DAIMLER

Innovation from Tradition. Annual Report 2010.

Key Figures

Daimler Group

	2010	2009	2008	10/09
Amounts in millions of euros				% change
Revenue	97,761	78,924	98,469	+24[1]
Western Europe	38,478	36,458	46,276	+6
thereof Germany	19,281	18,788	21,832	+3
NAFTA	23,582	19,380	23,243	+22
thereof United States	20,216	16,569	19,956	+22
Asia	19,659	12,435	13,840	+58
thereof China	9,094	4,349	3,226	+109
Other markets	16,042	10,651	15,110	+51
Employees (December 31)	260,100	256,407	273,216	+1
Investment in property, plant and equipment	3,653	2,423	3,559	+51
Research and development expenditure	4,849	4,181	4,442	+16
thereof capitalized	1,373	1,285	1,387	+7
Cash provided by / used for operating activities	8,544	10,961	-786	-22
EBIT	7,274	-1,513	2,730	.
Value added (including discontinued operations)	2,773	-4,644	-1,147	.
Net profit/loss	4,674	-2,644	1,414	.
Net profit/loss from continuing operations	4,674	-2,644	1,704	.
Earnings/loss per share (in €)	4.28	-2.63	1.41	.
Earnings/loss per share, continuing operations (in €)	4.28	-2.63	1.71	.
Total dividend	1,971	0	556	.
Dividend per share (in €)	1.85	0.00	0.60	.

1 Adjusted for the effects of currency translation and changes in the consolidated group, increase in revenue of 19%.

Daimler's Divisions >
Daimler at a Glance >

Divisions

Amounts in millions of euros	2010	2009	2008	10/09 % change
Mercedes-Benz Cars				
EBIT	4,656	-500	2,117	.
Revenue	53,426	41,318	47,772	+29
Return on sales	8.7%	-1.2%	4.4%	.
Investment in property, plant and equipment	2,457	1,618	2,246	+52
Research and development expenditure	3,130	2,696	2,994	+16
thereof capitalized	940	913	1,060	+3
Unit sales	1,276,827	1,093,905	1,273,013	+17
Employees (December 31)	96,281	93,572	97,303	+3
Daimler Trucks				
EBIT	1,323	-1,001	1,607	.
Revenue	24,024	18,360	28,572	+31
Return on sales	5.5%	-5.5%	5.6%	.
Investment in property, plant and equipment	1,003	597	991	+68
Research and development expenditure	1,282	1,116	1,056	+15
thereof capitalized	373	368	326	+1
Unit sales	355,263	259,328	472,074	+37
Employees (December 31)	71,706	70,699	79,415	+1
Mercedes-Benz Vans				
EBIT	451	26	818	.
Revenue	7,812	6,215	9,479	+26
Return on sales	5.8%	0.4%	8.6%	.
Investment in property, plant and equipment	91	113	150	-19
Research and development expenditure	267	193	228	+38
thereof capitalized	29	0	0	.
Unit sales	224,224	165,576	287,198	+35
Employees (December 31)	14,557	15,226	16,775	-4
Daimler Buses				
EBIT	215	183	406	+17
Revenue	4,558	4,238	4,808	+8
Return on sales	4.7%	4.3%	8.4%	.
Investment in property, plant and equipment	95	78	117	+22
Research and development expenditure	223	212	178	+5
thereof capitalized	31	5	1	+520
Unit sales	39,118	32,482	40,591	+20
Employees (December 31)	17,134	17,188	18,110	-0
Daimler Financial Services				
EBIT	831	9	677	.
Revenue	12,788	11,996	11,964	+7
New business	29,267	25,066	29,514	+17
Contract volume	63,725	58,350	63,353	+9
Investment in property, plant and equipment	12	14	41	-14
Employees (December 31)	6,742	6,800	7,116	-1

Daimler Brands

Mercedes-Benz Cars

Mercedes-Benz smart MAYBACH

Daimler Trucks

Mercedes-Benz FREIGHTLINER FUSO

WESTERN STAR Thomas BHARATBENZ

Mercedes-Benz Vans

Mercedes-Benz

Daimler Buses

Mercedes-Benz SETRA orion

Daimler Financial Services

Mercedes-Benz Bank Mercedes-Benz Financial Daimler Truck Financial

125! years inventor of the automobile

Innovation from tradition. 125 years ago, Gottlieb Daimler and Carl Benz invented the automobile – now we are passionately shaping its future.

As automotive pioneers, we see it as both motivation and a duty to continue our tradition with groundbreaking technologies and superior products.

We do our very best for customers who expect the best, and we live and breathe a culture of operational excellence based on shared values. Our corporate history features numerous innovations and pioneering achievements; they are the basis and an ongoing incentive for our claim to leadership in the automotive industry.

At the same time, our thoughts and actions are guided by the principle of sustainable mobility: We aim to successfully shape the mobility of the future. In this way, we want to create lasting added value – for our shareholders, customers, employees and society in general.

Dieter Zetsche

Wolfgang Bernhard

Christine Hohmann-Dennhardt

Wilfried Porth

Andreas Renschler

Bodo Uebber

Thomas Weber

Innovation Close Up. Pioneering achievements at Daimler have always started with attention to detail. That's a tradition at Daimler – and has been for 125 years. In this Annual Report, we therefore present the topic of innovation from a new perspective. On pages 26 to 59, you can get a close-up impression of our latest pioneering achievements.

Contents

Important Events in 2010

First quarter

World premiere of the new E-Class convertible in Detroit. The four-seat all-year convertible completes the successful E-Class family and features the AIRCAP wind deflector; this is a world first and significantly reduces drafts inside the car when driving with the top down.

British safety price for Mercedes-Benz. The United Kingdom's biggest consumer organization for car buyers names Mercedes-Benz as the winner of its Car of the Year Award 2010 for the best safety innovation. The prize was given for ATTENTION ASSIST, which warns drivers who are becoming drowsy.

New Board of Management position at Daimler. Effective February 18, 2010, the Supervisory Board appoints Dr. Wolfgang Bernhard to the newly created Board of Management position with responsibility for Production and Procurement Mercedes-Benz Cars and Mercedes-Benz Vans.

Pioneering luxury sedan. With the research vehicle F 800 Style, Mercedes-Benz shows the future of premium automobiles from a new perspective at Geneva Motor Show 2010.

Daimler sells its stake in Tata Motors. Daimler AG sells all of its 5.34% equity interest in Indian automotive group Tata Motors to various groups of investors. Daimler will participate in the future growth of the Indian market by strengthening its own activities there.

car2go starts regular operations. After completing the car2go one-year pilot project in Ulm, Germany, the assessment of the innovative mobility concept is clearly positive. The newly founded car2go GmbH (limited liability company) plans to push forward with international commercialization.

Group EBIT of €1.2 billion in first quarter. The very good development of earnings is a reflection of the ongoing upward trend in nearly all divisions.

Second quarter

Settlement with US authorities. Daimler AG reaches a settlement with the US Securities and Exchange Commission and the US Department of Justice to conclude investigations of possible violations of the US Foreign Corrupt Practices Act.

Cooperation with Renault-Nissan. Daimler and Renault-Nissan agree on wide-ranging strategic cooperation. The main shared projects are a new architecture for the smart, new three- and four-cylinder engines and small vans.

Start of van production in China. The first Mercedes-Benz Viano produced by Fujian Daimler Automotive rolls off the assembly line at the new plant in Fuzhou. Fujian Daimler Automotive is a joint venture established by the Fujian Motors Group, China Motor Corporation and Daimler in 2007.

End of stock-exchange listing in New York. The Supervisory Board and the Board of Management of Daimler AG decide to end the listing of Daimler shares on the New York Stock Exchange. The Company continues to place great importance on having an international shareholder base. However, Daimler shares are mainly traded in Frankfurt, also by international investors.

Daimler Financial Services announces the combination of its activities in Germany. The worldwide headquarters of Daimler Financial Services are to be relocated from Berlin to Stuttgart and brought together under one roof with the headquarters of Mercedes-Benz Bank. The aim is to create leaner processes and structures while securing the division's competitive position.

Joint venture for the development of electric vehicles in China. BYD and Daimler AG agree to establish a 50:50 joint venture, Shenzhen BYD Daimler New Technology Co. Ltd., for the development of electric vehicles for the Chinese market.

Daimler Day in China. Due to the increasing importance of the Chinese market, Daimler invites investors and analysts to its first corporate day in Beijing.

Daimler increases equity interest in Kamaz. Daimler increases its shareholding in Kamaz, thus strengthening the strategic partnership with the Russian truck producer. Daimler's economic interest in Kamaz is now 15%.

Third quarter

Daimler is the most popular German company in 2010. This is the result of a representative survey carried out by TNS Emnid for accountancy firm PricewaterhouseCoopers (PwC).

First Fuso Canter truck delivered in Russia. Fuso Kamaz Trucks Russia, a joint venture established in late 2009 as a strategic partnership between Daimler and Kamaz, is responsible for the production and distribution of Fuso trucks in Russia.

Mercedes-Benz Citaro is the most successful city bus of all time. After twelve years of production, the 30,000th Mercedes-Benz Citaro has been delivered. This production volume is unique for city buses and demonstrates the success of a flexible modular design.

Launch of Mercedes-Benz Actros in Brazil. To serve the rising demand for heavy-duty premium trucks in this growth market, the Mercedes-Benz Actros is now sold also in Brazil. As of 2012, the Actros will also be produced in the country at the Juiz de Fora plant.

Board of Management position for Integrity and Legal Affairs. The Supervisory Board of Daimler AG decides to enlarge the Company's Board of Management. The new position is a logical step in the further development of the corporate structure and culture.

Mercedes-Benz Atego is "Truck of the Year." At the IAA Commercial Vehicles show, trade journalists from 23 European countries recognize the innovative technology of the Mercedes-Benz Atego. The series-produced Atego 1222 L EEV BlueTec Hybrid is regarded by the jury as a pioneer for alternative drive systems.

Mercedes-Benz CLS unveiled at the Paris Motor Show. The new CLS four-door coupe follows in the pioneering footsteps of its predecessor and is nonetheless a completely new car. The new CLS combines a strong and self-confident design with maximum efficiency.

Daimler remains on a successful path. Daimler continues its positive earnings trend with third-quarter EBIT of €2.4 billion.

Fourth quarter

Daimler and Europcar bring car2go to Hamburg. The innovative mobility concept that has already been successfully tested in Ulm and Austin is to go into operation in Hamburg starting with 300 smart fortwo cars. Daimler and Europcar establish their own operating company as a joint venture.

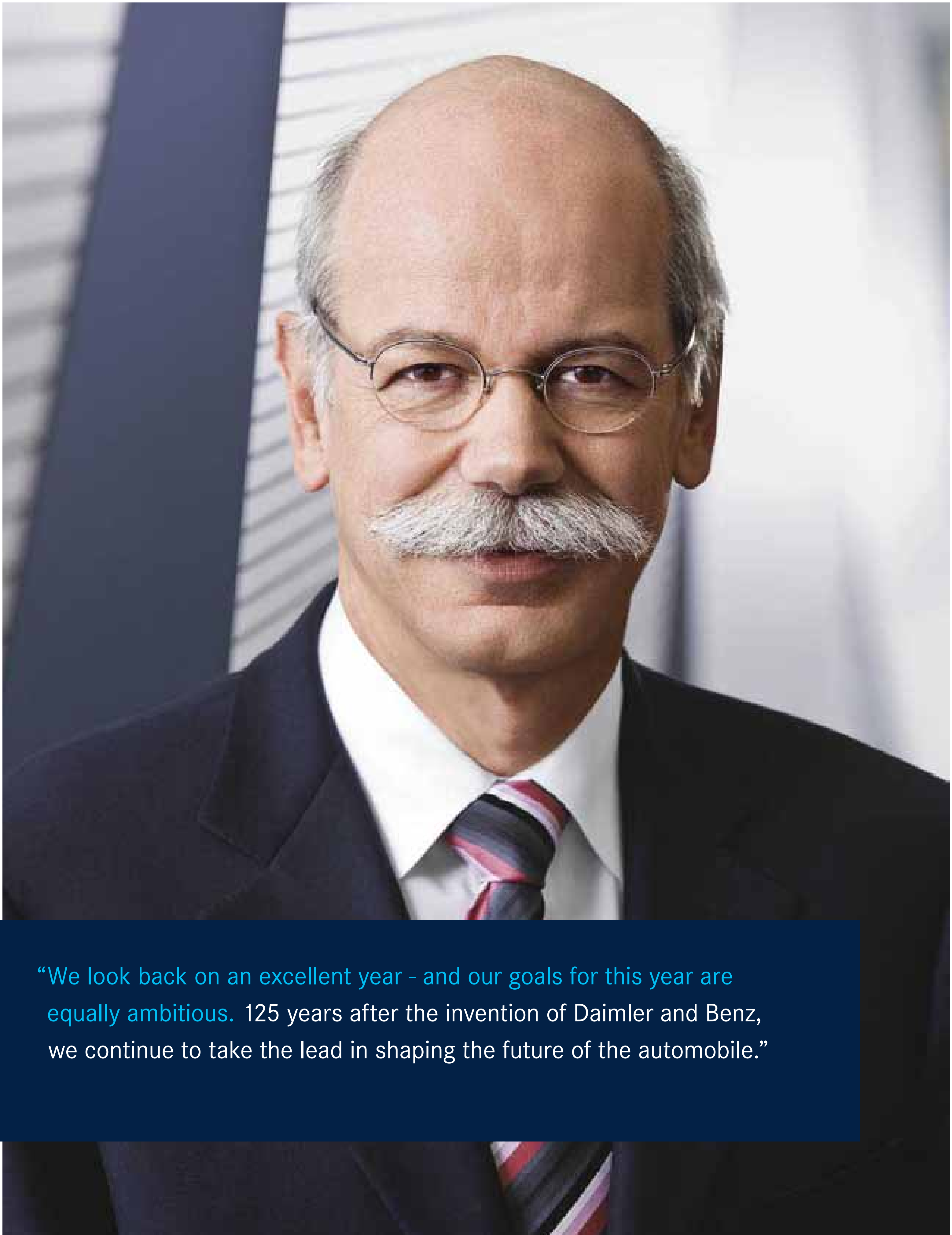
New driving simulator inaugurated at the Sindelfingen plant. The new simulator is the most powerful in the automotive industry and is the core of a €160 million investment in advanced technology at the facility in Sindelfingen.

Topping out ceremony for the Kecskemét plant. The new plant in Hungary will be part of a production network with the German plant in Rastatt. As of 2012, two of the four new Mercedes-Benz models that will replace today's A- and B-Class cars will be produced in Hungary.

New generation of the Fuso Canter presented. Due to its good fuel efficiency, the entire model series already fulfills the fuel-consumption limits for trucks that are to apply in Japan as of 2015. After being launched in Japan, the new truck will also be made available in Fuso's worldwide export markets in 2011.

Start of series production of the Actros at the Aksaray plant. With the availability of its entire product range as well as local assembly, Daimler Trucks makes a long-term commitment to the Turkish market and strengthens production links between the Wörth plant in Germany and the plant at Aksaray in Turkey. The vehicles produced in Aksaray are destined for the local market and also for export.

Van production in Russia. Daimler and GAZ, a Russian manufacturer of commercial vehicles, sign a memorandum of understanding with the goal of producing the Mercedes-Benz Sprinter in Russia. Engines, transmissions, axles and other components are also to be produced locally.



"We look back on an excellent year – and our goals for this year are equally ambitious. 125 years after the invention of Daimler and Benz, we continue to take the lead in shaping the future of the automobile."

Dear Shareholders,

2010 was a very successful year for your company. After the financial and economic crisis of 2008/2009 had led to massive market slumps, we succeeded in making an excellent comeback last year with double-digit growth rates in all our divisions. Demand for our products is strong, our order books are full. Many of our plants are operating at the limits of their capacity.

Last year, the Group achieved total EBIT of 7.3 billion euros. Net profit amounted to 4.7 billion euros. And Daimler will be paying you, our shareholders, a dividend of €1.85 per share for 2010.

Let me briefly explain the most important developments in the individual divisions:

At Mercedes-Benz Cars we achieved the second-highest unit sales in our company's history. In China, we actually sold 137 percent more cars than in the previous year. In many segments worldwide our competition was looking at our tail lights: Our S-, E- and C-Class sedans were the global market leaders. And it's not just about the numbers. Customers and the trade press were delighted with new models such as the SLS and the new CLS. Surveys and awards tell the same story: The three-pointed star is shining bright. We are serious about "The best or nothing."

Daimler Trucks also made excellent progress in 2010. We sold 37 percent more trucks worldwide than in 2009. The new Mercedes-Benz Atego and Atego BlueTec Hybrid were voted "Truck of the Year 2011." At Fuso we updated nearly the entire model range, and at Freightliner we launched sales of the new Coronado heavy-duty truck.

Mercedes-Benz Vans, with a 35 percent increase in unit sales, grew at a similar rate to our trucks division. The Sprinter's market share in Europe was higher than ever. With the new Vito, we offer a medium-duty van for commercial use; while the new Viano is a superior multi-passenger van.

Daimler Buses once again maintained its global market leadership in the segment for buses above eight tons. Our bus division increased its unit sales by more than 20 percent – primarily due to strong demand in Latin America.

This very pleasing overall picture is completed by the positive development at Daimler Financial Services: New business and contract volume increased significantly. Above all, our business with van and truck fleet operators and other commercial customers made very good progress.

There's no doubt about it: We can look back on an excellent year. Our goals for this year are equally ambitious – even more so as the automobile celebrates a special birthday in 2011. In this anniversary year we want to make it clear that 125 years after the invention of Daimler and Benz, we continue to take the lead in shaping the future of the automobile. And we can back up that claim with hard facts:

At Mercedes-Benz Cars, we are continuing our model offensive – with the new SLK, the new generation of the C-Class, the new C-Class coupe and the new M-Class. At the same time, we are also taking on the compact segment. We begin in autumn with the new B-Class, to be followed by several other models of our new compact car family.

The replacement of our model range is in full swing also at Daimler Trucks and Daimler Buses: This year, the new-generation Mercedes-Benz Citaro city bus will be launched and the new Fuso Canter truck will be available in Fuso's worldwide export markets.

In general, we are well-positioned with our product portfolio to benefit disproportionately from the global growth of the automotive industry. That applies to our traditional core markets as well as to growth markets, where we continue to develop our local presence. In China, for example, demand for the Mercedes-Benz brand is so strong that we are now building our first car engine plant outside of Germany there. We also intend to produce additional model series locally – including the GLK. In Russia, intensive preparations are underway for local production of the Sprinter. In India, we will soon launch the new "BharatBenz" truck brand. In Brazil, where we have had a very strong market position for many decades, we plan to expand our production capacity once again.

We expect to make further important progress in 2011 with the development of pioneering green technologies, enabling us to reduce the CO_2 emissions of our vehicle fleet by a significant margin once again, to introduce the first E-Class with diesel hybrid, and to reach new milestones on the road to driving with zero local emissions. The countdown for large-series production of the electric smart has begun and the A-Class E-Cell will be delivered to customers as of this spring. 2011 is also an important year for fuel-cell drive. Three B-Class cars powered by fuel cells are making a trip around the world to demonstrate that this technology works. What's missing is the infrastructure. That still needs to be put in place.

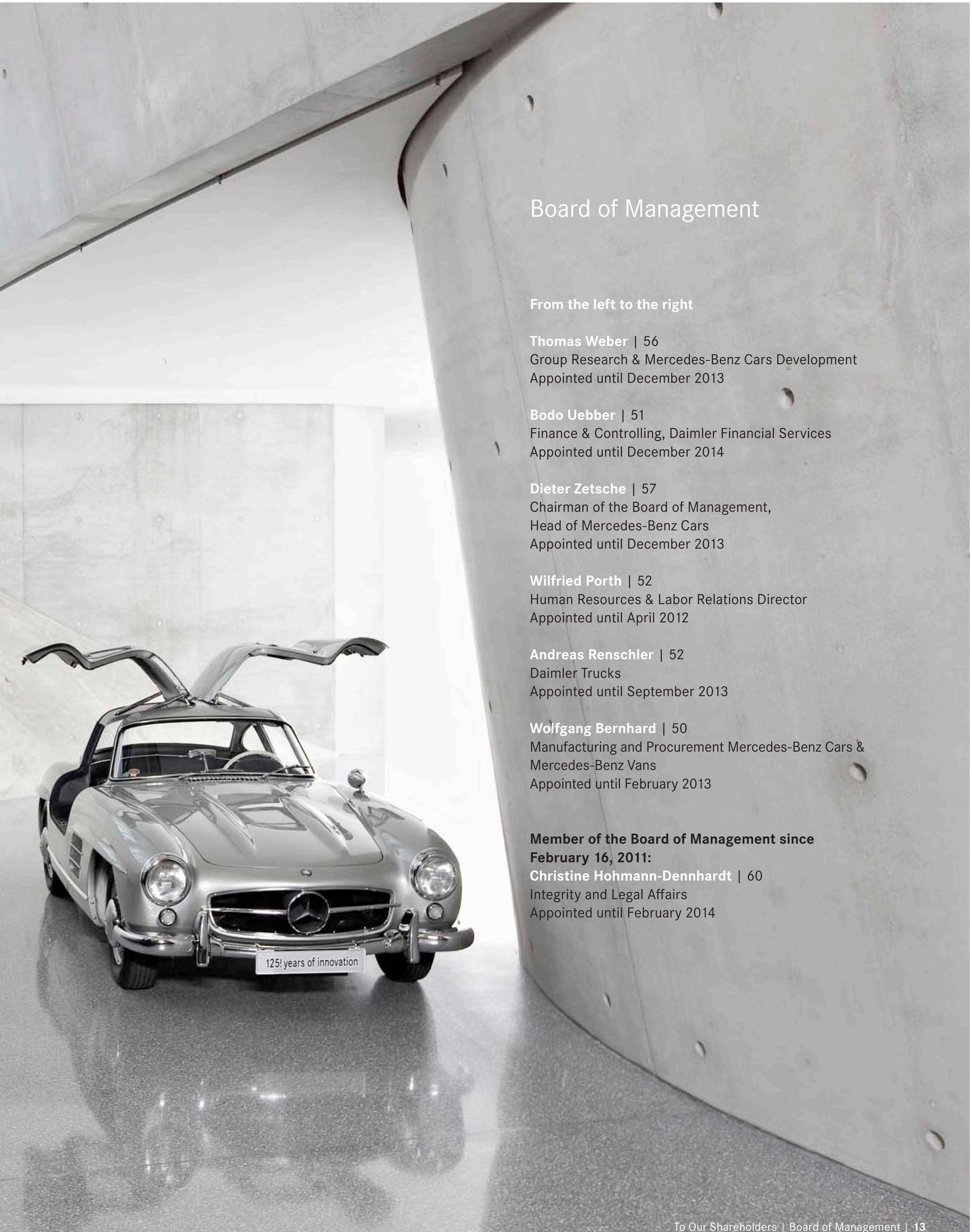
At the same time, we are well aware that sustainable success is ultimately based on a corporate culture of excellence and integrity. That's why we are systematically working on anchoring exemplary global business ethics throughout our Group – in part by creating a Board of Management position for the area of Integrity and Legal Affairs held by the first-class legal expert and former judge at the German Constitutional Court, Dr. Christine Hohmann-Dennhardt. This appointment also sends a clear signal that top performance is not a question of gender. We want to place more women in leading positions – and we are doing something about it.

