

Report of the Supervisory Board

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

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

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

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

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



Dr. Manfred Bischoff, Chairman of the Supervisory Board.

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

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

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

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

Topics discussed at the Supervisory Board meetings

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

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

The Audit Committee and the Supervisory Board dealt with those documents in detail and discussed them intensively in the presence of the external auditors, who reported on the results of their audit and were available to answer supplementary questions and to provide additional information. Following the final results of the review by the Audit Committee and its own review, the Supervisory Board declared its agreement with the results of the audit by the external auditors, determined that no objections were to be raised, and approved the financial statements and the combined management report as presented by the Board of Management. The company financial statements of Daimler AG for the year 2010 were thereby adopted. The Supervisory Board also consented to the proposal made by the Board of Management on the distribution of distributable profit and approved the report of the Supervisory Board, the corporate governance report and the remuneration report in the current drafts. Furthermore, the Supervisory Board approved its proposed decisions on the items of the agenda for the 2011 Annual Shareholders' Meeting. In addition, the Supervisory Board received information on the status of anti-trust investigations of European manufacturers of commercial

vehicles by the EU Commission and approved an investment framework for the submission of a voluntary takeover bid for Tognum AG together with Rolls-Royce. Finally, the Supervisory Board dealt with topics of Board of Management remuneration and approved the external board positions and sideline business activities of the members of the Board of Management as presented in the meeting.

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

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

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

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

Other key areas of the strategy workshops were:

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

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

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

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

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

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

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

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

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

Report on the work of the committees

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

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

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

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

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

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

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

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

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

In another meeting in late February 2012, the Supervisory Board dealt with the annual company financial statements, the annual consolidated financial statements and the combined management report for Daimler AG and the Daimler Group, each of which had been issued with an unqualified audit opinion by the external auditors, as well as the reports of the Audit Committee and the Supervisory Board, the corporate

governance report and the remuneration report, and the proposal on the distribution of distributable profit. In preparation, the members of the Supervisory Board were provided with comprehensive documentation, some of it in draft form, including the Annual Report with the consolidated financial statements according to IFRS, the combined management report for Daimler AG and the Daimler Group, the corporate governance report and the remuneration report, the annual company financial statements of Daimler AG, the audit report of KPMG for the annual company financial statements of Daimler AG, for the consolidated financial statements and for the combined management report, the proposal of the Board of Management on the distribution of distributable profit, and the drafts of the reports of the Supervisory Board and of the Audit Committee.

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

Stuttgart, February 2012

The Supervisory Board



Dr. Manfred Bischoff
Chairman