | 79            | 55            |
| <b>Total of liabilities</b>                     | <b>21,577</b> | <b>18,949</b> |
| of which due in less than 1 year                | 17,895        | 18,797        |
| of which due in more than 5 years               | 244           | 7             |

Liabilities due to affiliated companies include intragroup (cash) payables and trade liabilities within the scope of the central financial and liquidity management (€ 12,866 million, 2007: € 12,850 million) as well as trade liabilities with domestic and foreign affiliated companies (€ 381 million, 2007: € 573 million).

Liabilities to related companies contain intragroup (cash) payables and trade liabilities within the scope of the central financial and liquidity management (€ 8 million, 2007: € 9 million) as well as trade liabilities with domestic and foreign group companies (€ 9 million, 2007: € 21 million).

Notes/Bonds and Commercial Papers are mainly commercial papers to the amount of € 1,730 million and a Yen-Bond to the amount of € 344 million, launched in 2008.

Liabilities to financial institutions are mainly based on loans (€ 1,170 million).

Other liabilities include mainly liabilities of wages and salaries, withheld income tax and social security contributions as well as option premiums.

# Notes to the Income Statement of Daimler AG

## 12 Revenue

| € in million                           | 2008          | 2007   |
|--|---------------|--------|
| <b>Revenues classified by type:</b>    |               |        |
| Passenger cars                         | 42,206        | 47,409 |
| Commercial vehicles                    | 21,476        | 19,553 |
|  | <b>63,682</b> | 66,962 |
| <b>Revenues classified by region:</b>  |               |        |
| Domestic                               | 20,426        | 21,455 |
| Foreign                                | 43,256        | 45,507 |
|  | <b>63,682</b> | 66,962 |
| <b>Allocation of foreign revenues:</b> |               |        |
| Western Europe (excl. Germany)         | 18,036        | 19,898 |
| USA                                    | 8,901         | 11,389 |
| Asia                                   | 7,047         | 5,936  |
| Other American countries               | 2,216         | 1,933  |
| Other markets                          | 7,056         | 6,351  |
|  | <b>43,256</b> | 45,507 |

## 13 Functional costs

Functional costs reported in the income statement are broken down into the categories cost of sales, selling expenses and general administrative expenses.

Cost of goods sold consists of manufacturing costs. These costs consist mainly of the costs of production materials, purchased services, personnel expenses, depreciation and rental expenses for the production departments. Cost of goods sold also includes € 4,078 million (2007: € 3,592 million) of research and development expenses as well as gains or losses from hedging activities conducted by the industrial business segment.

Selling costs include mainly purchased services, e.g. advertising and marketing expenses. Furthermore, personnel expenses, commissions, outgoing freight costs and rental expenses of the selling and distribution organization are also included in selling costs.

General administrative expenses include mainly purchased services (e.g. IT costs), personnel expenses, consulting fees and rental expenses of the general administration. Furthermore, general administrative expenses include the following statutory auditor fees:

| € in million                           | 2008        |
|--|-------------|
| Audit (include central audit projects) | 16.2        |
| Other audit services                   | 5.8         |
| Tax consultancy                        | 0.1         |
| Other services                         | 0.9         |
|  | <b>23.0</b> |

Other taxes and customs duties amounting to € 90 million (2007: € 83 million) are included within functional costs.

#### 14 Other operating income

Other operating income totaling € 1,353 million consists of income from cost reimbursements, other deliveries and services as well as rent and lease income.

Other operating income includes € 685 million (2007: € 493 million) of income assignable to prior financial periods and relates mostly to income from the release of provisions and reserves, income from fixed asset disposals, income from the write-off of liabilities and income from insurance payments.

#### 15 Other operating expenses

Other operating expenses of € 1,359 million comprise additions to provisions, expenses in the context of group restructuring (Chrysler) as well as rental expenses.

Other operating expenses include € 58 million (2007: € 67 million) of expenses attributable to prior financial periods and expenses related to disposals of fixed assets and charge-off of receivables.

#### 16 Income from investments in affiliated and related companies

| € in million   | 2008         | 2007   |
|--|--------------|--------|
| Income from profit and loss transfer agreements                            | <b>1,718</b> | 4,497  |
| Therof: Daimler Vermögens- und Beteiligungsgesellschaft mbH                | 909          | 352    |
| Daimler Luft- und Raumfahrt Holding AG                                     | 445          | 3,308  |
| Mercedes-Benz Accessories GmbH   | 154          | 144    |
| Expenses related to loss assumptions                                       | <b>(17)</b>  | (21)   |
| Income from affiliated companies   | <b>912</b>   | 1,643  |
| Income from related companies  | <b>19</b>    | 19     |
| Appreciation of investments in affiliated and related companies            | <b>0</b>     | 7      |
| Depreciation of investments in affiliated and related companies            | <b>(227)</b> | (193)  |
| Earnings from disposals of investments in affiliated and related companies | <b>129</b>   | 4,414  |
| Losses from disposals of investments in affiliated and related companies   | <b>(11)</b>  | (8)    |
|  | <b>2,523</b> | 10,358 |

The decrease in the Income from investments in affiliated and related companies is caused from lower gain transfers in comparison to last year. The reason for the positive result of Daimler Luft- und Raumfahrt Holding AG in 2007 was primarily due to the sale of shares of EADS.

The distributions from affiliated and related companies primarily contain payments of Mercedes-Benz Schweiz AG (€ 288 million), Mercedes-Benz do Brasil Ltda. (€ 115 million), Mercedes-Benz South Africa (Pty) Ltd. (€ 76 million) and Daimler AG & Co. Wertpapierhandel OHG (€ 74 million).

Earnings from disposal of investments in affiliated and related companies contain gains of € 113 million from the merger of Daimler Danubia Beteiligungsgesellschaft mbH into Daimler AG. An important component of the earnings in 2007 was the intercompany transfer of shares of Daimler Verwaltungsgesellschaft für Grundbesitz mbH (€ 4,288 million).

## 17 Interest Income

| € in million   | 2008    | 2007  |
|--|---------|-------|
| Income from other securities and loans of financial assets | 23      | 23    |
| thereof from subsidiaries                                  | 15      | 13    |
| Other interest and similar income                          | 995     | 661   |
| thereof from subsidiaries                                  | 559     | 326   |
| Interest and similar expenses                              | (1,167) | (688) |
| thereof to subsidiaries                                    | (809)   | (587) |
| Income from Pension Trust                                  | 276     | 861   |
|  | 127     | 857   |

The reduction in interest income is mainly due to lower distributions from Pension Trust in addition to a lower average liquidity.

## 18 Other financial income

| € in million                                 | 2008    | 2007 |
|--|---------|------|
| Currency result                              | .       | (61) |
| Other Income                                 | 4       | 29   |
| Income from disposal of non-fixed securities | .       | 453  |
| Other expenses                               | (291)   | (51) |
| Other financial income Pension Trust         | (1,004) | 83   |
|  | (1,291) | 453  |

The reduction of the other financial income is mainly due to losses caused by an exceptional depreciation on special assets Pension Trust (€ 909 million), losses from disposal of Pension Trust assets (€ 154 million) and by allowances on receivables from related companies (€ 147 million). The high income of the prior year was mainly caused by disposals of non-fixed securities.

## 19 Income taxes

Daimler AG is also a taxpayer with respect to the management and profit sharing agreements concluded with its affiliated companies. The most important affiliated companies with existing agreements are Daimler Vermögens- und Beteiligungsgesellschaft mbH, Daimler Luft- und Raumfahrt Holding AG, Daimler Financial Services AG, and Mercedes-Benz Ludwigsfelde GmbH.

Despite the considerable decrease in income from ordinary activities income taxes have remained at almost the prior year level and amount to € 177 million. Due to Section 8b of the German corporate tax law (KStG) the decrease in financial income had a limited effect on the tax assessment basis.

## 20 Net loss

In the 2008 financial year, net loss is € 332 million. After withdrawal of € 778 million from retained earnings according to Section 58 Subsection 2 German Stock Corporation Act (AktG) and profit carried forward of € 100 million unappropriated profit amounts to € 556 million.

## Other Notes

### Personnel expenses/Employees

| € in million                      | 2008           | 2007    |
|-----------------------------------|----------------|---------|
| Wages and salaries                | 8,420          | 9,145   |
| Social contributions              | 1,440          | 1,438   |
| Pension costs                     | 685            | 817     |
|                                   | <b>10,545</b>  | 11,400  |
| <b>Personnel (annual average)</b> |                |         |
| Hourly employees                  | 90,054         | 90,020  |
| Salaried employees                | 52,996         | 52,412  |
| Trainees/Apprentices              | 9,497          | 9,141   |
| Annual average                    | 152,547        | 151,573 |
|                                   |                |         |
| <b>Personnel (year ended)</b>     | <b>152,097</b> | 151,495 |

Wages and salaries include direct labor, salaries, severance pay, holiday bonus, special bonus and changes in provisions for personnel expenses. The social contributions relate to the employer's contributions to pension, unemployment, nursing care and medical insurance plans.

The pension costs include the current year's additions to pension accruals.

### Cost of materials

| € in million  | 2008          | 2007   |
|---|---------------|--------|
| Cost of raw materials, supplies and purchased goods | 42,332        | 41,939 |
| Cost of purchased services                          | 9,105         | 8,574  |
|   | <b>51,437</b> | 50,513 |

## Derivative financial instruments

Derivative financial instruments solely serve the purpose of hedging interest-rate and exchange-rate risks, equity-price risks, and raw-material price risks. They cover the underlying transactions of the companies of the Daimler Group and the original financial transaction. In connection with risk management and monitoring, at Group level market risks are quantified using the value-at-risk method, which is commonly used among banks. Limits have also been set for the limitation of risks relating to contracting parties and types of business. Hedging transactions are only conducted with international financial institutions or with companies of the Daimler Group.

According to an assessment of the contracting parties by respected rating agencies, the general credit risk is minimal. The transactions are carried out under strict functional separation into trading, processing, documentation and controlling transactions.

### Nominal value

| € in million               | 12/31/2008    | 12/31/2007 |
|----------------------------|---------------|------------|
| Foreign exchange contracts | 26,407        | 22,776     |
| Interest rate contracts    | 19,181        | 3,549      |
| Pricing contracts          | 38            | 115        |
| Commodity contracts        | 385           | 76         |
|                            | <b>46,011</b> | 26,516     |

The currency hedging contracts primarily comprise forward exchange transactions and currency options. They mainly serve to hedge receivables and liabilities in the vehicle business and to hedge transactions in the currencies of large industrial countries. The interest rate contracts primarily comprise interest-rate swaps, which are used to minimize the risk of changes in interest rates. The commodities contracts currently consist solely of commodity swaps on raw materials for the purpose of hedging the price risk. The pricing contracts are forward sales, which are used for hedging share prices. The nominal values represent the non-netted off totals of all purchase and sales contracts of the derivative financial transactions.

| € in million               | 12/31/2008   |                | 12/31/2007 |            |
|----------------------------|--------------|----------------|------------|------------|
|                            | Book Value   | Fair Value     | Book Value | Fair Value |
| <b>Assets</b>              |              |                |            |            |
| Foreign exchange contracts | 144          | 1,806          | 175        | 1,200      |
| Interest rate contracts    | -            | 804            | .          | 47         |
| Pricing contracts          | -            | 1              | -          | -          |
| Commodity contracts        | -            | 17             | -          | 17         |
|                            | <b>144</b>   | <b>2,628</b>   | 175        | 1,264      |
| <b>Liabilities</b>         |              |                |            |            |
| Foreign exchange contracts | (339)        | (632)          | (170)      | (176)      |
| Interest rate contracts    | (48)         | (873)          | -          | (37)       |
| Pricing contracts          | -            | -              | (15)       | (15)       |
| Commodity contracts        | (90)         | (106)          | -          | -          |
|                            | <b>(477)</b> | <b>(1,611)</b> | (185)      | (228)      |
| <b>Saldo</b>               | <b>(333)</b> | <b>1,017</b>   | (10)       | 1,036      |

The book values are taken from the items of the balance sheet (other assets, other liabilities and other provisions). The fair values are derived from the amounts at which the relevant derivative financial instruments are sold or listed on the balance sheet date, without taking into consideration opposing value developments from the underlying transactions. If no market values were available, the fair values were arrived at with the use of recognized calculating methods.

The fair values of forward exchange transactions are determined on the basis of current ECB reference rates, taking into consideration the respective forward premium or discount. Currency and interest rate options are measured with the use of exchange rate lists or option price models. The fair values of interest rate and pricing contracts (e.g. interest swaps, interest/currency swaps) are arrived at on the basis of the discounted expected future cash flows; whereby the market interest rates valid for the remaining terms of the financial instruments are used. The fair value of the commodities futures are determined on the basis of current price listings on the commodity exchanges, taking forward premiums and discounts into consideration.

## Contingent liabilities

Contingent liabilities are possible future liabilities which only become certain on the occurrence of a future obligation. Neither this can be seen as possible, nor could it be excluded. At December 31, 2008, contingent liabilities particularly consist of guarantees amounting to € 34,849 million (€ 37,439 million in 2007). These guarantees include guarantees to domestic and foreign affiliated companies amounting to € 33,773 million (€ 36,369 million in 2007) which primarily comprise guarantees against creditors of our subsidiaries for loans and bonds they have issued.

The following guarantees amounting to € 1,076 million are given to third parties:

| € in million  | 12/31/2008 | 12/31/2007 |
|---|------------|------------|
| Payment guarantees in favor of the Pension Benefit Guaranty Cooperation of the pension liabilities of Chrysler companies, Auburn Hills/USA                                      | 719        | 679        |
| Payment guarantee in favor of the holders of the commitment of Toll Collect GmbH, Berlin  | 165        | 230        |
| Payment guarantees in favor of the holders of the commitment of B&S Stanz- und Umformtechnik Schweißtechnologie GmbH, Haan  | 29         | 29         |
| Payment guarantees in favor of Commerzbank AG, Gummersbach, for the loan collateralization of Tignaris Beteiligungsgesellschaft mbH & Co. Objekt Duisburg/Witten KG, Düsseldorf | 25         | 30         |
| Other guarantees  | 138        | 102        |

The enhancement of the guarantees in favor of the Pension Benefit Guaranty Cooperation of the pension liabilities of Chrysler companies, Auburn Hills/USA, is caused in increasing Dollar exchange rates.

## Other financial liabilities

Other financial liabilities total € 9,662 million (thereof due in 2009: € 6,362 million). Financial liabilities to affiliated companies amount to € 2,111 million (thereof due in 2009: € 973 million).

In connection with vehicle sales and leasing, vehicle buyback obligations common in the industry exist towards third parties and affiliated companies of Daimler AG.

Other financial liabilities resulting from rental and leasing agreements amount to € 2,792 million (thereof due in 2009: € 910 million). Other financial liabilities include guarantees to affiliated companies amounting to € 1,852 million (€ 756 million in 2009). Rental obligations towards the property management company Grundstücksverwaltungsgesellschaft Mercedes-Benz AG & Co. OHG, Schönefeld amount to € 1,178 million (thereof due in 2009: € 577 million).

The remaining financial liabilities, in particular the purchase commitment for expansionary investment, are of a magnitude typical of the industry.

## Remuneration of the members of the Board of Management and the Supervisory Board

The following 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 (see Management Report, pages 44 to 48).

**Remuneration Board of Management.** The total remuneration granted by Group companies to the members of the Board of Management of Daimler AG is calculated from the total amounts of remuneration paid in cash (base salary and annual bonus), personnel expenses, and the value of the share-based remuneration and from benefits in kind that are subject to income tax. For further information regarding share-based remuneration see Notes to the financial statements, page 12.

The total remuneration comprises € 6.2 million as fixed, i.e. non-performance-related remuneration (2007: € 7.2<sup>1</sup> million); € 1.5 million as short-term variable remuneration, i.e. short-term performance-related remuneration (2007: € 17.0<sup>2</sup> million); and € 8.9 million as variable performance-related remuneration with a long-term incentive effect granted in 2008 (2007: € 13.5<sup>3</sup> million). This adds up to a total of € 16.6 million for the year 2008 (2007: € 37.7 million). The figures for 2007 also include payments made to the Board of Management members who departed in the context of the Chrysler transaction. For the year 2007, those Board of Management members also received bonus and severance payments in connection with the Chrysler transaction and their resignation from the Board of Management in a total amount of € 18.5 million.