As Chancellor Angela Merkel recently congratulated your company on the 125th anniversary of the invention of the automobile, she defined in her speech "the essence of what Daimler and Benz teach us: Never stand still, keep moving forward, keep dreaming and keep opening up new frontiers." This ability of continual renewal is indeed the key to our success – and for many of you probably an important reason to invest in Daimler. I would like to thank you for that trust on behalf of the entire Board of Management team.

"Innovation from Tradition" – that's more than just the title of this Annual Report. It's also a principle that more than a quarter of a million Daimler employees all over the world want to live up to once again in 2011. Together, we will continue to do everything possible to justify your trust.

Sincerely,

Dieter Zetsche



Board of Management

From the left to the right

Thomas Weber | 56
Group Research & Mercedes-Benz Cars Development
Appointed until December 2013

Bodo Uebber | 51
Finance & Controlling, Daimler Financial Services
Appointed until December 2014

Dieter Zetsche | 57
Chairman of the Board of Management,
Head of Mercedes-Benz Cars
Appointed until December 2013

Wilfried Porth | 52
Human Resources & Labor Relations Director
Appointed until April 2012

Andreas Renschler | 52
Daimler Trucks
Appointed until September 2013

Wolfgang Bernhard | 50
Manufacturing and Procurement Mercedes-Benz Cars &
Mercedes-Benz Vans
Appointed until February 2013

Member of the Board of Management since February 16, 2011:
Christine Hohmann-Dennhardt | 60
Integrity and Legal Affairs
Appointed until February 2014

Report of the Supervisory Board

Dear Shareholders, the Supervisory Board dealt in detail with the operational and strategic development of the Daimler Group in eight meetings during the 2010 financial year.

The Supervisory Board had to make decisions on numerous special topics in 2010, such as cooperation projects, capital measures, investments, the conclusion of agreements, Board of Management matters, details of the Articles of Incorporation etc. 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 development of sales structures, appointments to the top management level and the expansion and restructuring of the Internal Auditing and Compliance departments. The Supervisory Board discussed the information and evaluations that were important for its decisions or recommendations together with the Board of Management. The Supervisory Board meetings were regularly prepared in separate discussions by the members representing the employees and the members representing the shareholders.

While the beginning of 2010 was still affected by the deep recession of the prior year, as the year progressed, there was a significant and continuous upward trend for all key figures of unit sales, revenue and earnings. This positive development was due partially to the market recovery of some major sales markets, but above all to the market success of Daimler's products and services. Another factor with a sustained positive impact on earnings was the package of measures taken to enhance efficiency and reduce costs, which had been initiated by the Board of Management and monitored by the Supervisory Board since the beginning of the financial and economic crisis. Figures for the free cash flow and equity ratio of the industrial business demonstrate the Group's sound financial position.

The Supervisory Board had a thoroughly positive assessment of that pleasing development, while considering that it was not yet possible to regard the trend as dependably stable. Risk factors or uncertainty factors resulted for example from the economic situation in the United States, where experts were of the opinion that a renewed economic slump during the year 2010 could not be excluded. In China, another key market for Daimler, it was necessary to consider the possibility of a growth slowdown. In the euro zone, high levels of government debt came to be seen as a significantly negative factor at the beginning of the year, mainly triggered by the situation in Greece. Against this backdrop, the Supervisory Board supported the risk-aware approach of the Board of Management as the year progressed.

Other issues about which the Board of Management continually informed the Supervisory Board, in addition to providing the usual key figures, included:

- the Group's profitability and liquidity,
- the internal control and risk management system,
- the cost of risk in the financial services business,
- vehicles' residual values,
- the development of raw-material prices, and
- the situation of suppliers.

Detailed discussions were held in the year 2010 also about safeguarding the Group's long-term competitiveness, fundamental questions of corporate planning including financial, investment and human resources planning, developments in the companies of the Group, and the implementation of measures already initiated to secure pioneering and sustainable mobility for the future. The Supervisory Board occupied itself with those topics in close consultation with the Board of Management, and particularly intensively in a two-day strategy workshop.

Dr. Manfred Bischoff, Chairman of the Supervisory Board.

Cooperation between the Supervisory Board and the Board of Management. In all of the Supervisory Board 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 as well as compliance issues. The members of the Supervisory Board regularly prepared for 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 projects upon which decisions were to be taken with the Board of Management. All the members of the Board of Management attended all the meetings of the Supervisory Board. 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 submitted the interim reports to the Supervisory Board. The Supervisory Board was kept fully informed of specific matters also between its meetings, and, as required in individual cases, following consultation with the Chairman of the Supervisory Board it was requested to pass its resolutions in writing. In addition, the Chairman of the Board of Management informed the Chairman of the Supervisory Board in regular discussions about all important developments and upcoming decisions.

Issues discussed at the meetings in 2010. In a meeting in February 2010, the Supervisory Board dealt with personnel matters of the Board of Management. In the presence of the external auditors, the preliminary key figures of the company financial statements and the consolidated financial statements were discussed, as well as possible alternatives for the dividend proposal to be made at the Annual Shareholders' Meeting. In view of the exceptional crisis conditions in 2009 and the Group's net loss for that year, the Supervisory Board resolved to follow the recommendation of the Board of Management and not to make a dividend proposal at the Annual Shareholders' Meeting. The preliminary key figures were published at the Annual Press Conference on February 18, 2010.

After the Supervisory Board had dealt in detail with the conditions, in February 2010, it granted its approval to the termination by mutual agreement of investigations of possible violations of the US Foreign Corrupt Practices Act by the US Securities & Exchange Commission (SEC) and the US Department of Justice (DOJ). The final settlement was then reached with the US authorities on April 1, 2010.

In early March 2010, the Supervisory Board dealt with the audited 2009 financial statements of the Company, the 2009 consolidated financial statements, and the combined management report for Daimler AG and the Daimler Group. As preparation, the members of the Supervisory Board were provided with comprehensive documentation, some of it in draft form, including the Annual Report, the audit reports from KPMG on the financial statements of Daimler AG and the consolidated financial statements according to IFRS, the combined management report of Daimler AG and the Group, as well as drafts of the reports of the Supervisory Board and of the Audit Committee and the annual report according to Form 20-F.

The Audit Committee and the Supervisory Board dealt in detail with those documents and discussed them in the presence of the auditors, who reported on the results of their audit. The Supervisory Board declared its agreement with the results of the audit, established in the framework of its own review that no objections were to be raised, and approved the financial statements presented by the Board of Management. The company financial statements of Daimler AG were thereby adopted. Subsequently, the Supervisory Board consented to the proposal made by the Board of Management that the loss for the year of Daimler AG should be offset by a withdrawal from the capital reserves and that no dividend proposal should be made at the Annual Shareholders' Meeting. The Supervisory Board also approved the report of the Supervisory Board in its current draft. Other items dealt with were the agenda for the Annual Shareholders' Meeting, including the proposal of a candidate to be elected as a representative of the shareholders and the updated version of the declaration of compliance. Finally, the Supervisory Board approved the external board positions and sideline business activities of the members of the Board of Management as presented in the meeting.

In an extraordinary meeting held in March 2010, the Supervisory Board dealt with the status of cooperation talks with Renault-Nissan on possible cooperation in the areas of the small-car segment, electric mobility, vans and light commercial vehicles, and small engines. Another subject of discussion was the classification of cooperation opportunities in the corporate and divisional strategy, including their financial and legal aspects. Furthermore, a cross-shareholding with Renault-Nissan was discussed with the goal of supporting these cooperation opportunities. In this context, the Supervisory Board approved the transfer of treasury shares equivalent to approximately a 3% equity interest in Daimler to Renault and/or Nissan in return for an equity interest of approximately 3% in each of Renault and Nissan. Other terms and conditions for the cross-shareholding were also decided upon.

Two Supervisory Board meetings were held in April. In the first of those two meetings, in accordance with a proposal by the Presidential Committee, the Supervisory Board decided on two changes to the system of remuneration of the Board of Management members, taking effect on January 1, 2011. The total amount of base salary and annual bonus fundamentally remains unchanged, but is now split equally between the two components. Taking into consideration the review of remuneration in December, this change will have the effect of a neutral shift in target remuneration from the annual bonus to the fixed salary. As a result, the target annual bonus has now been reduced from 1.5 times the base salary to the same amount as the base salary. In addition, the annual bonus will no longer be paid out after the end of the financial year in full, but only 50%. The rest is due to be paid out a year later depending on the development of Daimler's share price compared with the index Dow Jones STOXX Automobiles & Parts, which Daimler AG uses as a benchmark for the relative development of its own share price. These changes were reported in the 2010 Annual Shareholders' Meeting.

In the second meeting of April 2010, the Supervisory Board dealt with the course of business and results of the first quarter, as well as with the legal settlement meanwhile reached with the US authorities. In this meeting, the Supervisory Board welcomed former US federal judge Louis Freeh in his function as the Daimler Monitor appointed in the context of the settlement, and took note of his explanation of important fundamental principles for the ongoing cooperation as he saw them.

In May, among other matters, the Supervisory Board consented to the proposal by the Board of Management to terminate the listing of Daimler shares on the New York Stock Exchange and to apply for deregistration of all securities with the US Securities and Exchange Commission.

After discussing the business development and results of the second quarter, the Supervisory Board authorized the Board of Management in its meeting in July to carry out a capital increase at Mitsubishi Fuso Truck and Bus Corporation, a company of the Group. In the same meeting, the Monitor provided information on the results of his first review.

During the two-day strategy workshop in September, the Supervisory Board once again received detailed information on the status of compliance at the Group. In addition, it dealt in detail with the stage of implementation of the strategic goals set by the Board of Management for Daimler AG and the individual divisions in previous years. Against the backdrop of the current economic situation, the Supervisory Board discussed the stage of implementation of projects initiated by the divisions, the positioning of the Group and its divisions with regard to the competition, and the brand and product strategies.

Other key points included:

- growth opportunities in the various markets,
- analyses of competitors,
- the latest trends in customer behavior, also with regard to the future development of urban mobility,
- the overall technology and market strategy for safeguarding sustainable mobility,
- the technological development of internal-combustion engines,
- electric, hybrid and hydrogen drive systems,
- management capacities and other human resources issues, 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 2011/2012, including discussion of existing opportunities and risks and the Group's risk management. The Supervisory Board also decided on the financing limits for the year 2011. Other matters discussed in the December meeting included corporate governance and Board of Management remuneration. In this meeting, the Supervisory Board decided on specific quantitative targets for its own composition in addition to existing qualitative targets, in particular with regard to appropriate participation by women.

Corporate governance. During 2010, the Supervisory Board was continually occupied with the further development of corporate governance, giving due consideration to legislative changes and developments.

Since the renewal of the directors' and officers' insurance cover (D&O insurance) on April 1, 2010, a deductible is included for members of the Supervisory Board in the case of negligent breaches of duty in the amount of 50% of a member's annual remuneration.

In its December meeting, the Supervisory Board updated the rules of procedure of the Supervisory Board and its committees and, pursuant to Section 161 of the German Stock Corporation Act (AktG), approved the 2010 declaration of compliance with the German Corporate Governance Code as amended on May 26, 2010.

An important precondition for effective cooperation in the Supervisory Board is not only the prioritized specialist expertise, but also diversity of the members in terms of their gender, ethnic origin and other personal characteristics, appropriate to the Company's size and internationality. In connection with future proposals on candidates for election to the Supervisory Board of Daimler AG, the Supervisory Board will therefore pay due attention to achieving a balance, in particular with regard to gender and sees this as a contribution to strengthening Daimler's claim to leadership in the automotive industry. A guideline for balance in terms of gender is the Group's target of having 20% of top executive positions occupied by women by the year 2020.

In each Supervisory Board meeting, 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.

The Supervisory Board 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 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 2010.

The member of the Supervisory Board who stood down as of the end of the Annual Shareholders' Meeting on April 14, 2010, Arnaud Lagardère, was only able to attend fewer than half the meetings between the beginning of 2010 and his departure, due to other urgent commitments.

Report on the work of the committees

The **Presidential Committee** convened three times in 2010. It dealt primarily with corporate governance issues and questions of remuneration, as well as personnel matters of the Board of Management. As in previous years, compliance targets were included in the individual target agreements of the members of the Board of Management.

The **Audit Committee** met seven times in 2010. Details of those meetings are provided in a separate report of this committee (see page 150 f).

The **Nomination Committee** convened once in 2010. In that meeting, 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 was prepared on the basis of specifications regarding the structure, orientation and qualification profile of the members of the Supervisory Board representing the shareholders and with due consideration of corporate governance requirements.

As in previous years, the **Mediation Committee**, a body required by the provisions of the German Codetermination Act, had no occasion to take any action in 2010.

The chairmen of the committees continually 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 14, 2010, a member representing the shareholders, Arnaud Lagardère, stepped down from the Supervisory Board of Daimler AG. As proposed by the Supervisory Board, Dr. Paul Achleitner was elected as a member of the Supervisory Board representing the shareholders with effect as of the end of that Annual Shareholders' Meeting. The election proposal of the Supervisory Board was based on a recommendation made by the Nomination Committee of the Supervisory Board and a resolution by the members of the Supervisory Board representing the shareholders.

Personnel changes in the Board of Management. In a Supervisory Board meeting in February 2010, the Supervisory Board resolved to reappoint Dr. Dieter Zetsche and Dr. Thomas Weber as members of the Board of Management, in each case as of January 1, 2011 for three years, in accordance with resolutions of the Supervisory Board passed in the year 2006. In addition, the Supervisory Board resolved to expand the Board of Management with the addition of one position and to appoint Dr. Wolfgang Bernhard as a member of the Board of Management of Daimler AG with responsibility for Production and Procurement Mercedes-Benz Cars and for the Mercedes-Benz Vans division for three years as of February 18, 2010.

In a Supervisory Board meeting in September 2010, the Supervisory Board passed a resolution on the future expansion of the Board of Management and the creation of a new Board of Management position with responsibility for Integrity and Legal Affairs.

In a meeting dealing with the expansion of the Board of Management through the addition of a position for Integrity and Legal 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, 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 accordance with the relevant resolution of the Supervisory Board of the year 2006. Also in this meeting, in the presence of the external auditors, the Supervisory Board dealt with the preliminary key figures of the company and consolidated financial statements and the dividend proposal to be made to the shareholders at the Annual Meeting. The preliminary key figures were disclosed at the Annual Press Conference on February 16, 2011.

Audit of the 2010 financial statements. The financial statements of Daimler AG and the combined management report for the Company and the Group for 2010 were duly audited by KPMG AG, Wirtschaftsprüfungsgesellschaft, Berlin, and were given an unqualified audit opinion. The same applies to the consolidated financial statements for 2010 prepared according to IFRS, which were supplemented with the combined management report and additional notes. The financial statements, the Board of Management's proposal on the appropriation of profits and the auditors' reports were submitted to the Supervisory Board for its review. In preparation, the members of the Supervisory Board were provided with comprehensive documentation – some of it in draft form – including the Annual Report, the audit reports of KPMG on the company financial statements of Daimler AG and the consolidated financial statements according to IFRS, and the combined management report for Daimler AG and the Group, as well as drafts of the reports of the Supervisory Board and the Audit Committee. A Form 20-F report no longer had to be prepared due to the delisting and deregulation in the United States. The documents presented were dealt with in detail in a meeting at the end of February, first by the Audit Committee and then by the Supervisory Board, and were discussed in the presence of the auditors, who reported on the results of their audit. The Supervisory Board declared its agreement with the results of the audit, established in the framework of its own review that no objections were to be raised, and approved the financial statements presented by the Board of Management. The company financial statements of Daimler AG are thereby adopted. The Supervisory Board also discussed the situation of the EU Commission's antitrust investigations of European manufacturers of commercial vehicles, dealt with the Board of Management's proposal on the appropriation of profits and approved that proposal. It also approved the report of the Supervisory Board in its current draft and approved the agenda for the Annual Shareholders' Meeting in 2011.

Appreciation. The Supervisory Board thanks all of the employees of the Daimler Group, the management and the departing member of the Supervisory Board for their personal contributions and special efforts, as a result of which the Group performed very well already in the first year after successfully meeting the challenges of crisis year 2009.

Stuttgart, February 2011

The Supervisory Board

Dr. Manfred Bischoff
Chairman

Members of the Supervisory Board

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

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

Dr. Paul Achleitner
Munich
Member of the Board of Management of Allianz SE (since April 14, 2010)
Other supervisory board memberships/directorships:
Bayer AG
RWE AG
Allianz Investment Management SE – Chairman
Allianz Global Investors AG

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

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

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

Dr. Jürgen Hambrecht
Ludwigshafen
Chairman of the Board of Executive Directors of BASF SE
Other supervisory board memberships/directorships:
Deutsche Lufthansa AG

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

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

Gerard Kleisterlee
Amsterdam
President and CEO of Royal Philips Electronics N.V.
Other supervisory board memberships/directorships:
De Nederlandsche Bank N.V.
Royal Dutch Shell Plc.

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

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

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

Dr. Manfred Schneider
Leverkusen
Chairman of the Supervisory Board of Bayer AG
Other supervisory board memberships/directorships:
Linde AG – Chairman
RWE AG – Chairman
TUI AG

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

Jörg Spies*
Stuttgart
Chairman of the Works Council, Headquarters, Daimler AG
(since January 5, 2010)

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

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

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

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

Retired from the Supervisory Board:

Arnaud Lagardère
Paris
General Partner and CEO of Lagardère SCA
(retired April 14, 2010)

Helmut Lense*
Stuttgart
Chairman of the Works Council, Untertürkheim Plant, Daimler AG
(retired December 31, 2009)

Committees of the Supervisory Board:

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

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

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

Nomination Committee
Dr. Manfred Bischoff – Chairman
Dr. Manfred Schneider
Lynton R. Wilson

* Representative of the employees

Daimler Shares

Daimler's share price profited in 2010 from the very positive development of the Group's business operations and developed significantly better than the DAX. We provide analysts and investors with information in the context of comprehensive investor relations activities. Board of Management and Supervisory Board propose dividend payment of €1.85 per share.

Development of Daimler's share price and major indices

	End of 2010	End of 2009	10/09 % change
Daimler's share price (in euros)	50.73	37.23	+36
DAX 30	6,914	5,957	+16
Dow Jones Euro STOXX 50	2,793	2,966	-6
Dow Jones Industrial Average	11,578	10,428	+11
Nikkei	10,229	10,546	-3
Dow Jones STOXX Auto Index	341	236	+44

Key figures per share

In euros	2010	2009	10/09 % change
Net profit/loss (basic)	4.28	-2.63	.
Net profit/loss (diluted)	4.28	-2.63	.
Dividend	1.85	0.00	.
Equity (December 31)	35.62	29.99	+19
Xetra share price: year-end [1]	50.73	37.23	+36
Highest [1]	54.87	37.65	+46
Lowest [1]	30.35	17.44	+74

1 Closing prices

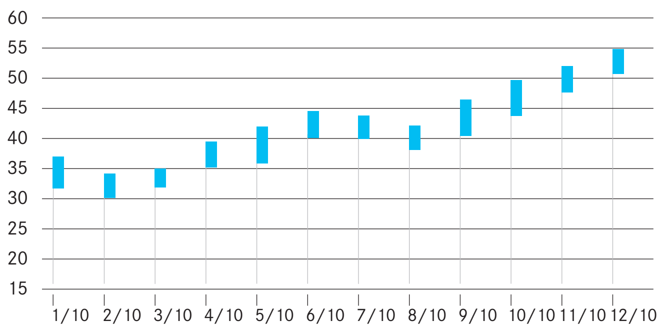
Unsettled developments on global stock exchanges. Stock markets worldwide continued their volatile and varied development in 2010. Against the backdrop of a debate about public-sector debt and the high budget deficits of some countries in the euro zone, investors at first adopted a wait-and-see approach and international stock markets moved sideways. In view of increasing fears of a possible return to recession or a double dip, especially of the US economy, share prices fell to their lowest levels for the year in the summer months. Following the publication of companies' half-year figures and good economic data, sentiment on international stock exchanges started to improve and the most important indices began to climb again in the second half of 2010. Share prices also benefited from the announcement of another program of quantitative easing in the United States and the gradually decreasing risk of a renewed economic slump.

