

(Translation)

## **SEMI-ANNUAL REPORT**

**Financial Year (2011)**

**From: January 1, 2011**

**To: June 30, 2011**

\* This document is a hard copy of the electronic data of the Semi-Annual Report that was filed on September 27, 2011 through the EDINET system as provided by Article 27-30-2 of the Financial Instruments and Exchange Act of Japan with the table of contents and the page count appended thereto.

**DAIMLER AG**

**(E05854)**

(The Japanese original of the Semi-Annual Report was filed electronically through the EDINET system. This English translation has been prepared solely for reference purposes and does not have any binding force.)

(Translation)

[Cover Page]

Document Name:	Semi-Annual Report
Attention:	The Director General of the Kanto Local Finance Bureau
Date of Filing:	September 27, 2011
Interim Financial Year:	From January 1, 2011 to June 30, 2011
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## Table of Contents

	Japanese original	English translation
<b>PART 1. INFORMATION CONCERNING THE COMPANY</b> .....	2	1
<b>I. Outline of Legal and other Systems in the Home Country</b> .....	3	1
<b>II. Outline of the Company</b> .....	4	2
1. Changes in Major Business Indices, etc. ....	4	2
2. Contents of Business .....	5	3
3. State of the Related Companies .....	6	4
4. Employees .....	7	4
<b>III. Conditions of Business</b> .....	8	6
1. Outline of Business Results, etc. ....	8	6
2. Conditions of Production, Order and Sales .....	9	7
3. Problems which must be Resolved .....	11	8
4. Risk Factors Relating to Business .....	11	8
5. Material Contracts Relating to Business .....	12	9
6. Research and Development .....	14	10
7. Analysis of Financial Condition, Results of Operations and Cash Flow Status .....	15	11
a) Daimler Group .....	15	11
b) Mercedes-Benz Cars .....	25	20
c) Daimler Trucks .....	26	21
d) Mercedes-Benz Vans .....	27	22
e) Daimler Buses .....	28	23
f) Daimler Financial Services .....	29	24
g) Reconciliation .....	31	25
<b>IV. Conditions of Facilities</b> .....	32	26
1. Conditions of Principal Facilities .....	32	26
2. Plans for Installation or Removal of Facilities, etc. ....	32	26
<b>V. Conditions of the Company</b> .....	34	28
1. Information Concerning Shares, etc. ....	34	28
2. Trends in Share Prices .....	38	32
3. Directors and Officers .....	39	32
<b>VI. Conditions of Accounting (CPA's responsibility)</b> .....	40	34
<b>VII. Trends in the Foreign Exchange Rate</b> .....	80	34

<b>VIII. Reference Information</b> .....	80	34
<b>PART 2. INFORMATION REGARDING GUARANTORS, ETC. OF ISSUER</b> .....	81	34

Notes:

- (1) Unless otherwise specified, in this report, “we,” “us,” “our,” “Daimler,” the “Daimler Group” or the “Group” refers to Daimler AG and its consolidated subsidiaries, or any one or more of them, as the context may require. “Germany” means the Federal Republic of Germany.
- (2) In this Semi-Annual Report, unless otherwise noted, “Euro” refers to Euro (€). For the convenience of the Japanese reader, conversion into Japanese Yen has been made at the exchange rate of Euro 1.00 = ¥ 110.71 (the means of the Telegraphic Transfer Spot Selling and Buying Exchange Rates of The Bank of Tokyo-Mitsubishi UFJ, Ltd. on August 31, 2011).
- (3) Where figures in tables in this Semi-Annual Report have been rounded, the totals may not necessarily agree with the sum of the figures.
- (4) Unless otherwise indicated, “shares” in this document refer to ordinary registered shares of the Company.
- (5) This document contains forward-looking statements that reflect our current views about future events. The words “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” “should” and similar expressions are used to identify forward-looking statements. These statements are subject to many risks and uncertainties, including:
  - an adverse development of global economic conditions, in particular a decline of demand in our most important markets;
  - a deterioration of our funding possibilities on the credit and financial markets;
  - events of force majeure including natural disasters, acts of terrorism, political unrest, industrial accidents and their effects on our sales, purchasing, production or financial services activities;
  - changes in currency exchange rates;
  - a shift in consumer preference towards smaller, lower margin vehicles;
  - a possible lack of acceptance of our products or services which limits our ability to achieve prices as well as to adequately utilize our production capacities;
  - price increases in fuel or raw materials;
  - disruption of production due to shortages of materials, labor strikes, or supplier insolvencies;
  - a decline in resale prices of used vehicles;
  - the effective implementation of cost-reduction and efficiency-optimization measures;
  - the business outlook of companies in which we hold a significant equity interest, most notably the European Aeronautic Defence and Space Company EADS N.V. (EADS);
  - the successful implementation of strategic cooperations and joint ventures;
  - changes in laws, regulations and government policies, particularly those relating to vehicle emissions, fuel economy and safety;
  - the resolution of pending governmental investigations and the conclusion of pending or threatened future legal proceedings; and
  - other risks and uncertainties, some of which we describe under the heading “4. Risk Factors Relating to Business” in “III. Conditions of Business.”

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.

**PART 1. INFORMATION CONCERNING THE COMPANY**

**I. Outline of Legal and other Systems in the Home Country**

There has been no material change during the six-month period ended June 30, 2011 as well as since the filing of the Securities Report on June 17, 2011.

## II. Outline of the Company

### 1. Changes in Major Business Indices, etc.

The following table sets out the development of key figures of the Daimler Group. A detailed analysis of the business results is provided under “7. Analysis of Financial Condition, Results of Operations and Cash Flow Status” in section “III. Conditions of Business.”

Daimler Group (amounts in millions of €)	1st half ended June 30, (unaudited)			Year ended Dec. 31, (audited)	
	2011	2010	2009	2010	2009
Revenue	51,067	46,294	38,291	97,761	78,924
Western Europe	19,394	18,329	18,100	38,478	36,458
of which Germany	9,492	9,037	9,257	19,281	18,788
United States	10,097	9,666	8,329	20,216	16,569
China	5,660	4,296	1,777	9,094	4,349
Other markets	15,916	14,003	10,085	29,973	21,548
Employees (at period-end)	266,114	257,658	257,427	260,100	256,407
Investment in property, plant and equipment	1,754	1,381	1,242	3,653	2,423
Research and development expenditure	2,579	2,370	2,276	4,849	4,181
thereof: capitalized development costs	682	722	689	1,373	1,285
EBIT	4,612	3,294	(2,431)	7,274	(1,513)
Net profit (loss)	2,884	1,924	(2,348)	4,674	(2,644)
Earnings (loss) per share (in €)					
Basic	2.50	1.84	(2.37)	4.28	(2.63)
Diluted	2.50	1.84	(2.37)	4.28	(2.63)
Cash provided by operating activities	336	4,599	6,426	8,544	10,961
Cash used for investing activities	(1,931)	(746)	(5,689)	(313)	(8,950)
Cash provided by (used for) financing activities	673	(6,362)	6,409	(7,551)	1,057
Cash and cash equivalents					
At beginning of period	10,903	9,800	6,912	9,800	6,912
At end of period	9,841	7,886	13,928	10,903	9,800

Daimler Group (amounts in millions of €)	As of June 30, (unaudited)			As of December 31, (audited)	
	2011	2010	2009	2010	2009
Equity attributable to shareholders of Daimler AG	37,042	33,247	30,092	36,373	30,261
Minority interest	1,657	1,382	1,320	1,580	1,566
Total equity	38,699	34,629	31,412	37,953	31,827
Total assets	136,145	136,187	134,992	135,830	128,821

## 2. **Contents of Business** (to and as of the end of August 2011)

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

The Group reports the following five segments:

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

The other business activities of the Group are included in the column “Reconciliation” together with corporate items and eliminations of intersegment transactions. These business activities primarily comprise our investments in EADS, Tognum AG (Tognum), Beijing Benz Automotive Co., Ltd. (BBAC), and Kamaz OAO (Kamaz).

*EADS.* Through a subsidiary, Daimler holds a 22.5% equity interest in EADS, a leading company in the aerospace and defense industries. In economic terms, Daimler owns a 15% stake in EADS, because a consortium of national and international investors owns a one-third interest in the subsidiary that holds the EADS shares. The Group principally includes its proportionate share in the income (loss) of EADS with a time lag of three months and reports the results in the reconciliation of total segments’ EBIT to Group EBIT in the segment reporting.

*Tognum.* Tognum is a global supplier of off-highway engines, propulsion systems and decentralized energy systems. In Daimler’s unaudited interim consolidated financial statements for the first six months of 2011 and 2010, Tognum has been included with a three-month time lag using the equity method of accounting based on Daimler’s equity interest of 28.4%.

For information on the public voluntary tender offer for Tognum that Daimler AG and Rolls-Royce Holdings plc made on April 6, 2011, please refer to section “III. Conditions of Business”, subsection “5. Material Contracts Relating to Business.”

*BBAC.* In China, the locally manufactured Mercedes-Benz vehicles are produced and sold by BBAC, a 50:50 joint venture together with the Chinese company Beijing Automotive Industry Corporation (BAIC).