Also without consideration of the Board of Management members who resigned, the total remuneration for the active Board of Management decreases significantly in 2008 compared to 2007. The main reason for the sharp decrease compared with the prior year is the reduction in the operating profit (EBIT) of the group from € 8.7 billion to € 2.7 billion, which resulted in a significantly lower annual bonus.

Until the year 2005, the pension agreements of the German Board of Management members included a commitment to an annual retirement pension, calculated as a proportion of the base salary and depending on the number of years of service. Those pension rights remain and have been frozen at that level (70 % for Dr. Dieter Zetsche, 69 % for Günther Fleig, 60 % for Dr. Rüdiger Grube and Dr. Thomas Weber and 50 % for Andreas Renschler and Bodo Uebber). The pension payments begin in the form of a retirement pension beginning when a member's contract of service ends or after his or her 60th birthday, or in the form of an invalidity pension when a member's contract of service ends before his or her 60th birthday due to disability. An annual increase of 3.5 % is effected. Similar to the retirement pension of the German workforce, arrangements for widows and orphans are also included.

Effective January 1, 2006, those pension agreements were converted into a new pension 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, multiplied by an age factor equivalent to a certain rate of return, at present 6 %. This pension is payable at the age of 60 at the earliest.

In the year 2008, the pension provision for the board of management was increased by service costs of € 2.5 millions (2007: € 2.2 millions).

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, the Board of Management service contracts include a commitment to payment of the base salary and to 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 Group. 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. For the period beginning after the end of the original service period, Board of Management members can receive pension payments in the amounts of the commitments granted in 2005 as described in the previous section, as well as the use of a company car.

As a result of these provisions and the fact that in accordance with a Supervisory Board resolution of 2006, Daimler AG Board of Management service contracts - both initial contracts and extensions - generally have a term of only three years, Daimler AG is significantly below the limit for severance compensation of two years' remuneration as suggested by the German Corporate Governance Code.

The payments made in 2008 to former members of the Board of Management of Daimler AG and their survivors amounted to € 19.0 million (2007: € 58.6 million). The pension provisions for former members of the Board of Management and their survivors amounted to € 167.0 million at December 31, 2008 (2007: € 175.3 million).

In 2008, no advances or loans were made to members of the Board of Management of Daimler AG.

**Supervisory Board remuneration.** The remuneration paid in 2008 to the members of the Supervisory Board of Daimler AG for their services to the Group therefore totaled € 2.8 million (2007: € 2.1 million).

Except for the remuneration paid to the members of the Supervisory Board representing the employees in accordance with their contracts of employment, no remuneration was paid for services provided personally beyond the aforementioned board and committee activities, in particular for advisory or agency services, in 2008 and 2007. The members of the Supervisory Board only receive short-term outstanding benefits.

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With regard to the figures for 2007, the departing members of the Board of Management, Messrs. Ridenour, LaSorda und Sidlik

1 € 1.1 million  
2 € 2.3 million  
3 € 4.1 million

In 2008, no advances or loans were made to members of the Supervisory Board of Daimler AG.

#### Reportable procedures according to Section 160, Subsection 1, No. 8 of the German Stock Corporation Act (AktG)

As of December 31, 2008 the following participations in the company exist, which are communicated according to Section 21, Subsection 1 of the German Securities Trading Act (WpHG):

On February 20, 2008, Capital Research and Management Company, 333 South Hope Street, Los Angeles, California 90071-1406, 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, ISIN: DE0007100000, WKN: 710000, 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.

Kuwait Investment Authority has informed us on April 02, 2002, acting as agent for the Government of the State of Kuwait, that its voting rights in former DaimlerChrysler AG, now called Daimler AG, Stuttgart, amount to 7.26% on April 01, 2002.

#### Declaration of Compliance with the German Corporate Governance Code

The obligatory statement pursuant to Section 161 of German Stock Corporation Act (AktG) was executed by the Board of Management and the Supervisory Board and also permanently accessed to the shareholders.

## Members of the Board of Management and their mandates

### Members of the Board of Management

#### **Dr.-Ing. Dieter Zetsche**

Stuttgart  
Chairman of the Board of Management Daimler AG /  
Head of Mercedes-Benz Cars  
Appointed until 2010

### Supervisory Board Memberships/Directorships

#### *Internal Directorships*

Daimler Trucks North America LLC

#### *External Directorships*

None

#### **Günther Fleig**

Stuttgart  
Human Resources & Labor Relations Director  
Appointed until 2009

#### *Internal Directorships*

Daimler Financial Services AG  
Daimler Unterstützungskasse GmbH

#### *External Directorships*

None

#### **Dr. phil. Rüdiger Grube**

Stuttgart  
Corporate Development  
Appointed until 2010

#### *Internal Directorships*

Daimler Financial Services AG  
Daimler Luft- und Raumfahrt Holding AG - Chairman

#### *External Directorships*

Beijing Benz-DaimlerChrysler Automotive Co., Ltd. -  
Vice-Chairman  
Chrysler Holding LLC  
EADS Participations B. V. - Chairman  
European Aeronautic Defence and Space Company EADS N.V. -  
Chairman  
Hamburg Port Authority

#### **Andreas Renschler**

Stuttgart  
Head of Daimler Trucks  
Appointed until 2010

#### *Internal Directorships*

Daimler Financial Services AG  
Daimler Trucks North America LLC - Chairman  
Detroit Diesel Corporation - Chairman  
EvoBus GmbH - Chairman  
Mitsubishi Fuso Truck and Bus Corporation

#### *External Directorships*

Deutsche Messe AG  
Tognum AG

## Members of the Board of Management

### **Bodo Uebber**

Stuttgart  
Finance & Controlling /  
Daimler Financial Services  
Appointed until 2011

## Supervisory Board Memberships/Directorships

### *Internal Directorships*

Mercedes-Benz Bank AG  
DaimlerChrysler Espana Holding S. A.  
(retired on June 30, 2008)  
DaimlerChrysler France Holding S. A. S. - Chairman  
(retired on October 31, 2008)  
Daimler Financial Services AG - Chairman  
Daimler Trucks North America LLC  
Daimler Unterstützungskasse GmbH

### *External Directorships*

European Aeronautic Defence and Space Company EADS N.V.  
McLaren Group Ltd.  
Talanx AG

### **Dr.-Ing. Thomas Weber**

Stuttgart  
Group Research &  
Mercedes-Benz Cars Development  
Appointed until 2010

### *Internal Directorships*

MB-technology GmbH - Chairman  
Mercedes-AMG GmbH  
Mercedes-Benz HighPerformanceEngines Ltd.

### *External Directorships*

Ballard Power Systems Inc.  
(retired on January 31, 2008)  
McLaren Automotive Ltd.  
McLaren Group Ltd.

## Personnel changes in the Board of Management

In its meeting in December, the Supervisory Board appointed Mr. Wilfried Porth (49) as Board of Management Member for Human Resources and Labor Relations Director for a period of three years, rounded up to the end of the month, i.e. until April 30, 2012. Mr. Porth takes up his position after the Annual Meeting in 2009 and will succeed Mr. Günther Fleig, who will be 60 years old in February 2009 and whose appointment expires at the end of the Annual Meeting planned for April 8, 2009.

## Members of the Supervisory Board and their mandates

### Members of the Supervisory Board

### Supervisory Board Memberships/Directorships

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**Dr. Manfred Bischoff**  
Munich  
Chairman of the Supervisory Board  
of Daimler AG

Fraport AG  
Royal KPN N.V.  
Nortel Networks Corporation and Nortel Networks Ltd.  
SMS GmbH - Chairman  
UniCredit S.p.A.  
Voith AG

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

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**Sari Baldauf**  
Helsinki  
Former Executive Vice President and General Manager of the Net-  
works Business Group of Nokia Corporation  
(since February 11, 2008)

Hewlett-Packard Company  
Sanoma OY  
F.Secure Corporation  
CapMan OYj

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**Dr. Clemens Börsig**  
Frankfurt/Main  
Chairman of the Supervisory Board  
of Deutsche Bank AG

Linde AG  
Bayer AG

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**Prof. Dr. Heinrich Flegel \*)**  
Stuttgart  
Director Research Materials and Manufacturing, Daimler AG; Chair-  
man of the Management Representative Committee, Daimler Group

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**Dr. Jürgen Hambrecht**  
Ludwigshafen  
Chairman of the Board of Executive Directors of BASF SE  
(since February 8, 2008)

Deutsche Lufthansa AG

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**Jörg Hofmann \*)**  
Stuttgart  
German Metalworkers' Union (IG Metall),  
District Manager, Baden-Württemberg  
(since April 9, 2008)

Robert Bosch GmbH  
Heidelberger Druckmaschinen AG

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**Dr. Thomas Klebe \*)**  
Frankfurt/Main  
General Counsel of the German Metalworkers' Union (IG Metall)

Daimler Luft- und Raumfahrt Holding AG  
ThyssenKrupp Services AG

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**Members of the Supervisory Board****Arnaud Lagardère**

Paris  
General Partner and CEO of Lagardère SCA

**Supervisory Board Memberships/Directorships**

Hachette SA  
EADS N.V.  
EADS Participations B.V.  
Hachette Livre (SA)  
Lagardère Services (SAS) - Chairman  
Lagardère Active (SAS) - Chairman  
Lagardère Active Publicité,  
Lagardère Active Radio International (SA)  
Lagardère (SAS)  
Lagardère Capital & Management (SAS)  
Arjil Commanditée – Arco (SA)  
Lagardère Ressources (SAS)  
LVHM Moet Hennessy Louis Vuitton (SA)  
Lagardère Sports (SAS) - Chairman  
SOGEADE Gérance (SAS)

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**Jürgen Langer \*)**

Frankfurt/Main  
Chairman of the Works Council of the Frankfurt/Offenbach Dealership, Daimler AG

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**Helmut Lense \*)**

Stuttgart  
Chairman of the Works Council,  
Untertürkheim Plant, Daimler AG

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**Ansgar Osseforth \*)**

Sindelfingen  
Manager Mercedes-Benz Research and Development; Member of the Works Council, Sindelfingen Plant, Daimler AG  
(since April 9, 2008)

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**William A. Owens**

Kirkland  
Former President and Chief Executive Officer  
of Nortel Networks Corporation,  
Chairman of AEA Capital, Asia

Polycom Inc.  
AEA Investors LLC  
Wipro Ltd.  
Embarq Corp. - Chairman  
Intelius Inc.  
Force 10 Networks Inc.  
Unifrax Corp.

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**Members of the Supervisory Board****Supervisory Board Memberships/Directorships**

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**Valter Sanches \*)**

São Paulo  
General Secretary of Confederação  
Nacional dos Metalúrgicos/CUT

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**Dr. Manfred Schneider**

Leverkusen  
Chairman of the Supervisory Board of Bayer AG

Linde AG - Chairman  
RWE AG  
TUI AG

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**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

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**Bernhard Walter**

Frankfurt/Main  
Former Spokesman of the  
Board of Management of Dresdner Bank AG

Bilfinger Berger AG - Chairman  
Deutsche Telekom AG  
Henkel AG & Co. KGaA  
Hypo Real Estate Holding AG

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**Uwe Werner \*)**

Bremen  
Chairman of the Works Council,  
Bremen Plant, Daimler AG

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**Lynton R. Wilson**

Toronto  
Chairman of the Board of CAE Inc. ;  
Chairman Emeritus, Nortel  
Networks Corporation;  
Chancellor McMaster University

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**Dr. Mark Wössner**

Munich  
Former CEO and Chairman of the  
Supervisory Board of Bertelsmann AG

eCircle AG - Chairman  
Loewe AG  
Douglas Holding AG  
Heidelberger Druckmaschinen AG - Chairman

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## Retired from the Supervisory Board:

### **Earl G. Graves**

New York  
Publisher, Black Enterprise Magazine  
(retired December 31, 2007)

### **Peter A. Magowan**

San Francisco  
President of San Francisco Giants  
(retired December 31, 2007)

### **Gerd Rheude \*)**

Wörth  
Chairman of the Works Council,  
Wörth Plant, Daimler AG  
(retired April 9, 2008)

### **Wolf Jürgen Röder \*)**

Frankfurt/Main  
Member of the President's Staff of  
German Metalworkers' Union (IG Metall)  
(retired April 9, 2008)

## 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. Manfred Schneider  
Dr. Thomas Klebe \*)

### **Presidential Committee**

Dr. Manfred Bischoff - Chairman  
Erich Klemm \*)  
Dr. Manfred Schneider  
Dr. Thomas Klebe \*)

### **Audit Committee**

Bernhard Walter - Chairman  
Dr. Clemens Börsig  
Erich Klemm \*)  
Stefan Schwaab \*)

### **Nomination Committee**

Dr. Manfred Bischoff - Chairman  
Dr. Manfred Schneider  
Lynton R. Wilson

\*) Representative of the employees

# Management Report of Daimler AG

## Business and General Conditions

### The Company

Daimler AG is the parent company of the Daimler Group and has its registered office in Stuttgart. The company can look back on a tradition covering more than one hundred years, which features pioneering achievements in automotive engineering and extends back to Gottlieb Daimler and Carl Benz, the inventors of the automobile.

The business activities of Daimler AG comprise the development, production and distribution of passenger cars and commercial vehicles, in particular of the brands Mercedes-Benz, Maybach and smart, as well as the management of an automotive group with worldwide operations and additional brands such as AMG, Freightliner, Sterling (production to be discontinued from March 2009), Western Star, Mitsubishi Fuso, Thomas Built Buses, Setra and Orion.

Our portfolio ranges from high-quality small cars to premium automobiles and luxury sedans, and from versatile small vans to light, medium and heavy trucks for local and long-distance delivery and construction-site work. We are extremely well positioned with our passenger car and commercial-vehicle brands in nearly all markets and market segments around the world.

Daimler AG develops its products primarily in its technology centers in Sindelfingen and Stuttgart-Untertürkheim. Research is carried out mainly in Ulm and Sindelfingen.

The vehicles are produced in our domestic plants as well as – with in the framework of contract-manufacturing for example – by some of our foreign subsidiaries (e.g. M-, GL- and R-Class by Mercedes-Benz U.S. International, Inc., Tuscaloosa) and by manufacturers of special vehicles.

The product distribution of Daimler AG is carried out mainly by our own sales network with 34 branches in Germany and numerous international sales subsidiaries and authorized agencies on all continents.

Our sales activities are focused on sales and leasing of new and used vehicles, as well as on the provision of repair services and the spare-parts business.

We support the sales of our automotive divisions with financial services provided by our division, Daimler Financial Services, which is managed by our subsidiary Daimler Financial Services AG.

In 2008, Daimler AG entered into important strategic partnerships with the goal of strengthening its core business and utilizing new growth potential. The Company and the Indian Hero Group signed the articles of incorporation for a commercial-vehicle joint venture in April 2008. In addition, in 2008 a related company of Daimler AG acquired a total of 28.4 % equity interest in Tognum AG, one of the world's leading manufacturers of off-highway engines. In Moscow in December 2008, an agreement was signed covering an exclusive partnership with KAMAZ OAO, the market leader for heavy-duty trucks in Russia. Daimler AG has acquired a 10 % stake in the Russian manufacturer of commercial vehicles. Also in December 2008, Daimler AG and Evonik Industries AG entered into a strategic alliance for the development and production of batteries and battery systems for automotive applications.