Widely differing economic developments in various regions were reflected in share-price movements during the year. The index of the most important stocks in the euro zone, the Dow Jones Euro STOXX 50, fell by 6% over 2010 as a whole. But Germany's main index, the DAX, developed very positively with a plus of 16%. In addition to the robust German economy, this reflected the fact that companies with major operations outside Europe were profiting from the weakness of the euro. After US share prices were at first depressed by concerns about a possible double-dip of the economy, there was a distinct upward trend in the second half of the year, so the Dow Jones also gained 11% in 2010. In Japan, share-price gains in the last two months of the year were not sufficient to give the Nikkei index an overall gain for the year (-3%).

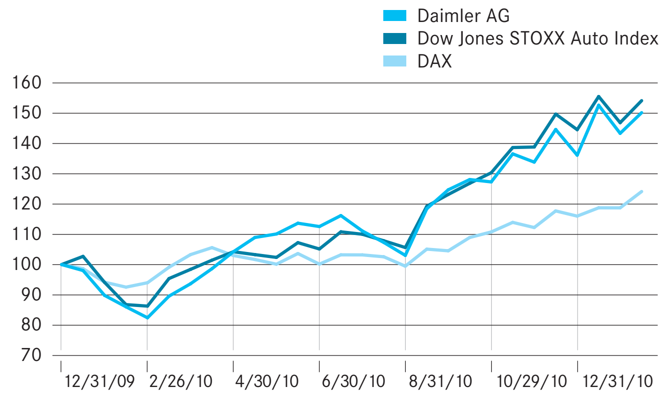
Daimler shares gain substantial value during 2010 (+36%). Daimler's share price started the year 2010 at a price of approximately €37. Prices of cyclical stocks such as Daimler's suffered in the first two months of the year from investors' caution following the announcement of a more restrictive monetary policy by the Chinese central bank and the debt crisis in Greece. As a result of increased selling after the announcement that no dividend would be paid for the year 2009, Daimler's share price fell to its low for the year of €30.35 on February 25.

Daimler share price (high/low), 2010

In euros



Share price index



A long phase of recovery set in after that. Demand for Daimler shares was boosted by investors' growing confidence that the world economy would revive quickly and by a significant increase in car unit sales. At an analysts' and investors' day in Beijing at the end of May, we explained the strategy of the coming years for Mercedes-Benz Cars and announced an outlook for a sustained profitability target of 10% over our business cycle as of the year 2013. This provided further support for our share price. After very volatile movements during the second quarter, it reached a high for the first half of 2010 of €44.50 on June 21.

Although the half-year results and the increased earnings guidance confirmed the capital market's positive expectations for our stock, its price was reduced by profit-taking as the year progressed. But a new upswing set in along with the good development of business in September. Third-quarter results and the renewed increase in earnings guidance for full-year 2010 emphasized the long-term nature of the recovery.

Following an analysts' and investors' day and the presentation of the mid-term outlook for Daimler's commercial-vehicles business at our truck plant in Wörth at the end of November, and a generally positive development of auto stocks, our share price stabilized at above the €50 mark. On December 10, it reached its high for the year of €54.87. During the last trading days of the year, Daimler's share price came under pressure due to temporary concerns about the outlook for the Chinese car market for the year 2011, and closed for the year in Xetra trading at €50.73. Our market capitalization at the end of 2010 was €54.0 billion.

Over the year as a whole, Daimler's share price increased by €13.50 or approximately 36%. With this strong performance, Daimler shares developed significantly better than the DAX (+16%), but did not quite match the growth rate of the Dow Jones STOXX Auto Index (+44%).

Dividend of €1.85 per share. The Board of Management and the Supervisory Board will propose to the Annual Shareholders' Meeting that a dividend of €1.85 per share be distributed for the year 2010. The total dividend payout will amount to €1,971 million.

End of listing on the New York Stock Exchange (NYSE). On May 14, 2010, Daimler informed the New York Stock Exchange (NYSE) and the general public of its intention to discontinue the listing of Daimler shares and of the 8.5% US-dollar bond issued by Daimler Finance North America LLC and due on January 18, 2031, as well as the related Daimler guarantee, and to apply for deregistration with the US Securities and Exchange Commission (SEC). Since the delisting took effect on June 7, 2010 and all securities were deregistered effective September 7, 2010, we no longer have any reporting duties pursuant to the US Securities Exchange Act 1934. The main reason for ending the NYSE listing and deregistering with the SEC is a significant change in the behavior of investors, who now trade in Daimler shares primarily in Germany and on electronic trading platforms. Another reason was to reduce the complexity of financial reporting as well as administrative costs and fees. Irrespective of the delisting and deregistration, Daimler will maintain a high degree of transparency in its financial reporting and will continue to fulfill the requirements of international investors.

Key figures

	End of 2010	End of 2009	10/09 % change
Share capital (in millions of €)	3,058	3,045	+0
Number of shares (in millions)	1,065.6	1,061.2	+0
thereof treasury shares	0.2	37.1	-99
Market capitalization (in billions of euros)	54.0	38.1	+42
Number of shareholders (in millions)	1.0	1.2	-20
Weighting in share indices			
DAX 30	7.51%	5.98%	
Dow Jones Euro STOXX 50	2.88%	2.05%	
Long-term credit ratings			
Standard & Poor's	BBB+	BBB+	
Moody's	A3	A3	
Fitch	BBB+	BBB+	
DBRS	A (low)	A (low)	

Launch of American depositary receipt (ADR) program in the United States. In September 2010, we started a sponsored Level 1 ADR program in the United States. The ADRs are traded over the counter in the USA under the symbol DDAIY. The ratio of the ADRs to the underlying ordinary shares is 1:1, i.e. one Daimler ADR represents one Daimler share. Deutsche Bank Trust Company is acting as the depositary bank for the ADR program.

International shareholder structure with stable major shareholders. Daimler continues to have a broad shareholder base of approximately 1.0 million shareholders. Shareholder numbers are still decreasing because private investors in particular are reducing their portfolios. The proportion of institutional investors increased again in 2010. Aabar Investments PJSC, Abu Dhabi, holds 9.0% of Daimler's stock and is thus still our biggest investor. The second-largest shareholder is still the Kuwait Investment Authority with 6.9% of our shares. In April 2010, Daimler AG and the Renault-Nissan Alliance agreed not only on wide-ranging strategic cooperation but also on a cross-shareholding. The Renault-Nissan Alliance received a 3.1% equity interest in Daimler, served from our treasury shares. As a result, the proportion of treasury shares held by Daimler fell below the disclosure threshold of 3%. At the end of the year, we held 221,418 treasury shares (0.02%).

Capital Research and Management Company, Los Angeles, notified us that it held 3.1% of Daimler's shares as of May 26, 2010. BlackRock Inc., New York, informed us that it held 3.9% of our shares as of December 2009 and is still above the 3% notification threshold for large shareholders as defined by Germany's Securities Trading Act (WpHG).

Stock-exchange data for Daimler shares

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

In total, institutional investors held 62% of our share capital at the end of 2010 and private investors held 19%. Approximately 65% of our equity was in the hands of European investors and approximately 15% was held by US investors.

The weighting of Daimler shares in major indices increased during 2010 due to the positive development of our share price. In the German DAX 30 index, our stock was ranked in 3rd position with a weighting of 7.51% at the end of the year (end of 2009: 5.98%). In the Dow Jones Euro STOXX 50 index, Daimler shares were represented with a weighting of 2.88% (end of 2009: 2.05%). Daimler shares are listed in Frankfurt and Stuttgart. Stock-exchange trading in Germany in the year 2010 amounted to 1,492 million shares (2009: 1,830 million). In addition, Daimler shares were increasingly traded on newly created multilateral trading platforms and in the over-the-counter market.

Resumption of employee share program. In May 2010, eligible members of the workforce were once again able to acquire employee shares and make use of the newly increased tax-exempt amount. As a result, 19,400 employees acquired a total of 350,700 shares.

Annual Shareholders' Meeting affirms management's proposals with large majorities. Our Annual Shareholders' Meeting held on April 14, 2010 at the Berlin International Congress Centrum (ICC) was visited by approximately 4,700 shareholders (2009: 7,000). With 40.3% of the share capital represented at the Annual Meeting, shareholder representation was close to the level of the prior year (2009: 41.6%). In the voting on the items of the agenda, the shareholders adopted the recommendations of the management with large majorities.

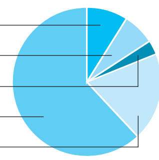
The shareholders are able to exercise their voting rights at the Annual Meeting either in person or through a proxy of their own choice or through a proxy appointed by Daimler who is bound by their voting instructions. For Annual Shareholders' Meeting 2011, we intend to offer the possibility of absentee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

Daimler once again utilized the exhibition space at the ICC to demonstrate to the shareholders the Group's broad spectrum of products and technological expertise, especially in the area of sustainable mobility.

Shareholder structure as of December 31, 2010

By type of shareholder

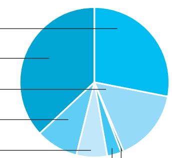
Aabar Investments PJSC	9.0%
Kuwait Investment Authority	6.9%
Renault-Nissan	3.1%
Institutional investors	61.9%
Retail investors	19.1%



Shareholder structure as of December 31, 2010

By region

Germany	28.2%
Europe, excluding Germany	36.9%
USA	15.4%
United Arab Emirates	9.0%
Kuwait	6.9%
Asia	3.0%
Rest of the world	0.6%



Comprehensive investor relations activities. In the year 2010, the Investor Relations department once again provided timely information on the development of the Group to institutional investors, analysts, rating agencies and retail investors. Our communication activities for institutional investors and analysts included roadshows in the major financial centers of Europe, North America, Asia and Australia, as well as large numbers of one-on-one meetings. We carried out presentations of the Group in the context of investor conferences, in particular during the international motor shows in Geneva, Paris and Hanover. We regularly reported on our quarterly results via conference calls and Internet broadcasts. The presentations can be seen on our website at http://www.daimler.com/ir/event/e. The focus of discussions with analysts and investors was on current earnings expectations for the year 2010 as well as business developments and profitability in the various divisions and regions.

Three of last year's events are particularly noteworthy: On April 7, 2010, Daimler announced its strategic alliance with Renault-Nissan at a joint press conference. Capital-market players were informed about the cooperation with a live video broadcast on the Internet and a separate conference call with the two CEOs. On May 28, 2010, we held an analysts' and investors' day in Beijing with speeches and discussions on the outlook and goals of Mercedes-Benz Cars in China. On November 30, 2010, we hosted approximately 160 analysts, investors and bank representatives at our truck plant in Wörth and informed them about the outlook and goals of Daimler Trucks and Daimler Buses in the various regions of the world.

Internet website makes use of new possibilities. Following the thorough modernization of the Daimler Group's website, a wide range of corporate topics were presented in 2010. Users are encouraged to take a closer look by an innovative, multimedia form of presentation with informative texts, schematic animations and a lot of film material. We also revised our mobile website so that it can now be accessed optimally by mobile devices such as smart phones. In addition to the existing investor relations content, all current information on Daimler's brands and products as well as technological and innovation topics can be accessed quickly and conveniently when on the move at www.daimler.mobi. Furthermore, a new Daimler app is now available for iPhone™ and iPad™ users. They can optimally access multimedia specials, for example on the Group's brands, products, technologies or events.

Our interactive Annual Report 2009 was honored by the League of American Communications Professionals LLC (LACP) with an LACP Award in Silver. The jury particularly praised the visual design and the perceived relevance of the information to the target group.

Number of online shareholders remains at a high level. Our electronic information and communication service was as popular as ever in 2010. The number of shareholders who received their invitations to the Annual Meeting by e-mail instead of by post increased from 85,000 to 90,000. We thank those shareholders for helping us to protect the environment and reduce costs. Once again in 2010, we held a lottery among the participating shareholders with 50 attractive prizes for the winners. Access and further information on the e-service for shareholders can be found on our website at https://register.daimler.com.

After the optimization of our electronic annual meeting services, our online shareholders were able for the first time to print out their tickets themselves for Annual Meeting 2010. Approximately 1,400 shareholders made use of this service.

The success story of motorized and individual transport began 125 years ago with the invention of the automobile by our pioneers, Gottlieb Daimler and Carl Benz. This anniversary is especially significant for Daimler. In the tradition of our company's founders, we have put numerous technical achievements on the road since then. Daimler has always played a pioneering role and will continue to shape the future of mobility with groundbreaking innovations for automobiles and commercial vehicles.

Innovation Close Up.

Every pioneering achievement begins with attention to detail.

The most appealing form of efficiency

Thanks to an innovative technology package, the new Mercedes-Benz V6 and V8 gasoline engines achieve outstanding performance combined with low fuel consumption. Clean and efficient internal-combustion engines will form the basis of mobility for a long time to come – also for vehicles with hybrid drive. Mercedes-Benz models such as the new CLS put that new efficiency on the road in style.

Cylinder liner of the new V6 and V8 engines.

With its unique design, refined sportiness and maximum efficiency, the all-new Mercedes-Benz CLS has admirers all over the world.

It has been an exciting newcomer right from the start: the Mercedes-Benz CLS established a completely new automobile segment when the first version was launched as the world's first four-door coupe in 2003. The new version of the CLS was unveiled in 2010. Like its predecessor, the second generation also communicates sensuousness and discernment, design and technology in a very special way. The silhouette of the CLS has become even more emotive with a new combination of lines and surfaces. The interior features timeless design and innovative details. The dynamism of the CLS is enhanced by its lightweight construction and efficient V6 and V8 engines that reduce fuel consumption by up to 25 percent while delivering even more power than their predecessors. So it was no surprise that the style icon was awarded the Golden Steering Wheel 2010 by the jury and readers of "Auto Bild," "Bild am Sonntag" and other European car magazines.

"Outstanding design and a highly efficient powertrain give the new CLS its unique character."

Hubert Lee, Creative Director, Mercedes-Benz Research & Development,
Advanced Design, Carlsbad, California

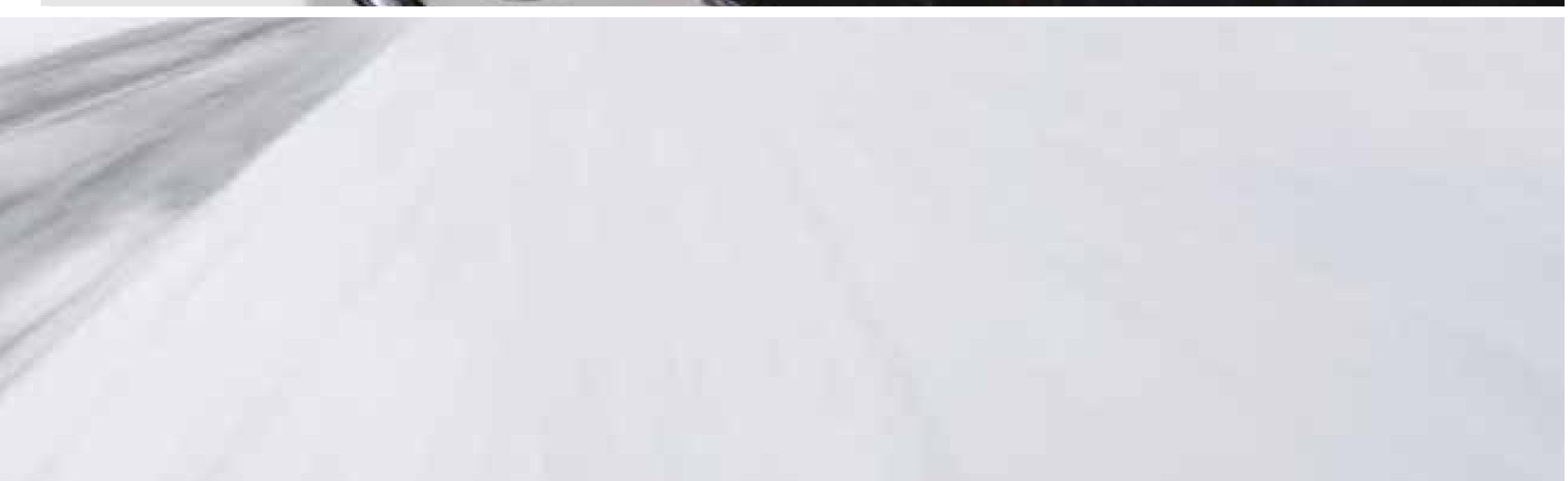
Design trendsetter and efficiency pioneer. All four V6 and V8 engines available in the Mercedes-Benz CLS offer more power and lower fuel consumption than their predecessors.

The efficient E-Class convertible doesn’t follow the flow, it defines it.

The Mercedes-Benz E-Class convertible has a universal appeal. Of the new cars launched in 2010, it was voted “most beautiful convertible of 2010” by the readers of Germany’s “auto motor und sport” magazine. This open four-seater with a traditional soft top also won the Autonis design prize for its pure convertible feeling and style. The E-Class convertible appeals with clear proportions and an elegant silhouette. It is also unique for its level of safety and excellent all-year comfort with its innovative AIRCAP wind deflector, AIRSCARF neck-level heating, and a sound-absorbing cloth roof. The convertible awakens emotions – not only with its pioneering design and comfort but also with its engines: The next-generation V6 and V8 technology makes the open four-seater even more powerful, but at the same time cleaner and more economical. So the Mercedes-Benz E-Class convertible is the open-air star of all four seasons.

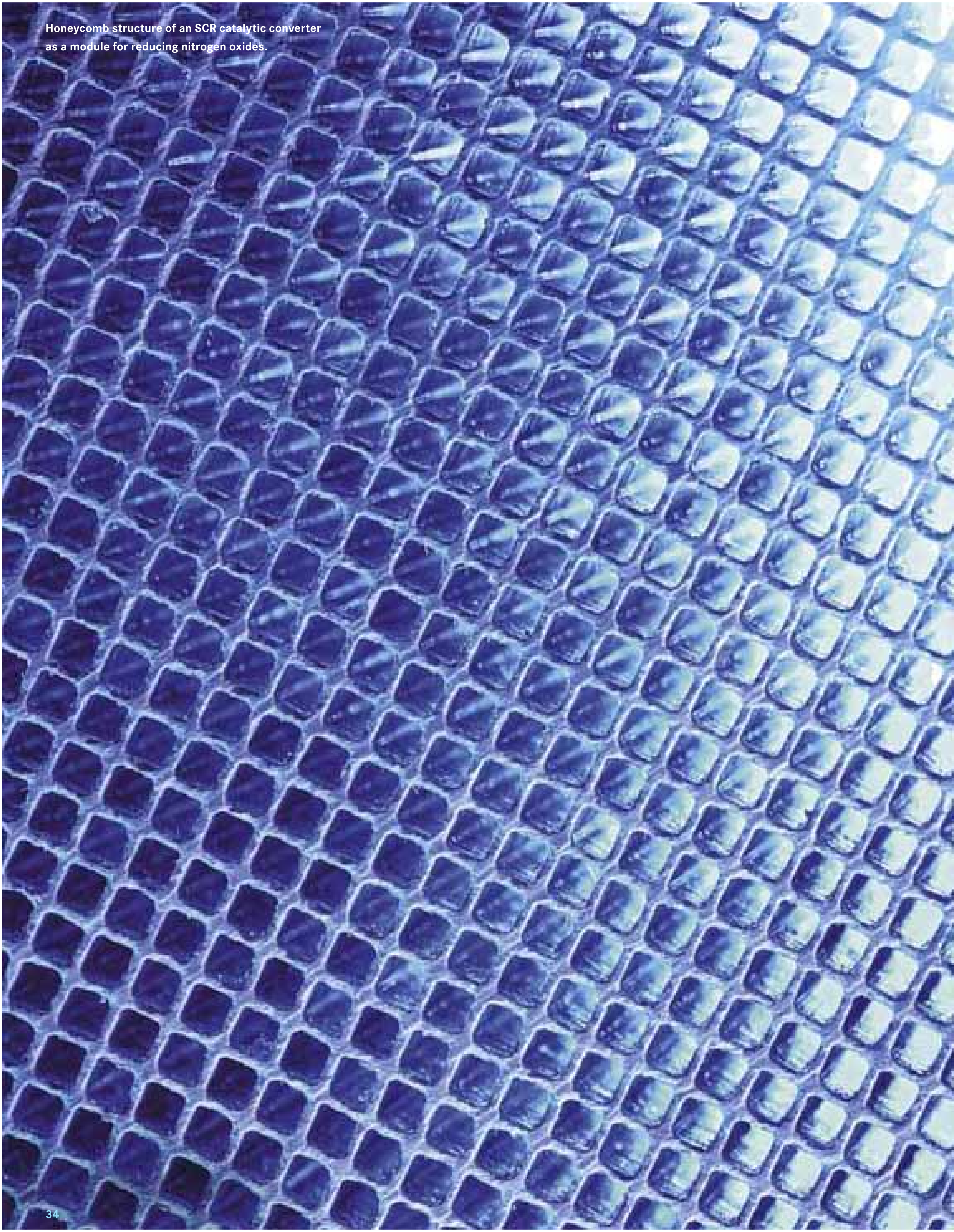
“The beauty and elegance of my E-Class convertible delight me again and again. The same applies to its outstanding efficiency.”

Stefan von Wallfeld, entrepreneur, Stuttgart



A wind of change for more efficiency. Innovative direct gasoline-injection engines in the Mercedes-Benz E-Class convertible provide abundant power while reducing fuel consumption and emissions.

Honeycomb structure of an SCR catalytic converter as a module for reducing nitrogen oxides.



Fit for the future down to the last detail.