*Kamaz.* Daimler holds an economic interest in the Russian truck manufacturer Kamaz of 15%. In 2010, the Group and the European Bank for Reconstruction and Development (EBRD) completed an increase in their strategic investments in Kamaz. Daimler has thus increased its equity interest in Kamaz by one percentage point to 11%, while the remaining 4% are legally held by EBRD. Due to the contractual situation Daimler is deemed to be the economic owner of the shares held by EBRD pursuant to IFRS.

For information on earnings of the five segments and the reconciliation, please refer to the discussion of Group EBIT in “III. Conditions of Business, 7. Analysis of Financial Condition, Results of Operations and Cash Flow Status, a) Daimler Group.”

### **3. State of the Related Companies**

Besides the public voluntary tender offer for Tognum, mentioned under “2. Contents of Business” above, and further described under section “III. Conditions of Business”, subsection “5. Material Contracts Relating to Business”, no material change regarding the Related Companies occurred during the six-month period ended June 30, 2011.

Daimler AG and Rolls-Royce Holdings plc made a public voluntary tender offer for Tognum through Engine Holding GmbH (Engine Holding). Engine Holding is a private, limited company established under German law having its corporate seat in Stuttgart, Germany. Engine Holding was incorporated under the name Siebte Vermögensverwaltungsgesellschaft Zeus mbH and was registered in the commercial register of the Stuttgart local court under HRB 736842 on March 4, 2011 with a share capital of €25,000. Initial sole shareholder was Daimler AG. On March 9, 2011, Daimler AG sold and transferred a share in the nominal amount of €12,500 in Engine Holding (representing 50% of Engine Holding’s share capital) to Vinters International Limited, a wholly owned indirect subsidiary of Roll-Royce Group plc. The subsequent change of the name into Engine Holding GmbH became effective upon registration in the commercial register on March 23, 2011.

The object of business of Engine Holding as set forth in its articles of association is the management of participations in domestic and foreign enterprises operating in the business of development, production, distribution and services, in particular in the fields of reciprocating engines, power generation and other engines, as well as related components. Engine Holding has currently no business activities, no subsidiaries and does not have any employees.

The managing directors of Engine Holding are Friedrich Baumann, Dr. Stefan Kreis, Miles Adrian Cowdry and Gareth James Hopkinson. Engine Holding has currently no supervisory board. However, Engine Holding has a shareholders’ committee consisting of six members, half of which were nominated by Daimler and half by Rolls-Royce Group plc (through Vinters International Limited).

For further information on the shareholding of Engine Holding in Tognum, please refer to section “III. Conditions of Business”, subsection “5. Material Contracts Relating to Business” in this Semi-Annual Report.

### **4. Employees**

At the end of the first half of 2011, Daimler employed 266,114 people worldwide (end of H1 2010: 257,658). Of this total, 166,840 were employed in Germany (end of H1 2010: 163,507).

The table below provides the number of employees by segments as of June 30, 2011:

<b>Number of Employees</b>	<b>As of June 30,</b>	
	<b>2011</b>	<b>2010</b>
Mercedes-Benz Cars	97,428	94,922
Daimler Trucks	75,845	70,647
Mercedes-Benz Vans	14,700	15,003
Daimler Buses	16,905	16,754
Daimler Financial Services	6,757	6,803
Other <sup>1</sup>	54,479	53,529
<b>Daimler Group</b>	<b>266,114</b>	<b>257,658</b>

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

### III. Conditions of Business

#### 1. Outline of Business Results, etc.

The following table provides an overview of the profit and loss account for the first half of 2011:

<b>Unaudited Consolidated Statement of Income</b> (In millions of € except per share amounts)	<b>1<sup>st</sup> half ended June 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>Revenue</b>	<b>51,067</b>	<b>46,294</b>
Cost of sales	(38,554)	(35,828)
<b>Gross profit</b>	<b>12,513</b>	<b>10,466</b>
Selling expenses	(4,612)	(4,073)
General administrative expenses	(1,837)	(1,610)
Research and non-capitalized development costs	(1,897)	(1,648)
Other operating income	595	319
Other operating expense	(195)	(180)
Share of profit (loss) from investments accounted for using the equity method, net	84	(214)
Other financial income (expense), net	(39)	234
<b>Earnings before interest and taxes (EBIT)<sup>1</sup></b>	<b>4,612</b>	<b>3,294</b>
Interest income	432	402
Interest expense	(640)	(820)
<b>Profit before income taxes</b>	<b>4,404</b>	<b>2,876</b>
Income tax expense	(1,520)	(952)
<b>Net profit</b>	<b>2,884</b>	<b>1,924</b>
Profit attributable to minority interest	(218)	(9)
<b>Profit attributable to shareholders of Daimler AG</b>	<b>2,666</b>	<b>1,915</b>

#### **Earnings per share (in €) for profit attributable to shareholders of Daimler AG**

<b>Basic</b>	<b>2.50</b>	<b>1.84</b>
<b>Diluted</b>	<b>2.50</b>	<b>1.84</b>

1) EBIT includes expenses from the compounding of provisions and the effects of changes in discount rates (2011: €88 million; 2010: €104 million).

The accompanying notes are an integral part of these Unaudited Interim Consolidated Financial Statements. A detailed analysis of the business results is provided under “7. Analysis of Financial Condition, Results of Operations and Cash Flow Status” in this section.

## 2. Conditions of Production, Order and Sales

The following tables show the unit sales by regions and the total number of production for Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans and Daimler Buses.

### Mercedes-Benz Cars

Unit sales	1 <sup>st</sup> half 2011	1 <sup>st</sup> half 2010	% change
Western Europe	316,149	312,936	+1
Germany	138,575	135,751	+2
United States	112,803	107,463	+5
China	101,359	75,366	+34
Other markets	138,042	123,813	+11
<b>Total unit sales</b>	<b>668,353</b>	<b>619,578</b>	<b>+8</b>
<b>Production</b>	<b>690,950</b>	<b>633,846</b>	<b>+9</b>

### Daimler Trucks

Unit sales	1 <sup>st</sup> half 2011	1 <sup>st</sup> half 2010	% change
Western Europe	27,241	21,152	+29
Germany	13,342	11,049	+21
United States	42,566	30,634	+39
Latin America (excl. Mexico)	27,308	27,222	+0
Asia	53,304	51,397	+4
Other markets	30,299	23,949	+27
<b>Total unit sales</b>	<b>180,718</b>	<b>154,354</b>	<b>+17</b>
<b>Production</b>	<b>186,024</b>	<b>158,177</b>	<b>+18</b>

### Mercedes-Benz Vans

Unit sales	1 <sup>st</sup> half 2011	1 <sup>st</sup> half 2010	% change
Western Europe	83,323	76,205	+9
Germany	34,209	28,724	+19
United States	7,816	5,152	+52
Latin America (excl. Mexico)	5,786	5,941	-3
Asia	8,046	6,042	+33
Other markets	17,036	12,708	+34
<b>Total unit sales</b>	<b>122,007</b>	<b>106,048</b>	<b>+15</b>
<b>Production</b>	<b>133,441</b>	<b>111,081</b>	<b>+20</b>

Daimler Buses

Unit sales	1 <sup>st</sup> half 2011	1 <sup>st</sup> half 2010	% change
Western Europe	1,967	2,796	-30
Germany	698	899	-22
NAFTA	1,662	1,618	+3
Latin America (excl. Mexico)	12,512	12,621	-1
Other markets	2,167	2,191	-1
<b>Total unit sales</b>	<b>18,308</b>	<b>19,226</b>	<b>-5</b>
<b>Production</b>	<b>18,776</b>	<b>19,601</b>	<b>-4</b>

Unit sales and revenue will be discussed in detail under “7. Analysis of Financial Condition, Results of Operations and Cash Flow Status” in this section.

**3. Problems which must be Resolved**

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

- “2. Contents of Business” in section “II. Outline of the Company,”
- “5. Material Contracts Relating to Business” in section “III. Conditions of Business,”
- “6. Research and Development” in section “III. Conditions of Business,”
- “7. Analysis of Financial Condition, Results of Operations and Cash Flow Status” in section “III. Conditions of Business,”
- “2. Plans for Installation or Removal of Facilities, etc.” in section “IV. Conditions of Facilities,” and
- Note 2 and Note 9 to the Unaudited Interim Consolidated Financial Statements included in this document.

Furthermore, the automotive industry is subject to extensive governmental regulations worldwide. Laws in various jurisdictions regulate occupant safety and the environmental impact of vehicles, including emission levels and fuel economy. The cost of compliance with these regulations is significant, and we expect to increase our research and development spending in the future in order to fulfill those requirements. New legislation may subject us to additional expense in the future, which could be significant. Noncompliance with regulations applicable to the automotive industry could also result in significant penalties or the inability to sell noncompliant vehicles in the relevant markets.

**4. Risk Factors Relating to Business**

For a full description of risk factors influencing the Group’s business development, please refer to section “III. Description of Business”, subsection “4. Risk Factors” of the Securities Report filed on June 17, 2011. Also, please consider Note 5 of the Table of Contents of this document.