### Production locations of Daimler AG in Germany

| <b>Passenger cars</b>      |   |
|----------------------------|---|
| Sindelfingen               | C-Class sedan, E-Class sedan and station wagon, CLS, S-Class, CL coupe, Maybach                             |
| Bremen                     | C-Class sedan and station wagon, GLK, CLK coupe and cabrio, SL roadster, SLK roadster                       |
| Rastatt                    | A-Class, B-Class  |
| Stuttgart-Untertürkheim    | Engines, axles and transmissions  |
| Berlin                     | Engines, engine components  |
| Hamburg                    | Axles, steering columns, pedal equipment, switches, parking brakes, exhaust manifolds and welded components |
| <b>Commercial vehicles</b> |   |
| Düsseldorf                 | Sprinter  |
| Kassel                     | Axles, prop shafts, axel gears  |
| Gaggenau                   | Axles, transmissions, torque converters   |
| Mannheim                   | Engines, castings   |
| Wörth                      | Actros, Atego, Axor, Unimog, Econic, Zetros   |

## Branch locations of Daimler AG

|                                  |
|----------------------------------|
| Aachen                           |
| Augsburg                         |
| Baden-Baden                      |
| Berlin                           |
| Braunschweig                     |
| Cologne                          |
| Darmstadt                        |
| Dortmund                         |
| Dresden                          |
| Frankfurt/Offenbach              |
| Freiburg                         |
| Fulda                            |
| Hamburg                          |
| Hanover                          |
| Kassel                           |
| Koblenz                          |
| Leipzig                          |
| Magdeburg                        |
| Mainfranken                      |
| Mainz                            |
| Mannheim/Heidelberg/Landau       |
| Munich                           |
| NDL-Verbund Ostsee               |
| NDL-Verbund Ostwestfalen-Lippe   |
| NDL-Verbund Rhein-Ruhr           |
| NDL-Verbund Ulm/Schwäbisch Gmünd |
| NDL Weser-Ems                    |
| Nuremberg                        |
| Ravensburg                       |
| Regensburg                       |
| Reutlingen                       |
| Saarland                         |
| Stuttgart                        |
| Wuppertal/Solingen/Remscheid     |

## Selected sales companies of Daimler AG

|   |
|---|
| Mercedes-Benz Australia/Pacific Pty. Ltd. |
| Mercedes-Benz Belgium Luxembourg S.A.     |
| Mercedes-Benz Canada Inc.                 |
| Mercedes-Benz Danmark AS                  |
| Mercedes-Benz France S.A.S.               |
| Mercedes-Benz Hong Kong                   |
| Mercedes-Benz Italia S.p.A.               |
| Mercedes-Benz Japan Co., Ltd.             |
| Mercedes-Benz Korea Ltd.                  |
| Mercedes-Benz Nederland B.V.              |
| Mercedes-Benz Polska Sp. z o.o.           |
| Mercedes-Benz Portugal S.A.               |
| Mercedes-Benz Russia SAO                  |
| Mercedes-Benz Schweiz AG                  |
| Mercedes-Benz Sverige AB                  |
| Mercedes-Benz (Thailand) Ltd.             |
| Mercedes-Benz UK Ltd.                     |
| Mercedes-Benz USA, LLC                    |

## Legal Framework

The report of the legal framework provides also details pursuant to Section 289, Subsection 4 of the German Commercial Code as well as Section 120, Subsection 3 of the German Stock Corporation Act (AktG).

## Management

Daimler AG is a stock corporation domiciled in Germany. The Company is managed by a Board of Management, whose members are authorized to represent it vis-à-vis third parties. The Board of Management must have at least two members, who, in accordance with Section 84 of the German Stock Corporation Act, are appointed by the Supervisory Board for a maximum period of office of five years. Reappointment or the extension of a period of office, in each case for a maximum of five years, is permissible. However, the Supervisory Board of Daimler AG has resolved generally to limit both initial appointments and reappointments to a maximum of three years in the future. Appointments and reappointments can only be made by a resolution of the Supervisory Board; reappointments may generally not be made more than one year before the end of a Board of Management member's 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.

## Remuneration

A description of the system of remuneration and the individualized details of the remuneration of the members of the Board of Management and Supervisory Board are shown in the **Remuneration Report** on pages 44 to 48.

## Purpose of the Company, amendment 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, the Articles of Incorporation can only be amended by a resolution of the Annual Meeting. In accordance with Section 133 of the German Stock Corporation Act and Article 19, Paragraph 1 of the Articles of Incorporation, resolutions of the Annual 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 capital stock represented at the Annual Meeting if this be required. Pursuant to Section 179, Subsection 2, Sentence 2 of the German Stock Corporation Act, any amendment to the purpose of the Company requires a 75 % majority of the capital stock represented at the Annual 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 3 of the Articles of Incorporation.

## Capital

The subscribed capital of Daimler AG amounts to € 2,768 million as of December 31, 2008. It is divided into 964,557,432 individual registered shares. All shares grant equal rights to their holders. Each share confers one vote and an equal share of profits. The rights and duties arising from the shares are derived from the provisions of applicable law. There were 37,116,831 treasury shares at December 31, 2008. The Company does not have any rights from treasury shares.

## Share buyback, approved and conditional capital

By resolution of the Annual Meeting of April 4, 2007, the Board of Management was authorized until October 4, 2008, to acquire the Company's own shares for certain purposes up to a maximum corresponding amount of the capital stock of € 267 million, which was nearly 10 % of the capital stock. During the period from August 30, 2007, until March 28, 2008, this authorization was utilized to buy back 99.77 million shares in a total amount of € 6,197 million. The volume of the shares bought back on the basis of the authorization granted by the Annual Meeting on April 4, 2007, was equivalent to € 267 million of the capital stock or 10 % of the shares outstanding at the time when the resolution was passed at the Annual Meeting in 2007. Following their acquisition, the shares were cancelled without any reduction of the capital stock, the last cancellation taking effect at midnight on April 3, 2008.

On April 9, 2008, the Annual Meeting authorized the Board of Management until October 9, 2009, to acquire own shares for certain purposes up to a maximum of 10 % of the capital stock of € 2,766 million at the time of the resolution by the Annual Meeting. During the period from June 18, 2008, until October 23, 2008, this authorization was utilized to buy back 37.28 million shares in a total amount of € 1,449 million. The volume of the shares bought back by December 31, 2008, on the basis of the authorization of April 9, 2008, is equivalent to 3.87% of the shares outstanding at the time of the resolution.

By resolution of the Annual Meeting of April 9, 2008, the Board of Management was further authorized, with the consent of the Supervisory Board, to increase the capital stock during the period until April 8, 2013, by up to € 500 million through the issue of new registered no par value shares in exchange for cash contributions and by up to € 500 million through the issue of new registered no par value shares in exchange for non-cash contributions.

In addition, the Board of Management was authorized by resolution of the Annual Meeting granted on April 6, 2005, with the consent of the Supervisory Board, during the period until April 5, 2010, to issue convertible and/or option bonds in a total nominal amount of up to € 15 billion with a maximum term of 20 years and to grant

the owners/lenders of these bonds conversion or option rights to new shares in Daimler AG with a corresponding amount of the capital stock of up to € 300 million, in accordance with the terms and conditions of the bonds.

## Change-of-control clause

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 US \$ 5 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.
- A non-utilized syndicated credit line in a total amount of € 3 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.
- A joint venture with Ford Motor Company for the development of fuel-cell systems; this joint venture can be terminated by either of the contracting parties if the other party is subject to a change of control. A change of control is defined here as the rights to give instructions to the Board of Management and to determine the company's guiding principles, the possibility to elect the majority of the members of the Supervisory Board, or possession of at least 40 % of the voting rights.
- An agreement concerning the acquisition of a majority (50.1 %) of the "AFCC Automotive Fuel Cell Cooperation Corp.," which has the goal 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 allows the right of termination by the other main shareholder, Ford Motor Company, as well as a put option for the minority shareholder, Ballard Power Systems. Control as defined by this agreement are 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.
- An agreement regulating the exercise of voting rights in European Aeronautic Defence and Space Company EADS N.V. (EADS). 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 were offered by a third party. A change of control can also lead to the dissolution of the voting consortium. According to the EADS agreement, a change of control has taken place if a competitor of EADS 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-to-day business of Daimler AG.

## Economic Conditions

### The world economy

As a result of the worsening financial and real-estate crisis, the world economy cooled off significantly during 2008. Only the relatively stable positive development at the beginning of the year and the growth of the emerging nations' economies allowed the global economy to achieve total growth of approximately 2.4% in 2008 (2007: 4.1 %). Following the insolvency of Lehman Brothers investment bank, the crisis exacerbated in September.

By that time, the financial crisis had already spread to the real economy in the industrialized countries. The high degree of consumer and investor uncertainty, substantial asset losses due to falling share prices, rising raw-material prices and inflation rates until the middle of the year, and the existing burdens from the credit crisis caused the major economies to enter into recession. This also applies to the German industrial sector, which successfully resisted the crisis for some time but suffered a significant drop in demand towards the end of the year. The main causes of this negative development in nearly all industrialized countries were only slightly rising or actually falling investment and weak private consumption. An additional factor for the export-oriented German economy was the slump in demand from key sales markets. Overall, the industrialized countries achieved growth of just under 1,0 % in 2008 (2007: 2.4 %), which is the weakest level since the early nineteen-nineties. By the summer of 2008 at the latest, global growth was driven solely by economies outside the three major regions of the United States, Western Europe and Japan.

It is becoming increasingly apparent, however, that the emerging markets will not be indefinitely immune to the real economic effects of the financial crisis. Although their growth rates are still relatively high, especially in Asia, they are well below the levels of their recent boom years. In total, the emerging markets achieved economic growth of approximately 6 %, compared with 7.8 % in 2007.

A striking feature of the recent year has been an unusually high volatility, not only on stock markets, but also of raw-material prices and exchange rates. For example, the price of crude oil climbed from US \$ 90 per barrel in January to an historical peak of approximately US \$ 145 per barrel in July, but subsequently fell as low as US \$ 30-40 per barrel.

Exchange-rate fluctuations were also extremely strong in 2008. The euro for example reached a record level against the US dollar of \$ 1.60 in July 2008. However, it then weakened significantly to \$ 1.40 at year-end, so that over 2008 as a whole the euro fell by approximately 5.5 % against the US dollar and by a sharp 23 % against the Japanese yen. Against the British pound, however, the euro appreciated by nearly 30 %.

## Automotive markets

The weak world economy and the international financial market crisis had a significant impact on the automotive industry in 2008. Global unit sales of passenger cars decreased by approximately 5 %, the biggest drop in nearly 30 years. A sharp drop in demand in the volume markets of North America, Western Europe and Japan was partially offset by growth in the emerging markets. Demand for commercial vehicles also declined in the NAFTA region, Western Europe and Japan. Although demand rose in some of the emerging markets, despite weakening towards the end of the year, worldwide unit sales of commercial vehicles decreased slightly.

As a result of the economic downturn and the severe financial crisis, the US market for passenger cars and so-called light trucks slumped during 2008. Whereas 16.1 million vehicles were sold in the prior year, only 13.2 million vehicles or nearly three million fewer were sold in 2008. Sales of sport-utility vehicles and pickup trucks suffered in particular. The extent and speed of the slump were unusual: some of the monthly sales in the fourth quarter were at the lowest levels of the past 25 years.

The Western European automobile markets also suffered considerably from the financial crisis and the general economic slowdown. The markets that were particularly hard hit were the volume markets of Spain (-28.1 %), Italy (-13.4 %) and the United Kingdom (-11.3 %). Germany (-1.8 %) and France (-0.7 %) developed positively in the first half of the year, but were unable to escape the downward trend in the second half. In total, 8.4 % fewer automobiles were sold in Western Europe.

The Japanese market for passenger cars also contracted, with a drop in sales of nearly 4 % in 2008.

In the major emerging markets of Asia, Eastern Europe and Latin America - especially the BRIC countries (Brazil, Russia, India and China), demand for passenger cars increased again in the year as a whole, but growth rates slowed down also in those markets in the second half of 2008. Towards the end of the year, the BRIC countries also recorded lower sales than in the same months of 2007.

There were differing developments in the major markets for commercial vehicles during 2008.

Due to the economic downturn, demand in all vehicle categories was lower than in the prior year in the United States.

In Western Europe, sales of medium and heavy-duty trucks almost reached the high level of 2007, but were already declining significantly in the last few months of the year. In the segment of light-duty trucks, unit sales decreased in Western Europe in 2008.

In Japan, demand fell again significantly in all vehicle categories.

Aggregate demand for commercial vehicles expanded slightly in the emerging markets, although growth rates also subsided significantly in the second half and sales were falling in some markets at the end of the year.

## Business Developments

In 2008, the business development of Daimler AG was impacted by the effects of the worldwide financial and economic crisis on automotive markets. In addition, expenses related to Chrysler had a considerable negative effect on the operating income. Financial income decreased compared with the prior year due to the positive non-recurring effects in 2007.

Therefore, income from ordinary activities was lower than in the prior year.

## Passenger cars

The operating income declined significantly compared to prior year. Accordingly, revenue was lower than the prior-year level.

Unit sales of the Mercedes-Benz brand fell short of the 2007's high level due to the global economic crisis. C-Class vehicles were once again very successful, increasing their sales and gaining market share. The S-Class luxury segment remained well ahead of our main competitors. Unit sales of the E-Class were down due to lifecycle effects since the upcoming model changeover is scheduled for spring 2009. Lower sales were posted in the off-road vehicle segment (M-, R-, GL-, GLK- and G-Class) and for A-/B-Class vehicles.

The smart brand increased its unit sales significantly in 2008. This was partially due to the great success of the smart fortwo in the United States. After Italy and Germany, the United States now constitute one of smart's key sales markets.

Additional factors with a negative impact on the operating income beside the drop in demand were exchange rate effects, an unfavorable model mix, increased raw material prices and higher advance expenditures for the reduction of CO<sub>2</sub> emissions. These negative impacts were only partially offset by ongoing efficiency improvements.

## Commercial vehicles

The operating income improved in the commercial-vehicle business.

Despite the negative impact of the global economic crisis, Daimler Trucks increased its sales once again in 2008, surpassing the prior-year level. In particular, this positive development reflects the continuing market success of the Actros and the Axor.

Mercedes-Benz Vans improved its operating income as a result of strong unit sales and revenues over the year as a whole. In particular, the Sprinter and the Viano/Vito models contributed to the increase. Negative currency effects and increases in material prices were more than offset.

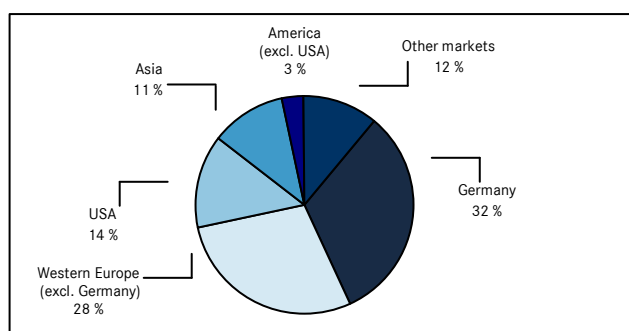
## Profitability, Financial Position, Liquidity and Capital Resources

### Profitability

#### Key earnings figures for Daimler AG

| Amounts in million of €  | 2008            | 2007     | 2006     |
|--|-----------------|----------|----------|
| Revenue  | <b>63.682</b>   | 66.962   | 64.571   |
| Cost of sales (excluding R&D)  | <b>(52.986)</b> | (54.450) | (53.669) |
| <b>Gross profit (excluding R&amp;D)</b>  | <b>10.696</b>   | 12.512   | 10.902   |
| Research and development expenses (R&D)  | <b>(4.078)</b>  | (3.592)  | (3.120)  |
| Selling expenses and general administrative expenses                                 | <b>(8.126)</b>  | (8.130)  | (8.202)  |
| Other operating expenses / income  | <b>(6)</b>      | 82       | 1.011    |
| <b>Operating loss</b><br>(2007/2006: Operating income)                               | <b>(1.514)</b>  | 872      | 591      |
| Financial income   | <b>1.359</b>    | 11.668   | 751      |
| <b>Loss from ordinary activities</b><br>(2007/2006: Income from ordinary activities) | <b>(155)</b>    | 12.540   | 1.342    |
| Income taxes   | <b>(177)</b>    | (172)    | (653)    |
| <b>Net loss</b><br>(2007/2006: Net income)   | <b>(332)</b>    | 12.368   | 689      |

#### Revenue by region for Daimler AG



### Revenue

Revenue of € 63,682 million (2007: € 66,962 million) declined by € 3,280 million (-4.9 %) compared with the prior year.

€ 20,426 million of total revenue was generated in Germany (2007: € 21,455 million) and € 43,256 million was generated in foreign markets (2007: € 45,507 million). Thus, the export share remained unchanged from the prior year's level of 68.0 %. Revenue in the United States decreased by -21.8 % to € 8,901 million. In

Western Europe (excluding Germany) revenue of € 18,036 million was -9.4 % lower than in the prior year.

Passenger cars accounted for € 42,206 million of total revenue (2007: € 47,409 million); commercial vehicles accounted for € 21,476 million (2007: € 19,553 million).

### Unit sales

Unit sales of new and used vehicles increased in 2008. Total sales rose from approximately 1,933,000 units to approximately 1,985,000 units.