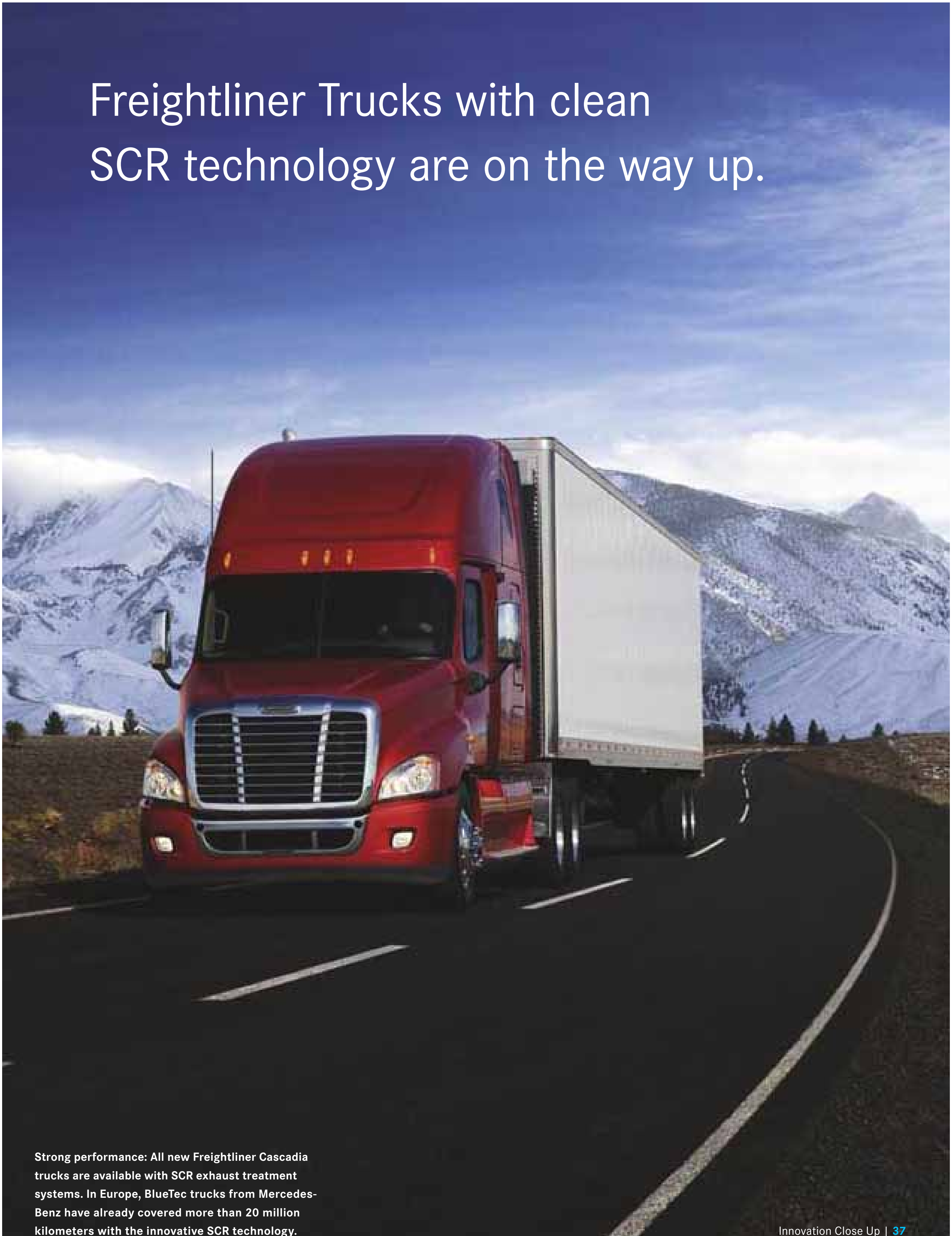
SCR technology makes economical diesel engines so clean that they fulfill the world’s most stringent emission limits. As a pioneer, Daimler introduced this revolutionary exhaust technology under the name of “BLUETEC” in commercial vehicles in 2005 and in cars in 2006. Now the new Freightliner Cascadia trucks are traveling the US highways with SCR catalytic convertors.

“The Freightliner Cascadia with SCR technology is my first choice to fulfill the stringent EPA 2010 emission limits in the USA.”

Chris Lofgren, CEO Schneider National, Inc., Green Bay, Wisconsin

Perfectly prepared for a clean future. After receiving several major orders, Daimler Trucks North America (DTNA) already sold approximately 20,000 BlueTec trucks of the Freightliner and Western Star brands in 2010. One of the orders was from Schneider National, Inc., one of the biggest transportation companies in the United States. Since 1996, Schneider has been using engines from Daimler subsidiary Detroit Diesel Corporation, which already introduced SCR technology in 2005. The innovative Detroit Diesel engines are now the most popular engines in new Freightliner trucks. Under the name of BlueTec, DTNA launched SCR exhaust treatment systems to fulfill the stringent EPA 2010 emission limits in the USA, as this technology has proven to be the most effective in reducing the emission of pollutants. With SCR catalytic converters, Freightliner is making use of the experience gained with Mercedes-Benz BlueTec trucks, which have already covered many millions of kilometers in Europe - safely, reliably and economically. In 2009, Schneider took part in tests of SCR technology in everyday conditions with two Cascadias, the flagship of Freightliner’s heavy-duty truck class. The transportation company has now ordered additional Cascadias with SCR exhaust systems, to help keep the wheels of the North American economy turning while protecting the environment.

Freightliner Trucks with clean SCR technology are on the way up.



Strong performance: All new Freightliner Cascadia trucks are available with SCR exhaust treatment systems. In Europe, BlueTec trucks from Mercedes-Benz have already covered more than 20 million kilometers with the innovative SCR technology.

A pioneering combination.

Hybrid drive systems combine combustion engines with electric motors and represent a milestone in the further improvement of automotive efficiency. Daimler has developed a modular hybrid kit that can be used to create many versions of hybrid drive depending on performance and range of application. The Mercedes-Benz Atego BlueTec Hybrid and the Mercedes-Benz Citaro FuelCELL-Hybrid have proven their innovative strengths in practical use.

The lacquered copper windings of an electric motor in a hybrid drive system.

The Atego BlueTec Hybrid delivers top performance. Also in terms of environmental protection.

At the top. As “Truck of the Year 2011,” the Mercedes-Benz BlueTec Hybrid impresses customers with its environmentally friendly drive system – but also with its contribution to sustainable local deliveries.

“We have put all of our passion for trucks on the road in the Atego BlueTec Hybrid. And our expertise for economy and sustainability.”

Georg Klohr, Head of Prototype Construction/Production Mercedes-Benz Atego BlueTec Hybrid, Mercedes-Benz Plant Mannheim

Cleanliness, safety, practicality and comfort – those are the key product features of the Mercedes-Benz Atego BlueTec Hybrid. That’s why an international jury of experts voted this innovative multi-talent as “Truck of the Year 2011.” Not only in the hybrid version, but in all models of the medium-duty delivery truck, drivers today enjoy a level of equipment that was previously reserved for their long-haulage colleagues. In addition, the advanced parallel hybrid drive reduces fuel consumption and CO_2 emissions by 10 to 15 percent. With the parallel hybrid, Daimler as the leading producer of commercial vehicles has also created the international standard for hybrid architecture. Following successful fleet applications, the first 50 Mercedes-Benz Atego BlueTec Hybrid of the next stage of evolution were sold to customers in late 2010. With this environmentally friendly truck, Mercedes-Benz has made progress on commercial vehicles with hybrid drive with a worldwide impact. The series-produced Atego BlueTec Hybrid is regarded as a trailblazer for alternative drive systems in delivery vehicles and was therefore rewarded in the autumn of 2010 with the “German Sustainability Prize” in the product category.

“Economical, safe, clean. That’s the future of public transport – in Hamburg with the Citaro FuelCELL-Hybrid.”

Günter Elste, CEO of Hamburger Hochbahn (public-transport company), Hamburg

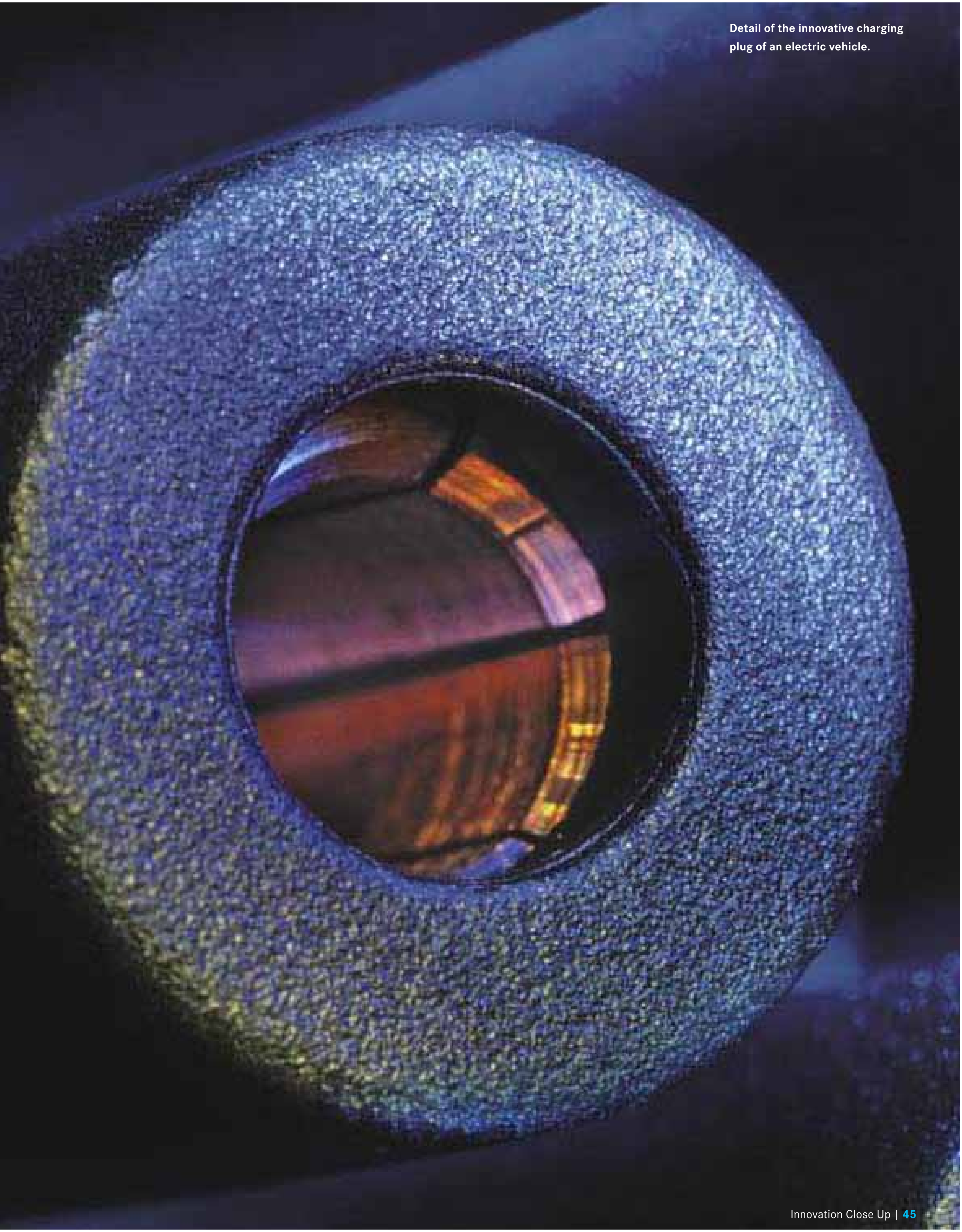
Environmentally friendly by design. The Citaro FuelCELL-Hybrid provides urban mobility without any local emissions.

A win-win situation. The Mercedes-Benz Citaro FuelCELL-Hybrid fulfills urban mobility requirements with a high standard of environmental compatibility and extremely good economy.

Cities and urban areas can take a deep breath. Without any local emissions but with very good economy, the Mercedes-Benz Citaro FuelCELL-Hybrid is at the forefront of sustainable mobility. The latest generation of environmentally friendly, energy-efficient fuel-cell hybrid buses will set a benchmark for public transport as of spring 2011, also as part of the NaBuZ project (Sustainable Bus Systems of the Future) in Hamburg. Thanks to further improved fuel cells and hybridization with lithium-ion batteries, the pioneering Citaro FuelCELL-Hybrid has a range of approximately 250 kilometers and consumes only about half as much hydrogen as its predecessor: The outstanding hybrid urban bus has arrived. The Citaro FuelCELL-Hybrid is also on time for the EU-supported project CHIC (Clean Hydrogen in European Cities), which started in Cologne in 2010. The goal is to integrate 26 fuel-cell buses into regular daily service in the five cities of Aarau, Bolzano, Milan, London and Oslo. This project will benefit from the experience gained in successful predecessor projects in Berlin, Hamburg, Cologne and Whistler, Canada. Daimler is participating in the large-scale CHIC fleet tests with the next-generation Mercedes-Benz Citaro FuelCELL-Hybrid and is thus shaping the future of locally emission-free public transport.

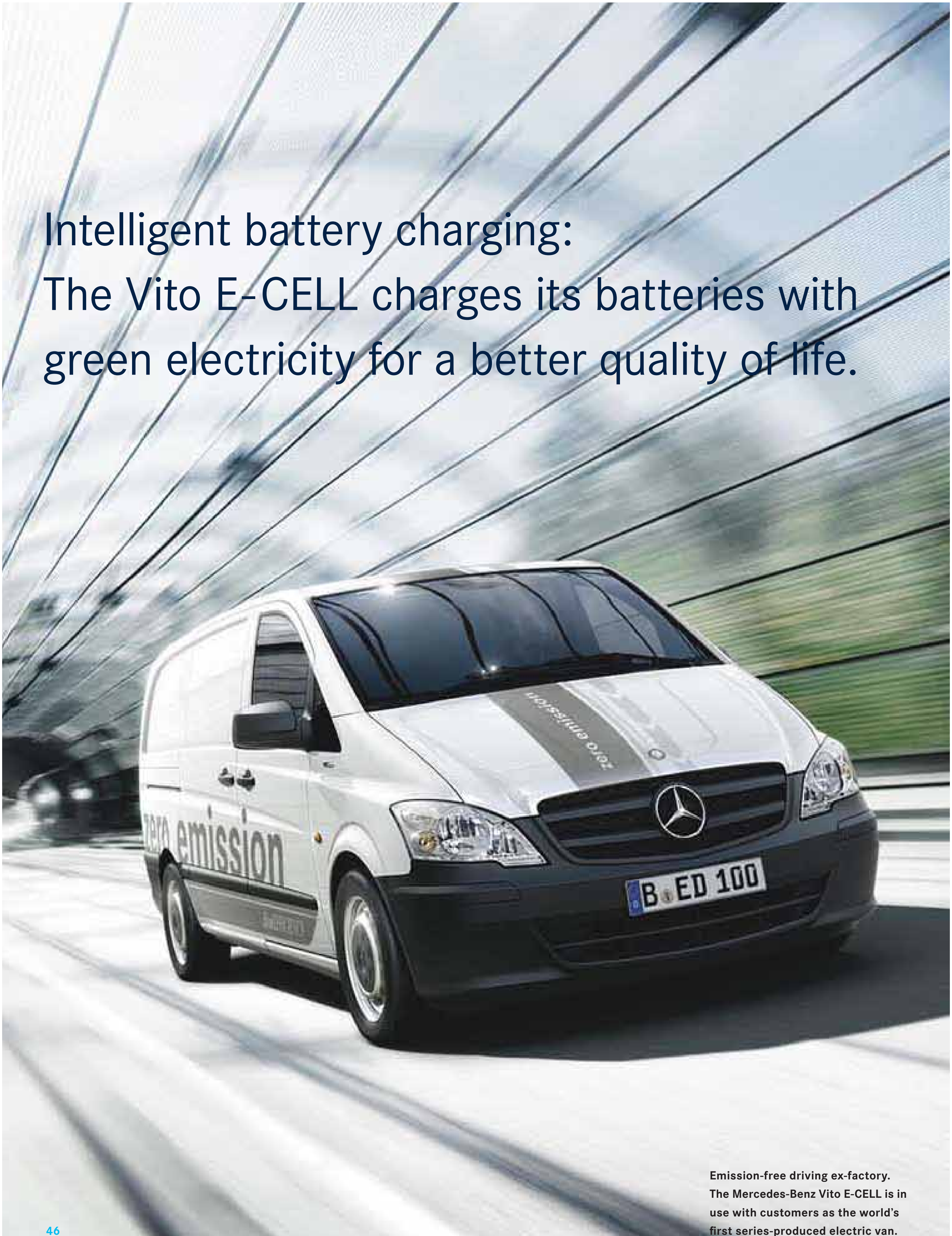
A connection for moving moments.

Locally emission-free vehicles will only become properly mobile when we have a standardized battery-charging infrastructure. Together with small and medium-sized companies, Daimler has developed a uniform charging plug for all German producers. It makes battery charging and paying for the electricity as safe and easy for customers as using a mobile phone. The Mercedes-Benz Vito E-CELL and the smart fortwo electric drive are already using it.



Detail of the innovative charging plug of an electric vehicle.

Intelligent battery charging:
The Vito E-CELL charges its batteries with green electricity for a better quality of life.



Emission-free driving ex-factory. The Mercedes-Benz Vito E-CELL is in use with customers as the world's first series-produced electric van.

“On each of its journeys, the Vito E-CELL also transports a significant degree of innovative spirit and responsibility. Qualities that benefit its owners as well as the environment.”

Dr. Joachim Wessels, Executive Board Member for Letters, Deutsche Post AG, Bonn

Evolution in the city. The Mercedes-Benz Vito E-CELL is ringing in a new era of clean urban transport. In 2010, Mercedes-Benz delivered the first E-CELL vans to customers in Berlin. They were from the first series of vans with electric drive to roll off the assembly line. Daimler is pushing forward with electric mobility together with companies, energy suppliers and politicians. With the Vito E-CELL, locally emission-free electric vans are now a reality on our roads. The pioneers of electric mobility in commercial use include Deutsche Post DHL, which uses the Vito E-CELL in every-day deliveries. A precondition for economical and environmentally friendly operation is an intelligent battery-charging system allowing customers to decide when to charge their vehicles themselves. The Vito E-CELL meets this requirement with its Smart Charge Communication Unit (SCCU), which enables users to charge their lithium-ion batteries when “green” and less expensive electricity is available. That reduces emissions and costs. A genuine benefit for the environment – and for the Vito E-CELL. It has received several prizes for its groundbreaking technology such as “Postal Technology Award 2010” and “Green Commercial of the Year” from the Irish “Fleet Transport” magazine.

“More than ten years ago, the smart changed the face of cities all over the world. Today, we are pioneers of urban mobility – with our smart fortwo electric drive.”

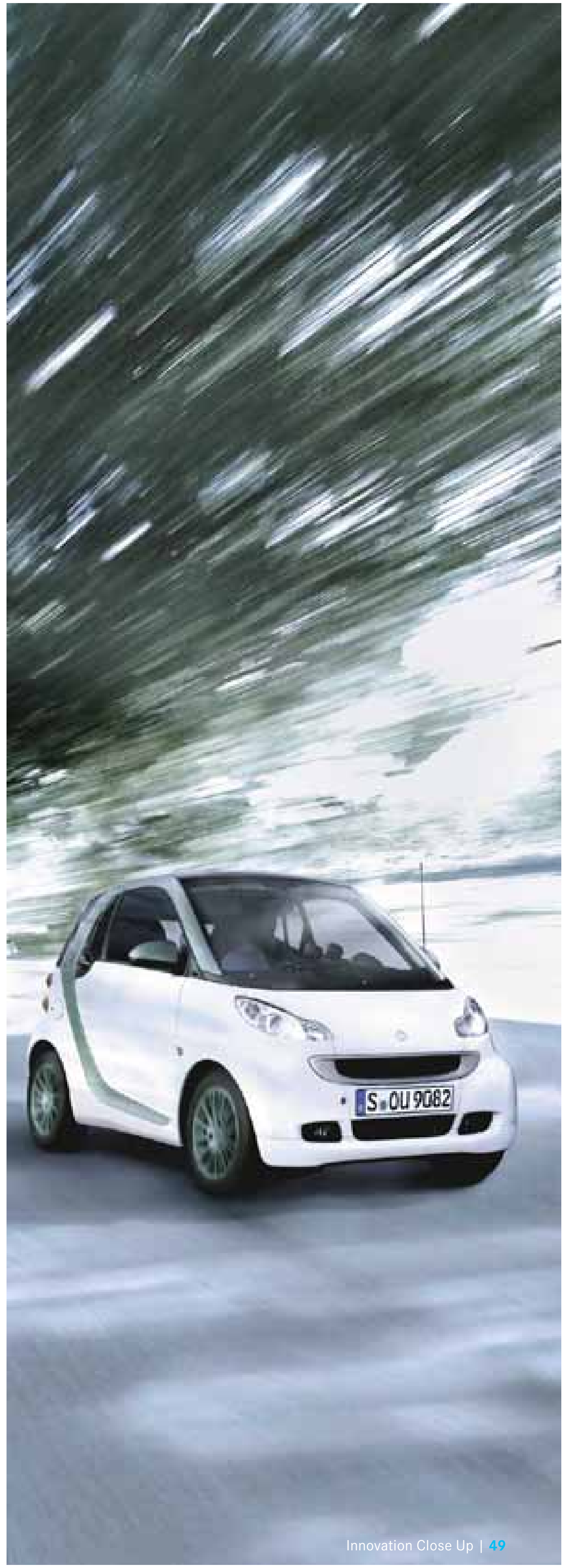
Maja Affeldt, biotech engineer, and Julian Affeldt, primary school teacher, Kleinmachnow, Berlin

One hundred percent fun and zero local emissions with the smart fortwo electric drive.