During the six-month period ended June 30, 2011, individual risks have increased. Above all for the US economy, risks for ongoing developments have increased following the unexpectedly weak first half of the year. Although the price of crude oil has recently eased slightly, the high volatility in the first half of the year shows what an influence even minor market disturbances can have. In Japan, the primary risk is now that reconstruction after the threefold disaster will not progress quickly enough. This could have consequences for the international supply chain and thus also for the production plans of our commercial vehicles subsidiary, Mitsubishi Fuso Truck and Bus Corporation. The exacerbation of the sovereign debt crisis in Europe involves the risk not only that economically less important peripheral countries will be massively impacted, but that larger European economies might also be affected. A sustained spread to other countries would have serious economic consequences for the entire euro zone. In the larger emerging markets such as China, however, a balancing act must be mastered between the desired economic cooling-off and excessive monetary and fiscal countermeasures.

## **5. Material Contracts Relating to Business**

### **(a) Material contracts**

The following provides the material contracts that Daimler AG concluded during the first half of 2011:

On April 6, 2011, Daimler AG and Rolls-Royce Holdings plc made a public voluntary tender offer for Tognum through Engine Holding. Upon expiry of the acceptance period on June 20, 2011, the offer had been accepted for a total of 121.7 million Tognum shares. Together with the shares acquired directly by Engine Holding (two million shares), this represented an equity interest in Tognum of approximately 94.2%. On August 10, 2011, Daimler announced that Daimler AG and Rolls-Royce Group plc have acquired additional shares in Tognum AG equivalent to 0.83% of its equity. Upon completion of the public tender offer, the two companies will have acquired at least 95% of Tognum's shares through Engine Holding. When the 95% threshold is reached, German takeover law allows for an additional offer period for the Tognum shareholders who have not yet accepted the public tender offer. They can now tender their shares for purchase by Engine Holding at the offer price of €26 until November 10, 2011. After the announcement on August 26, 2011 that the approval of all the relevant regulatory authorities for the acquisition of Tognum had been obtained, the cash settlement of the tender offer was executed. The Group placed its previously held Tognum shares (28.4%) into Engine Holding. At the same time, the Group made a capital contribution into Engine Holding in order to carry out the takeover bid. The net cash outflow from these transactions was €0.7 billion.

On June 28, 2011, Daimler AG and its Chinese partner BAIC signed a strategic framework agreement through which the two partners will intensify their cooperation in China. A total of approximately €2 billion will be invested in the joint venture BBAC.

The agreement covers the following projects: Local production for the Chinese market will be extended in 2011 with the GLK model (a compact SUV), and successively as of 2013 with three model series of the new-generation Mercedes-Benz compact car. The existing production capacities for the C-Class and the long-wheelbase E-Class will be further expanded from the present volume of approximately 80,000 cars per annum in

line with market demand. Production of four-cylinder gasoline engines will be started at a new engine plant in the year 2013, to be used in locally assembled Mercedes-Benz cars and vans. The engine plant will initially produce up to 100,000 units each year, and is later to be expanded to an annual output of 250,000 units. Even higher numbers will be possible to meet growing future demand. A new research and development center in China will primarily be occupied with vehicle testing and adaptation, as well as R&D activities with suppliers.

For additional information about material acquisitions and dispositions, please refer to section “III. Description of Business”, subsection “5. Material Contracts Relating to Business” of the Securities Report filed on June 17, 2011, and to Note 2 and Note 9 to the Unaudited Interim Consolidated Financial Statements.

**(b) Material amendments of Change-of-Control Clauses**

A change-of-control clause regulating the consequences of a change of control as can occur as a result of a takeover bid is included in the following material contract concluded by Daimler during the six-month period ended June 30, 2011:

The shareholders’ agreement between Daimler, Rolls-Royce Holdings plc (Rolls-Royce) and Vinters International Limited, a Rolls-Royce subsidiary, relating to the joint venture for the acquisition of Tognum and the potential combination with the Bergen Business of Rolls-Royce. Daimler and Vinters International Limited each hold an equity interest of 50% in the joint venture company Engine Holding. In case of a change of control of one of the parties to the agreement (the affected party), the other party shall be entitled to acquire at appropriate conditions the shares of the affected party in the joint venture company at the time of the change of control event. For additional information please refer to section “III. Description of Business”, subsection “5. Material Contracts Relating to Business” of the Securities Report filed on June 17, 2011.

For change-of-control clauses in material contracts concluded by Daimler on or before December 31, 2010, please refer to section “III. Description of Business”, subsection “5. Material Contracts Relating to Business” of the Securities Report filed on June 17, 2011, too.

**6. Research and Development**

In the first half of 2011, Daimler spent a total of €2.6 billion on research and development (H1 2010: €2.4 billion). Total research and development expenditure reached 5.1% of the Group’s total revenue. 26% of the research and development expenditure have been capitalized.

The table below shows research and development expenditure during the first six months of 2011 and 2010:

Research and development expenditure (€in millions)	1 <sup>st</sup> half ended June 30,	
	2011	2010
Research and development expenditure	2,579	2,370
thereof: Capitalized development costs	682	722

Research and development play a key role at Daimler. Following the tradition of Gottlieb Daimler and Carl Benz, who invented the automobile 125 years ago, we see

ourselves as pioneers and drivers of innovation in the automotive industry. In view of the fundamental technological transformation facing the entire automotive industry, successful research and development work is a key factor for the Daimler Group's future success. Our research activities help us to anticipate trends as well as customers' desires and the requirements they place on future mobility, which are then consistently integrated into series products by our development engineers. Our goal is to provide our customers with exciting products and tailored solutions for needs-oriented, safe and sustainable mobility. We organize our technology portfolio and our core competencies to ensure that we achieve this goal.

The main areas of our work were new, extremely fuel-efficient and environmentally friendly drive technologies, in line with our "Road to Emission-free Mobility" initiative. We work on optimizing conventional drive technologies and enhancing their efficiency through hybridization, as well as on electric vehicles with fuel-cell drive and battery power. Another focus is on new safety technologies: In the context of our "Vision of Accident-free Driving," we are pursuing the goal of avoiding accidents as far as possible and of alleviating the consequences of any accidents that might still occur.

For further information on Daimler's research and development activities, including important sites of the research and development network and the personnel employed in research and development departments, please refer to section "III. Description of Business", subsection "6. Activities on Research and Development" of the Securities Report filed on June 17, 2011.

## 7. Analysis of Financial Condition, Results of Operations and Cash Flow Status

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

(amounts in millions of €)	1 <sup>st</sup> half ended June 30,			
	2011		2010	
	Revenue	EBIT	Revenue	EBIT
Mercedes-Benz Cars	28,507	2,854	25,613	2,182
Daimler Trucks	12,890	889	10,726	430
Mercedes-Benz Vans	4,220	379	3,674	191
Daimler Buses	1,997	28	2,216	120
Daimler Financial Services	5,941	661	6,383	290
Reconciliation	(2,488)	(199)	(2,318)	81
<b>Total</b>	<b>51,067</b>	<b>4,612</b>	<b>46,294</b>	<b>3,294</b>

### a) Daimler Group

#### Unit Sales and Revenue

In the first half of 2011, Daimler Group sold 989,400 cars and commercial vehicles. This represents a 10% increase compared to the prior-year period (H1 2010: 899,200).

Unit sales of the Mercedes-Benz Cars division increased by 8% to 668,400 vehicles. Unit sales rose both for the Mercedes-Benz (+8%) and the smart brand (+9%). Daimler Trucks sold 180,700 vehicles, compared to 154,400 in the first half of last year. As a result of the ongoing positive market development for medium-sized and large vans, Mercedes-Benz Vans increased unit sales by 15% to 122,000 vehicles. Unit sales of Daimler Buses decreased by 5% to 18,300 buses and chassis. At the end of the first half of 2011, Daimler Financial Services' contract volume amounted to €3.1 billion, 1% down from the level at the end of 2010 (€3.7 billion).

In the first half of 2011, Daimler's revenue rose by 10% to €1.1 billion. Adjusted for the effects of currency translation, the increase in revenue was 12%.

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

### EBIT

For the first half of 2011, *Daimler* improved its EBIT to €4,612 million (H1 2010: €3,294 million). The significant increase in operating profit was driven also in the first half of the year mainly by the higher vehicle deliveries of nearly all divisions.

The EBIT posted by *Mercedes-Benz Cars* for the first half of the year improved to €2,854 million (H1 2010: €2,182 million). The division's return on sales increased to 10.0% (H1 2010: 8.5%). The first half of this year featured dynamic developments and high growth rates, particularly in Asia and the BRIC countries. In China, Mercedes-Benz Cars increased its unit sales by 34%. The division further increased its unit sales during this period in particular in the mid-sized and luxury segments and with SUVs. A favorable product mix, better pricing and lower warranty expenditures also contributed to the positive earnings development. There were opposing effects from increased prices of raw materials, higher expenses for the development and ramp-up of new vehicles, and negative exchange-rate effects.

With EBIT of €89 million, *Daimler Trucks* also achieved a significant earnings improvement in the first half of 2011 (H1 2010: €430 million). The division's return on sales increased accordingly to 6.9% (H1 2010: 4.0%). This was primarily due to the very good development of unit sales in Europe and the United States. Earnings were reduced by increased material costs and higher advance expenditure for the current product offensive. Asset damage and production losses due to the natural disaster in Japan led to charges of €8 million in the first six months of this year, including consideration of insurance compensation.