In Germany unit sales fell by -0.8 % to approximately 682,000 vehicles. Market share in the area of passenger cars increased slightly from 10.5 % to 10.6 %, whereas in the area of commercial vehicles, market share decreased marginally from 22.1 % to 21.6 %.

A drop of -1.8 % to approximately 604,000 units was recorded in Western Europe (excluding Germany).

In the United States, unit sales increased by 4.5 % to approximately 303,000 vehicles.

In Asia, unit sales rose by 21.0 % to approximately 172,000 vehicles.

An increase of 12.8 % to approximately 224,000 units was recorded in other markets.

With approximately 1,325,000 new Mercedes-Benz and smart vehicles sold in the area of **passenger cars**, the prior-year figure of 1,285,000 units was exceeded by approximately 40,000 units. Of the total number, approximately 144,000 vehicles were directly leased to customers (2007: approximately 119,000 vehicles).

Sales of the C-Class increased significantly by approximately 84,000 units to approximately 472,000 units due to the attractive new model range.

Sales of the A-/B-Class decreased by approximately 24,000 units to approximately 254,000 units.

The E-Class also posted lower unit sales than in the prior year due to lifecycle effects. Sales of the E-Class fell by approximately 44,000 units to approximately 182,000 units.

Approximately 178,000 vehicles were sold from the M-, R-, GL-, GLK- and G-Class. (2007: approximately 180,000 vehicles).

smart increased its unit sales by approximately 36,000 vehicles to approximately 139,000 vehicles.

Approximately 100,000 units of the S-Class (2007: approximately 110,000 units) were sold in 2008, fewer than in the prior year.

#### Unit sales of passenger cars

| 1,000 units                   | 2008 | 2007 |
|-------------------------------|------|------|
| C-Class                       | 472  | 388  |
| A- / B-Class                  | 254  | 278  |
| E-Class                       | 182  | 226  |
| M-, R-, GL-, GLK- and G-Class | 178  | 180  |
| smart                         | 139  | 103  |
| S-Class                       | 100  | 110  |

The unit sales of **commercial vehicles** increased in particular for Trucks Europe/Latin America which established a new record in unit sales in 2008. Unit sales of new vehicles amounted to approximately 415,000 units, which was 2.0 % higher than the figure of approximately 407,000 units in the prior year. Of the total unit sales, approximately 30,000 vehicles were leased directly to our customers (2007: approximately 33,000 vehicles).

Approximately 293,000 vehicles of Mercedes-Benz Vans were sold in 2008, equaling the prior-year level.

Unit sales by Trucks Europe/Latin America increased by approximately 8,000 vehicles to approximately 122,000 vehicles (2007: approximately 114,000 vehicles), primarily due to the Actros and Axor models.

#### Unit sales of commercial vehicles

| 1,000 units | 2008 | 2007 |
|-------------|------|------|
| Sprinter    | 188  | 190  |
| Vito        | 80   | 78   |
| Viano       | 21   | 20   |
| Vario       | 4    | 5    |
| Actros      | 75   | 71   |
| Atego       | 23   | 23   |
| Axor        | 20   | 17   |
| Unimog      | 3    | 2    |
| Econic      | 1    | 1    |

#### Cost of sales (excluding R&D)

The cost of sales fell from € 54,450 million to € 52,986 million.

Production output increased from approximately 1,705,000 units to approximately 1,765,000 units in 2008. The number breaks down to approximately 1,335,000 units in the passenger car area (2007: approximately 1,292,000 units; up 3.3 %) and approximately 430,000 units in the area of commercial vehicles (2007: approximately 413,000 units; up 4.1 %). This led to higher inventories.

Despite an increase in production compared with the prior year, material expenses were lower than the prior-year level because of further cost optimization measures.

Personnel expenses within the cost of sales decreased significantly compared with the prior year, due in particular to lower expenses for wages, early retirement, severance settlements and pension obligations.

#### Research and development expenses

Research and development expenses of € 4,078 million were substantially higher than in the prior year (2007: € 3,592 million). Spending on future developments and innovations accounted for 6.4 % of total revenue (2007: 5.4 %).

The majority of R&D spending was incurred in the area of **passenger cars** (2008: € 3,027 million; 2007: € 2,696 million) with a focus on the successors of the E-Class, the CLK-Class and the A-/B-Class as well as on the development of new engine generations and alternative drive systems.

In the area of **commercial vehicles**, € 1,051 million was spent on R&D, € 155 million more than in the prior year (2007: € 896 million), mainly on new engine generations.

Material expenses within R&D expenses increased significantly as a result of projects.

Personnel expenses decreased compared with the prior year, mainly as a result of lower expenses for retirement benefits. Approximately 15,000 persons were employed in the area of research and development in 2008.

Daimler newly registered a total of 1,807 patents (2007: 1,523 patents) in 2008, mainly in the fields of drive systems and safety.

#### Administrative expenses

Administrative expenses fell from € 2,594 million to € 2,573 million.

Material expenses within administrative expenses increased as a result of IT expenses and the provision of external services.

Personnel expenses decreased compared with the prior year as a result of lower severance expenses, lower bonuses, lower expenses for personnel and social provisions as well as lower expenses for retirement benefits.

However, other operating expenses increased by approximately € 95 million, mainly due to a rise in expenses for expertise, advice and fees as well as a rise in expenses for external non-production services. On the other hand, rental expenses decreased compared with the prior year.

## Selling expenses

Selling expenses increased compared with the prior year to € 5,553 million (2007: € 5,536 million).

Material expenses within selling expenses increased, mainly as a result of higher expenses for external services, such as marketing expenses, and the rise in IT expenses.

However, personnel expenses decreased compared with the prior year. This was primarily due to lower expenses for personnel provisions and lower expenses for retirement benefits.

## Operating income

Operating income - defined as income from ordinary activities less financial income - declined by € 2,386 million compared to the prior year to € -1,514 million. The operating income was impacted by the worldwide economic crisis and the expenses related to Chrysler (€ 1,151 million).

In the area of passenger cars, the strong drop in revenue - particularly in the fourth quarter - was not offset by cost savings. By contrast, operating income in the commercial vehicles area increased once again compared with the prior year.

## Financial income

Financial income declined sharply from the prior year level of € 11,668 million to € 1,359 million in 2008. The decline was primarily due to an exceptional depreciation on the special assets Pension Trust in 2008, expenses related to Chrysler (€ 147 million) and one time effects in the income from investments in affiliated and related companies in 2007. In the year 2007, profits that were previously retained by subsidiaries were transferred to Daimler AG, which led to significantly higher profit contributions. Financial income was also improved by higher profit transfers in 2007, particularly of Daimler Luft- und Raumfahrt Holding AG, caused by the sale of EADS-shares, and the contribution of a related company in the context of group restructuring.

## Income Taxes

Despite the significant decrease in the income from ordinary activities, income tax expense increased insignificantly to € 177 million from € 172 million in the prior year. In line with Section 8b of the German Corporate Income Tax Act (KStG), the strong decrease - particularly in the income from investments in affiliated and related companies - has only limited effect on the tax assessment basis.

## Dividend

Daimler AG posted net loss of € -332 million in 2008, compared with € 12,368 million in 2007.

Considering the profit carried forward of € 100 million from 2007 and the transfer of € 788 million from retained earnings, unappropriated profit amounted to € 556 million.

We will recommend to the Annual Meeting to be held on April 8, 2009, to pay a dividend of € 556 million, respectively € 0.60 per share, for the year 2008 (2007: € 1,928 million, respectively € 2.00 per share). The main reasons for the dividend adjustment are the level of net income achieved in 2008 and the ongoing development of the world economy and the automotive markets, which are hard to assess from today's perspective.

## Workforce

As of December 31, 2008, Daimler AG employed a workforce of 152,097 people (2007: 151,495 people). The number of apprentices and trainees at year-end was 7,003 (2007: 7,026).

The project phase of the new management model, which was presented in 2006, was concluded as planned at the end of the year 2008. During the project, administrative functions were organizationally integrated and structurally optimized and processes were standardized all over the world. The resulting staff reductions were also implemented according to plan. In order to secure the advantages of the restructuring program over the long term, the initiatives for the continuous improvement and standardization of administrative processes will be effectively continued in the line organization.

The employees' average period at Daimler AG increased slightly from 17.7 to 17.9 years in 2008.

Women accounted for 12.9 % of the total workforce at the end of 2008 (2007: 12.7 %). In management positions of levels 1 to 4 the proportion of women increased from last year's 9.8 % to 10.4 %.

## Employee share program 2008

In the context of the employee share program a further opportunity to participate in the Company's success was offered in 2008. In addition to the regular offer of employee shares with tax advantages, it was possible for employees to acquire a maximum of two special bonus shares in the fall of 2008. Approximately 41,300 members of the workforce took advantage of this year's programs, representing an increase of more than 80 % compared with the prior year.

## Personnel expenses

Personnel expenses decreased to € 10,545 million in 2008 (2007: € 11,400 million).

Wage and salary expenses fell by € 725 million to € 8,420 million (2007: € 9,145 million). This was due to lower employee profit-sharing bonuses, lower severance expenses in connection with the staff-reduction programs as well as lower expenses for personnel and social provisions.

The expenses for social-security contributions rose slightly by 0.1 % to € 1,440 million (2007: € 1,438 million).

Expenses for retirement benefits decreased from € 817 million to € 685 million. The provision for pensions is calculated according to IFRS regulations (IAS 19). At the beginning of 2008, a scheduled allocation was calculated on the basis of the Company's pension obligations and the assets of the fund company, Daimler Unterstützungskasse GmbH. The calculation was based on the assumptions of a 5.4 % discount rate (2007: 4.5 %), future salary increases of 3.1 % as of 2008 (2007: 2.5 %), annual cost-of-living increases of 1.9 % (2007: 1.9 %), the Heubeck Tables 2005 G and the expected earnings of 6.5 % for Daimler Unterstützungskasse GmbH (2007: 7.5 %).

## Environment

Daimler spent € 2.3 billion on environmental protection in 2008 (2007: € 1.8 billion). We pursue the goal of preserving resources and reducing all relevant emissions from vehicle development to production and to recycling and environmentally friendly disposal.

With the help of environmentally friendly production methods, we have succeeded in recent years in continually reducing our plants' CO<sub>2</sub> emissions, production-related solvent emissions and noise pollution. With a comparable production volume, energy consumption fell compared with 2005 by 3.1 % to 10.4 million megawatt hours. During the same period, CO<sub>2</sub> emissions decreased by 3.5 % to approximately 3.6 million tons as a result of slightly using less energy from carbon-intensive sources. Utilization of techniques that conserve resources, including closed-cycle systems, enabled us to reduce water consumption by 2.2 % between 2005 and 2008.

Innovative techniques and environmentally compatible production planning allow us to steadily reduce our volumes of waste materials. Between 2005 and 2008, the annual total of production-related waste materials fell by 4.1 % to 1.1 million tons. The figures stated are based on an extrapolation of the environmental figures currently available for 2008. The exact figures will be released with the publication of our new sustainability report in April 2009. We apply comprehensive environmental management systems in our efforts to make further progress in the field of environmental production.

We have reduced the CO<sub>2</sub> emissions of our passenger cars sold in Europe by more than 23 % since 1995 – a reduction nearly 50 % better than the average for European manufacturers. In Germany, we have reduced the fleet consumption of our passenger cars by more than 32 % since 1990. And in the past 15 years, we have reduced the overall emission of pollutants by our cars by 70 %; for some models the percentage is actually far higher. Emissions of particulate matter have fallen by more than 95 %.

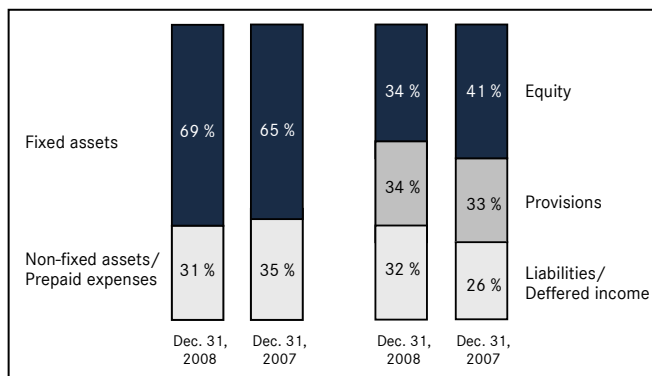
We are global leaders for clean diesel engines with our BLUETEC technology. Our BLUETEC automobiles fulfill the strictest emission standards and are the cleanest diesel cars in the world. In the context of our "Road to the Future" strategy, in 2008 we started to launch our Mercedes-Benz "BlueEFFICIENCY" models, which achieve fuel savings of up to 12 %. Many of our BLUETEC trucks already fulfill the strict Euro 5 limits that come into force in October 2009. Since market launch in the year 2005, Mercedes-Benz has sold well above 200,000 BLUETEC trucks. The Actros is the world's most fuel efficiency series-produced truck with consumption of 19.44 liters of diesel per 100 kilometers. Hybrid technology has a key role to play for commercial vehicles, and can reduce diesel consumption by up to 30 %.

## Financial Position

### Key balance sheet figures

| Amounts in million of €              | Dec. 31,<br>2008 | Dec. 31,<br>2007 | Dec. 31,<br>2006 |
|--------------------------------------|------------------|------------------|------------------|
| Fixed assets                         | <b>47,050</b>    | 47,045           | 41,521           |
| thereof special assets Pension Trust | <b>8,649</b>     | 9,819            | 8,875            |
| Non-fixed assets                     | <b>21,234</b>    | 25,395           | 21,381           |
| Prepaid expenses                     | <b>93</b>        | 17               | 19               |
| Equity                               | <b>22,924</b>    | 29,323           | 20,054           |
| Provisions                           | <b>23,563</b>    | 24,092           | 23,255           |
| Liabilities                          | <b>21,577</b>    | 18,949           | 19,512           |
| Deferred income                      | <b>313</b>       | 93               | 100              |
| Balance sheet total                  | <b>68,377</b>    | 72,457           | 62,921           |

### Balance sheet structure



### Balance sheet total

The balance sheet total declined by € 4,080 million (-5.6 %) to € 68,377 million.

Fixed assets' share of the balance sheet total amounted to 68.8 %, which was higher than a year earlier (2007: 64.9 %). On the other hand, the proportion of the balance sheet total accounted for by non-fixed assets decreased to 31.1 % (2007: 35.1 %).

Fixed assets remained with € 47.050 million nearly on the prior-year level. While property, plant and equipment increased by approximately 6.5 % (approximately € 577 million), financial assets decreased by € 658 million (-1.7 %).

The book value of the Pension Trust dropped to € 8.649 million (2007: € 9,819 million) because of an exceptional depreciation.

### Equity

| Amounts in million of € | Dec. 31,<br>2008 | Dec. 31,<br>2007 | Dec. 31,<br>2006 |
|-------------------------|------------------|------------------|------------------|
| Share capital           | <b>2,768</b>     | 2,766            | 2,673            |
| Capital reserves        | <b>14,204</b>    | 14,185           | 12,356           |
| Retained earnings       | <b>5,396</b>     | 6,188            | 3,483            |
| Unappropriated profit   | <b>556</b>       | 6,184            | 1,542            |
| <b>Equity</b>           | <b>22,924</b>    | 29,323           | 20,054           |
| <b>Equity-ratio</b>     | <b>33.5 %</b>    | 40.5 %           | 31.9 %           |

Equity decreased by € 6.399 million (-21.8 %) compared with December 31, 2007. The positive unappropriated profit and the capital contributions from the exercise of options were more than offset by the share buyback and the dividend distribution for 2007. The equity ratio was 33.5 % (2007: 40.5 %).

As a proportion of the balance sheet total, provisions increased to 34.5 % (2007: 33.3 %) and the proportion of liabilities rose from 26.2 % to 31.6 %.

### Capital expenditures

Investment in property, plant and equipment (excluding leased items) amounted to € 2,124 million in 2008 (2007: € 1,733 million).

The expenditures were primarily accounted for by the acquisition of assets of € 1,640 million in the area of passenger cars (2007: € 1,388 million). The focus of investment activity was on initial investments for the new E-Class, on the four-cylinder diesel engine of the OM 651 series and the start-up of the GLK.

Investment in property, plant and equipment in the area of commercial vehicles amounted to € 484 million (2007: € 345 million). In particular, these expenditures related to various product, engine and transmission projects.

Leased assets increased by € 322 million to € 4,897 million (2007: € 4,575 million).