The new smart fortwo electric drive is electrifying Europe's metropolises. The first fleet already caused a stir in London in 2007 and the second generation has been very popular since its launch in late 2009. Since the first of the electrically powered city cars were handed over to customers in Berlin, it has also become part of the urban lifestyle in Rome, Madrid, Zurich, Paris and London. But the environmentally friendly cosmopolitan will also demonstrate its practicality in other major cities of Europe, North America and Asia. As of 2012, the locally emission-free smart fortwo electric drive will be generally available in approximately 40 smart markets, with a production volume in excess of 10,000 units.

The fun of driving this car starts with a standard electric socket, which can be used to charge the lithium-ion batteries of the smart fortwo electric drive in just three hours. That gives the car a range of approximately 135 kilometers, more than enough for typical urban driving. The smart fortwo electric drive has a highly responsive rear-mounted 30kW electric motor, whose torque is fully available immediately after starting. More than 1,500 of these zero-emission trendsetters will at first be produced at the plant in Hambach, France, by the end of 2011.

With the smart fortwo electric drive, the cult brand plays a pioneering role also in terms of emission-free metropolitan driving.



Camera lens of Night Vision Assistant PLUS
in the car windscreen.

A first-class outlook for safety.

The infrared camera of Night View Assistant PLUS from Mercedes-Benz shows what's going on ahead of the car on a dashboard display. Intelligent assistance systems make the automobile into a partner that can see, think ahead and react. This allows the driver to avoid accidents. Safety at the highest level can be experienced in the Mercedes-Benz S-Class.

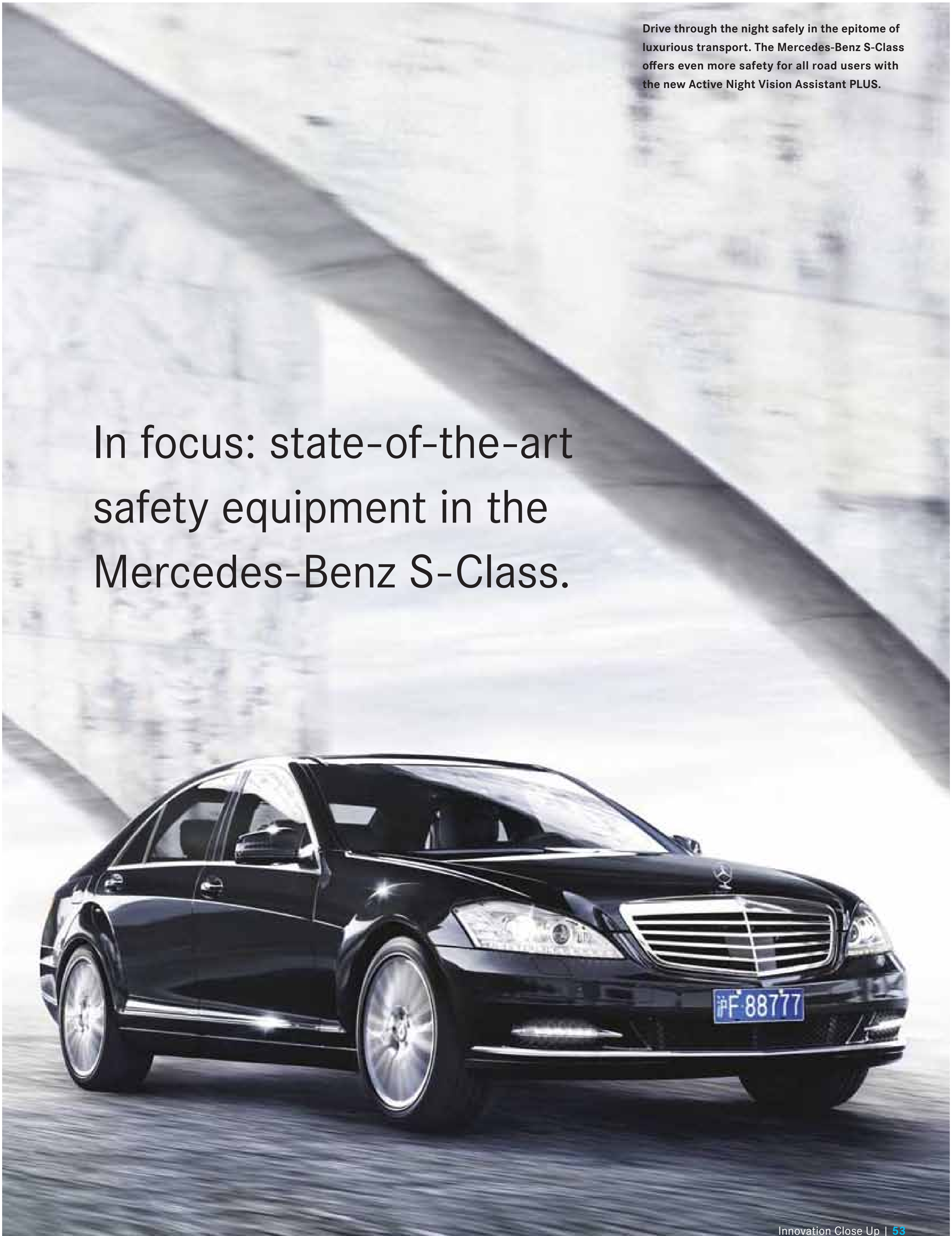
“For me, success is when I achieve my goals. And others win as well. The safety concept of my S-Class also takes full consideration of all interests.”

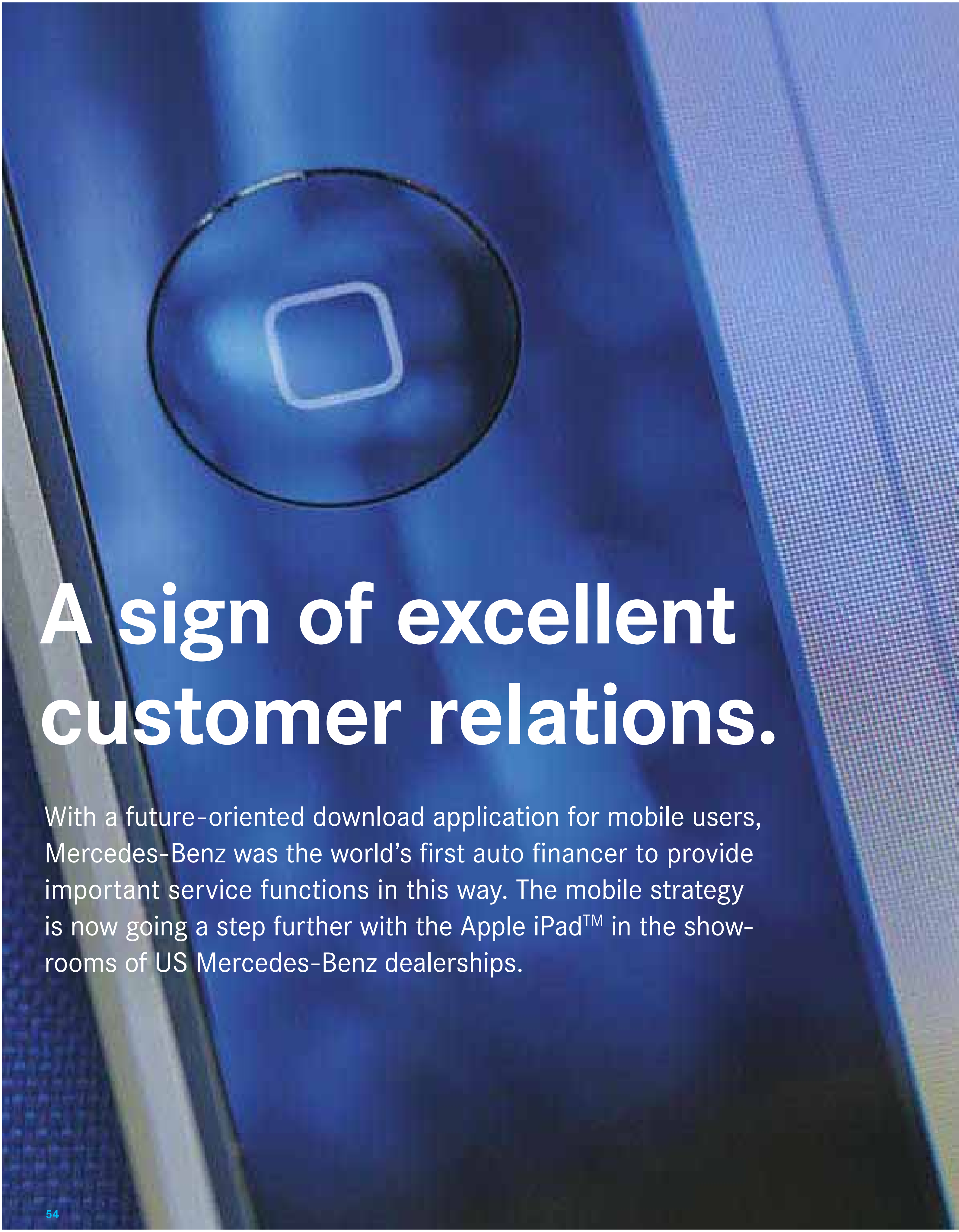
Shen Li, entrepreneur, Shanghai

Driving at night will be safer in the future: with the new Active Night Vision Assistant PLUS, another milestone in active safety from Mercedes-Benz. The further developed driver assistance in the S-Class makes night into day. Already since 2009, Active Night Vision Assistant PLUS has been able to recognize pedestrians on the road in the dark and show them on a dashboard display to warn the driver. Now, Mercedes-Benz has taken a decisive step forward and has launched the latest stage of development with a spotlight function as a world first. In the driver’s immediate field of vision, warnings of potential danger are displayed by flashing the headlights at people on the road. A positive side-effect is that the pedestrians are also warned. This means that a Mercedes-Benz S-Class equipped with the spotlight function not only protects the occupants, but also makes a significant contribution to enhancing the safety of other road users – for a completely new level of safety at night.

Drive through the night safely in the epitome of luxurious transport. The Mercedes-Benz S-Class offers even more safety for all road users with the new Active Night Vision Assistant PLUS.

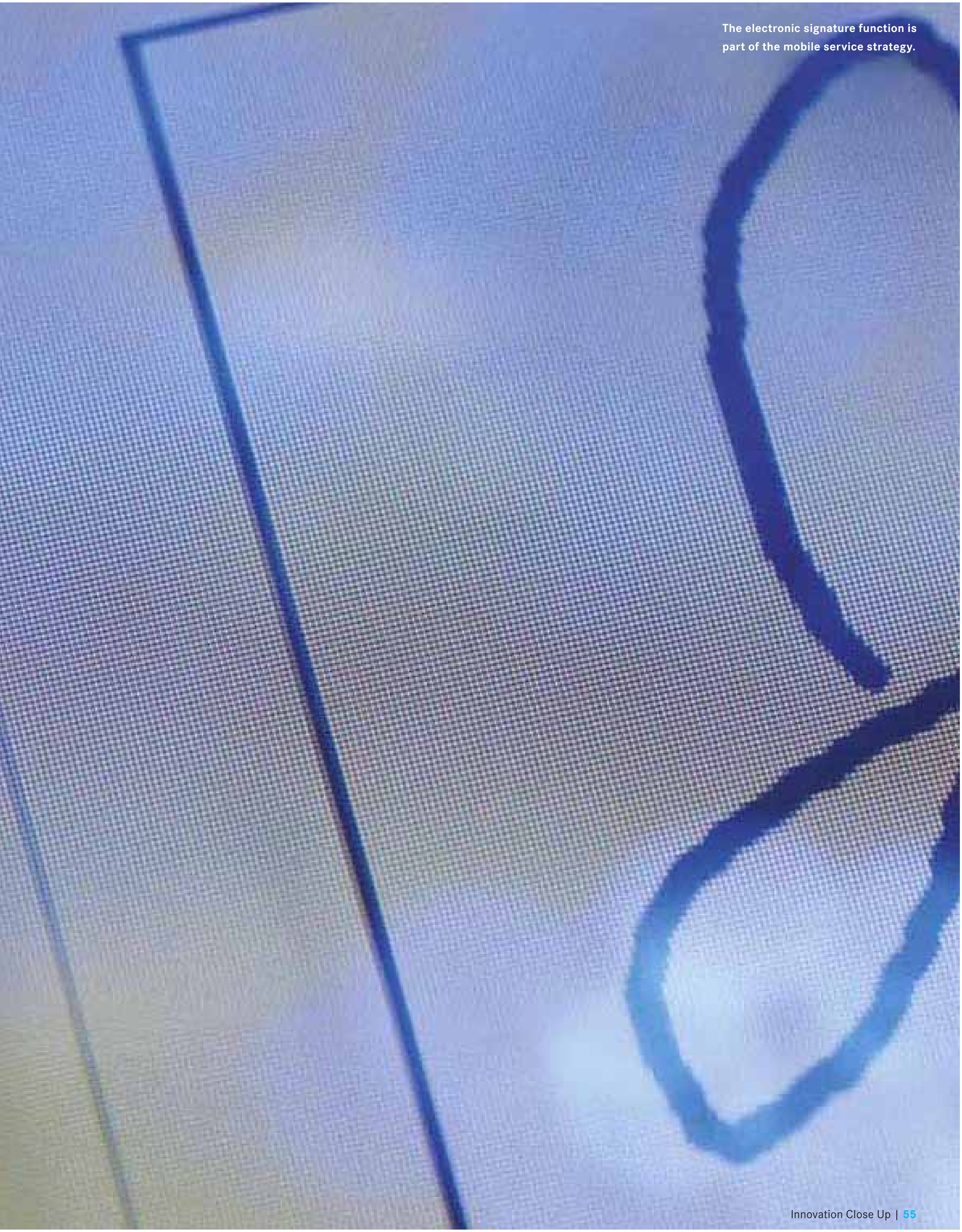
In focus: state-of-the-art safety equipment in the Mercedes-Benz S-Class.





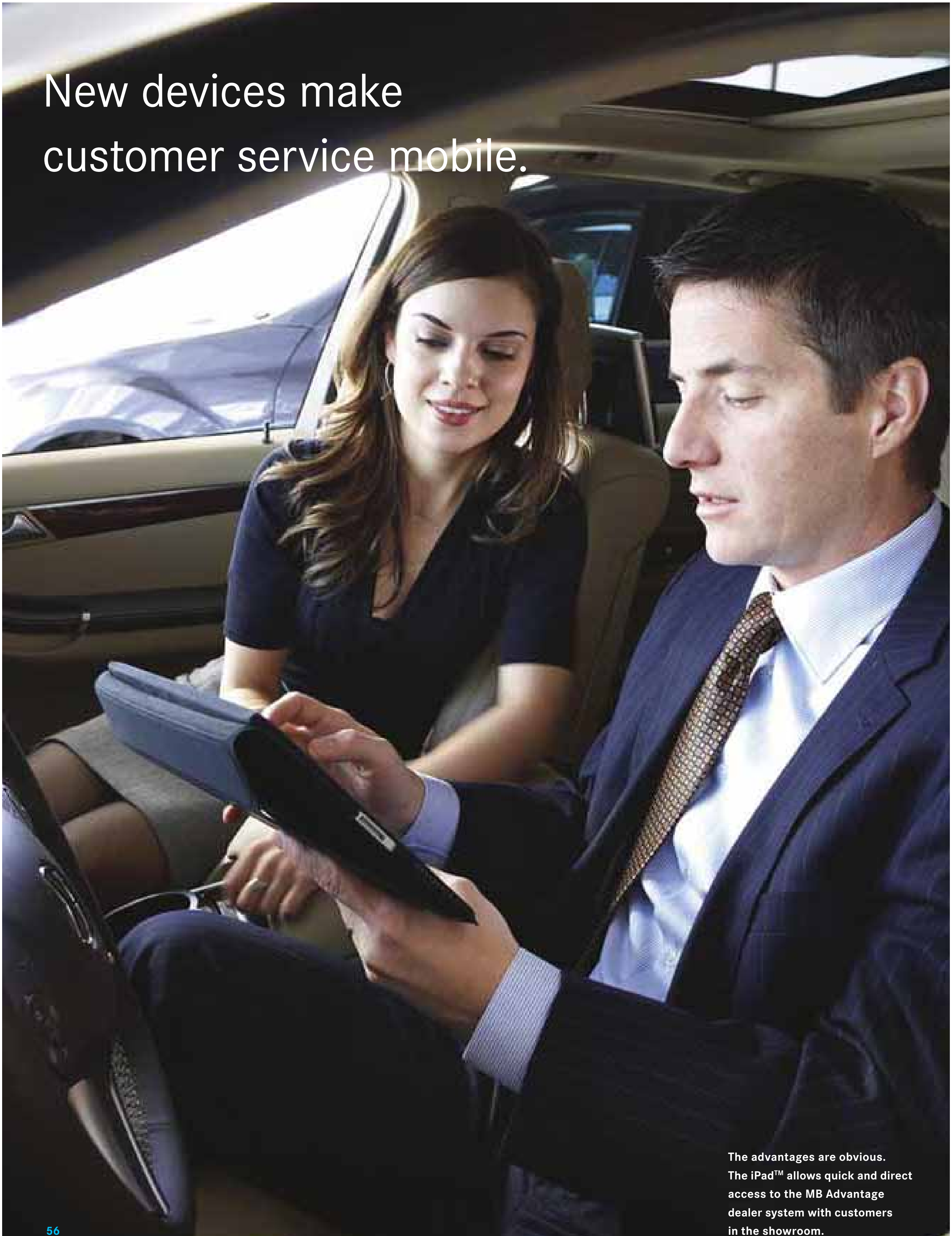
A sign of excellent customer relations.

With a future-oriented download application for mobile users, Mercedes-Benz was the world’s first auto financer to provide important service functions in this way. The mobile strategy is now going a step further with the Apple iPad™ in the showrooms of US Mercedes-Benz dealerships.



The electronic signature function is part of the mobile service strategy.

New devices make customer service mobile.



The advantages are obvious. The iPad™ allows quick and direct access to the MB Advantage dealer system with customers in the showroom.

Mercedes-Benz Financial has been keeping up with the market since 1982. As a partner to Mercedes-Benz dealers and customers, Mercedes-Benz Financial is now also setting trends in the United States: with services that can be used with iPhones™ and other smartphones, and now also with the Apple iPad™. This allows the intelligent acceleration of a comprehensive range of financing products for Mercedes-Benz vehicles. The 355 North American Mercedes-Benz dealerships are the first in the world to use the new mobile application in a business environment for innovative customer care.

At vehicle points of sale and in dialogue with customers, the finance teams can access the MB Advantage dealer system quickly and easily with the tablet computer. Already during the pilot project in mid-2010, it soon became clear how everyone involved would benefit. From new financing to leasing contracts to the return of leased vehicles, orders can now be processed with greater customer focus and more efficiency. Another pioneering aspect is the electronic signature function, which allows customers to sign documents directly on the screen.

"With MB Advantage on iPad™, we can access real-time information on the showroom floor. For even better and more flexible service. That's a genuine competitive advantage."

Bernie Moreno, President of Mercedes-Benz of North Olmsted, Cleveland, Ohio

We invented the automobile.
And we are constantly reinventing it.
With enthusiasm and passion.

Daimler will safeguard mobility for future generations with innovative and sustainable vehicle concepts, a unique product mix, environmentally friendly drive systems and groundbreaking safety technologies.

The year 2010 developed more favorably than expected for Daimler. Unit sales by all divisions increased by strong double-digit rates. Revenue grew by 24% to €97.8 billion and operating result (EBIT) reached €7.3 billion (2009: EBIT of minus €1.5 billion). We anticipate a generally positive development of business in the year 2011.

Management Report

The Remuneration Report in the Corporate Governance section on pages 152 ff is also a part of the Management Report.

Business and General Conditions

The Group

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

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

With its strong brands, Daimler is active in nearly all the countries of the world. The Group has production facilities in a total of 18 countries and approximately 8,000 sales centers worldwide. The global networking of research and development activities and of production and sales locations gives Daimler considerable potential to enhance efficiency and gain advantages in international competition. For example, we can apply our green drive technologies in a broad portfolio of vehicles while utilizing experience and expertise from all parts of the Group. In the year 2010, Daimler generated revenue of €97.8 billion. The individual divisions contributed to this total as follows: Mercedes-Benz Cars 53%, Daimler Trucks 22%, Mercedes-Benz Vans 8%, Daimler Buses 5% and Daimler Financial Services 12%. At the end of 2010, Daimler employed a total workforce of more than 260,000 people worldwide.

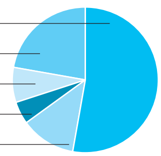
The products supplied by the **Mercedes-Benz Cars** division range from the high-quality small cars of the smart brand to the premium automobiles of the Mercedes-Benz brand and to the Maybach luxury sedans. The main country of manufacture is Germany, but the division also has production facilities in the United States, China, France, South Africa, India, Vietnam and Indonesia. Worldwide, Mercedes-Benz Cars has 17 production sites at present. In order to extend our product range in the compact-car segment, we are currently constructing a new plant in Hungary, which is scheduled to go into operation in 2012. The most important markets for Mercedes-Benz Cars in 2010 were Germany with 23% of unit sales, the other markets of Western Europe (27%), the United States (17%) and China (13%).

As the biggest globally active manufacturer of trucks above 6 tons gross vehicle weight, **Daimler Trucks** develops and produces vehicles in a global network under the brands Mercedes-Benz, Freightliner, Western Star and Fuso. The division's 28 production facilities are in the NAFTA region (14, thereof 11 in the United States and 3 in Mexico), Asia (5), Europe (7), South America (1) and Africa (1). In Brazil, Daimler Trucks will expand its production network in 2012 with the addition of the plant in Juiz de Fora, where heavy-duty Mercedes-Benz Actros trucks as well as medium-duty Mercedes-Benz Accelo trucks will be produced for Latin American markets. Daimler Trucks' product range includes light-, medium- and heavy-duty trucks for local and long-distance deliveries and construction sites, as well as special vehicles for municipal applications. Due to close links in terms of production technology, the division's product range also includes the buses of the Thomas Built Buses and Fuso brands. Daimler Trucks' most important sales markets in 2010 were Asia with 34% of unit sales, the NAFTA region (22%), Latin America excluding Mexico (16%) and Western Europe (16%).