*Mercedes-Benz Vans* also achieved a significant earnings improvement in the first half of 2011, posting EBIT of €379 million (H1 2010: €191 million). The division's return on sales was 9.0% (H1 2010: 5.2%). The main factor behind this development was the substantial increase in unit sales compared with the prior-year period. There were additional positive effects on earnings from sustained efficiency improvements, a good product mix and improved pricing. However, the division's EBIT was reduced by higher material costs.

*Daimler Buses* was unable to match its prior-year earnings, posting EBIT of €28 million for the first half of this year (H1 2010: €120 million). The division's return on sales amounted to 1.4% (H1 2010: 5.4%). The earnings decrease is primarily a reflection of lower unit sales of complete buses in Western Europe and North America,

which could not be offset by stable business in Latin America and the positive development in Turkey. Negative exchange-rate effects also had an impact on earnings.

*Daimler Financial Services* posted EBIT for the first six months of 2011 of €661 million, which is substantially higher than its earnings for the prior-year period of €90 million. The improvement was mainly caused by lower risk provisions and better interest-rate margins. Due to the natural disaster in Japan, Daimler Financial Services recognized write-down charges of €29 million for anticipated losses of receivables. Earnings in the prior-year period included expenses for the repositioning of business activities in Germany (€78 million) and charges relating to the sale of non-automotive assets (€20 million).

Items included in the *reconciliation* of the divisions' EBIT to Group EBIT had an impact of minus €199 million on earnings for the first half of this year (H1 2010: plus €81 million). Daimler's proportionate share of the net result of EADS in the first half of 2011 amounted to a profit of €71 million (H1 2010: loss of €264 million). The prior-year loss was primarily the result of provisions recognized by EADS relating to the A400M military transport aircraft. There was an opposing, positive effect from the gain of €65 million realized on the sale of Daimler's 5.3% equity interest in Tata Motors.

Furthermore, expenses at the corporate level of €245 million have been taken into consideration that are partially related to litigation (H1 2010: income of €37 million).

The elimination of intra-Group transactions resulted in an expense of €25 million in the first half of this year (H1 2010: income of €43 million).

The special items shown in the table below influenced EBIT in the first six months of the years 2011 and 2010:

<b>Special items affecting EBIT</b> (amounts in millions of €)	<b>1<sup>st</sup> half ended June 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>Daimler Trucks</b>		
Natural disaster in Japan	(38)	—
Realignment of Mitsubishi Fuso Truck and Bus Corporation	—	(15)
Repositioning of Daimler Trucks North America	—	(16)
<b>Daimler Financial Services</b>		
Natural disaster in Japan	(29)	—
Repositioning of business activities in Germany	—	(78)
Sale of non-automotive assets	—	(20)
<b>Reconciliation</b>		
Sale of equity interest in Tata Motors	—	265
A400M military transport aircraft <sup>1</sup>	—	(237)

1) Charges related to the A400M military transport aircraft of EADS are not considered in the calculation of EBIT from ongoing business.

## Net Profit

<b>Unaudited Consolidated Statement of Income</b> (amounts in millions of €)	<b>1<sup>st</sup> half ended June 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>Revenue</b>	<b>51,067</b>	<b>46,294</b>
Cost of sales	(38,554)	(35,828)
<b>Gross profit</b>	<b>12,513</b>	<b>10,466</b>
Selling expenses	(4,612)	(4,073)
General administrative expenses	(1,837)	(1,610)
Research and non-capitalized development costs	(1,897)	(1,648)
Other operating income	595	319
Other operating expense	(195)	(180)
Share of profit (loss) from investments accounted for using the equity method, net	84	(214)
Other financial income (expense), net	(39)	234
<b>Earnings before interest and taxes (EBIT)<sup>1</sup></b>	<b>4,612</b>	<b>3,294</b>
Interest income	432	402
Interest expense	(640)	(820)
<b>Profit before income taxes</b>	<b>4,404</b>	<b>2,876</b>
Income taxes	(1,520)	(952)
<b>Net profit</b>	<b>2,884</b>	<b>1,924</b>
Profit attributable to minority interest	(218)	(9)
<b>Profit attributable to shareholders of Daimler AG</b>	<b>2,666</b>	<b>1,915</b>

1) EBIT includes expenses from the compounding of provisions and the effects of changes in discount rates (2011: €88 million; 2010: €104 million).

*Net interest expense* amounted to €208 million (H1 2010: €418 million). The improvement is mainly a reflection of higher net liquidity in the industrial business. It also reflects effects from derivative hedging instruments applied to protect against interest-rate risks. Interest expenses related to pension benefit obligations were at the prior-year level.

The *income-tax expense* for the first half of the year of €1,520 million is the result of the Group's higher pre-tax profit (H1 2010: €952 million).

First-half *net profit* increased to €2,884 million in 2011 (H1 2010: €1,924 million), equivalent to earnings per share of €2.50 (H1 2010: €1.84).

In the first half of 2011, profit of €218 million is attributable to *minority interest* (H1 2010: €9 million), and is partially related to the activities of our Chinese subsidiary. The amount of net profit attributable to the *shareholders of Daimler AG* is €2,666 million (H1 2010: €1,915 million).

## Cash Flows

*Cash provided by operating activities* amounted to €0.3 billion in the first half of 2011 (H1 2010: €4.6 billion). The positive effect from the significant improvement in net profit was partially offset by the increased new business in leasing and sales financing and the development of inventories. Compared with the first half of 2010, there were other effects reducing the cash flow from operating activities from the payment of the performance-related bonuses for the year 2010 as well as from higher income-tax payments (€1.7 billion; H1 2010: €0.4 billion); the higher cash outflows for income

taxes partially reflect payments of arrears for prior years in North America. The effects from higher trade receivables due to higher unit sales were nearly offset by the increase in trade payables compared with the prior year.

*Cash flows from investing activities* in the first half of the year resulted in a net cash outflow of €1.9 billion (H1 2010: €0.7 billion). The change compared with the prior year was primarily the result of acquisitions and sales of securities carried out in the context of liquidity management, which led to lower (net) cash inflows in the reporting period. In addition, cash outflows for investments in property, plant and equipment increased by €0.4 billion to €1.8 billion. The prior-year period was also affected by proceeds from the sale of Daimler's shares in Tata Motors (€0.3 billion).

*Cash flows from financing activities* resulted in a net cash inflow of €0.7 billion in the period under review. The cash inflows from new borrowings (net) offset the cash outflows for the payment of the dividend for the year 2010 (€2.0 billion). Additionally, dividends of €0.2 billion were paid to holders of minority interests in subsidiaries. In the prior-year period, there was a net cash outflow of €6.4 billion, due almost solely to the repayment of financing liabilities (net).

Cash and cash equivalents decreased compared with December 31, 2010 by €1.1 billion, after taking currency translation into account. Total liquidity, which also includes marketable debt securities, was reduced by €1.5 billion to €1.5 billion.

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

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

<b>Free cash flow of the industrial business</b> (amounts in millions of €)	<b>1<sup>st</sup> half ended June 30,</b>	
	<b>2011</b>	<b>2010</b>
Cash provided by operating activities	3,026	4,549
Cash used for investing activities	(1,860)	(1,083)
Change in marketable debt securities	(520)	(691)
Other adjustments	(33)	(4)
<b>Free cash flow of the industrial business</b>	<b>613</b>	<b>2,771</b>

The free cash flow decreased compared with the prior-year period by €2.2 billion to €0.6 billion.

The decrease was mainly caused by the development of inventories, the payment of the anniversary bonus and the increase in the capital of the Daimler and Benz Foundation. There were other impacts from the payment of the performance-related bonuses and from higher investments in property, plant and equipment. Furthermore, the prior-year period had been affected by the gain on the sale of Daimler's shares in Tata Motors. There were positive effects in particular from increased profit contributions from the

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

<b>Net liquidity of the industrial business</b> (amounts in millions of €)	<b>June 30, 2011</b>	<b>Dec. 31, 2010</b>
Cash and cash equivalents	8,981	9,535
Marketable debt securities	725	1,258
<b>Liquidity</b>	<b>9,706</b>	<b>10,793</b>
Financing liabilities	1,730	1,358
Market valuation and currency hedges for financing liabilities	53	(213)
<b>Financing liabilities (nominal)</b>	<b>1,783</b>	<b>1,145</b>
<b>Net liquidity</b>	<b>11,489</b>	<b>11,938</b>

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

To the extent that the Group's internal refinancing of the financial services business is provided by the companies of the industrial business, this amount is deducted in the calculation of the net debt of the industrial business. At June 30, 2011, the Group's internal refinancing was higher than the financing liabilities originally assumed in the industrial business due to the use of the industrial business's own funds (as had already been the case at December 31, 2010). This resulted in a positive amount for the financing liabilities of the industrial business, increasing its net liquidity.

The net liquidity of the industrial business amounted to €11.5 billion at June 30, 2011 (December 31, 2010: €11.9 billion).

The positive free cash flow and the intra-Group dividend payment by the financial services business were offset by the payment of the dividend of €2.0 billion for the year 2010.

Net debt at Group level, which primarily results from the refinancing of the leasing and sales financing business, increased by €2.0 billion compared with December 31, 2010, mainly due to the increased volume of new business in leasing and sales financing and the payment of the dividend for the year 2010. There were smaller, opposing effects from currency translation.