### Non-fixed assets

Non-fixed assets decreased to € 21,234 million (2007: € 25,395 million).

Inventories rose from € 5,517 million to € 6,033 million. This increase affected all categories of inventories, particularly new and used vehicles.

Receivables and other assets decreased from € 15,762 million at the end of 2007 to € 14,199 million at the end of 2008. This primarily reflects a decrease in receivables from affiliated and related companies.

Securities decreased compared to the prior year by € 241 million to € 230 million mainly due to the reduction in commercial paper holdings.

Cash and cash equivalents fell sharply compared with the prior year from € 3,645 million to € 772 million.

### Provisions and liabilities

Provisions decreased by € 529 million to € 23,563 million at the end of 2008 (2007: € 24,092 million). Of that total, approximately 25 % is accounted for by short-term provisions (2007: approximately 23 %) and approximately 75 % by long-term provisions (2007: approximately 77 %). The decline is primarily due to the development of warranty costs and the lower obligations in the area of personnel and social benefits.

Of the total provisions, retirement benefit obligations account for € 12,658 million (2007: € 12,307 million), provisions for taxes account for € 1,888 million (2007: € 1,745 million) and other provisions account for € 9,017 million (2007: € 10,040 million).

In 2008, liabilities increased by € 2,628 million to € 21,577 million. This results mainly from the rise in bond and commercial paper holdings.

### Contingent liabilities

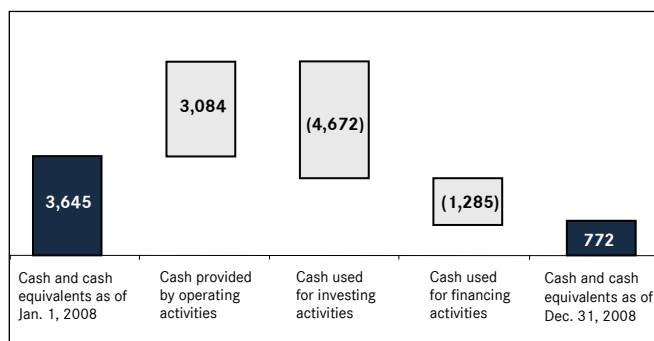
Daimler AG has provided a guarantee of US \$1 billion for pension obligations of Chrysler companies, which will only be drawn upon if Chrysler's pension plans are terminated within five years of the transfer of the majority interest.

Other existing obligations, in particular relating to payment guarantees, are shown under contingent liabilities (see Notes to the Financial Statements, page 20).

## Liquidity and Capital Resources

### Cash flow statement of Daimler AG

| Cash flow statement of Daimler AG                          |                |         |         |
|--|----------------|---------|---------|
| Amounts in million of €                                    | 2008           | 2007    | 2006    |
| <b>Net loss</b><br>(2007/2006: Net income)                 | <b>(332)</b>   | 12,368  | 689     |
| Depreciation/write-ups on:                                 |                |         |         |
| - leased assets  | 1,184          | 1,257   | 1,098   |
| - other fixed assets                                       | 3,022          | 2,121   | 1,782   |
| Gain/loss on:  |                |         |         |
| - the disposal of fixed assets                             | (34)           | (4,505) | 10      |
| Changes in:  |                |         |         |
| - inventories  | (516)          | (425)   | 697     |
| - receivables  | 178            | (779)   | 264     |
| - liabilities  | (987)          | 226     | (411)   |
| - provisions   | (314)          | 378     | 1,643   |
| - other  | 883            | 22      | (92)    |
| <b>Cash provided by operating activities</b>               | <b>3,084</b>   | 10,663  | 5,680   |
| Proceeds from the disposal of fixed assets                 | 2,823          | 2,277   | 3,029   |
| Payments for the acquisition of fixed assets               | (7,495)        | (6,857) | (5,750) |
| <b>Cash used for investing activities</b>                  | <b>(4,672)</b> | (4,580) | (2,721) |
| Changes in commercial paper and other short-term borrowing | 3,627          | 1,067   | (1,016) |
| Repayment/proceeds from long-term financial liabilities    | 1,156          | (2,339) | 863     |
| Dividends  | (1,928)        | (1,542) | (1,527) |
| Buyback/issue of own shares                                | (4,140)        | (1,557) | 370     |
| <b>Cash used for financing activities</b>                  | <b>(1,285)</b> | (4,371) | (1,310) |
| Net change in cash and cash equivalents                    | (2,873)        | 1,712   | 1,649   |
| Cash and cash equivalents at the beginning of the period   | 3,645          | 1,933   | 284     |
| <b>Cash and cash equivalents at the end of the period</b>  | <b>772</b>     | 3,645   | 1,933   |



## Overview of cash flows

**Cash provided by operating activities** decreased by approximately € 7,579 million to € 3,084 million (2007: € 10,663 million). This significant decline was due to the operating income and the income from investments in affiliated and related companies.

**Cash used for investing activities** increased by approximately € 92 million to € 4,672 million (2007: € 4,580 million). This increase in the cash outflow was primarily due to higher investments in property, plant and equipment.

**Cash used for financing activities** decreased by approximately € 3,086 million to € 1,285 million (2007: € 4,371 million). This development was mainly due to an increase in long-term and short-term borrowings. On the other hand cash outflow due to the share buyback program increased.

Cash and cash equivalents decreased by € 2,873 million.

Changes in liquidity are presented below:

| Amounts in million of €   | Dec. 31, 2008 | Dec. 31, 2007 | Dec. 31, 2006 |
|---------------------------|---------------|---------------|---------------|
| Cash and cash equivalents | 772           | 3,645         | 1,933         |
| Securities                | 230           | 471           | 3,132         |
| <b>Gross liquidity</b>    | <b>1,002</b>  | 4,116         | 5,065         |
| <b>External debt</b>      |               |               |               |
| Liabilities to banks      | (63)          | (31)          | (710)         |
| Loans and bonds           | (1,746)       | (47)          | (950)         |
| <b>Net liquidity</b>      | <b>(807)</b>  | 4,038         | 3,405         |

## Principles and objectives of financial management

Central financial activities are controlled by Daimler AG for the entire Daimler Group; the following statements therefore refer to the Daimler Group.

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 separated 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, production, distribution and financing companies are based on the principles of cost- and risk-optimized liquidity and capital resources.

**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 requirements and surpluses. Netting is done by means of cash-concentration or cash-pooling procedures. Daimler has established standardized processes and systems in order to control its bank accounts, internal cash clearing accounts and the execution of automated payment transactions.

**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 for a rolling period. The resulting financial requirements are covered by the use of appropriate instruments for liquidity management (e.g. bank credit, commercial paper, loans); liquidity surpluses are invested in the money market or the capital market to optimize risk and return. Besides operational liquidity, Daimler keeps additional liquidity reserves, which are available on a short-term basis. These additional financial resources include a pool of receivables from the financial services business that are available for securitization in the credit market, as well as two contractually confirmed syndicated credit lines.

**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 the basis for hedging decisions, which include the selection of hedging instruments and the definition of hedging volumes and the corresponding periods. Decisions regarding the management of risks resulting from fluctuations in foreign exchange rates, interest rates and commodity prices as well as decisions on asset-

liability management are regularly made by the relevant committees.

**Management of pension funds** comprises 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 benchmark indices. Decisions on ordinary and extraordinary capital contributions to the pension funds are centralized worldwide in the Global Pension Committee and subsequently approved by the Board of Management.

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. 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 results from granting them a payment period for goods delivered or services provided and includes the risk of default by contracted dealerships and general agencies, other corporate customers and retail customers. In connection with the export business, general agencies that do not have sufficient creditworthiness are generally required to provide collateral such as first-class bank guarantees.

**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. 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.

## Refinancing

The **refinancing measures** of Daimler AG are primarily determined by its financial services activities. Daimler AG 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. Credit lines are also used to cover financing requirements.

In the year 2008, Daimler AG covered its liquidity requirements mainly through the issuance of commercial paper and bonds and with bank credit. In addition, the Company made use of its surplus liquidity at the end of 2007, which was related to the transfer of a majority interest in Chrysler in August 2007, to refinance and repay funds raised on the capital market and money market. The refinancing measures carried out in 2008 included a Samurai bond with varying maturities in a total volume of € 400 million, which Daimler AG issued in Japan. There were also smaller issues of medium-term note programs in the form of various private placements. Despite the financial crisis, Daimler AG had good access to the capital market in 2008. However, capital could only be raised at significantly higher interest rates, particularly in the fourth quarter.

At the end of 2008, Daimler AG had short-term and long-term credit lines totalling € 7.9 billion, of which € 6.6 billion was not utilized. These credit lines include a non-utilized US \$5 billion credit facility. The syndicated credit line allows Daimler AG to utilize revolving loans in various currencies in a total amount of up to US \$ 5 billion until December 2009, and up to US \$ 4.9 billion in the period of December 2009 until December 2011. In order to strengthen Daimler's liquidity, in October 2008 a 364-day credit facility of € 3 billion was agreed upon with a consortium of international banks, which is also still available in its full amount. This credit facility serves as collateral for commercial-paper borrowing and for general Company purposes.

### Financial performance measures

As the parent company of the Daimler Group, Daimler AG is integrated into the Group's financial controlling instruments in accordance with IFRS.

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

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

$$\text{Value Added} = \text{Profit Measure} - \underbrace{\text{Net Assets} \times \text{Cost of Capital (\%)}}_{\text{Cost of Capital}}$$

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).

$$\text{Value Added} = \left[ \text{Return on Sales} \times \text{Net Assets Productivity} - \text{Cost of Capital (\%)} \right] \times \text{Net Assets}$$

The use of ROS in combination with 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 operational profit measure at the divisional level is EBIT (earnings before interest and taxes). EBIT is calculated before interest, income taxes and results from discontinued operations, and hence reflects the divisions' profit and loss responsibility.

**Net assets.** Net assets represent the basis for the investors' required return. The industrial divisions are accountable for the operational net assets; all assets, liabilities and provisions for which they are responsible in day-to-day operations are therefore allocated to them. The average annual net assets are calculated from the average quarterly net assets, which are calculated as the average of net assets at the beginning and end of each quarter.

**Cost of capital.** The required rate of return on net assets and hence the cost of capital are derived from the minimum returns 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 the 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 government bonds) plus a risk premium reflecting the specific risk of an investment in Daimler AG shares.

The cost of debt is derived from the required rate of return on financial liabilities.

The cost of capital for pension obligations is calculated on the basis of discount rates used in accordance with IFRS.

The expected return on cash and cash equivalents is based on money-market interest rates.

The expected return on the plan assets of the pension funds is derived from the expected return of the interest which are 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 year under review, the cost of capital was 8 % (2007: 7 %) after taxes. For the industrial divisions, the cost of capital was 12 % (2007: 11 %) before taxes.

**Return on sales.** As one of the main drivers of value added, the return on sales (ROS) is of particular importance for the assessment of the industrial divisions' profitability.

## Credit rating

The development of our credit ratings with the rating agencies Standard & Poor's (S&P), Moody's Investors Service (Moody's), Fitch Ratings (Fitch) and DBRS reflected the changing business prospects for the automotive industry and for Daimler in the context of the global economic situation during the year 2008. This development is particularly apparent from the three rating adjustments carried out by S&P. The first half of the year featured a positive business development accompanied by a significant improvement in the Group's profitability. The rating agencies honored this development by upgrading our long-term rating (S&P) or by adjusting the outlook to positive (Fitch). In the second half of the year, when the negative effects of the financial crisis on the real economy became increasingly clear from Daimler's weaker unit sales, especially at Mercedes-Benz, and the Group's business prospects deteriorated, the rating agencies retracted their positive rating outlooks (S&P, Moody's und Fitch). Only DBRS did not adjust its rating; however, it had not previously altered the assessment of a stable outlook that it had already issued in the year 2007.

| Ratings                          | End of 2008 | End of 2007 |
|----------------------------------|-------------|-------------|
| <b>Long-term credit ratings</b>  |             |             |
| Standard & Poor's                | A-          | BBB+        |
| Moody's                          | A3          | A3          |
| Fitch                            | A-          | A-          |
| DBRS                             | A (low)     | A (low)     |
| <b>Short-term credit ratings</b> |             |             |
| Standard & Poor's                | A-2         | A-2         |
| Moody's                          | P-2         | P-2         |
| Fitch                            | F2          | F2          |
| DBRS                             | R1 (low)    | R1 (low)    |

On February 14, 2008, **S&P** placed its BBB+ rating on credit watch with positive implications in view of the good business development. The rating was then lifted to A- on April 14, 2008, with a positive outlook. This step was taken following a reassessment of Daimler's business and financial risk profile by S&P and the significant improvement in Daimler's profitability since the transfer of a majority interest in Chrysler in August 2007. Due to the rapid weakening of demand in most of the world's automotive markets, the rating's outlook was adjusted from positive to stable on October 8, 2008.

**Moody's** confirmed its A3 rating for Daimler and its subsidiaries on October 15, 2008, but altered the rating's outlook, which had been positive since October 1, 2007, to stable. The change in the outlook was intended to reflect the ongoing deterioration of the situation in the global automobile markets and Moody's expectation that this development would have a negative impact on our business operations.

**Fitch** changed the outlook for its long-term rating (A-) from stable to positive on June 13, 2008, reflecting the improvements in our financial profile during the period from 2007 until the first quarter of 2008. In the expectation that ongoing decreases in unit sales of automobiles and commercial vehicles would adversely affect Daimler's profitability and financial standing, Fitch placed its outlook on stable once again on November 20, 2008. As a result of a reassessment reevaluation of the business prospects of the automotive industry in general, and, as a result, the profit and cash flow expectations for Daimler, Fitch lowered Daimler AG's long-term rating to BBB+ with a stable outlook on January 29, 2009.

**DBRS** confirmed its long-term rating of A (low) with a stable outlook for Daimler AG and the companies of the Group on September 10, 2008, reflecting our good business and financial profile.

The short-term ratings of all four rating agencies remained unchanged during 2008.

## Supplementary Report

### Further events after the end of the 2008 financial year

Since the end of the 2008 financial year, there have been no further occurrences that are of major significance to Daimler AG and which would lead to a modified assessment of the Company's position.

## 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.

## 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 when compared internationally, so that Daimler is an attractive employer also for top executives. The system should also clearly and directly reflect in the variability of remuneration the joint and individual performance of the Board of Management members and the performance of the Group.

### Practical implementation

For each upcoming financial year, the Presidential Committee at first reviews the system and level of remuneration on the basis of a comparison with competitors. The main focus is on the question of appropriateness. In this respect, the following aspects are given particular attention, also in relation to a group of comparable companies in Germany, other European countries and the United States:

- 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, i.e. the relationship between the fixed base salary and the short-term and long-term variable components, and
- the resulting target remuneration consisting of base salary (approximately 20 % of the target remuneration), annual bonus (approximately 30 % of the target remuneration) and long-term remuneration (approximately 50 % of the target remuneration) with an assumed 100 % goal accomplishment.

In carrying out this review, the Presidential Committee regularly consults external experts. If the review results in a need for changes to the remuneration system for the Board of Management, including the main contractual elements, the Presidential Committee submits proposals for changes to the entire Supervisory Board for its approval.

Furthermore, once a year, goals are jointly set by the Chairman of the Supervisory Board, the Chairman of the Board of Management and the members of the Board of Management for the following financial year. Together with the planning approved by the Supervisory Board, these targets form an additional basis for the subsequent calculation of the annual bonus.

In this way, the individual base and target remuneration and the relevant performance parameters are set by the beginning of each year. The Presidential Committee informs the Supervisory Board accordingly.

After the end of each year, goal accomplishment is measured on this basis and the actual remuneration is calculated and set by the Presidential Committee. The Supervisory Board is informed accordingly.

## The system of Board of Management remuneration in 2008

The remuneration system continues to comprise a fixed base salary, an annual bonus and a variable component of remuneration with a medium-term and long-term incentive effect. The latter has an element of risk character as recommended by the German Corporate Government Code due to its link to the share price and to additional parameters. The details of the system are as follows:

The **base salary** is fixed cash remuneration relating to the entire year, oriented towards the area of responsibility of each Board of Management member, and paid out in twelve monthly instalments.

The **annual bonus** is variable cash remuneration, the level of which is primarily linked to EBIT, the measure of operating profit at the Daimler Group, as well as to earnings per share and the individual performance of the Board of Management members in the past financial year.