Mercedes-Benz Vans has production facilities at a total of seven locations in Germany, Spain, the United States, Argentina and Vietnam, and since April 2010 also in China in the context of a 50:50 joint venture, Fujian Daimler Automotive. The division's product range comprises the Sprinter, Vito/Viano and Vario series in weight classes from 1.9 to 7.5 tons. The most important markets for vans are in Europe, which accounts for 77% of unit sales. The Sprinter is sold in the United States under the Freightliner brand and since the beginning of 2010 also under the Mercedes-Benz brand.

Consolidated revenue by division

Mercedes-Benz Cars	53%
Daimler Trucks	22%
Mercedes-Benz Vans	8%
Daimler Buses	5%
Daimler Financial Services	12%



The **Daimler Buses** division with its brands Mercedes-Benz, Setra and Orion is the world's leading manufacturer of buses and coaches above 8 tons. The product range supplied by Daimler Buses comprises city and intercity buses, coaches and bus chassis. The most important of the 15 production sites are in Germany, Turkey, Latin America, France, Spain and the NAFTA region. In 2010, 45% of Daimler Buses' revenue was generated in Western Europe, 12% in the NAFTA markets and 27% in Latin America (excluding Mexico). While we mainly sell complete buses in Europe and the NAFTA region, our business in Latin America, Africa and Asia is focused on the production and distribution of bus chassis.

The **Daimler Financial Services** division supports the sales of the Daimler Group's automotive brands in nearly 40 countries. Its product portfolio primarily comprises tailored financing and leasing packages for customers and dealers, but it also provides services such as insurance, fleet management, investment products and credit cards. The main areas of the division's activities are in Western Europe and North America. In 2010, more than 40% of the vehicles sold by the Daimler Group were financed by Daimler Financial Services. Its contract volume of €63.7 billion covers 2.5 million vehicles. Daimler Financial Services also holds a 45% interest in the Toll Collect consortium, which operates an electronic road-charging system for trucks over 12 tons on highways in Germany.

Through a subsidiary, Daimler holds a 22.5% equity interest in the European Aeronautic Defence and Space Company (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. Daimler also holds a 28.4% equity interest in Tognum AG, one of the world's leading producers of off-highway engines. Through a broad network of holdings, joint ventures and cooperations, Daimler is active in the global automotive industry and related sectors. A list of shareholdings in accordance with Section 313 of the German Commercial Code (HGB) can be found on the Internet at http://www.daimler.com/ir/results2010.

Corporate governance

Full information on the subject of corporate governance at Daimler is provided in the Corporate Governance section of this Annual Report on pages 148 ff.

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

Remuneration Report. A description of the system of remuneration and the individualized details of the remuneration of the members of the Board of Management and of the Supervisory Board are provided in the Remuneration Report on pages 152 ff. That report is also a constituent part of the Management Report.

Information and explanation relevant to acquisitions

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

Management; appointment and dismissal of members of the Board of Management. Daimler AG is a stock corporation domiciled in Germany. It is managed by a Board of Management, whose members are authorized to represent it vis-à-vis third parties. The Board of Management must have at least two members, who, in accordance with Section 84 of the German Stock Corporation Act (AktG), are appointed by the Supervisory Board for a maximum period of office of five years. Reappointment or the extension of a period of office is permissible, in each case for a maximum of five years. Appointments and reappointments can only be made by a resolution of the Supervisory Board; reappointments may generally not be made more than one year before the end of a Board of Management member's current period of office. The Supervisory Board appoints one of the members of the Board of Management as the Chairman of the Board of Management. In exceptional cases, a member of the Board of Management can be appointed by the court in accordance with Section 85 of the German Stock Corporation Act (AktG). The Supervisory Board can revoke the appointment of a member of the Board of Management and of the Chairman of the Board of Management if there is an important reason to do so.

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

Subscribed capital. The subscribed capital of Daimler AG amounts to €3,058 million at December 31, 2010. It is divided into 1,065,641,907 registered shares of no par value. All shares confer equal rights to their holders. Each share confers the right to one vote and, with the possible exception of any new shares that are not yet entitled to a dividend, to an equal share of the profits. The rights and obligations arising from the shares are derived from the provisions of applicable law. There were 221,418 treasury shares at December 31, 2010.

Restrictions on voting rights and on the transfer of shares. The Company does not have any rights from treasury shares. In the cases described in Section 136 of the German Stock Corporation Act (AktG), the voting rights of treasury shares are nullified by law. Shares acquired by employees within the context of the employee share program may not be disposed of until the end of the following year.

On April 7, 2010, Daimler AG and the Renault-Nissan Alliance signed a master cooperation agreement on wide-ranging strategic cooperation and a cross-shareholding. Renault S.A. and Nissan Motors Co. Ltd each received an equity interest of 1.55% in Daimler AG and Daimler AG received equity interests of 3.1% in each of Renault S. A. and Nissan Motors Co. Ltd. For the duration of the master cooperation agreement, but at least for five years, i) Daimler AG may not transfer its shares in Renaul S.A. and Nissan Motors Co. Ltd and ii) Renault S.A. and Nissan Motors Co. Ltd may not transfer their shares in Daimler AG, to a third party without prior written consent. Transfers to third parties that are not competitors of one of the issuers of the shares in question are exempted from this prohibition under certain circumstances, including the case of internal corporate transfers, transfers related to a takeover offer from a third party on the shares of any other party, or the case of a change of control of the issuer of the shares in question.

Authorization to buy back shares, approved and conditional capital. On April 14, 2010, the Annual Shareholders' Meeting revoked the authorization to acquire own shares that had been granted in the prior year to the extent that it had not yet been utilized. At the same time, the Company was again authorized during the period until April 13, 2015 to acquire own shares for certain defined purposes up to a maximum of 10% of the share capital at the time of the resolution by the Annual Shareholders' Meeting. The purchase of the Company's own shares is allowed, inter alia, for the following purposes: for the purpose of canceling them, offering them to third parties in connection with a corporate merger or acquisition, disposing of them in another way than offering them to all shareholders, and serving the stock option plan. Own shares in a volume of up to 5% of the share capital existing at the time of the resolution of the Annual Shareholders' Meeting can also be acquired with the use of derivative financial instruments, whereby the period of the individual option may not exceed 18 months.

By resolution of the Annual Shareholders' Meeting held on April 8, 2009, the Board of Management was authorized with the consent of the Supervisory Board to increase the share capital of Daimler AG during the period until April 7, 2014 by issuing new registered shares of no par value in exchange for cash or non-cash contributions, wholly or in partial amounts, on one or several occasions, by up to €1,000 million (Approved Capital 2009). The Board of Management was also authorized, inter alia, under certain circumstances and with the consent of the Supervisory Board to exclude shareholders' subscription rights.

Furthermore, the Board of Management was authorized by resolution of the Annual Shareholders' Meeting of April 14, 2010 with the consent of the Supervisory Board during the period until April 13, 2015 to issue convertible bonds and/or bonds with warrants or a combination of these instruments, once or several times, in a total nominal amount of up to €10 billion with a maximum term of ten years, and to grant the owners/lenders of those bonds conversion or option rights to new, registered shares of no par value in Daimler AG with a corresponding amount of the share capital of up to €500 million, in accordance with the terms and conditions of those convertible bonds or bonds with warrants. The bonds can also be issued by direct or indirect majority-owned subsidiaries of Daimler AG. Accordingly, the share capital was conditionally increased by up to €500 million (Conditional Capital 2010). No use has yet been made of the authorization to issue convertible bonds and/or bonds with warrants.

Change-of-control clause. Daimler AG has concluded various material agreements, as listed below, that include clauses regulating the possible occurrence of a change of control, as can occur as a result of a takeover bid:

- A non-utilized syndicated credit line in a total amount of €7 billion, which the lenders are entitled to terminate if Daimler AG becomes a subsidiary of another company or comes under the control of one person or several persons acting jointly.
- Credit agreements with lenders for a total amount of €800 million, which the lenders are entitled to terminate if Daimler AG becomes a subsidiary of another company or comes under the control of one person or several persons acting jointly.
- Guarantees and securities for credit agreements of consolidated subsidiaries for a total amount of €505 million, which the lenders are entitled to terminate if Daimler AG becomes a subsidiary of another company or comes under the control of one person or several persons acting jointly.
- An agreement concerning the acquisition of a majority (50.1%) of AFCC Automotive Fuel Cell Cooperation Corp., which has the purpose of further developing fuel cells for automotive applications and making them marketable. In the case of a change of control of Daimler AG, the agreement provides for the right of termination by the other main shareholder, Ford Motor Company, as well as for a put option for the minority shareholder, Ballard Power Systems. Control as defined by this agreement is the beneficial ownership of the majority of the voting rights and the resulting right to appoint the majority of the members of the Board of Management.
- A master cooperation agreement on wide-ranging strategic cooperation with Renault S.A., Renault-Nissan B. V. and Nissan Motors Co. Ltd. in connection with cross-shareholdings. The Renault-Nissan Alliance received an equity interest of 3.1% in Daimler AG and Daimler AG received equity interests of 3.1% in each of Renault S. A. and Nissan Motors Co. Ltd. In the case of a change of control of one of the parties to the agreement, each of the other parties has the right to terminate the agreement. A change of control as defined by the master cooperation agreement occurs if a third party or several third parties acting jointly acquires, legally or economically, directly or indirectly, at least 50% of the voting rights in the company in question or is authorized to appoint a majority of the members of the managing board. Under the master cooperation agreement, several cooperation agreements were concluded between Daimler AG on the one side and Renault and/or Nissan on the other concerning a new architecture for small cars and the shared use of fuel-efficient diesel and gasoline engines and transmissions, as well as the development and supply of a small van, which provide for the right of termination for a party to the agreement in the case of a change of control of another party. A change of control is deemed to occur at a threshold of 50% of the voting rights or upon authorization to appoint a majority of the members of the managing board. In the case of termination of cooperation in the area of the development of small cars due to a change of control in the early phase of the cooperation, the party affected by the change of control would be obliged to bear its share of the costs of the development of shared components even if the development were terminated for that party.
- An agreement regulating the exercise of voting rights in EADS N.V. In the case of a change of control, this agreement stipulates that Daimler AG is obliged, if so requested by the French party to the agreement, to make all efforts to dispose of its shares in EADS under appropriate conditions to a third party that is not a competitor of EADS or of the French contracting partner of Daimler AG. In this case, the French party has the right of preemption under the same conditions as offered by a third party. A change of control can also lead to the dissolution of the voting-rights consortium. According to the EADS agreement, a change of control has taken place if a competitor of EADS N.V. or of the French contracting party either appoints so many members of the Supervisory Board of Daimler AG that it can appoint the majority of the members of the Board of Management or holds an investment that enables it to control the day-to-day business of Daimler AG.

Strategy

We fundamentally transformed mobility with the invention of the automobile 125 years ago. And we aim to continue playing a groundbreaking role with the further development of mobility in the future. As pioneers of automotive engineering, we intend to make future mobility safe and sustainable. Our activities are focused on our customers' needs. We want to inspire them with

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

This is our mission, and it represents what we stand for at Daimler. We have formulated this mission in the Daimler target system, which includes the targets for Daimler as a whole and for each of our businesses.

Target system. Our overriding corporate goal is to achieve sustainable profitable growth and thus to increase the value of the Group. We intend to be among the world's leading automotive companies. As shown in the diagram on page 67, the Daimler target system consists of six strategic dimensions. It provides a strategic framework and defines in which dimensions we want to play a leading role. We aim to inspire our customers with our brands, products and services. And we strive to occupy the leading position in each market segment. With pioneering technologies, we want to be the world leader for sustainable drive systems and safety. To us, having a global presence means that we want to secure our position in traditional markets while expanding in new markets. Operational excellence and efficiency along with inspired and high-performing people are the key to our future corporate success. At the same time, our entrepreneurial activities are guided by the principle of sustainability: in the areas of economics and corporate governance, environmental protection and safety, as well as in our relations with employees, customers and society in general. Since we want to anchor sustainability more firmly not only in our operations but also formally, we have included it as an additional target in the Daimler target system. Our employees direct their actions towards the corporate values of passion, respect, integrity and discipline, and they aim to set an example with ethical behavior in conformance with applicable law.

Excellent products offering superior customer experience form the basis for our success. Through the constant search for the best solution and in line with the lifecycles of our products, we are launching 16 new models at Mercedes-Benz Cars in the years 2010 and 2011 alone. We are expanding our product portfolio in all divisions to address increasing differentiation within customer segments as well as varying regional requirements. Some examples are the CLS Shooting Brake and the long version of the E-Class for China. At Daimler Trucks, we renewed a large part of our product range with five new models in the year 2010. As ever, our main goal is to be Number 1 in terms of customer satisfaction. We place high priority on our activities directed at improving product and service quality as well as on providing a range of services appropriate to our customers' needs.

Leading brands contribute towards the Daimler Group's long-term success. Leading brands also provide customers with orientation, create trust and arouse the emotions. The Mercedes-Benz brand is one of the most successful and well-known brands in the world. We intend to maintain and extend this position also in the future. Our divisions' brand strategies, such as "The best or nothing" at Mercedes-Benz, help us to further sharpen our brands' profiles compared with the competition and to organize our activities accordingly.

Innovation and technology leadership. We want to be the innovation leader for green technologies and safety: With "Green Technology Leadership" at Mercedes-Benz Cars and "Shaping Future Transportation" at Daimler Trucks, Mercedes-Benz Vans and Daimler Buses, we will live up to our ambitions today and in the future. Differing mobility demands require different drive-system solutions. Our portfolio of solutions ranges from the optimization of internal-combustion engines to hybridization to vehicles that are free of local emissions. We also intend to further strengthen our pioneering role in the fields of active and passive safety for cars and commercial vehicles.

With new business ideas such as car2go and Bus Rapid Transit (BRT), we are pursuing innovative mobility concepts and business models to fulfill customers' needs and to utilize additional growth potential (see pages142 f).

Global presence and networking. Our goal as a company is to continue our profitable growth and to be among the best in the industry: in our core business, in traditional and new markets. In particular in the rapidly growing markets of China, India, Russia and Brazil, we are intensifying our local activities by establishing and developing local production and sales operations, to some extent together with local partners.

Operational excellence and sustainability. We achieve operational excellence by means of efficiency targets and related programs in the areas of production, development, sales and administration. This is based on a culture of excellence. By means of standardization and modularization, we can significantly enhance efficiency with new products, new technologies and new processes. We are improving our cost position with support from cooperations, for example with Renault-Nissan. At the same time, we are expanding our product portfolio in the small-car segment and with small vans. Due to our flexibility, for example in production at Daimler Trucks, we can cope better with market cycles. Programs such as Truck Operating System (TOS) at Daimler Trucks create a culture of learning and continuous improvement. Through this holistic management approach, all of the direct and indirect areas of the worldwide sites of Daimler Trucks are gradually improving their efficiency.

We have a clear claim to leadership also in the field of sustainability. We place a particular focus on environmental protection with production and products, long-term job protection, responsible suppliers, intact relations with society, and transparent communication. One of the key goals in this context is the ongoing reduction of the CO_2 emissions of our cars and commercial vehicles. We intend to reduce the average CO_2 emissions of our fleet of new cars in the European Union from 158 g/km in 2010 to less than 140 g/km in 2012. A key contribution will be made by our BlueDirect V6 and V8 gasoline engines with third-generation direct fuel injection, which we launched in late 2010. And within the framework of a voluntary commitment signed by various truck manufacturers, we are pursuing the goal of reducing the CO_2 emissions of the heavy trucks (above 12 tons) we sell in Europe compared with base year 2005 by an average of 20% per ton-kilometer by 2020 (see pages 140 ff).

We aim to have **high-performing, inspired employees** who direct their actions towards our corporate values and maintain the highest ethical standards. The new Board of Management position for Integrity and Legal Affairs has the task of ensuring that rules and regulations are observed and that the highest ethical standards are met. As we regard diversity within our workforce as an advantage, we are making efforts to achieve for example 20% of executive positions occupied by women by the year 2020 and to increase our internationality.

Ultimately, we will grow profitably by consistently implementing the strategies derived from our target system. For all our activities, the focus is on

- strengthening the core business,
- growing further in new markets,
- maintaining a leading position with “green” technologies, and
- playing a leading part in the development of new mobility concepts and services.

Ambitious return targets. We have set ourselves clear return targets. As of 2013, we aim to earn an average return on sales of 9% in our automotive business across all market and product cycles. This is based on return targets for the individual divisions of 10% for Mercedes-Benz Cars, 8% for Daimler Trucks, 9% for Mercedes-Benz Vans and 6% for Daimler Buses. Our target for the Daimler Financial Services division is a return on equity of 17%.

Portfolio changes. With the goal of strengthening our core business and utilizing new growth potential, we further developed the Daimler Group’s business portfolio in 2010:

In March 2010, Daimler AG sold its entire 5.34% shareholding in **Tata Motors**, an Indian automotive group, to various groups of investors. We achieved a cash inflow of €303 million from the sale. Daimler has an excellent starting position to utilize the growth potential for cars and commercial vehicles in India and is strengthening its own activities in that market. It was therefore no longer necessary for Daimler to continue holding an equity interest in Tata.

On April 7, 2010, Daimler AG and the **Renault-Nissan** Alliance reached an agreement on wide-ranging strategic cooperation that will bring both sides advantages from a series of specific projects and the shared use of best practices. In particular, this relates to a new, shared architecture for small cars, the shared use of fuel-efficient three- and four-cylinder engines and cooperation in the field of light commercial vehicles. In addition, a cross-shareholding was agreed upon: The Renault-Nissan Alliance received a 3.1% equity interest in Daimler, served with treasury shares, and in return Daimler received equity interests of 3.1% in each of Renault and Nissan.

BYD Company Limited and Daimler AG signed an agreement on May 27, 2010 on the establishment of a 50:50 joint venture, Shenzhen BYD Daimler New Technology Co. Ltd., for the development of an electric vehicle for the Chinese market. BYD and Daimler will invest a volume of RMB 600 million (approximately €71 million) in the joint venture. The new company is to develop a new generation of electric vehicles combining Daimler's expertise in automotive architecture and safety with BYD's know-how in the fields of battery technology and electric vehicle systems. The vehicle will be sold under a new brand to be jointly created by Daimler and BYD. The brand rights will be owned by the joint venture.

On June 17, 2010, Daimler AG and the European Bank for Reconstruction and Development (EBRD) successfully increased their strategic shareholding in Russian truck manufacturer **Kamaz**. Already on February 11, 2010, Daimler AG had signed a memorandum of understanding on the acquisition of the 5% of Kamaz shares held by Troika Dialog Limited. As a result, Daimler increased its equity interest in Kamaz by one percentage point to 11% while the remaining 4% of Kamaz shares are legally owned by the EBRD. Due to the contractual terms and conditions, beneficial ownership of the shares held by the EBRD is assigned to Daimler under IFRS.

Daimler and **Foton** have made a large step forward in their negotiations on the establishment of a 50:50 joint venture. After the Chinese National Development and Reform Commission approved the plans, the joint-venture agreement was signed on July 16. Daimler will contribute its technological expertise, in particular with diesel engines and emission technology. Both partners will use Foton's Auman truck brand as a platform in China and as a basis for joint exports. The joint venture is another important milestone in the implementation of Daimler's China strategy.

On January 11, 2011, Daimler's subsidiary **Mitsubishi Fuso Truck and Bus Corporation** (MFTBC) carried out a capital increase of 30 billion Japanese yen (€274 million). In this context, Daimler increased its equity interest in MFTBC from 85% to 89%; the stake held by Mitsubishi Group companies decreased to 11%.

Settlement with US authorities

On April 1, 2010, Daimler AG reached a settlement with the United States Securities and Exchange Commission (SEC) and the US Department of Justice (DOJ) concluding investigations of possible violations of the US Foreign Corrupt Practices Act (FCPA). As part of the settlement, Daimler paid fines and penalties of US$93.6 million (approximately €70 million) and agreed to disgorge profits of US$91.4 million (approximately €68 million). Daimler had recognized provisions in a sufficient volume for this in previous years.

Daimler cooperated with the SEC and the DOJ on the investigations, which started in the fall of 2004. In parallel, Daimler has developed a wide-ranging compliance organization to ensure that its business practices conform to the Group's Integrity Code and the provisions of applicable law in the future (see pages 158 f).

The investigations of Daimler AG and Daimler North East Asia Ltd. carried out by the DOJ were deferred on the premise that Daimler will not violate the provisions of the FCPA during the two-year term of the agreements and will maintain a comprehensive compliance program. This program is designed to ensure, inter alia, compliance with anti-bribery laws such as the FCPA. Upon successful satisfaction of the terms set forth, the proceedings will be dismissed without further action. In addition, former US federal judge Louis Freeh will serve for three years as an independent compliance monitor; his role will include monitoring and documenting the Company's compliance program. Further information on this matter is provided in Note 28 to the Consolidated Financial Statements.