<b>Net debt of the Daimler Group</b> (amounts in millions of €)	<b>June 30, 2011</b>	<b>Dec. 31, 2010</b>
Cash and cash equivalents	9,841	10,903
Marketable debt securities	1,614	2,096
<b>Liquidity</b>	<b>11,455</b>	<b>12,999</b>
Financing liabilities	(54,355)	(53,682)
Market valuation and currency hedges for financing liabilities	53	(213)
<b>Financing liabilities (nominal)</b>	<b>(54,302)</b>	<b>(53,895)</b>
<b>Net debt</b>	<b>(42,847)</b>	<b>(40,896)</b>

### Balance Sheet Structure

Compared with December 31, 2010, the Group's *balance sheet total* was almost unchanged at €36.1 billion. Adjusted for the effects of currency translation, it increased by €4.2 billion. The financial services business accounts for €7.0 billion of the balance sheet total (December 31, 2010: €7.9 billion), equivalent to 49% of the Daimler Group's total assets (December 31, 2010: 50%).

Current assets account for 42% of the balance sheet total (December 31, 2010: 42%). The increase in inventories was offset by a reduction in cash and cash equivalents. Current liabilities account for 37% of the balance sheet total (December 31, 2010: 39%). The decrease reflects the lower financial liabilities and provisions, partially offset by higher trade payables.

*Intangible assets* of €7.7 billion were higher than the amount at December 31, 2010. The increase of €0.3 billion after adjusting for the effects of currency translation relates in particular to capitalized development expenses.

*Property, plant and equipment* were slightly higher than at December 31, 2010. Investments of €1.8 billion, mainly in the Mercedes-Benz Cars and Daimler Trucks segments, were almost offset by depreciation and exchange-rate effects.

*Equipment on operating leases and receivables from financial services* decreased to €0.1 billion. Adjusted for exchange-rate effects, there was an increase of €1.5 billion due to the larger volume of new business. These assets' proportion of the balance sheet total was 44% (December 31, 2010: 45%).

*Investments accounted for using the equity method* of €4.1 billion mainly comprise the carrying amounts of our investments in EADS, Tognum and Kamaz. The increase of €0.2 billion is almost solely due to EADS.

*Inventories* increased by €1.5 billion to €6.0 billion, equivalent to 12% of total assets. The increase primarily reflects higher stocks of finished goods.

*Trade receivables* increased slightly, despite opposing exchange-rate effects, to €7.4 billion.

*Cash and cash equivalents* decreased compared with December 31, 2010 by €1.1 billion to €9.8 billion.

*Marketable debt securities* were reduced compared with December 31, 2010 from €2.1 billion to €1.6 billion. These assets mainly consist of publicly traded debt instruments.

*Other financial assets* increased from €5.4 billion to €6.1 billion. They mainly consist of investments and derivative financial instruments, as well as loans and other receivables due from third parties.

*Other assets* of €5.5 billion (December 31, 2010: €5.6 billion) primarily comprise deferred tax assets and tax refund claims.

The Group's *equity* increased compared with December 31, 2010 by €0.7 billion to €8.7 billion. The increase after adjusting for currency effects of €1.4 billion primarily reflects the Group's net profit of €2.9 billion. There was an opposing effect from the payment of the dividend for the year 2010 of €2.0 billion.

The *equity ratio* was 28.4% for the Group (December 31, 2010: 26.5%) and 48.5% for the industrial business (December 31, 2010: 45.8%). The equity ratios at December 31, 2010 are adjusted for the dividend payment for the year 2010.

*Provisions* account for 14% of the balance sheet total. Most of them relate to warranty, personnel and pension obligations, and at €19.5 billion were below the level of December 31, 2010 (€20.6 billion). The decrease mainly reflects lower provisions for personnel obligations following the payment of the performance-related bonus. Provisions for income taxes also decreased.

*Financing liabilities* increased by €0.7 billion to €4.4 billion. The increase of €2.0 billion after adjusting for currency effects is related to liabilities to financial institutions and from ABS transactions and commercial paper. There was an opposing effect from the lower volume of bonds.

*Trade payables* increased by €0.9 billion to €8.6 billion, partially due to the higher production volumes.

*Other financial liabilities* decreased to €3.3 billion (December 31, 2010: €10.5 billion). They primarily consist of liabilities from residual-value guarantees and from wages and salaries, derivative financial instruments and accrued interest on financing liabilities. The decrease is mainly accounted for by derivative financial instruments in connection with exchange-rate movements.

*Other liabilities* of €6.7 billion (December 31, 2010: €5.4 billion) primarily comprise deferred tax liabilities, tax liabilities and deferred income. The increase is mainly related to deferred taxes.

### Credit Ratings

To help debt and fixed income investors better evaluate the risk of any given investment, the capital market uses the publicly available independent assessments of rating agencies. Through regular discussions with the senior management of companies, rating agencies gain an insight into the strategy and planning of the companies that they rate. Using this information as a base, supplemented by quantitative analysis, rating agencies evaluate the creditworthiness of the issuer companies through a system of rating classifications. Companies which want to raise money in the capital markets in the form of bonds, commercial paper and other debt instruments normally need a minimum of one or better two ratings.

The higher the rating classification, the smaller is the potential risk that a company cannot meet its debt obligations (interest and principal). The debt investor charges a higher rate of interest for financing a higher risk. Thus a company with a strong rating can raise capital more advantageously than a company which has a less favorable rating.

Additionally, the outlook given by a rating agency provides a supplementary reference point for the investor in assessing the probable development of the rating.

The leading international rating agencies Standard & Poor's Rating Services (S&P), Moody's Investors Service, Inc. (Moody's), Fitch Ratings Ltd. (Fitch) and DBRS Limited (DBRS) rate Daimler's commercial paper (short-term) and senior unsecured long-term debt (long-term).

As of August 31, 2011, our credit ratings are as follows:

	<b>S&amp;P</b>	<b>Moody's</b>	<b>Fitch</b>	<b>DBRS</b>
<b>Short-term debt</b>	A-2	P-2	F2	R-1 (low)
<b>Long-term debt</b>	BBB+	A3	A-	A (low)

The following changes occurred during the period from January 1 to August 31, 2011:

*S&P.* On July 15, 2011, S&P raised its outlook on Daimler AG to positive from stable. At the same time, the agency affirmed the BBB+ long-term and A-2 short-term corporate credit ratings. The positive outlook reflects S&P's opinion that Daimler could improve its financial risk profile enough to support an upgrade to A-, even if trading conditions were to modestly weaken over the coming quarters. Furthermore, S&P stated that Daimler's credit metrics have improved considerably since the severe automotive and truck crisis in 2009. Credit metrics have likewise developed stronger than S&P anticipated.

*Moody's.* On March 21, 2011, Moody's changed the outlook to stable from negative on the A3 long-term issuer rating of Daimler AG. On August 30, 2011, Moody's affirmed the A3 long-term and Prime-2 short-term ratings of Daimler AG and its rated subsidiaries and changed the outlook to positive from stable. The outlook change to positive reflects Daimler's stronger and faster than anticipated recovery in operating performance and financial metrics to a level that positions Daimler very strongly in the current rating category. According to the rating agency, an upgrade of the ratings within the next 12 to 18 months would be possible if Daimler was able to sustain its current operating performance and financial metrics despite rising challenges and risks from a slowing economic growth in many of Daimler's key car and truck markets.

*Fitch.* On June 10, 2011, Fitch upgraded Daimler AG's long-term rating and senior unsecured notes to A- from BBB+. The agency also affirmed Daimler's short-term rating at F2. The outlook on the long-term rating is stable. Fitch stated that Daimler's company-specific traits and financial metrics were well in line with a rating in the 'A' category, according to Fitch's sector credit factors. According to the rating agency, Daimler enjoys strong business and geographical diversification, leading positions in their respective markets as well as solid credit metrics backed by a sustained net cash position and sound profitability.

All short-term ratings of all four rating agencies remained unchanged during the first half of 2011.

**b) Mercedes-Benz Cars**

Amounts in millions of €	1 <sup>st</sup> half 2011	1 <sup>st</sup> half 2010	% change
EBIT	2,854	2,182	+31
Revenue	28,507	25,613	+11
Unit Sales	668,353	619,578	+8
Production	690,950	633,846	+9
Employees (June 30)	97,428	94,922	+3

Mercedes-Benz Cars continued its positive business development in the first half of this year. The division increased its unit sales by 8% to 668,400 vehicles (H1 2010: 619,600). Revenue rose by 11% to €28.5 billion, and EBIT improved to €2,854 million (H1 2010: €2,182 million). For further information on the factors influencing EBIT, please refer to the discussion of Group EBIT in “III. Conditions of Business, 7. Analysis of Financial Condition, Results of Operations and Cash Flow Status, a) Daimler Group” above.

*Unit sales by products.* With the market launch of numerous new model versions of the C-Class, we increased our unit sales in this segment by 16% to 185,800 vehicles (H1 2010: 160,900). Straight after the model changeover, the C-Class sedan confirmed its position as the market leader.