### Reference parameters

- 50 % comparison of actual EBIT in 2008 with EBIT targeted for 2008.
- 50 % comparison of actual EBIT in 2008 with actual EBIT in 2007.

### Amount with 100 % goal accomplishment

At present, 1.5 times the base salary, to be set in consideration of a market comparison.

### Range of goal accomplishment

0 - 200 %, i.e. the annual bonus has an upper limit and may also be zero.

On the basis of the resulting degree of goal accomplishment, depending on the relative development of the share price performance compared with other automobile manufacturers, an amount of up to 10 % can be added or deducted. Furthermore, the Presidential Committee of the Supervisory Board has the possibility to take account of the personal performance of the individual Board of Management members with an addition or deduction of up to 25 %. Individual targets have been agreed upon for this purpose. In this context, additional individual targets were agreed upon with the Board of Management in the year 2008 with regard to the development and sustained function of a compliance system. The accomplishment of individual compliance targets can be reflected by a deduction of up to 25 % from the individual goal accomplishment but no increase is possible; the effect is only neutral even in the case of full accomplishment of compliance targets.

The **Performance Phantom Share Plan (PPSP)** is an element of remuneration with long-term incentive effects. Its opportunity and risk potential is primarily linked with the development of Daimler's share price through the granting of phantom shares. At the same time, within the period of the plan, medium-term performance targets are set whose accomplishment has an effect on the number of phantom shares that are earned. Payouts under the plan occur after four years at the price of Daimler shares that is then valid. Half of the net amount paid out must be used to buy real Daimler shares, which must then be held for a certain period until the guidelines for share ownership are fulfilled (see below).

#### Reference parameters

- 50 % return on sales achieved compared with a group of competitors (BMW, Ford, General Motors, Honda, Toyota, AB Volvo and Volkswagen).
- 50 % return on net assets achieved in relation to costs of capital.

#### Value when awarded

Determined annually in relation to a market comparison; for 2008, approximately 2 to 2.5 times the base salary.

#### Range of goal accomplishment

0 – 200 %, i.e. the plan has an upper limit and may also be zero.

During the four-year period, the 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 the share-based remuneration, any subsequent change in the defined performance targets or reference parameters is expressly ruled out.

#### Guidelines for share ownership

As a supplement to these three components of remuneration, the Presidential Committee of the Supervisory Board of Daimler AG has approved Stock Ownership Guidelines for the Board of Management. The 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 is set in relation to triple the annual base salary for the Chairman of the Board of Management and double the annual base salary for the other members of the Board of Management. The payments made in the context of the Performance Phantom Share Plans are generally to be used to acquire real shares in the Company, but the required shares can also be acquired in other ways.

#### Board of Management remuneration in 2008

##### The Board of Management remuneration in 2008

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 remuneration paid in cash (base salary and annual bonus), the value of the share-based remuneration at the time granted in February 2007 and 2008 (Performance Phantom Share Plan) and benefits in kind that are subject to income tax.

The total remuneration comprises € 6.2 million as fixed, i.e. non performance-related remuneration (2007: € 7.2<sup>1</sup> million); € 1.5 million as short-term variable remuneration, i.e. short-term performance-related remuneration (2007: € 17.0<sup>2</sup> million); and € 8.9 million as variable performance-related remuneration with a long-term incentive effect granted in 2008 (2007: € 13.5<sup>3</sup> million). This adds up to a total of € 16.6 million for the year 2008 (2007: € 37.7 million). The figures for 2007 also include payments made to the members of the Board of Management who departed in the context of the Chrysler transaction. For the year 2007, those persons also received bonuses and severance payments of € 18.5 million connected with the transaction and their departure from the Board of Management.

Excluding the departing members of the Board of Management, the total remuneration for the active members of the Board of Management decreases significantly from € 30.2 million in 2007 to € 16.6 million in 2008. The main reason for this sharp decrease compared with the prior year is the reduction in the Group's operating profit (EBIT) from € 8.7 billion to € 2.7 billion, which results in a significantly lower annual bonus and therewith a reduction of the cash compensation of approximately 70 %.

The following table shows the base salary and the variable remuneration of the active members of the Board of Management for the year 2008 compared with 2007. German Accounting Standard DRS 17, which is valid as of the year 2008, was used for the first time in the presentation of the figures for both years. In line with DRS 17, the long-term share-based remuneration is shown with the value of the phantom shares when they were granted in February 2008 and 2007. The numbers of phantom shares granted may change by the time the plans are paid out in 2011 and 2012. The question of whether there is a pay out at all, and if so, in which amounts, depends on the accomplishment of Daimler's internal and external performance targets during this period.

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With regard to the figures for 2007, the departing members of the Board of Management, Messrs. Ridenour, LaSorda und Sidlik

1 € 1.1 million

2 € 2.3 million

3 € 4.1 million

| Board of Management remuneration 2008 |             | Short-term-variable remuneration |                | Long-term variable remuneration (PPSP) |                                 | Total         |
|---------------------------------------|-------------|----------------------------------|----------------|--|---------------------------------|---------------|
|                                       |             | Base salary                      | (annual bonus) | Number                                 | Value when granted <sup>1</sup> |               |
| Amounts in thousands of €             |             |                                  |                |  |                                 |               |
| Dr. Dieter Zetsche                    | <b>2008</b> | <b>1,530</b>                     | <b>494</b>     | <b>50,164</b>                          | <b>2,799</b>                    | <b>4,823</b>  |
|                                       | 2007        | 1,500                            | 5,395          | 55,826                                 | 2,928                           | 9,823         |
| Günther Fleig                         | <b>2008</b> | <b>545</b>                       | <b>199</b>     | <b>21,297</b>                          | <b>1,188</b>                    | <b>1,932</b>  |
|                                       | 2007        | 525                              | 1,787          | 24,107                                 | 1,264                           | 3,576         |
| Dr. Rüdiger Grube                     | <b>2008</b> | <b>560</b>                       | <b>203</b>     | <b>20,613</b>                          | <b>1,150</b>                    | <b>1,913</b>  |
|                                       | 2007        | 550                              | 1,753          | 22,838                                 | 1,198                           | 3,501         |
| Andreas Renschler                     | <b>2008</b> | <b>575</b>                       | <b>207</b>     | <b>22,392</b>                          | <b>1,250</b>                    | <b>2,032</b>  |
|                                       | 2007        | 550                              | 1,910          | 24,868                                 | 1,304                           | 3,764         |
| Bodo Uebber                           | <b>2008</b> | <b>660</b>                       | <b>233</b>     | <b>23,988</b>                          | <b>1,339</b>                    | <b>2,232</b>  |
|                                       | 2007        | 600                              | 2,135          | 26,644                                 | 1,398                           | 4,133         |
| Dr. Thomas Weber                      | <b>2008</b> | <b>545</b>                       | <b>199</b>     | <b>21,297</b>                          | <b>1,188</b>                    | <b>1,932</b>  |
|                                       | 2007        | 525                              | 1,787          | 24,107                                 | 1,264                           | 3,576         |
| Total                                 | <b>2008</b> | <b>4,415</b>                     | <b>1,535</b>   | <b>159,751</b>                         | <b>8,914</b>                    | <b>14,864</b> |
|                                       | 2007        | 4,250                            | 14,767         | 178,390                                | 9,356                           | 28,373        |

1 - 2008: at share price € 55.80

- 2007: at share price € 52.45

Note: The value at the end of 2008 of the phantom shares granted in February 2008 was € 4.2 million; the value for example of the phantom shares granted to the Chairman of the Board of Management was € 1.3 million.

Primarily the provision of company cars and the reimbursement of expenses for security precautions resulted in benefits for the members of the Board of Management worth the following amounts:

| Taxable non-cash benefits      |             |              |
|--------------------------------|-------------|--------------|
| Amounts in thousands of €      |             |              |
| Dr. Dieter Zetsche             | <b>2008</b> | <b>213</b>   |
|                                | 2007        | 369          |
| Günther Fleig                  | <b>2008</b> | <b>159</b>   |
|                                | 2007        | 203          |
| Dr. Rüdiger Grube <sup>1</sup> | <b>2008</b> | <b>103</b>   |
|                                | 2007        | 185          |
| Andreas Renschler              | <b>2008</b> | <b>881</b>   |
|                                | 2007        | 162          |
| Bodo Uebber                    | <b>2008</b> | <b>130</b>   |
|                                | 2007        | 180          |
| Dr. Thomas Weber               | <b>2008</b> | <b>311</b>   |
|                                | 2007        | 764          |
| Total                          | <b>2008</b> | <b>1,797</b> |
|                                | 2007        | 1,863        |

1 After subtraction of € 99 thousand for supervisory board fees received.

## Commitments upon termination of service

### Retirement provision

Until the year 2005, the pension agreements of the German Board of Management members included a commitment to an annual retirement pension, calculated as a proportion of the base salary and depending on the number of years of service. Those pension rights remain and have been frozen at that level.<sup>1</sup>

The pension payments begin in the form of a retirement pension beginning when a member's contract of service ends or after his or her 60th birthday, or in the form of an invalidity pension when a member's contract of service ends before his or her 60th birthday due to disability. An annual increase of 3.5 % is effected. Similar to the retirement pension of the German workforce, arrangements for widows and orphans are also included.

Effective January 1, 2006, those pension agreements were converted into a defined-contribution pension 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, multiplied by an age factor equivalent to a certain rate of return, at present 6 %. This pension is payable at the age of 60 at the earliest.

<sup>1</sup> 70 % for Dr. Dieter Zetsche, 69 % for Günther Fleig, 60 % for Dr. Rüdiger Grube and Dr. Thomas Weber and 50 % for Andreas Renschler and Bodo Uebber

In the year 2008, the pension provision was increased by service costs of € 2.5 million (2007: € 2.2 million):

| Service costs arising in connection with Board of Management pension plans in 2007 and 2008 |             |              |
|---|-------------|--------------|
| Amounts in thousands of €   |             |              |
| Dr. Dieter Zetsche  | <b>2008</b> | <b>696</b>   |
|   | 2007        | 660          |
| Günther Fleig   | <b>2008</b> | <b>365</b>   |
|   | 2007        | 370          |
| Dr. Rüdiger Grube   | <b>2008</b> | <b>426</b>   |
|   | 2007        | 386          |
| Andreas Renschler   | <b>2008</b> | <b>262</b>   |
|   | 2007        | 210          |
| Bodo Uebber   | <b>2008</b> | <b>464</b>   |
|   | 2007        | 318          |
| Dr. Thomas Weber  | <b>2008</b> | <b>272</b>   |
|   | 2007        | 247          |
| Total   | <b>2008</b> | <b>2,485</b> |
|   | 2007        | 2,191        |

#### 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, the Board of Management service contracts, (which are normally only concluded for a period of three years) include a commitment to payment of the base salary and to 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 Group. 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. For the period beginning after the end of the original service period, Board of Management members can receive pension payments in the amounts of the commitments granted in 2005 as described in the previous section, as well as the use of a company car.

As a result of these provisions and the fact that in accordance with a Supervisory Board resolution of 2006, Daimler AG Board of Management service contracts - both initial contracts and extensions - generally have a term of only three years, Daimler AG is significantly below the limit for severance compensation of two years' remuneration as suggested by the German Corporate Governance Code.

#### 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, the members of the Board of Management 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 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 2008, 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

The payments made in 2008 to former members of the Board of Management of Daimler AG and their survivors amounted to € 19.0 million (2007: € 58.6 million). The difference between the two years is primarily due to the exercise of stock options by former members of the Board of Management in 2007. The pension provisions for former members of the Board of Management and their survivors amounted to € 167.0 million at December 31, 2008 (2007: € 175.3 million).

The Management Board Membership is listed on pages 23 to 24 of the Notes to the Financial Statements.

## Remuneration of the Supervisory Board

### Supervisory Board remuneration in 2008

The remuneration of the Supervisory Board is determined by the Annual 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 Meeting in April 2008 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, with 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 the chairmen of the other Supervisory Board committees and members of the Audit Committee, and 1.3 times this amount for members of the other Supervisory Board committees. Members of a Supervisory Board committee are only entitled to remuneration for that membership if the committee has actually convened to fulfill its duties in the respective year. If a member of the Supervisory Board exercises several of the aforementioned functions, he or she is to be remunerated solely for the function with the highest remuneration.

The individual remuneration of the members of the Supervisory Board is shown in the table on the right.

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.

Except for the remuneration paid to the members of the Supervisory Board representing the employees in accordance with their contracts of employment, no remuneration was paid for services provided personally beyond the aforementioned board and committee activities, in particular for advisory or agency services.

The remuneration paid in 2008 to the members of the Supervisory Board of Daimler AG for their services to the Group therefore totaled € 2.8 million (2007: € 2.1 million).

### Loans to members of the Supervisory Board

In 2008, no advances or loans were made to members of the Supervisory Board of Daimler AG.

The Supervisory Board Membership is listed on pages 25 to 28 of the Notes to the Financial Statements.

### Supervisory Board remuneration

| Name                              | Function(s) remunerated  | Total in 2008  |
|-----------------------------------|--|----------------|
| Amounts in €                      |  |                |
| Dr. Manfred Bischoff <sup>1</sup> | Chairman of the Supervisory Board, the Presidential Committee and the Nomination Committee   | <b>313,200</b> |
| Erich Klemm <sup>2</sup>          | Deputy Chairman of the Supervisory Board, the Presidential Committee and the Audit Committee | <b>217,600</b> |
| Sari Baldauf                      | Member of the Supervisory Board (since February 11, 2008)                                    | <b>96,498</b>  |
| Dr. Clemens Börsig                | Member of the Supervisory Board and the Audit Committee                                      | <b>164,300</b> |
| Prof. Dr. Heinrich Flegel         | Member of the Supervisory Board  | <b>108,800</b> |
| Dr. Jürgen Hambrecht              | Member of the Supervisory Board (since February 8, 2008)                                     | <b>95,117</b>  |
| Jörg Hofmann <sup>2</sup>         | Member of the Supervisory Board (since April 9, 2008)  | <b>79,551</b>  |
| Dr. Thomas Klebe <sup>2,4</sup>   | Member of the Supervisory Board and the Presidential Committee                               | <b>154,700</b> |
| Arnaud Lagardère <sup>1</sup>     | Member of the Supervisory Board  | <b>103,300</b> |
| Jürgen Langer <sup>2</sup>        | Member of the Supervisory Board  | <b>108,800</b> |
| Helmut Lense <sup>2</sup>         | Member of the Supervisory Board  | <b>108,800</b> |
| Ansgar Osseforth <sup>6</sup>     | Member of the Supervisory Board (since April 9, 2008)  | <b>80,651</b>  |
| William A. Owens                  | Member of the Supervisory Board  | <b>108,800</b> |
| Gerd Rheude <sup>2</sup>          | Member of the Supervisory Board (until April 9, 2008)  | <b>28,422</b>  |
| Wolf Jürgen Röder <sup>2</sup>    | Member of the Supervisory Board (until April 9, 2008)  | <b>28,422</b>  |
| Valter Sanches <sup>3</sup>       | Member of the Supervisory Board  | <b>107,700</b> |
| Dr. Manfred Schneider             | Member of the Supervisory Board, the Presidential Committee and the Nomination Committee     | <b>142,100</b> |
| Stefan Schwaab <sup>2</sup>       | Member of the Supervisory Board and the Audit Committee                                      | <b>165,400</b> |
| Bernhard Walter                   | Member of the Supervisory Board and Chairman of the Audit Committee                          | <b>215,400</b> |
| Uwe Werner <sup>2</sup>           | Member of the Supervisory Board  | <b>108,800</b> |
| Lynton R. Wilson <sup>5</sup>     | Member of the Supervisory Board and the Nomination Committee                                 | <b>147,415</b> |
| Dr. Mark Wössner                  | Member of the Supervisory Board  | <b>107,700</b> |

<sup>1</sup> Dr. Bischoff (until April 5, 2007) and Mr. Lagardère also received remuneration in 2008 (for 2007) and meeting fees (for 2008) in connection with their respective positions on the Board of Directors of EADS amounting to € 46,375 and € 178,109. Since EADS is consolidated at equity, these payments are not considered in the calculation of Supervisory Board remuneration.

<sup>2</sup> These employee representatives have stated that their board remuneration will 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.

<sup>3</sup> Mr. Sanches has directed that his board remuneration shall be paid to the Hans-Böckler Foundation.