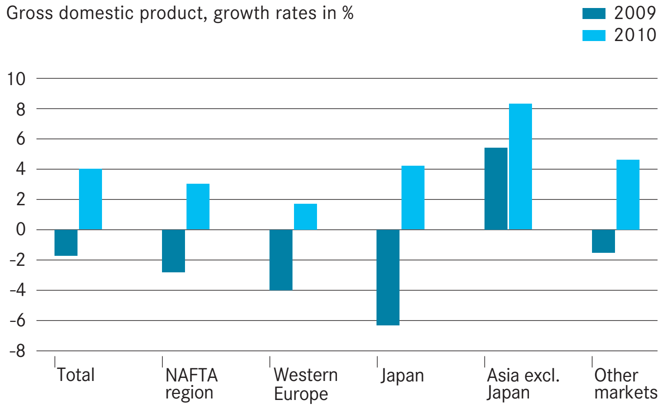
New Board of Management position for Integrity and Legal Affairs

Daimler pursues the goal of creating a corporate culture that not only adheres to the provisions of applicable law, but also meets the highest ethical standards and is regarded as exemplary throughout the industry.

In order to achieve this goal, the Supervisory Board decided on September 28, 2010 to create a new Board of Management position for the area of Integrity and Legal Affairs. The responsibilities of the new member of the Board of Management include the management of the global legal and compliance organization and related processes, as well as business ethics and the sustained anchoring of compliance and integrity throughout the Group.

Economic growth

Gross domestic product, growth rates in %



Source: Global Insight

The new Board of Management function is a logical step in the further development of the corporate structure and culture. In this context, Daimler's Board of Management has decided to push forward with its compliance activities – including its relations with business partners. The Daimler Group is currently represented in 200 countries either with its own companies or through its business partners. Maintaining correct business practices in conformance with applicable laws and regulations requires an appropriately trained compliance organization with a worldwide reach as well as effective processes and controls. At the same time, it is and it will remain the task of the entire Board of Management and of all executives to permanently anchor throughout the Group a keen awareness of adherence to the law and regulations, as well as for business ethics (see pages 158 f).

Economy and the industry

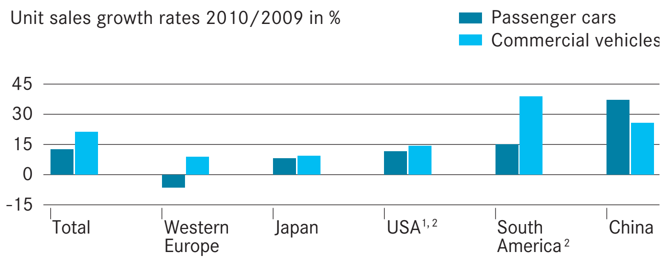
The world economy. With growth of 4.0%, the world economy displayed astounding dynamism in overcoming the recent recession during 2010, with growth in economic output exceeding the prior-year level already in the summer. The main drivers of this positive development were the rapidly growing emerging economies, whose gross domestic product expanded by almost 7%. Although the industrialized countries posted solid growth rates with an aggregate increase in economic output of about 2.5%, with few exceptions they were still significantly lower than the rates of expansion attained in 2007 and 2008. Among the industrialized countries, economies with a strong dependence on exports and investment goods such as Germany (3.6%) and Japan (4.2%) profited the most from the global recovery and the resulting significant revival of world trade. Growth in the more mature economies was generally boosted by the continuation of very expansive monetary policies and the effects of the massive stimulus programs of the previous year. Other factors were special and one-time effects such as restocking inventories that had been depleted during the recession. But the world economy's overall growth dynamism slowed down again significantly as the year progressed.

One negative factor in spring was the high budget deficit in Greece and the debt problems of other European countries. The financial markets reacted with sharp fluctuations and investor and consumer uncertainty increased again. The governments of the European Union together with the International Monetary Fund were finally forced to set up a comprehensive safety net, which Ireland was then the first country to make use of in November. Already in the summer months, concerns about the stability of the upswing and fears of a renewed slip into recession increased significantly. There was a particular focus on the US economy due to its relatively low overall growth and ongoing high unemployment rates. In autumn, the US Federal Reserve therefore announced the loosening of its already very expansive monetary policy and in December, the government and the opposition agreed on new financial-policy supporting actions. Over the year 2010 as a whole, the US economy achieved growth of 2.9% due to a revival in the fourth quarter. As in the previous year, the emerging economies and above all China and India were significant growth drivers in this rather uncertain environment. It was also important for global developments that the Chinese economy looked less likely to overheat, with its growth rate decreasing moderately to a more sustainable level. However, the intensifying debate about exchange rates not reflecting market realities was a very critical factor. This discussion centered mainly on the Chinese yuan, but also on the US dollar. Although the G20 summit meeting in Seoul in mid-November at first prevented any further escalation, no sustainable solution was reached to resolve the global imbalance.

In this environment, exchange rates were very volatile again. The US dollar at first strengthened from $1.44 to a euro at the beginning of the year to $1.20 in mid-2010, but then weakened again by autumn to a parity of $1.40. At the end of the year, the value of the euro measured in US dollars was 7% lower than a year earlier at $1.34. With fluctuations, the euro also fell against the Japanese yen by 18% in 2010. Compared with the British pound, the euro fell by 3% over the year, also with sharp fluctuations in value.

Global automotive markets

Unit sales growth rates 2010/2009 in %



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

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

Automotive markets. After some dramatic drops in demand during the year 2009, global automotive markets expanded again significantly in 2010.

At the beginning of 2010, many countries' state incentive programs were still having an effect, so the global car market achieved double-digit growth rates in the first half of the year. Rates of expansion slowed down for a while in the second half, but demand increased again towards the end of the year and surpassed the prior-year volume by about 12% in the full year. As a result, worldwide unit sales surpassed the record level of 2007. But in regional terms, demand developed very differently. Strong growth in the Asian emerging economies, especially China and India with rates of 30% and more, was the main factor behind the expansion of the world market. Although the US market expanded overall by approximately 11%, its recovery was slightly less dynamic than had been expected at the beginning of the year. In Western Europe, state scrappage schemes gradually expired as the year progressed, so demand as of the second quarter was significantly lower than in the prior year and decreased by 5% over the full year. Of the volume markets, only the United Kingdom and Spain surpassed the prior-year level, while demand was distinctly lower in Germany (-23%), France (-2%) and Italy (-9%). In Japan, the market profited until September from state incentives and expanded by a good 7% over the full year. But after the incentive program expired, demand for cars slumped by a significant double-digit rate in the fourth quarter year on year. The development of markets in Eastern Europe and South America was generally positive. Thanks to state scrappage incentives, the Russian market recovered somewhat with growth of more than 30%, following the collapse of nearly 50% in 2009. Demand in Brazil was robust and unit sales surpassed the prior-year level by 10%, although the state support program already expired in March. As a result, Brazil attained a market volume of more than three million vehicles, making it bigger than Germany's and the fourth-largest car market in the world.

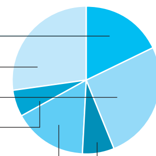
Global demand for commercial vehicles also increased again significantly in 2010. But this growth was primarily driven by regions outside the triad markets of Western Europe, the United States and Japan. In the segment of medium and heavy-duty trucks, worldwide unit sales increased by approximately 35% while growth in the triad of approximately 10% was far less dynamic. The US market has recovered only hesitantly so far with growth of almost 15% in 2010 following a market collapse of nearly two thirds in the years 2006 through 2009. In Western Europe, the truck market bottomed out early in 2010 followed by a distinct upward tendency. In the full year, however, unit sales were only slightly higher than in 2009. But the German market, which is particularly important for Daimler, expanded by more than 20%. In Japan, demand increased in the segment of medium- and heavy-duty trucks by more than 25% over the full year. After the expiry of the state incentive program in September, the market weakened temporarily, but it had returned to a path of moderate recovery by the end of the year. In the large emerging markets, demand for commercial vehicles increased substantially. The Brazilian truck market, which is important for Daimler, expanded strongly to surpass the prior-year level by 50%. The recovery of the Russian market accelerated during the year with the result that unit sales of trucks increased by a significant double-digit rate over the full year. The Indian market grew by 50% and more than 1.2 million medium- and heavy-duty trucks were sold in China (2009: 834,000), equivalent to about half the entire world market in 2010.

With regard to the van markets important to Daimler, demand in Western Europe recovered moderately and unit sales were 10% higher than in 2009. The US market grew substantially (+19%), although the rate of recovery declined distinctly during the course of the year.

Bus markets developed very disparately in 2010: Strong growth of 27% in Latin America (excluding Mexico) was offset by declining demand in the NAFTA region (-7%). Demand remained below prior-year levels in most of the countries of Western Europe; the region's total market volume decreased by 9%.

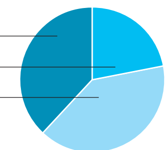
Unit sales structure of Mercedes-Benz Cars

A-/B-Class	18%
C-/SLK-Class	27%
E-/CLS-Class	26%
S-/CL-/SL-Class/SLR/SLS/Maybach	6%
M-/R-/GL-/GLK-/G-Class	16%
smart	7%



Unit sales structure of Daimler Trucks

Trucks Europe/Latin America	38%
Trucks NAFTA	22%
Trucks Asia	40%



Business development

Unit sales. Daimler sold a total of 1.9 million vehicles in 2010. The level of the prior year, which had been very low due to the global economic and financial crisis, was thus surpassed by 22%. The market revival was significantly more dynamic than expected at the beginning of the year, especially for cars.

The **Mercedes-Benz Cars** division increased its unit sales by 17% to 1,276,800 vehicles. The Mercedes-Benz brand recorded growth of 21% to 1,178,300 units. We therefore further strengthened our position in the market for premium automobiles. Our S-, E- and C-Class sedans and the E-Class station wagon are world leaders in their respective market segments. The new E-Class range, which was completed in March 2010 with the addition of the new convertible, was particularly successful. Total shipments of E-Class cars increased from 212,100 to 330,800 units in 2010. Due to the market success of the S-Class, we were able to increase unit sales by Mercedes-Benz Cars also in the luxury segment (S-, CL-, SL-Class, SLR, SLS and Maybach) by 41% to 80,400 automobiles. Once again, the S-Class was the world's best-selling luxury sedan. In the C-Class segment (C- and SLK-Class), sales increased by 6% to 341,900 units, and in the SUV segment (M-, R-, GL-, GLK- and G-Class), Mercedes-Benz actually increased its unit sales by 21% to 202,800 vehicles. Towards the end of their lifecycles, the A- and B-Class models still achieved slight growth to sales of 222,400 units (2009: 215,500).

Mercedes-Benz increased its unit sales in all regions. In the United States, sales rose by 15% to 216,400 units. In Germany, we sold 265,000 vehicles (2009: 265,500) and defended our leading market position in the premium segment; 290,500 vehicles were shipped in the other countries of Western Europe (2009: 267,200). Business in the emerging markets developed very positively. In China, Mercedes-Benz continues to be the fastest-growing premium brand: Sales more than doubled in that market in 2010 to 156,400 units (+140%), and China was the most important market for our S-Class for the second consecutive year. All the other BRIC markets also recorded double-digit growth: Brazil (+40%), Russia (+68%) and India (+79%). Sales of the smart fortwo decreased in 2010 to 94,300 units (2009: 113,900). The new generation of the innovative two-seater has been available from dealerships since October 2010 (see pages 122 ff).

Following the sharp decline in the prior year, the **Daimler Trucks** division increased its unit sales by 37% in 2010. In total, we shipped 355,300 heavy-, medium- and light-duty trucks as well as buses of the Thomas Built Buses and Fuso brands last year, meaning we continue to be the biggest globally active manufacturer of trucks above 6 tons gross vehicle weight. All of our main markets contributed to this significant growth in unit sales – Europe and the United States as well as Latin America and Japan. The Trucks Europe/Latin America unit profited from the global economic recovery and increased its unit sales by 41% to 135,200 vehicles. Growth in unit sales was particularly strong in Brazil (+45%), Eastern Europe (+139%) and Turkey (+122%). In Western Europe, we expanded our unit sales by 23% to 50,200 vehicles, defending our leading position in the segment of medium- and heavy-duty trucks with a market share of 24.3%. With sales of 79,400 units, Trucks NAFTA sold 25% more vehicles than in 2009. This was primarily due to the successful new engines as well as our increased involvement in the areas of construction applications and disposal services, especially in the Class 8 segment. We increased our market share in the medium- and heavy-duty segment (Classes 6-8) in the NAFTA region to 31.6% (2009: 29.6%) and thus gained market leadership. Sales of 140,700 units by Trucks Asia in 2010 were significantly higher than in the prior year (+41%). Growth in unit sales was particularly strong in Indonesia (+82%), but a small increase was recorded also in the Japanese domestic market (+7%). Fuso is already the market leader in some Asian emerging markets. We are in first place in the segment of light-duty trucks in Taiwan and Indonesia (see pages 126 ff).

Unit sales by the **Mercedes-Benz Vans** division increased by 35% to 224,200 vehicles of the Sprinter, Vito/Viano and Vario models in 2010. We sold 156,800 units in Western Europe, surpassing the prior-year figure by 22%, aided by contributions from all of the region's major markets. This enabled Mercedes-Benz Vans to maintain its market leadership in the European Union in the segment of medium-sized and large vans. Our business in the NAFTA region also developed very well: Unit sales there increased to 13,300 vans (2009: 2,600). In the promising Chinese market for high-quality vans and premium multi-purpose vehicles, Mercedes-Benz Vans sold 12,200 units. Of that total, 10,700 units were from local production, which we started in April 2010. Mercedes-Benz Vans was also very successful in Latin America and Eastern Europe in 2010. Total sales of the Sprinter increased by 37% to 143,700 units last year. We sold 77,600 of the Vito and Viano models (+34%), although the new generation of those vans was not launched until the fourth quarter (see page 130 f).

With unit sales of 39,100 complete buses and bus chassis (2009: 32,500), **Daimler Buses** was the world's biggest manufacturer in the segment of buses over 8 tons gross vehicle weight in 2010. The 20% growth in unit sales was primarily the result of the positive business development for bus chassis in Latin America. In Western Europe, unit sales decreased by 1% to 7,200 buses. We felt the effect of investment cuts in the public sector in particular for city buses. Nonetheless, Daimler Buses succeeded in maintaining its leading position in Western Europe with a market share of approximately 30% (2009: 30%). In Latin America, Daimler Buses increased its unit sales of bus chassis of the Mercedes-Benz brand following a significant market recovery by 43% to 23,200 units. As a result, Daimler Buses was able to expand its market share in Latin America to 47.1% (2009: 44.7%). While the Mexican market recovered slightly, unit sales declined in the USA/Canada region (see pages 132 f).

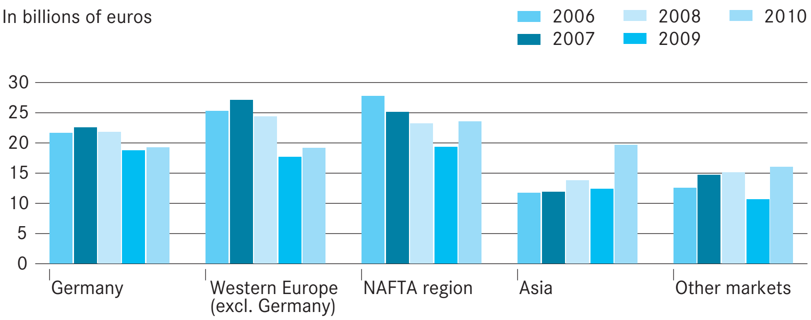
Market share

In %	2010	2009	10/09 Change in %-points
Mercedes-Benz Cars			
Western Europe	4.8	4.7	+0.1
thereof Germany	10.6	8.3	+2.3
United States	1.9	2.0	-0.1
Japan	0.8	0.8	0.0
Daimler Trucks			
Medium- and heavy-duty trucks Western Europe	24.3	23.0	+1.3
thereof Germany	40.5	41.6	- 1.1
Heavy-duty trucks NAFTA region (Class 8)	32.4	30.9	+ 1.5
Medium-duty trucks NAFTA region (Classes 6 and 7)	29.9	27.2	+ 2.7
Medium- and heavy-duty trucks Brazil	27.4	28.5	- 1.1
Trucks Japan	19.8	20.2	- 0.4
Mercedes-Benz Vans			
Medium-sized and large vans Western Europe	17.8	18.1	- 0.3
thereof Germany	26.1	27.6	- 1.5
Daimler Buses			
Buses over 8 tons Western Europe	29.6	29.6	0.0
thereof Germany	55.5	59.6	- 4.1
Buses over 8 tons Latin America	47.1	44.7	+ 2.4

The business of the **Daimler Financial Services** division developed very positively in the period under review. Its worldwide contract volume of €63.7 billion at the end of 2010 was 9% above the level of a year earlier. Adjusted for exchange-rate effects, there was an increase of 3%. New business grew compared with the prior year by 17% to €29.3 billion; adjusted for exchange-rate effects, the increase amounted to 11%. Growth was primarily driven by the regions of North and South America and Asia, while contract volume in Europe stabilized at the prior-year level. The Insurance Services unit brokered more than 839,000 insurance policies around the world in 2010, representing growth of 22% compared with the 2009. One of the main reasons why we were so successful with insurance is that we sell tailored packages of insurance cover, leasing and financing products, service contracts and additional safety equipment in the insured vehicles. We also continued to expand our business with commercial customers and fleet customers. In close cooperation with the automotive division's sales departments, Daimler Financial Services thus made an important contribution to promoting their unit sales (see pages 134 f).

Consolidated revenue by region

In billions of euros



Order situation. The Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans and Daimler Buses divisions produce vehicles to order in accordance with customers' specifications. While doing so, we endeavor to flexibly adjust the production numbers of individual models to changing levels of demand. As a result of the worldwide economic revival and due in particular to rising demand in the emerging markets, volumes of orders received in 2010 increased significantly at all divisions following a distinct slump in 2009. At Mercedes-Benz Cars, orders returned to the high levels of the years before the economic and financial crisis. This upturn was partially caused by the market success of the new E-Class models and strong demand in China and other emerging markets. At Daimler Trucks, the recovery of important markets and the great acceptance of our products resulted in a very substantial increase in orders received. Due to the strong improvement in demand, we ramped up the production of cars, trucks, vans and buses once again. For long periods of the year, the car plants were operating at full capacity in order to meet the market's increased demand. The total order backlog at the end of 2010 was again significantly higher than the weak level of a year earlier.

Revenue. The Daimler Group's revenue increased in 2010 by 24% to €97.8 billion; adjusted for exchange-rate effects, there was an increase of 19%. This means that our business recovered from the worldwide sales crisis faster than we had expected at the beginning of the year, but the Group's total revenue only reached the magnitude of 2008 and was still below the record level of the year 2007. All divisions profited from the recovery of major markets: Revenue rose at Mercedes-Benz Cars by 29% to €53.4 billion, at Daimler Trucks by 31% to €24.0 billion, at Mercedes-Benz Vans by 26% to €7.8 billion and at Daimler Buses by 8% to €4.6 billion. The Daimler Financial Services division also achieved revenue growth of 7% to €12.8 billion.

In regional terms, Daimler increased its revenue primarily in Asia (+58% to €19.7 billion). The main positive impact in that region was from the favorable development of business in China (+109% to €9.1 billion). In the NAFTA region, revenue rose by 22% to €23.6 billion. The development of business in Latin America was also very dynamic, especially in Brazil (+54% to €4.2 billion). In Western Europe, however, there was only a small increase of 6% to €38.5 billion; slight growth of 3% in Germany was boosted by stronger growth of 9% in the other markets of the region. In general, the regional distribution of Daimler's revenue has altered significantly in the past two years in favor of new markets. We now generate 35% of our business in markets outside the triad of the United States, Western Europe and Japan. In the year 2008, that proportion was still just 28%.

Revenue

In millions of euros	2010	2009	10/09 % change
Daimler Group	97,761	78,924	+24
Mercedes-Benz Cars	53,426	41,318	+29
Daimler Trucks	24,024	18,360	+31
Mercedes-Benz Vans	7,812	6,215	+26
Daimler Buses	4,558	4,238	+8
Daimler Financial Services	12,788	11,996	+7

Profitability

EBIT

Daimler achieved EBIT of €7.3 billion in 2010 and thus concluded the financial year very successfully (2009: minus €1.5 billion).

EBIT by segment

	2010	2009	10/09
In millions of euros			% change
Mercedes-Benz Cars	4,656	-500	.
Daimler Trucks	1,323	-1,001	.
Mercedes-Benz Vans	451	26	.
Daimler Buses	215	183	+17
Daimler Financial Services	831	9	.
Reconciliation	-202	-230	-12
Daimler Group	7,274	-1,513	.

After the prior year had been severely impacted by the financial and economic crisis, earnings in all divisions developed much more positively than had been anticipated at the beginning of 2010. This was due not only to the general market recovery, but in particular to our attractive product range and the efficiency gains we realized. There was an opposing effect on EBIT from increased research and development costs.

EBIT was positively affected also by lower expenses for the compounding of non-current provisions (2010: €240 million; 2009: €1,003 million) and by a significantly lower annual contribution to the German Pension Protection Association (2010: expense of €23 million; 2009: expense of €164 million).

The adjustment of health-care and pension benefit plans at our US subsidiary, Daimler Trucks North America, resulted in non-recurring income of €160 million in 2010. The sale of our 5.3% equity interest in Tata Motors and the positive outcome of a legal dispute involving Daimler AG in October 2010 led to additional non-recurring income in a total amount of €483 million.

On the other hand, the programs for the repositioning of Daimler Trucks North America and Mitsubishi Fuso Truck and Bus Corporation resulted in expenses of €40 million in 2010 (2009: €340 million). The decision to restructure the business operations of Daimler Financial Services AG and Mercedes-Benz Bank AG in Germany by the end of 2012 led to expenses of €82 million in 2010, primarily related to personnel adjustments. In connection with the now-completed sale of non-automotive assets, Daimler Financial Services also incurred expenses of €9 million in 2010 (2009: €100 million).