With an increase of 13%, the S-Class sedan was once again the best-selling luxury sedan in its segment. Total deliveries of 41,800 automobiles in the S-Class segment were 6% higher than in the first half of the prior year (H1 2010: 39,400).

We achieved significant growth also in the SUV segment, boosting unit sales by 35% to 123,200 vehicles (H1 2010: 91,300).

Sales of the E-Class increased slightly by 1% to 168,800 units (H1 2010: 167,600). Both the E-Class convertible and the new CLS have had an extremely good reception.

In advance of the upcoming replacement with all-new models, sales in the A- and B-Class decreased by 15% to 93,400 units (H1 2010: 109,900).

With the full availability of the new generation of the smart fortwo, unit sales of the smart rose by 9% to 53,000 models (H1 2010: 48,400).

*Regional sales trends.* In Western Europe, unit sales increased slightly by 1% to 316,100 vehicles (H1 2010: 312,900). With 138,600 units, sales in Germany were 2% higher than in the prior-year period (H1 2010: 135,800). In the United States, we were able to raise our unit sales by 5% to 112,800 vehicles (H1 2010: 107,500). Compared with the already high prior-year level, unit sales in China rose again by 34% to the new record level of 101,400 vehicles (H1 2010: 75,400).

For the unit sales by regions and the total number of production for Mercedes-Benz Cars, please refer to the table in “III. Conditions of Business, 2. Conditions of Production, Order and Sales” above.

c) **Daimler Trucks**

Amounts in millions of €	1 <sup>st</sup> half 2011	1 <sup>st</sup> half 2010	% change
EBIT	889	430	+107
Revenue	12,890	10,726	+20
Unit Sales	180,718	154,354	+17
Production	186,024	158,177	+18
Employees (June 30)	75,845	70,647	+7

Increased demand for trucks as a result of the economic recovery and the excellent popularity of our modern product range led to further significant growth in unit sales of Daimler Trucks. The division was able to increase its first-half unit sales by 17% to 180,700 vehicles (H1 2010: 154,400), resulting in revenue growth of 20% to €2.9 billion (H1 2010: €10.7 billion). EBIT more than doubled compared to the first half of last year and reached €889 million (H1 2010: €430 million). For further information on the factors influencing EBIT, please refer to the discussion of Group EBIT in “III. Conditions of Business, 7. Analysis of Financial Condition, Results of Operations and Cash Flow Status, a) Daimler Group” above.

*Trucks Europe/Latin America.* With 72,500 units, Trucks Europe/Latin America sold 29% more trucks than in the prior-year period. In the important region of Western Europe, unit sales increased by 34%, with Mercedes-Benz Trucks defending its position as market leader. In the dynamically expanding Turkish market, we substantially increased our vehicle sales (+105%) and are the market leader by a significant margin. Unit sales in Latin America continued at a very high level (minus 1% to 24,100 units). In the Chinese premium segment, we almost tripled our unit sales to 3,400 units, making us the clear market leader among the European truck importers.

*Trucks NAFTA.* With growth in unit sales of 42% in the NAFTA region, Trucks NAFTA extended its market leadership in Classes 6-8. In the United States, unit sales rose by 45%, primarily due to the excellent competitive position of our heavy-duty EPA 10 compliant engines. In total, Trucks NAFTA sold 51,700 vehicles in the first six months of 2011.

*Trucks Asia.* The decrease in unit sales by Trucks Asia (minus 8% to 56,500 units) was the result of production shortfalls at the Japanese plants related to the natural disaster in March. Production has meanwhile returned to near-normal levels at those plants. The decrease in unit sales affected Japan (-7%) and all regions outside Japan (-9%) likewise.

For the unit sales by regions and the total number of production for Daimler Trucks, please refer to the table in “III. Conditions of Business, 2. Conditions of Production, Order and Sales” above.

d) **Mercedes-Benz Vans**

Amounts in millions of €	1 <sup>st</sup> half 2011	1 <sup>st</sup> half 2010	% change
EBIT	379	191	+98
Revenue	4,220	3,674	+15
Unit Sales	122,007	106,048	+15
Production	133,441	111,081	+20
Employees (June 30)	14,700	15,003	-2

Mercedes-Benz Vans profited from the ongoing positive market development for medium-sized and large vans and increased its unit sales by 15% to 122,000 vehicles of the Sprinter, Vito/Viano and Vario models (H1 2010: 106,000). Revenue of €4.2 billion was also well above last year's level (H1 2010: €3.7 billion). EBIT almost doubled from €191 million to €379 million. For further information on the factors influencing EBIT, please refer to the discussion of Group EBIT in "III. Conditions of Business, 7. Analysis of Financial Condition, Results of Operations and Cash Flow Status, a) Daimler Group" above.

*Regional sales trends.* In Western Europe, the division's most important market, unit sales grew by 9% to 83,300 vehicles. Our van business developed very positively in Germany, where we increased our sales by 19% to 34,200 units. Demand for vans in Eastern Europe was significantly higher than in the first half of last year. Thanks to this development, unit sales in that region increased to 10,400 vehicles, which is 54% more than in the first six months of 2010 (H1 2010: 6,700). Mercedes-Benz Vans was able to defend its market leadership for medium-sized and large vans in the European Union.

The division achieved strong growth in unit sales in the NAFTA region, selling 10,000 vehicles in the first half of 2011 (+56%). The positive development of demand in China continued, with sales increasing to 6,000 units (H1 2010: 3,600). Sales of 5,800 units in Latin America (excluding Mexico) were slightly lower than in the prior-year period (H1 2010: 5,900).

*Unit sales by products.* The new-generation Vito and Viano models are extremely popular with our customers. In the first half of 2011, sales of those vans increased by 27% to 46,900 units. Worldwide unit sales of the Sprinter increased compared with the prior-year period by 9% to 73,700 units.

For the unit sales by regions and the total number of production for Mercedes-Benz Vans, please refer to the table in "III. Conditions of Business, 2. Conditions of Production, Order and Sales" above.

e) **Daimler Buses**

Amounts in millions of €	1 <sup>st</sup> half 2011	1 <sup>st</sup> half 2010	% change
EBIT	28	120	-77
Revenue	1,997	2,216	-10
Unit Sales	18,308	19,226	-5
Production	18,776	19,601	-4
Employees (June 30)	16,905	16,754	+1

Daimler Buses' unit sales decreased in the first half of 2011 to 18,300 buses and bus chassis (H1 2010: 19,200). Lower unit sales of complete buses in Western Europe and North America could not be offset by stable business in Latin America and the positive development in Turkey. The division's revenue of €2.0 billion was also lower than in the prior-year period (H1 2010: €2.2 billion). EBIT amounted to €28 million (H1 2010: €120 million). For further information on the factors influencing EBIT, please refer to the discussion of Group EBIT in "III. Conditions of Business, 7. Analysis of Financial Condition, Results of Operations and Cash Flow Status, a) Daimler Group" above.

*Western Europe.* In Western Europe, 2,000 buses and chassis of the Mercedes-Benz and Setra brands were sold, significantly fewer than in the prior-year period (H1 2010: 2,800). Whereas unit sales of intercity buses and coaches recovered slightly, unit sales of city buses did not reach the level achieved in the first half of last year. Unit sales were strong in Turkey due to the positive development of demand in that market.

*NAFTA.* Sales in the NAFTA region increased by 3% to 1,700 units. While demand rose significantly in Mexico, unit sales in the USA and Canada decreased sharply due to weaker demand for complete buses.

*Latin America.* In Latin America (excluding Mexico), unit sales by Daimler Buses continued at the high level, due to the ongoing positive development in Brazil, the biggest market in the region. In total, the division sold 12,500 bus chassis of the Mercedes-Benz brand in the first six months of this year (H1 2010: 12,600).

For the unit sales by regions and the total number of production for Daimler Buses, please refer to the table in "III. Conditions of Business, 2. Conditions of Production, Order and Sales" above.

**f) Daimler Financial Services**

Amounts in millions of €	1 <sup>st</sup> half 2011	1 <sup>st</sup> half 2010	% change
EBIT	661	290	+128
Revenue	5,941	6,383	-7
New Business	15,293	14,054	+9
Contract Volume	63,120	63,771	-1
Employees (June 30)	6,757	6,803	-1

Daimler Financial Services' contract volume in the financing and leasing business of €63.1 billion at the end of the first half of 2011 was slightly lower than at the end of 2010 (December 31, 2010: 63.7 billion). Adjusted for exchange-rate effects, contract volume increased by 3%. New business of €5.3 billion in the first half of 2011 was 9% higher than in the prior-year period. EBIT amounted to €661 million (H1 2010: €290 million). For further information on the factors influencing EBIT, please refer to the discussion of Group EBIT in "III. Conditions of Business, 7. Analysis of Financial Condition, Results of Operations and Cash Flow Status, a) Daimler Group" above.

Daimler Financial Services also further expanded its insurance business. The number of 426,000 insurance policies brokered in the first half of 2011 was 10% higher than in the prior-year period. The strongest growth was once again in China, where the number of policies brokered tripled to 30,600.

*Europe.* In the Europe region, contract volume of €29.6 billion was 2% higher than at the end of 2010. Business developed particularly well in Romania (+45%), Russia (+14%) and Turkey (+12%). Rates of credit default continued to decrease in the Europe region.