<sup>4</sup> The figure for Dr. Klebe includes remuneration and meeting fees of € 13,700 for his board services at Daimler Luft- und Raumfahrt Holding AG. These remuneration and fees will also be transferred to the Hans-Böckler Foundation.

<sup>5</sup> The figure for Mr. Wilson includes € 1,924 for his board services at Mercedes-Benz Canada Inc.

<sup>6</sup> Mr. Osseforth has directed that a portion of his board remuneration shall be paid to a foundation called Treuhandstiftung Erwachsenenbildung.

## Risk Report

Within the framework of its business operations in the fields of passenger cars and commercial vehicles, as a result of increasingly intense competition, and as the parent company of the Daimler Group, Daimler AG is exposed to a large number of **risks** which are inextricably linked with entrepreneurial activities. These entrepreneurial activities consist not least of identifying and utilizing **opportunities** to secure and enhance the Company's competitiveness.

Risks and opportunities can affect Daimler AG either directly or indirectly through its subsidiaries.

## Risk management system

Effective **management and monitoring systems** are combined into a uniform risk management system, meeting the requirements of applicable law and subject to continuous improvement, which is employed for the early detection, evaluation and management of risks.

The **risk management system** is integrated into the Group's value-based management and planning system. It is an integral part of the overall planning, monitoring and reporting process in all relevant legal entities and central functions, and aims to systematically identify, assess, monitor and document risks. Risk assessment principally takes place for a two-year planning period. With the use of defined risk categories, risks are identified for the divisions and operating units, the major associated companies and the central departments, and are assessed regarding their probability of occurrence and possible extent of damage. Assessment of the possible extent of damage usually takes place in terms of the risks' impact on EBIT. The communication and reporting of relevant risks are controlled by value limits set by management. The responsible persons also have the task of developing, and initiating as required, measures to avoid, reduce and hedge risks. Major risks and the countermeasures taken are monitored within the framework of a regular controlling 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 risk management system enables the Board of Management to identify key risks at an early stage and to initiate suitable countermeasures. By carrying out targeted audits, the internal audit department monitors compliance with the statutory framework and with the Group's internal guidelines as defined in the Risk Management Manual, and, if required, initiates appropriate action. In addition, the external auditors examine the system for the early detection of risks that is integrated into the risk management system in terms of its fundamental suitability for the early recognition of developments that could jeopardize the continued existence of the Company.

Entrepreneurial **opportunities** are not reported on within the risk management system, but are included in the annual operative planning. The divisions have direct responsibility for the early identification and utilization of opportunities. Within the framework of the strategy process, opportunities for further profitable growth are identified and included in the decision-making process.

## Economic risks

The **world economy** became substantially less dynamic during the year 2008. In the second half of the year, growth in gross domestic product came to a standstill in the industrialized countries and was actually negative in some of them. Most analysts expect 2009 to be a difficult year for the world economy; however, the majority of the analysts assume to achieve the bottom of the curve in the second half of the year. Investor and consumer uncertainty is high at present, so a more minor of disturbances would probably be sufficient to trigger further weakening and delay the economic upturn. In our view, the biggest individual risks for the global economy are to be seen in a sustained crisis of confidence, a worsening credit crunch, a longer-lasting and deeper recession in Western Europe, the United States and Japan, and an economic slump in the major emerging economies. The development of the world economy in 2009 that is expected by the majority of economic research institutions, and also by Daimler, is highly dependent on the development of these risk factors. This means that there are still considerable economic risks for the financial position, cash flows and profitability of Daimler AG.

The risk that the recession of the **US economy** could worsen became greater at the end of 2008. The real economic effects of the financial-market and real-estate crisis on investment and consumption could be even more severe than assumed by most analysts. The financial market has a substantial amount of risk potential, whether from additionally required write-downs at banks, the spread of the financial crisis to the credit-card sector, or the collapse of the market in financial derivatives. Due to the importance of the US economy, a deeper and longer recession would have significant negative consequences also for the world economy. Although the United States' current account deficit decreased in the year 2008, the US economy is still dependent on capital inflows from abroad. If the required capital inflows failed to materialize or were too low, a correction of the current account deficit would be unavoidable. Such a correction would place a substantial burden on domestic demand and would trigger a devaluation of the US dollar. In total, such occurrences could also have a negative impact on demand for passenger cars and commercial vehicles.

The economy of **Western Europe** was not immune to the effects of the slowdown in global growth or the financial market crisis, and expanded in 2008 at well below its long-term growth trend. Most of the major European economies were in recession by the end of the year. In view of the extent of the real economic implications of the financial market crisis, the risk of a lasting and substantial drop in growth rates has recently increased significantly. Higher refinancing costs and more difficult access to borrowed capital are placing a high burden on companies, especially small and medium-sized enterprises with low equity ratios. Even only a little further

deterioration would necessitate substantial structural adjustments. Economic developments will largely depend on how effective the fiscal stimulus programs are in various countries and whether the acute crisis of consumer and investor confidence can be overcome. However, there is a serious risk that both private consumption and companies' investments will fall much lower than is currently predicted. This would have a corresponding negative impact on demand for motor vehicles, with considerable risk potential for Daimler AG due to the importance of Germany and the other countries of Western Europe as major sales markets.

Economic risks have also increased in **Japan** recently. The export-dependent Japanese economy is suffering in particular from the global growth slowdown, with stagnating consumption, falling investment and a sharp appreciation of the yen in the second half of 2008. The drop in demand from the important US export market is having a major negative effect. Further reductions in demand from Japan's export markets would have a sustained impact on the country's economic outlook. This would not only considerably reduce the exports of Daimler AG to Japan, but would also be a substantial burden on the development of the earnings of our related company Mitsubishi Fuso Truck and Bus Corporation.

A sustained reduction in economic growth in **China** would also be strategically relevant for the Group, as this is currently the most dynamic vehicle market in the world and has enormous potential for the future. Due to the size of the Chinese economy and recent substantial increases in flows of international investment and trade with China, such a slump would not only have severe consequences for the whole of Asia, but could also cause significant growth losses for the world economy, with negative effects on Daimler's activities.

Furthermore, potential economic crises in other **emerging markets** where the Group has important production facilities could also be of particular relevance. On the other hand, crises in emerging markets where the Group is solely active in a sales function would result in more limited risk potential.

We see additional major risks in the development of **raw-material prices**. If, in the present situation of high volatility, prices were to rise sharply once again, the assumed global economic outlook would be jeopardized. The consequences would be on the one hand a reduction in private households' purchasing power, and on the other hand rising costs for companies. All of this would result in a negative impact on growth, especially in those countries that import large volumes of raw materials. The development of the oil price is particularly important in this respect. However, falling raw-materials prices imply substantial risks for the economic growth of raw-material exporting emerging markets.

Risks for market access and the global networking of the Group's facilities could arise as a result of a **weakening of international free trade** in favor of regional trade blocks or the emergence of protectionist tendencies. A sharp rise in bilateral free-trade agreements outside the European Union could affect Daimler's position in key foreign markets, particularly in Southeast Asia, where Japan is increasingly gaining preferred market access.

Finally, the world economy could be negatively affected by a sustained deterioration in **consumer and investor confidence** and by sustained deflationary tendencies. Such developments could be triggered not only by the current financial market crisis, but also by geopolitical and military instability, concern about a possible further sharp drop in share prices, or the battle against terrorism.

## Industry and business risks

**General market risks.** The weakening of the global economy and the international financial crisis led to significant falls in demand for passenger cars and commercial vehicles in 2008. **Competitive pressure** in the automotive markets, which was already a significant factor, has therefore now intensified and could necessitate the increased use of discount financing and sales incentives. In many markets, customers' heightened sensitivity to the issue of vehicles' environmental friendliness and high fuel prices have boosted demand for smaller, more fuel-efficient automobiles. In order to enhance the attractiveness of less fuel-efficient vehicles, additional measures could become necessary with an adverse effect on profitability. All of these actions would not only reduce revenues in the new-vehicle business, but would also lead to lower price levels on used-vehicle markets and thus to falling residual values for leased vehicles. A shift in the model mix towards smaller vehicles with lower margins would also place an additional burden on the financial position, cash flows and profitability of Daimler AG.

The **financial position of dealerships and importers** is increasingly jeopardizing by falling demand for vehicles combined with higher refinancing costs and significantly more difficult access to credit due to the financial market crisis. Any supportive measures taken by Daimler AG would worsen our own financial position, cash flows and profitability.

As a reaction to the significant drop in demand during the second half of 2008, Daimler initiated comprehensive measures to **reduce its production** of passenger cars and commercial vehicles. However, should the crisis of the automotive markets last longer than expected or actually worsen, additional steps might have to be taken to adjust production volumes and improve our efficiency, with negative effects on profitability and liquidity. Should Daimler AG not succeed in quickly adapting its production and cost structures to changing conditions, this might also result in negative effects on the Company's profitability and cash flows.

**Production and technology risks.** In order to achieve the targeted levels of prices, factors such as **brand image and product quality** are becoming increasingly important, as well as additional technical features resulting from our innovative research and development, especially in relation to fuel efficiency. Furthermore, it is essential for the profitability of Daimler AG to realize **efficiency improvements** while simultaneously fulfilling Daimler's own high quality standards.

**Product quality** has a major influence on a customer's decision to buy a particular brand of passenger 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, fuel-economy and safety regulations, increasing the danger of vehicle malfunctions. Technical problems could lead to recall and repair campaigns, or could even necessitate new development 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' **exhaust 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 to have to significantly increase our spending aimed at fulfilling these 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 the European regulations on exhaust emissions and fuel consumption. The key elements of the European Union's regulation on carbon dioxide, which was passed by the EU parliament on December, 17, 2008, call for a significant reduction in new vehicles' CO<sub>2</sub> emissions already as of 2012, and for phased improvements whereby the average emission 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. We assume that we will meet the targets, but that to do so we will have to significantly increase our research and development spending. In the United States, in addition to existing regulations for fleet consumption at the national level, there are also proposals from federal states such as California calling for penalty payments if various fleet targets are not met. Daimler AG monitors these developments and attempts to anticipate foreseeable requirements and long-term targets during the phase of product development.

**Procurement market risks.** Procurement risks arise for Daimler AG on the one hand from further **increases in prices of various raw materials** that raise our factor costs either directly or indirectly through purchased components. Although the prices of many raw materials have fallen since the peak levels during the middle of 2008, due to the financial market crisis the outlook for the raw-material market remains uncertain. On the other hand, due to the increasing concentration on globally active suppliers, dependencies arise for our own production process. Our scope to pass on the increased cost of raw materials and purchased components in the form of price increases for our vehicles is very limited due to the intense pressure of competition in the international automobile markets.

Furthermore, some of our suppliers' refinancing possibilities have worsened significantly due to the financial market crisis. The rising pressure on procurement, sales and financing markets could seriously jeopardize the financial situations and continued operations of financially challenged suppliers. To an increasing extent, individual or joint support actions have been required by automobile suppliers in order to safeguard production and sales. An additional factor is that in such cases, Daimler AG has only limited ability to

achieve further price reductions for purchased components. Should the financial situation of important suppliers continue to deteriorate, this could require further **significant support actions** with a negative impact on the earnings and cash flows of Daimler AG. If suppliers deliver components late or are unable to deliver, that could have a negative impact on Daimler's vehicle production and thus also on our profitability. Daimler counteracts procurement risks by means of targeted commodity and supplier risk management. Supplier risk management aims to identify suppliers' potential financial difficulties at an early stage and to initiate suitable countermeasures. In addition, Daimler AG attempts to reduce its dependency on individual materials in the context of its commodity management, by making appropriate technological progress for example.

**IT 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. In addition, our manufacturing processes could also be disturbed by failures at our data centers. Security measures and emergency plans have been prepared for such eventualities. Because the importance of storing and exchanging information is becoming increasingly important at a global group like Daimler, and in order to counteract the growing risks for the operation of central IT systems and the security of confidential data, we have our own risk management system for **IT security**. Guidelines from headquarters and the decentralized security organization we have established worldwide help to minimize these IT risks. For this reason, most IT risks have a very low probability of occurrence, but if such a case actually arose, it would have a significant negative impact on earnings.

**Specific risks in the area of human resources.** Daimler's success is highly dependent on the expertise and commitment of its workforce. The application of our personnel instruments takes existing **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. Another focus of our human resources management is on the targeted personnel development and further training of our workforce. Our executive staff and specialists profit 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.

Demographic developments present the Company with the particular challenge of managing the changes relating to an aging workforce and securing a sufficient number of qualified young persons with the potential to become the next generation of highly skilled specialists and executives.

**Other industry and business risks.** Due to the issuance of guarantees and Daimler's equity interest in the system for recording and charging tolls for the use of highways in Germany by commercial vehicles with more than 12 metric tons gross vehicle weight, we are exposed to a number of risks that could have negative effects on the financial position, cash flows and profitability. The operation of the electronic toll-collection system is the responsibility

ity 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, guarantees were issued supporting the obligations of Toll Collect GmbH towards the Federal Republic of Germany concerning the completion and operation of the toll system. Risks can arise primarily as a result of lower tolls derived from the system or the non-fulfilment of contractually defined parameters, additional alleged offsetting claims by the Federal Republic of Germany beyond such claims already made, or a refusal to grant the final operating permit. Additional information on contingent liabilities can be found on page 20 of the Notes to the Financial Statements.

Daimler AG bears a proportionate share of the risks of its **subsidiaries and affiliated companies** in line with its share of those companies' equity capital. At EADS for example, unit sales could fall due to lower demand from the airlines for aircraft. Relations with companies in which we have equity investments can also result financial burdens due to statutory and contractual liability (in particular regarding financing). Due to the continued difficult market situation in the US, particular mention must be made of the further development of the Daimler North America Corporation. In addition, a decreasing profitability of the subsidiaries and affiliated companies can mean that impairment losses have to be recognized on those equity investments, with a corresponding impact on our income statement.

In the context of transferring a majority interest in Chrysler, Daimler AG accepted a guarantee for pension obligations in an amount of US \$1 billion. The guarantee will fall due if Chrysler's pension plans are terminated within five years of the transfer of the majority interest.

## Financial market risks

Daimler AG is exposed to market risks from changes in foreign currency exchange rates, interest rates and commodity prices. Market risks may adversely affect the Company's financial position, cash flows and profitability. Daimler AG seeks to monitor and manage these risks by performing appropriate market analyses, and, if appropriate, through the use of derivative financial instruments. As part of the risk management process, Daimler regularly assesses these risks by considering changes in key economic indicators and market information.

Information on financial instruments and derivatives can be found on page 19 of the Notes to the Financial Statements.

**Exchange rate risks.** The international orientation of Daimler AG 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 risks 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 passenger car area, as a major portion of its revenue is generated in foreign currencies while most of its production costs are incurred in euros. The area of commercial vehicles 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.

**Interest rate risks.** Daimler AG holds a variety of interest rate sensitive financial instruments to hedge the risk of changes in interest rates. These include interest rate swaps, forward rate agreements, swaptions, caps and floors.

**Commodity price risks.** Associated with Daimler's business operations, Daimler AG is exposed to changes in the prices of commodities. The Company addresses 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 commodity risks, primarily the risks associated with the purchase of precious metals.

Risk management at Daimler AG is an integral part of the Group's overall risk management with regard to finance market risks.

## Liquidity risks

In the normal course of business, bonds, commercial paper and securitized transactions as well as bank credit in various currencies are applied, primarily to refinance the leasing and sales-financing business. The Company's refinancing is currently only possible at significantly higher costs, especially when large volumes are involved. A sustained negative development of the capital markets could increase the financing costs of Daimler AG and restrict its financial flexibility. More expensive refinancing would also have an impact on the competitiveness and profitability of our financial services business; a limitation of the financial services business would have a negative impact on the industrial business.

## Risks connected with a pension plan

Daimler AG has pension obligations, which are not completely covered by plan assets. The balance of obligations less plan assets constitutes the financing status for this employee-benefit plan. Even small changes in the assumptions used for the valuation of the benefit plan such a reduction in the discount rate could lead to an increase in those obligations. On the other hand, the market value of the plan assets is determined to a large degree by developments in the capital markets. Unfavourable developments, in particular relating to equity prices and fixed-interest securities, could negatively affect the market value. Both higher obligations and reduced plan assets or a combination of the two would have a negative impact on the financing status of our benefit plan. Higher obligations and lower yields from the plan assets could also increase the net expenses relating to the benefit plan in the coming years.

## Risks from changes in credit ratings

Daimler's creditworthiness is assessed by the rating agencies Standard & Poor's, Moody's Investors Service, Fitch Ratings and DBRS. Downgrades resulting from a deterioration of the Company's financial situation would have a negative effect on our refinancing.

## Legal risks

Various legal proceedings, claims and governmental investigations 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 these proceedings are filed as class action lawsuits that 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 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.

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 € 3.51 billion plus interest (€ 236 million through July 31, 2005, plus 5 % per annum over the respective base rate since then) for the period September 1, 2003, through December 31, 2004, and contractual penalties of approximately € 1.65 billion through July 31, 2005, plus interest (€ 107 million through July 31, 2005, plus 5 % per annum over the respective base rate since then). Since some of the contractual penalties, among other things, are dependent on time and as 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. The arbitrators held the first hearing on June 16 and 17, 2008. Claimant and defendants may submit further briefs which will be due on April 3, 2009. The next hearing may not take place before end of third quarter 2009. Daimler believes the claims are without merit and will continue to defend itself vigorously.

As previously reported, the U.S. Securities and Exchange Commission ("SEC") and the U.S. Department of Justice ("DOJ") are conducting an investigation into possible violations of law by Daimler including the anti-bribery, record-keeping and internal control provisions of the U.S. Foreign Corrupt Practices Act ("FCPA"). Daimler has voluntarily shared with the DOJ and the SEC information from its own internal investigation of certain accounts, transactions and payments, primarily relating to transactions involving government entities, and has provided the agencies with information pursuant to outstanding subpoenas and other requests. Daimler has also had communications with and provided documents to the offices of German public prosecutors regarding the matters that have been under investigation by the DOJ and SEC.

Daimler has completed its internal investigation and has determined that in a number of jurisdictions, primarily in Africa, Asia and Eastern Europe, improper payments were made which raise concerns under the FCPA, under German law, and under the laws of other jurisdictions. Daimler has taken various actions designed to address and resolve the issues identified in the course of its investigation to safeguard against the recurrence of improper conduct. These include establishing a company-wide compliance organization, evaluating and revising Daimler's governance policies and internal control procedures and taking personnel actions.

Daimler has been in discussions with the DOJ and SEC regarding consensually revolving the agencies' investigations. There can be no assurance about whether and when settlements with the DOJ or SEC will become final and effective.

Litigation is subject to many uncertainties, and Daimler AG cannot predict the outcome of individual matters with assurance. The Company recognizes provisions in connection with pending or threatened litigation if a loss is probable and can be reasonably estimated. Since these provisions represent estimates, it is reasonably possible that the resolution of some of these matters could require us to make payments in excess of the amounts of the provisions and in an amount or range of amounts that could not be reasonably estimated at December 31, 2008. It is also reasonably possible that the resolution of some of the matters for which provisions could not be recognized, may require Daimler AG to make payments in an amount or range of amounts that could not be reasonably estimated at December 31, 2008. Although the final resolution of any such matters could have a material effect on Daimler's operating results for a particular reporting period, Daimler AG believes that it should not materially affect its financial position or cash flow.

#### Overall risk

No risks are recognizable that, either alone or in combination with other risks, could jeopardize the continued existence of the Company. However, risks increased very substantially during 2008 due to the financial market crisis, which has meanwhile affected the real economy.

## Outlook

The statements made in the Outlook section are mainly based on the operative planning of the Daimler AG for the years 2009 and 2010 as dealt with by the Supervisory Board at the beginning of December 2008. But due to the dramatic changes in global conditions that have occurred in recent months and great uncertainty concerning the future development of the world economy and the automotive markets, that operative planning can serve only as a reference plan, which will be adapted and revised in line with ongoing developments. The statements made below are based on the information available to us in February 2009.

We are aware that forecasts made in the present environment are connected with a high degree of uncertainty. Furthermore, it is currently impossible to make any reliable statements on how quickly the economic stimulus programs initiated by various countries will lead to the stabilization of financial markets and markets in general.

Our projections for the development of exchange rates are also highly uncertain against the backdrop of global economic risks. For the year 2009, we assume that currency markets will remain volatile. We expect the euro to fall against the US dollar and the Japanese yen on average over the year. For the British pound, we expect an average exchange rate similar to that in 2008.

### The world economy

At the beginning of the year 2009, it is too early to predict how deep the worldwide recession will ultimately be and when the global economy will emerge from this recession. Although governments and central banks are taking various actions on the side of fiscal and monetary policy, the shock of the financial market crisis is still severe. Its effects on the real economy are meanwhile very substantial, and consumer and investor confidence is still badly shaken.

In the industrialized countries, the general economic situation is worse than it has been for several decades. Due to the difficult situation of financial markets, most analysts assume that the global growth will continue to weaken in the first half of the year. According to our assessment, a slight economic revival could gradually begin in the second half of the year. But even if the bottom of the curve in the second half of the year should be passed, the probability has recently increased that major economies of Western Europe, but also those of the United States and Japan, will contract significantly in the year 2009.

The emerging markets are likely to deliver the only stimulus for the world economy. A decisive factor will be how severe the economic slowdown that has already started in countries such as China, Russia, India and Brazil actually becomes. In total, the risk has increased that the global economy will not grow in the year 2009, which would be the worst performance since the Second World War. Investor and consumer uncertainty is still so great that even small negative impulses could lead to a further weakening of the

world economy and postpone the hoped-for turnaround even further.

In our view, the main risks of the global economy are to be seen in an ongoing crisis of confidence, further falls in banks' credit volumes, a longer and deeper recession in the triad regions (Western Europe, North America and Japan), economic slump in key emerging markets, and the incipient danger of deflation.

### Automotive markets

The great uncertainty about the duration and extent of the global economic downturn is also connected with substantial risks for the development of the world's automotive markets.

From today's perspective, global demand for automobiles could decrease by another 10 % in 2009 compared with the prior year. In the world's triad markets, we anticipate further significant falls in unit sales; falling unit sales are also to be expected in most of the emerging markets. In the United States, we assume that demand for passenger cars and light trucks will fall again significantly compared with the prior year. The decline in the Western European car market is likely to be more severe than in 2008 and will probably affect all of the volume markets, although it may be reduced slightly by the support measures planned and in some cases implemented by governments. Demand for passenger cars is also likely to decrease in Japan. We even expect demand for passenger cars to fall in most of the emerging markets, in some cases quite significantly.

Prospects for the major markets for commercial vehicles are also unfavorable. The triad markets are likely to suffer a substantial drop in demand. Above all in Western Europe, the commercial vehicle business is at the beginning of a distinct cyclical downturn phase, which will particularly affect medium and heavy trucks. In the United States, demand for medium and heavy trucks will probably decrease for the third successive year, but not as drastically as in the two previous years. The Japanese truck market will probably contract again significantly in 2009. The global economic slowdown will also dampen demand for commercial vehicles in the growth regions of Asia, Eastern Europe and Latin America. In the major emerging markets therefore, distinct market shrinkage is expected in all commercial-vehicle segments for the first time in many years.

We assume that – accompanying a hesitant revival of the world economy – automotive markets will also reach and pass through the bottom of the curve in the second half of the year.

The present worldwide weakness of demand underscores the need for structural change in the automotive industry. The key challenges are not only the adjustment of capacities, but above all the widening of product ranges to include fuel-efficient and environmentally friendly vehicles and transport solutions. The focus will increasingly be on new concepts for sustainable mobility. Whoever wants to successfully meet these challenges and grasp the opportunities offered by future developments must make substantial investments also in difficult times. Some of the main opportunities are emerging in the application of new technologies in drive sys-

tems. The need to cooperate and thus also for the industry to consolidate will therefore continue to grow. At the same time, the ability to stand out from the competition with innovations, fascinating products and strong brands will be an increasingly important success factor.

Based on the planning of the divisions, **Daimler AG** anticipates a significant decrease in business volume and earnings for 2009. Due to current expectations of unit sales, the revenues of passenger cars as well as commercial vehicles will probably be below the prior-year level. In the year 2010, we then expect a slight growth, provided that the projected revival of the automotive markets actually occurs. Fundamental conditions for the improvement in profitability expected in 2010 are generally stable political conditions and the assumption that the low point of global demand for automobiles will be reached and passed in the middle of the year 2009. Additional opportunities and risks may arise from the development of currency exchange rates and raw-materials and from our assessment of the market success of our products.

Opportunities will arise in the medium term, especially due to the expansion of our presence in Asia and Eastern Europe. Some important steps in this respect are our equity stake in Russian truck manufacturer Kamaz OAO, the decision to build a new plant in Hungary, and the joint venture founded in 2008 with the Hero Group in India. We also intend to utilize the opportunities that could arise from taking a pioneer role with innovative technologies for sustainable mobility.

### Passenger cars

In the area of passenger cars, six new model generations and two completely new models were launched in 2008, and therefore this area enters the extremely difficult year 2009 with an up to date and competitive model range. Unit sales will be stimulated by the launch of the new E-Class, our most important innovation of the year. The attractiveness of our model range will be further enhanced with the successors to the CLK coupe and convertible, the new generation of the S-Class and the GL. In parallel, we will continuously expand our model range in the year 2009 and in the following years with the addition of drive systems that are especially environmentally friendly and fuel efficient. With our attractive models, we assume that we will continue to compete effectively in the coming years. But we cannot avoid the expected weakness of key sales markets and in particular those market segments important for us. Passenger cars' total unit sales in the year 2009 will therefore be below the level of the year 2008. We anticipate decreases primarily in the markets most affected by the financial and economic crisis: the United States, Western Europe and Japan.

In 2009, we anticipate a further significant decrease in earnings for the passenger cars area. We have intensified our actions for continuous efficiency improvements and have launched additional initiatives. But the progress achieved will not be sufficient to offset the burdens of the difficult market situation in the short term. There will also be rising expenses for the development and production of new drive technologies and innovative safety systems. In the medium term, we expect to increase our profitability once again.

### Commercial vehicles

The area of commercial vehicles will be unable to equal the high prior-year level of unit sales, revenue or earnings in 2009 and 2010.

As a result of the weakness of demand in major markets, we anticipate a significant decrease in unit sales for Daimler Trucks in 2009. In light of the present uncertainty regarding the global economy, the time of recovery is hard to assess from today's perspective. But with our economical and environmentally friendly trucks, such as the new Actros, we have a package of actions that allow us to further improve our vehicles' competitiveness also in difficult times. Our main focus remains on the consistent further development of fuel-efficient and low emission drive systems. In view of the general market weakness, Daimler Trucks anticipates a significant decrease in earnings in 2009, depending on the extent and duration of the general market weakness. With our Global Excellence program, we have already initiated actions to reduce the impact on earnings of the currently very unfavourable market situation. These measures include, for example, the expansion of our presence in global growth markets.

Mercedes-Benz Vans' sales volume will be below the level of the year 2008 despite the strong market acceptance of the Sprinter and Vito models. According to the forecasts, the contribution to earnings is expected to decrease significantly in 2009.

### Capital expenditure

During the planning period of 2009 through 2010, Daimler AG expects to invest a total of € 4.7 billion in property, plant and equipment. In view of the current economic situation, we are focusing our investment budget as far as possible on projects that are essential for the market success of our products.

In the area of passenger cars, the focus will shift from vehicle to engine projects. In addition to the new engines with low fuel consumption and emissions (in particular new four and six cylinder gasoline engines), substantial investment is also planned for alternative drive concepts. Within the vehicle projects the new E-Class is in the focus of the investment activity. In 2010, the focus of investment will be on advance expenditure for the successor of the B-Class.

In particular, the commercial vehicles area will invest in new platforms for heavy and medium-duty trucks, new engine projects and the expansion and modernization of production capacity in the coming years.

At Mercedes-Benz Vans, the main areas of investment are the model upgrades for the Vito and Viano vans.

## Research and development

In order to secure our competitive position against the backdrop of the upcoming technological challenges we have significantly increased our research and development budget. In 2009 and 2010, Daimler AG will spend a total of approximately € 8.3 billion on research and development activities.

The main focus will be on passenger cars area. Substantial expenditure is planned for the renewal of the product range, including the S- and M-Class and the A-/B-Class in particular. In addition, spending on measures to reduce CO<sub>2</sub> emissions and development of alternative drive systems will also be intensified.

Key projects in the commercial vehicles area include the development of new-generations engines for global use that fulfil future emission regulations as well as a new truck platform for the successor models of the Actros and Atego.

The further development of engines to comply with future emission standards is also an important area at Mercedes-Benz Vans.

In addition to the aforementioned projects, Daimler AG 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. A key focus in this respect is to continue reducing the CO<sub>2</sub> emissions of our entire range of passenger cars and commercial vehicles.

### Forward-looking statements in the Management Report

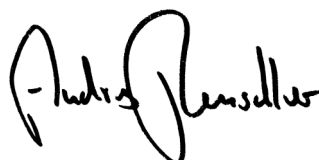
This document contains forward-looking statements that reflect our current views about future events. The words "anticipate," "assume," "believe," "estimate," "expect," "intend," "may," "plan," "project," "should" and similar expressions are used to identify forward-looking statements. These statements are subject to many risks and uncertainties, including a lack of improvement or a further deterioration of global economic conditions; a continuation or worsening of the turmoil in the credit and financial markets, which could result in ongoing high borrowing costs or limit our funding flexibility; changes in currency exchange rates and interest rates; the introduction of competing, fuel efficient products and the possible lack of acceptance of our products or services which may limit our ability to adequately utilize our production capacities or raise prices; price increases in fuel, raw materials, and precious metals; disruption of production due to shortages of materials, labor strikes, or supplier insolvencies; a further decline in resale prices of used vehicles; the effective implementation of cost reduction and efficiency optimization programs at all of our segments, including the repositioning of our truck activities in the NAFTA region; the business outlook of Chrysler, in which we hold an equity interest and some of whose obligations we have guaranteed; the business outlook of companies in which we hold an equity interest, most notably EADS; 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 this 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.

## Board of Management


Stuttgart  
February 24, 2009



Dieter Zetsche



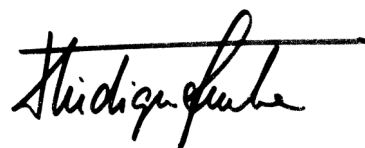
Andreas Renschler



Günther Fleig



Bodo Uebber



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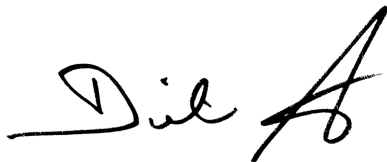
Thomas Weber

# Responsibility Statement

in accordance with Section 264 (2), 3 and Section 289 (1), 5 of the German Commercial Code

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Daimler AG, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of Daimler AG.

Stuttgart  
February 24, 2009



Dieter Zetsche



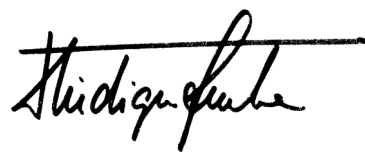
Andreas Renschler



Günther Fleig



Bodo Uebber



Rüdiger Grube



Thomas Weber

# Auditors' Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system and the management report, of Daimler AG, Stuttgart, for the business year from January 1 to December 31, 2008. The maintenance of the books and records and the preparation of the annual financial statements and the management report in accordance with German commercial law are the responsibility of the Company's Board of Management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB [Handelsgesetzbuch: German Commercial Code] and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). 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 annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company 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 books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Board of Management, as well as evaluating the overall presentation of the annual financial statements and 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 annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of Daimler AG in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

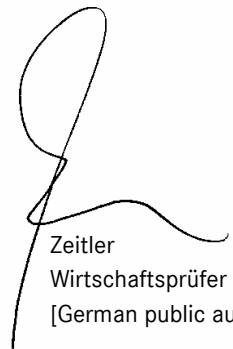
Stuttgart  
February 24, 2009

KPMG AG  
Wirtschaftsprüfungsgesellschaft

(formerly  
KPMG Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft)



Krauß  
Wirtschaftsprüfer  
[German public auditor]



Zeitler  
Wirtschaftsprüfer  
[German public auditor]

**The Annual Financial Statements and the Consolidated Financial Statements of Daimler AG for the year 2008 are filed with the operator of the electronic version of the German Federal Gazette and published in the electronic version of the German Federal Gazette.**

**These documents represent the English translation of the German "Jahresabschluss", which is the sole authoritative version.**