The contract volume of Mercedes-Benz Bank in Germany increased during the first half of the year by 1% to €16.3 billion. In the direct banking business, Mercedes-Benz Bank's total deposit volume decreased slightly to €10.6 billion. Mercedes-Benz Bank expanded the range of insurance policies on offer and for the first time now offers legal expenses cover for drivers as well as the smart car insurance.

Daimler Financial Services and Mercedes-Benz Bank have decided to reorganize their business activities in Germany. In October 2010, we reached an agreement with the employee council on the basic principles of the realignment. In particular, it stipulates that by the end of 2012, all business activities will be concentrated at three locations in Germany instead of the current nine. In the medium term, this reorganization will generate cost advantages of about €40 million each year. As a result of the reorganization, the headquarters of Daimler Financial Services will move in 2012 from Berlin to Stuttgart, where it will be co-located under one roof with the headquarters of Mercedes-Benz Bank. Mercedes-Benz Bank will set up a new service center in Berlin by 2012, where it will concentrate its functions for the commercial financial services business for Daimler vehicles, which is currently carried out at eight branches and at the Mercedes-Benz Bank headquarters in Stuttgart.

*Americas.* In the Americas region, contract volume of €25.1 billion was slightly lower than at the end of 2010 (-3%); adjusted for exchange-rate effects, however, it grew by 4%. The biggest growth was in Brazil (+7%) and Argentina (+4%). The situation of credit defaults in North and South America continues to improve.

*Africa & Asia/Pacific.* Contract volume of €8.4 billion in the Africa & Asia/Pacific region was slightly lower than at the end of 2010 (-3%). After adjusting for exchange-rate effects, it increased by 3%. Strong growth was recorded in China (+19%) and South Korea (+5%).

**g) Reconciliation**

Amounts in millions of €	1 <sup>st</sup> half 2011	1 <sup>st</sup> half 2010	% change
EBIT	(199)	81	—
Equity-method result EADS	71	(264)	—
Sale of equity interest in Tata Motors	—	265	—
Corporate items / Other	(245)	37	—
Eliminations	(25)	43	—
Revenue	(2,488)	(2,318)	—

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

In total, these items had an impact of minus €199 million on earnings for the first half of the year (H1 2010: plus €81 million). For further information on the factors influencing the reconciliation of the divisions' EBIT to Group EBIT, please refer to the discussion of Group EBIT in "III. Conditions of Business, 7. Analysis of Financial Condition, Results of Operations and Cash Flow Status, a) Daimler Group" above.

Included in the column "Reconciliation" is revenue of minus €2.5 billion for the first half of 2011 (H1 2010: minus €2.3 billion), which mainly represents eliminations of intersegment transactions.

#### **IV. Conditions of Facilities**

##### **1. Conditions of Principal Facilities**

No material change during the six-month period ended June 30, 2011.

##### **2. Plans for Installation or Removal of Facilities, etc.**

No material change during the six-month period ended June 30, 2011. However, as part of our strategic planning and operations, we are continuously monitoring our production capacity in relation to developing and anticipated industry changes and market conditions. As these conditions fluctuate, we adjust our capacity by opening, closing, selling, expanding, or downsizing production facilities, or by adding or eliminating work shifts.

In the coming years, we will continue to concentrate our investment budget on projects of particular importance for the market success of our products. Nonetheless, we will significantly increase our investment in property, plant and equipment in the years 2011 and 2012. This reflects on the one hand the far-reaching technological transformation of the automotive industry, in which we intend to play a leading role; but on the other hand, also the need to penetrate future growth markets with appropriate products and local production facilities.

Thanks to continued strong demand, we boosted our production rates at the Mercedes-Benz plants also in the first half of this year. The expansion of the division's worldwide network of car plants is progressing as planned. In addition, we started production of the C-Class coupe at our plant in Bremen.

On June 28, 2011, Daimler AG and its Chinese partner BAIC signed a strategic framework agreement through which the two partners will intensify their cooperation in China. The agreement covers the following projects: Local production for the Chinese market will be extended in 2011 with the GLK model, and successively as of 2013 with three model series of the new-generation Mercedes-Benz compact car. The existing production capacities for the C-Class and the long-wheelbase E-Class will be further expanded from the present volume of approximately 80,000 cars per annum in line with market demand. Production of four-cylinder gasoline engines will be started at a new engine plant in the year 2013, to be used in locally assembled Mercedes-Benz cars and vans. A new research and development center in China will primarily be occupied with vehicle testing and adaptation, as well as R&D activities with suppliers. For further information on the agreement with BAIC please refer to section "III. Conditions of Business", subsection "5. Material Contracts Relating to Business."

On July 21, 2011, on the occasion of the production of the first new Mercedes-Benz M-Class customer vehicle at the Mercedes-Benz Tuscaloosa plant, Daimler AG announced significant investments for its North American passenger cars plant. A total amount of more than US\$2 billion is invested for the production of the new M-Class, the successor generations of the GL-Class and the C-Class, and the expansion of production capacities.

Following the successful market launch in Europe last year, the new generations of the Vito and Viano models have been available also in China since April 2011. The vehicles sold in China are produced locally at the plant in Fuzhou. A total of 5,100 units of the Vito and Viano were sold in China in the first half-year.

Daimler Financial Services successfully started business operations in India on July 1, 2011. The newly founded company, Daimler Financial Services India Private Ltd., will support the sale of vehicles in India by providing financing, leasing and insurance for Mercedes-Benz customers and dealers. Starting in 2012, Daimler Financial Services India will provide financial services also for the BharatBenz truck brand, which has been newly developed by Daimler Trucks specifically for the Indian market.

**V. Conditions of the Company**

**1. Information Concerning Shares, etc.**

**(1) Total Number of Shares, etc.**

**(i) Total number of shares**

Approved number of Shares: (as of June 30, 2011)	1,623,944,649
Issued and outstanding Shares: (as of June 30, 2011)	1,065,816,307 (6,577 of them treasury shares)
Shares not yet issued: (as of June 30, 2011)	558,128,342
	348,518,492 (Approved Capital 2009)
	174,259,246 (Conditional Capital 2010)
	35,350,604 (Conditional Capital II)

*Approved Capital 2009:* The Annual Meeting on April 8, 2009 authorized the Board of Management, with the consent of the Supervisory Board, to increase Daimler AG's share capital in the period until April 7, 2014 by a total of up to €1,000,000,000.00 in one lump sum or by separate partial amounts at different times by issuing new, registered no par value shares in exchange for cash and/or non-cash contributions (Approved Capital 2009). Among other things, the Board of Management was authorized with the consent of the Supervisory Board to exclude shareholders' subscription rights under certain conditions. In this context, the Annual Meeting further resolved to cancel the former Authorized Capital I and II with effect as of the time when the new Approved Capital 2009 becomes effective, but only to the extent that it had not been utilized. The new Approved Capital 2009 and the cancellation of the remaining former Authorized Capital I and II came into effect with their entry in the Commercial Register on June 5, 2009.

*Conditional Capital 2010:* By resolution of the Annual Meeting on April 14, 2010, the Board of Management, with the consent of the Supervisory Board, was authorized until April 13, 2015 to issue once or several times convertible and/or warrant bonds or a combination of these instruments ("bonds") with a total face value of up to €10.0 billion and a maturity of no more than ten years. The Board of Management is allowed to grant the holders of these bonds conversion or warrant rights for new registered no par value shares in Daimler AG with an allocable portion of the share capital of up to €500 million in accordance with the details defined in the terms and conditions of the bonds. The bonds can also be issued by majority-owned direct or indirect subsidiaries of Daimler AG. Accordingly, share capital is conditionally increased by an amount of up to €500 million (Conditional Capital 2010). The authorization to issue convertible and/or warrant bonds has not yet been exercised.

*Conditional Capital II:* As of June 30, 2011, the share capital of the Company shall be conditionally increased by an amount not to exceed €101,431,072.04 through the issuance of up to 35,350,604 no-par-value registered shares (residual Conditional Capital II). The conditional capital increase shall be undertaken only to the extent that the holders of option rights issued by Daimler AG in the period up to April 18, 2005 in conformity with the resolution passed at the Shareholders' Meeting held on April 19,

2000 on the Daimler Stock Option Plan actually exercise their options and the Company does not grant treasury shares in fulfillment of the options. The new shares shall participate in the profits of the Company as of the beginning of the financial year of their issuance.

For further details on the before mentioned authorized, approved and conditional capital, please refer to section II. Share Capital and Shares, Article 3 (§ 3) Share Capital, of the Company's Articles of Incorporation.

**(ii) Issued and outstanding shares**

Kind:	registered ordinary shares, no par value
Number of shares:	1,065,816,307 (as of June 30, 2011)
Stock Exchanges on which the Shares are listed or Securities Dealers Associations with which the Securities are registered:	Our ordinary shares are listed on the Frankfurt Stock Exchange and the Stuttgart Stock Exchange.
Contents:	N/A

**(2) Conditions of Execution of a Convertible Bond with a Floating Conversion Ratio, etc.**

Not applicable.

**(3) Total Number of Issued Shares and Capital**

Date or time	Increase in share capital	Total share capital after the increase/ change in € (ten thousand Yen)	Remarks
Balance as of Dec. 31, 2010	1,065,641,907 shares	3,057,633,758.31 (33,851,063)	End of financial 2010
Jan. 1 to June 30, 2011	€500,403.87 174,400 shares	3,058,134,162.18 (33,856,603)	Exercise of stock options
Balance as of June 30, 2011	1,065,816,307 shares	3,058,134,162.18 (33,856,603)	End of first half 2011

In April 2000, the Group's shareholders approved the Daimler Stock Option Plan (SOP), which grants stock options for the purchase of Daimler ordinary shares to eligible employees. Options granted under the SOP are exercisable at a reference price per Daimler ordinary share, which is determined in advance, plus a 20% premium. The options become exercisable in equal installments at the earliest on the second and third anniversaries of the date of grant. All unexercised options expire ten years after the date of grant. If the market price per Daimler ordinary share on the date of exercise is at least 20% higher than the reference price, the holder is entitled to receive a cash payment

equal to the original exercise premium of 20%. No new stock options were granted after 2004. In the event of exercise, the Group has generally issued ordinary shares under Conditional Capital II so far.

Issuance of new shares under Conditional Capital II in case of execution of stock options leads to a corresponding increase of share capital in the pro-rata amount of the share capital attributable to the new shares at the business day following to the exercise date (valuta date). As a result the Conditional Capital II will be reduced correspondingly in the amount by which the share capital increases.

Between January 1, 2011, and June 30, 2011, 174,400 Daimler shares were issued in connection with the exercise of stock options.

After the exercise of stock options in the first half of 2011, the total number of issued shares of the Company amounted to 1,065,816,307 on June 30, 2011.

For a description of the stock option plans for our management and employees, such as the exercise prices, please refer to Note 21 of our Consolidated Financial Statements disclosed with the Securities Report filed on June 17, 2011. An update of the basic data of the stock option plans as of June 30, 2011, is provided in the table below:

Year of grant	Reference price (in €)	Exercise price (in €)	Options granted (in millions)	At June 30, 2011	
				Options outstanding (in millions)	Options exercisable (in millions)
2001	55.80	66.96	18.7	0.0	0.0
2002	42.93	51.52	20.0	1.7	1.7
2003	28.67	34.40	20.5	1.8	1.8
2004	36.31	43.57	18.0	2.8	2.8

#### (4) Major Shareholders

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

German law requires notification only if (i) the voting rights reach a certain level or (ii) the voting rights exceed or fall below such certain level. "Certain level" means, the certain percentages of voting rights owned: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%. The chart below is based on the notifications that Daimler received from the respective shareholders until June 30, 2011. Therefore, the figures below may not reflect the exact shareholding on June 30, 2011. There may have been changes in the shareholding previously notified that did not touch the above thresholds and therefore did not need to be notified.

Under German law, for the purposes of the notifications mentioned above, treasury shares are taken into account for the total number of voting shares although such voting rights from treasury shares are suspended as long as the shares are held by the issuer.

The table below shows the number of ordinary shares of the major shareholders and their percentage of ownership as notified on or before June 30, 2011:

<b>Identity of the Person or Group</b>	<b>Address</b>	<b>Shares owned</b>	<b>Percent</b>
Aabar Automotives GmbH (indirect wholly owned subsidiary of Aabar Investments PJSC, Abu Dhabi)	Wagramer Straße 17-19, 1220 Vienna, Austria	96,408,000	9.0%
Kuwait Investment Authority as agent for the Government of the State of Kuwait	Ministries Complex, AlMurqab, Kuwait City, Kuwait	73,169,320	6.9%
BlackRock, Inc.	40 East 52 <sup>nd</sup> Street, New York, NY 10022, USA	41,372,761	3.9%
Capital Research and Management Company	333 South Hope Street, Los Angeles, CA 90071, USA	32,933,948	3.1%
Renault S.A.	13-15, quai Alphonse Le Gallo, 92100 Boulogne-Billancourt, France	16,448,378	1.54%
Nissan Motor Co. Ltd	1-1, Takashima 1-chome, Nishi-ku, Yokohama-shi, Kanagawa 220-8686, Japan	16,448,378	1.54%
Sum of Renault S.A. and Nissan Motor Co. Ltd		32,896,756	3.1%

The voting rights notifications that Daimler received from January 1, 2011, to June 30, 2011, are described below:

Macquarie Bank Limited, Sidney, Australia, has notified us that its percentage of voting rights in Daimler AG exceeded the threshold of 3% on April 15, 2011 and fell below such threshold again on April 20, 2011 and amounted to 2.107% (22,454,823 voting rights) as per the latter date. On May 25, 2011, Macquarie Bank Limited notified us that it retracted those previous notifications.

Lyxor International Asset Management S.A., a subsidiary of Société Générale S.A., Paris, France, has notified us that its percentage of voting rights in Daimler AG exceeded the threshold of 3% on May 19, 2011 and fell below such threshold again on June 13, 2011 and amounted to 2.52% (26,832,096 voting rights) as per the latter date. Including the shareholding of Lyxor International Asset Management, Société Générale as the parent company indirectly held 2.79% (29,715,538 voting rights) of the Daimler shares as of June 13, 2011.

## 2. Trends in Share Prices

The table below shows the highest and lowest stock prices for our ordinary shares on Xetra for each of the first six months of the year. Xetra, which stands for Exchange Electronic Trading, is an integrated electronic exchange system which is an integral part of the Frankfurt Stock Exchange, the most significant of the German stock exchanges.

Month:	Jan 11	Feb 11	Mar 11	Apr 11	May 11	June 11
Stock price per share (in €)						
<b>Highest:</b>	58.46	56.57	51.02	53.09	52.51	51.90
<b>Lowest:</b>	51.71	50.49	44.38	48.63	47.39	46.59

## 3. Directors and Officers

### (a) The Supervisory Board

No material changes since the filing of the Securities Report on June 17, 2011. However, for the sake of completeness, the following changes, which have occurred since year-end 2010, are repeated:

- At the close of the Annual Meeting of shareholders on April 13, 2011, Dr. Manfred Schneider's term of office as member of the Supervisory Board representing the shareholders expired.
- On the same date, the Annual Meeting of shareholders elected Petraea Heynike as shareholder representative to the Supervisory Board for the period until the end of the Annual Meeting of Shareholders that passes a resolution on the ratification of the actions of the Boards for the fourth financial year after the beginning of the period of office. Until the end of April 2011, Ms. Heynike was Executive Vice President and member of the Executive Board of Nestlé SA, Vevey/Switzerland.

Two other shareholder representatives on the Supervisory Board whose terms expired in 2011 were re-elected to the Supervisory Board on April 13, 2011 for the following terms:

- Dr. Manfred Bischoff for the period until the end of the Annual Meeting of Shareholders that passes a resolution on the ratification of the actions of the Boards for the fourth financial year after the beginning of the period of office;
- Lynton R. Wilson for the period until the end of the Annual Meeting of Shareholders that passes a resolution on the ratification of the actions of the Boards for the first financial year after the beginning of the period of office.

### (b) The Board of Management

The following changes in the Board of Management have occurred since year-end 2010:

In a meeting dealing with the expansion of the Board of Management through the addition of a position for Integrity and Legal Affairs in mid-February 2011, the

Supervisory Board resolved to appoint Dr. Christine Hohmann-Dennhardt, a former judge at Germany's Federal Constitutional Court, as a member of the Board of Management for a period of three years as of February 16, 2011, to make her responsible for Integrity and Legal Affairs, and to adjust the schedule of responsibilities of the Board of Management accordingly.

In addition, the Supervisory Board resolved to reappoint Bodo Uebber as the member of the Board of Management responsible for Finance & Controlling and Daimler Financial Services for a period of three years as of December 16, 2011.

In its meeting on July 27, 2011, the Supervisory Board reappointed and extended the contract of service of Wilfried Porth, responsible for Human Resources and Director of Labor Relations, until April 30, 2017. Wilfried Porth's appointment and contract would have expired at the end of April 2012.

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

For information on the compensation of the Supervisory Board and the Board of Management please refer to the statements as disclosed in the Securities Report filed on June 17, 2011, especially described under "(c) Compensation of the Supervisory Board and Board of Management" in section "V. Description of the Company", subsection "4. Directors and Officers."

## **VI. Conditions of Accounting**

The unaudited condensed consolidated financial statements, prepared according to IFRS, and additional explanations required under Japanese law have been omitted. They are included on pages 40 to 79 of the original Japanese version.

## **VII. Trends in the Foreign Exchange Rate**

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

## **VIII. Reference Information**

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

- a) Securities Report and its attachments filed with the Director General of the Kanto Local Finance Bureau on June 17, 2011.  
(For the financial year from January 1, 2010 through December 31, 2010)
  
- b) Extraordinary Report  
Extraordinary Report filed with the Director General of the Kanto Local Finance Bureau on February 28, 2011 (pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act of Japan and Article 19, Paragraph 2, Item 9 of the Cabinet Office Ordinance Concerning Disclosure of the Contents, etc. of Companies).
  
- c) Securities Registration Statement  
Not applicable.
  
- d) Amendment to the Shelf Registration Statement  
Not applicable.

## **PART 2. INFORMATION REGARDING GUARANTORS, ETC. OF ISSUER**

Not applicable.