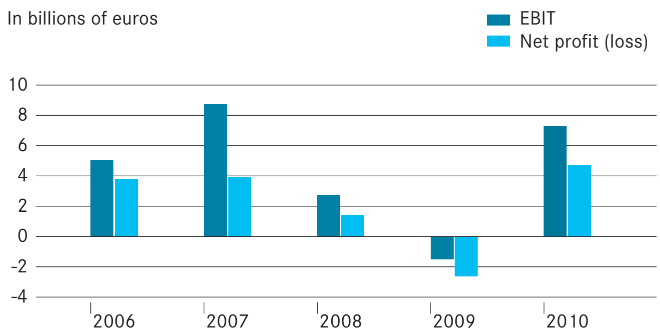
Group EBIT was also reduced by €261 million representing our share of the loss incurred by EADS; our investment in that company is accounted for using the equity method. Our proportionate share of the loss of EADS was primarily affected by expenses relating to the A400M military transport aircraft (€237 million).

Due to the very good development of earnings in 2010 and in view of the 125th anniversary of the invention of the automobile in 2011, the Board of Management decided in December to pay out a special bonus in a volume of approximately €125 million to all persons employed by the Group, the individual amounts depending on each employee's period of service. It was also decided to increase the capital of the Daimler and Benz Foundation from €37 million to €125 million. These expenses as well as additional expenses in connection with legal proceedings in 2010 are not allocated to the divisions, but are shown in the reconciliation of the divisions' EBIT to Group EBIT under corporate items.

Group EBIT in the prior year included Chrysler-related charges of €294 million.

Development of earnings

In billions of euros



The special items affecting earnings in the years 2010 and 2009 are listed in the following table.

Special factors affecting EBIT

	2010	2009
In millions of euros		
Daimler Trucks		
Adjustment of health-care and pension benefit plans	160	-
Repositioning of Mitsubishi Fuso Truck and Bus Corporation	-3	-245
Repositioning of Daimler Trucks North America	-37	-95
Daimler Financial Services		
Repositioning of business activities in Germany	-82	-
Sale of non-automotive assets	-9	-100
Reconciliation		
Gain on the sale of shares in Tata Motors	265	-
Income connected with the settlement of a legal dispute	218	-
Anniversary bonus and allocation to Foundation	-213	-
Losses relating to Chrysler	-	-294

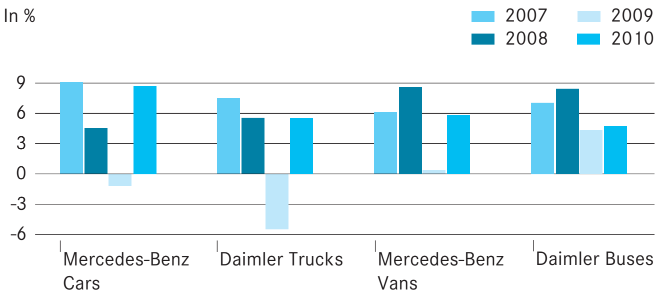
The **Mercedes-Benz-Cars** division posted EBIT for 2010 of €4,656 million, an improvement of €5.2 billion compared with the prior-year result. The division's return on sales was 8.7% (2009: minus 1.2%).

This excellent result is mainly a reflection of the high volume of unit sales (+17%), especially in the premium and luxury segments, following the decline in demand for cars in the previous year. Above all in the United States and China, the Mercedes-Benz Cars division was able to increase its unit sales significantly because of its attractive product range. Other factors with a positive impact on earnings were a favorable product mix, improved pricing and increased efficiency. An additional positive effect came from lower expenses from the compounding of non-current provisions (2010: €140 million; 2009: €657 million). Research and development costs were higher than in the prior year.

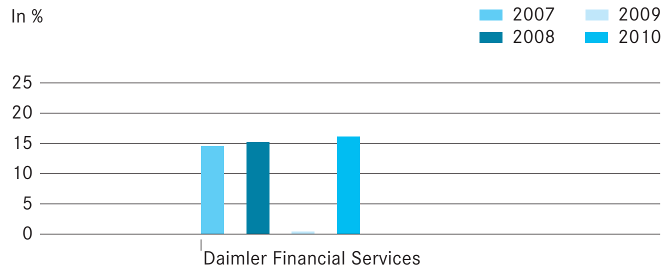
The EBIT of €1,323 million reported by the **Daimler Trucks** division was also a substantial improvement on the prior year result of minus €1,001 million. The return on sales was 5.5% (2009: minus 5.5%).

This earnings improvement is primarily due to the good development of unit sales, after sales of commercial vehicles had been depressed in the prior year by the sharp fall in demand for transport services. With its attractive product range, the division was able to increase its unit sales by 37% in 2010, with contributions from all major markets. Earnings were positively affected in 2010 also by cost-reducing actions, in particular from the repositioning of Daimler Trucks North America and Mitsubishi Fuso Truck and Bus Corporation, although the implementation of those programs still had a negative impact on earnings of €40 million in 2010 (2009: negative impact of €340 million). In addition, EBIT for 2010 includes expenses relating to the reassessment of long-term warranty and service obligations as well as higher costs for research and development. There was an opposing, positive effect from income of €160 million recognized at Daimler Trucks North America in connection with the adjustment of health-care and pension benefit plans. Lower expenses from the compounding of non-current provisions also had a positive impact (2010: €58 million; 2009: €241 million).

Return on sales



Return on equity



In the year 2010, **Mercedes-Benz Vans** also achieved significant earnings growth with EBIT of €451 million (2009: €26 million). The division's return on sales developed accordingly, improving from 0.4% to 5.8%.

The positive earnings trend resulted primarily from the increase in unit sales (+35%), especially in Western Europe, the United States and China, and also from better pricing. Charges from exchange-rate effects were more than offset by sustained efficiency improvements.

The **Daimler Buses** division increased its EBIT to €215 million (2009: €183 million) and achieved a return on sales of 4.7% (2009: 4.3%).

This earnings development mainly reflects the substantial increase in deliveries of bus chassis in Latin America. There were opposing effects from lower unit sales of complete buses in Western Europe and North America.

Daimler Financial Services also improved its earnings significantly in 2010 with EBIT of €831 million (2009: €9 million). The division's return on equity was 16.1% (2009: 0.2%).

The increase in earnings after crisis year 2009 was mainly caused by lower expenses for risk provisions and higher interest margins. There were opposing, negative effects in 2010 from expenses of €82 million related to the repositioning of business operations in Germany. An additional factor was that the division disposed of non-automotive assets that were subject to leasing agreements, resulting in an expense of €9 million (2009: expense of €100 million).

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

Daimler's proportionate share of the net loss of **EADS** amounted to an expense of €261 million (2009: income of €88 million). The sharp deterioration is mainly due to the additional provisions recognized at EADS in its 2009 consolidated financial statements in connection with the A400M military transport aircraft (minus €237 million). Negative exchange-rate effects were also a factor.

The income of €30 million recognized at corporate level in 2010 (2009: expense of €486 million) primarily reflects a gain of €265 million on the sale of Daimler's 5.3% equity interest in Tata Motors and pre-tax income of €218 million related to the positive outcome of a legal dispute involving Daimler AG in October 2010. It also includes expenses totaling €213 million for an anniversary bonus and an increase in the capital of the Daimler and Benz Foundation as well as additional expenses in connection with legal proceedings in 2010. In the prior year, the items reported at corporate level included Chrysler-related expenses totaling €294 million, partially resulting from the full disposal of Daimler's remaining 19.9% equity interest in Chrysler.

The elimination of intra-group transactions resulted in income of €29 million in 2010 (2009: income of €168 million).

Financial performance measures

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

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

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

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

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

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

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

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

Cost of capital. The required rate of return on net assets and hence the cost of capital is derived from the minimum rates of return that investors expect on their invested capital. The cost of capital of the Group and the industrial divisions comprises the cost of equity as well as the costs of debt and pension obligations of the industrial business; the expected returns on liquidity and plan assets of the pension funds of the industrial business are considered with the opposite sign.

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

Cost of capital

	2010	2009
In percent		
Group, after taxes	8	8
Industrial divisions, before taxes	12	12
Daimler Financial Services, before taxes	13	13

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

Value added

The **Group's value added** increased by €7.4 billion to €2.8 billion, representing a return on net assets of 17.5% (2009: minus 6.6%). This was considerably higher than the minimum required rate of return of 8%. In addition to the decrease in average net assets, the improvement in value added was primarily due to the significant increase in the divisions' operating profit. There was an opposing, negative effect in particular from the higher income-tax expense.

Mercedes-Benz Cars achieved positive value added of €3.4 billion (2009: minus €1.9 billion). The division's excellent earnings, primarily resulting from the higher volume of unit sales and an advantageous product mix as well as the decrease in average net assets caused by rising liabilities, contributed to the increase in value added.

The value added of **Daimler Trucks** increased by €2.3 billion to €0.5 billion. The main reasons for this increase were the significant earnings improvement due to the good development of unit sales and the positive effects from the cost-reducing actions. Average net assets were almost unchanged.

The **Mercedes-Benz Vans** division posted an increase in value added of €0.5 billion to €0.3 billion, primarily due to the significant earnings improvement resulting from higher unit sales. An additional factor was that the decrease in average net assets caused by lower working capital led to a further increase in value added.

Value added at **Daimler Buses** increased from €36 million to €71 million. In addition to a slight decrease in average net assets, this was caused by the positive earnings development.

Value added also increased significantly at **Daimler Financial Services** (by €0.8 billion to €0.2 billion). The division's return on equity was 16.1% (2009: 0.2%). The positive development was mainly the result of the increase in earnings caused by lower expenses for risk provisions and higher interest margins, partially offset by an increase in equity.

Value added

In millions of euros	2010	2009	10/09 % change
Daimler Group	2,773	-4,644	.
Mercedes-Benz Cars	3,438	-1,865	.
Daimler Trucks	499	-1,808	.
Mercedes-Benz Vans	303	-181	.
Daimler Buses	71	36	+97
Daimler Financial Services	160	-599	.

Net assets (average amounts)

In millions of euros	2010	2009	10/09 % change
Mercedes-Benz Cars	10,146	11,373	-11
Daimler Trucks	6,863	6,720	+2
Mercedes-Benz Vans	1,228	1,728	-29
Daimler Buses	1,200	1,221	-2
Daimler Financial Services [1]	5,156	4,671	+10
Net assets of the divisions	24,593	25,713	-4
Investments accounted for using the equity method [2]	3,119	3,591	-13
Assets and liabilities from income taxes [3]	1,278	2,944	-57
Other reconciliation [3]	348	-470	.
Daimler Group	29,338	31,778	-8

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

Reconciliation to net operating profit/loss

In millions of euros	2010	2009	10/09 % change
Mercedes-Benz Cars	4,656	-500	.
Daimler Trucks	1,323	-1,001	.
Mercedes-Benz Vans	451	26	.
Daimler Buses	215	183	+17
Daimler Financial Services	831	9	.
EBIT of the divisions	7,476	-1,283	.
Income taxes [1]	-2,154	-589	.
Other reconciliation	-202	-230	.
Net operating profit (loss)	5,120	-2,102	.

1 Adjusted for tax effects of interest income

Net assets at year end can be derived from the consolidated balance sheet as follows:

Net assets of the Daimler Group at year-end

	2010	2009	10/09
In millions of euros			% change
Net assets of the industrial business			
Intangible assets	7,444	6,690	+11
Property, plant and equipment	17,544	15,911	+10
Leased assets	9,611	8,651	+11
Inventories	14,056	12,337	+14
Trade receivables	6,964	5,073	+37
Less provisions for other risks	-12,078	-10,655	+13
Less trade payables	-7,429	-5,422	+37
Less other assets and liabilities	-12,031	-9,651	+25
Assets and liabilities from income taxes	718	1,586	-55
Total equity of Daimler Financial Services	4,865	4,670	+4
Net assets	29,664	29,191	+2

Statement of income/loss

Consolidated statement of income/loss

	2010	2009	10/09
In millions of euros			% change
Revenue	97,761	78,924	+24
Cost of sales	-74,988	-65,567	+14
Gross profit	22,773	13,357	+71
Selling expenses	-8,861	-7,608	+17
General administrative expenses	-3,474	-3,287	+6
Research and non-capitalized development costs	-3,476	-2,896	+20
Other operating income	971	693	+40
Other operating expense	-660	-503	+31
Share of profit/loss from investments accounted for using the equity method, net	-148	72	.
Other financial income/expense, net	149	-1,341	.
Earnings before interest and taxes (EBIT) [1]	7,274	-1,513	.
Interest income	825	1,136	-27
Interest expense	-1,471	-1,921	-23
Profit/loss before income taxes	6,628	-2,298	.
Income taxes	-1,954	-346	.
Net profit/loss	4,674	-2,644	.
Minority interest	-176	4	.
Profit/loss attributable to shareholders of Daimler AG	4,498	-2,640	.

1 EBIT includes expenses from the compounding of provisions and effects from the change in the discount rates (2010: minus €240 million; 2009: minus €1,003 million).

The Daimler Group's **total revenue** increased by 23.9% to €97.8 billion in 2010 (2009: €78.9 billion); adjusted for positive currency effects, the increase was 19.1%. The revenue growth was primarily due to increase vehicle shipments compared with the crisis-hit weak prior year. Further information on the development of revenue is provided in the "Business development" section of this Management Report.

Cost of sales amounted to €75.0 billion in the year under review, increasing by 14.4% compared with 2009 (€65.6 billion). The increase in cost of sales was caused by higher business volumes and the resulting increase in material and personnel expenses. There were opposing effects from further cost reductions, due in part to the efficiency-enhancing programs, and from lower expenses for risk provisions and refinancing at Daimler Financial Services. Overall, cost of sales rose at a lower rate than revenue, so gross profit accounted for a significantly higher proportion of revenue than in the prior year (23.3% compared with 16.9%). Further information on cost of sales is provided in Note 5 of the Notes to the Consolidated Financial Statements.

Due to the growth in unit sales, **selling expenses** increased by €1.3 billion to €8.9 billion (2009: €7.6 billion). The increase is a reflection among other things of higher expenses for personnel, IT and marketing. Partially due to efficiency-enhancing programs within the sales organisation, as a percentage of revenue, selling expenses fell from 9.6% in 2009 to 9.1% in 2010.

General administrative expenses increased by 5.7% to €3.5 billion in 2010 (2009: €3.3 billion). This increase was mainly the result of expenses relating to the repositioning of Daimler Financial Services in Germany and for the repositioning of Daimler Trucks North America and Mitsubishi Fuso Truck and Bus Corporation. Higher other personnel expenses were also a factor. As a percentage of revenue, general administrative expenses were 3.6% (2009: 4.2%).

Research and non-capitalized development costs amounted to €3.5 billion in 2010 (2009: €2.9 billion). The increase was mainly caused by higher personnel expenses and increased expenses of purchased of goods and services. The focus of research and development work was on the development of successor models as well as new generations of engines and alternative drive systems. As research and non-capitalized development expenses increased at a lower rate than revenue, their proportion of revenue fell slightly from 3.7% to 3.6%. Further information on the Group's research and development costs is provided in the "Research and development, environmental protection" section of this Management Report.

Other operating income increased to €1.0 billion (2009: €0.7 billion). This was primarily due to income recognized following the positive outcome of a legal dispute involving Daimler AG (€218 million) and gains on the sale of real estate.

Other operating expense amounted to €0.7 billion (2009: €0.5 billion).

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

In 2010, our **share of loss from investments accounted for using the equity method** amounted to €0.1 billion and was thus lower than the prior-year result (profit of €0.1 billion). There was a negative impact primarily from Daimler's share of the loss reported by EADS (2010: expense of €0.3 billion; 2009: income of €0.1 billion), which was mainly the result of expenses relating to the A400M program.

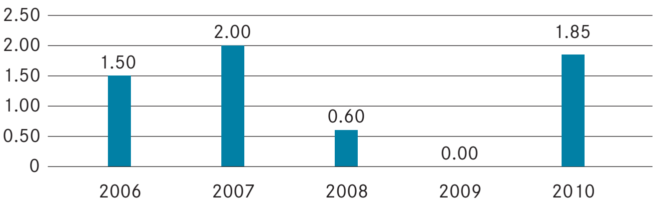
Other financial income, net developed from an expense of €1.3 billion in 2009 to income of €0.1 billion in 2010. The improvement is due to lower expenses from the compounding of non-current other provisions following the decline in interest rate levels (2010: expense of €0.2 billion; 2009: expense of €1.0 billion). In addition, the Group realized a gain of €0.3 billion on the sale of its shares in Tata Motors. In the prior year, other financial expense included expenses of €0.3 billion relating to the agreements concluded with Chrysler.

The Group recorded **net interest expense** for the year 2010 of €0.6 billion (2009: net interest expense of €0.8 billion). The improvement was primarily due to lower interest expenses caused by a lower level of debt in the industrial business. This more than offset the higher expenses relating to pension and health-care obligations. Further information on interest income and expense is provided in Note 8 of the Notes to the Consolidated Financial Statements.

The **income-tax expense** of €2.0 billion recorded in 2010 (2009: €0.3 billion) is mainly a reflection of the Group's profit before income taxes, with opposing effects from the reversal of impairments recognized on deferred tax assets. The effective tax rate for 2010 is 29.5% (2009: minus 15.1%). The effective tax rate in 2009 reflects the fact that impairments had to be recognized on deferred tax assets at non-German subsidiaries and that tax expenses had to be recognized in connection with the tax assessment of previous years. Further information on income taxes is provided in Note 9 of the Notes to the Consolidated Financial Statements.

The positive development of EBIT led to a significant improvement in **net profit** to €4.7 billion in 2010 (2009: net loss of €2.6 billion). Earnings per share improved accordingly to €4.28 (2009: loss per share of €2.63).

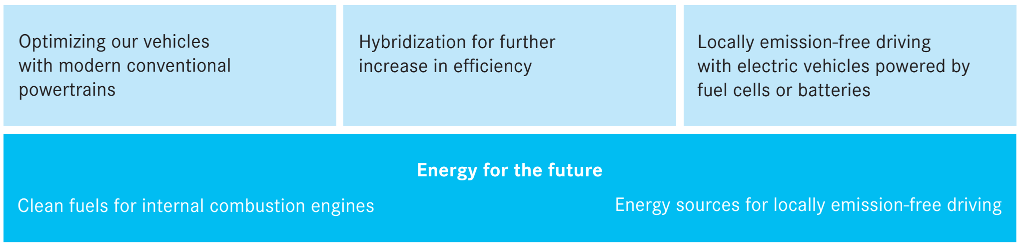
Dividend per share
In euros



Dividend

After deciding not to pay a dividend last year in view of the net loss in 2009, we now want our shareholders to participate again appropriately in our financial success. In setting the dividend, we aim to distribute approximately 40% of the Group's net profit attributable to the Daimler shareholders. On this basis, the Board of Management and the Supervisory Board have decided to recommend to the shareholders for their approval at the Annual Meeting to be held on April 13, 2011 that a dividend of €1.85 per share be paid out. The total dividend payout will then amount to €1,971 million.

Road to Emission-free Mobility



Research and development, environmental protection

Research and development as a key success factor. 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 (see pages 140 ff.).

22,100 employees in research and development departments. Key factors for the market success of our vehicles are the expertise, creativity and motivation of our employees in research and development. At the end of the year 2010, 22,100 persons were employed in Daimler's research and development departments around the world. Of that total, 14,700 persons were employed at Group Research and Mercedes-Benz Cars Development, 5,400 at the Daimler Trucks division, 900 at the Mercedes-Benz Vans division and 1,100 at Daimler Buses. More than 4,000 research and development personnel were employed outside Germany.

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

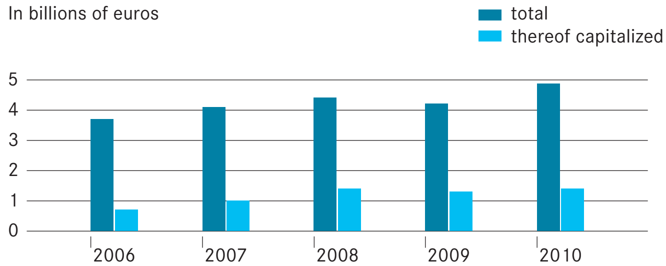
Effective involvement of the supplier industry. In order to achieve our ambitious research and development goals, we also make use of services provided by supplier companies. Particularly in view of the technological challenges facing the automotive industry and the need to bring new technologies to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

More than 2,100 patents filed. Daimler newly registered a total of 2,105 patents in the year 2010 (2009: 2,072), most of which were in the areas of drive systems and safety. More than 1,000 patent applications related to the issue of emission-free mobility, in particular electric drive systems using power from batteries or fuel cells. In the coming years, we will further extend our technology and innovation leadership across all products and brands with the help of industrial property rights.

High level of research and development expenditure. We effectively continued the research and development projects important for our vehicles' competitiveness in 2010, while further improving the efficiency and quality of our research and development work. We intend to play an active part in shaping the technological transformation facing the automotive industry with pioneering innovations also in the future. We therefore increased our research and development expenditure to €4.8 billion in 2010 (2009: €4.2 billion). In accordance with IFRS accounting regulations, we capitalized development costs in a total amount of €1.4 billion (2009: €1.3 billion). 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.

Research and development expenditure

In billions of euros



The most important projects at Mercedes-Benz Cars were the successor models for the A/B-Class and the M-Class and the model upgrade for the C-Class, as well as new-generation engines and alternative drive systems. Total research and development expenditure at Mercedes-Benz Cars amounted to €3.1 billion last year (2009: €2.7 billion). Daimler Trucks spent €1.3 billion on research and development (2009: €1.1 billion). The main areas there were alternative drive systems, new engines for medium and heavy-duty trucks and successor generations of existing products. The focus of expenditure at Mercedes-Benz Vans was on the further development of engines to fulfill future emission regulations. The Daimler Buses division concentrated its development activities on new products, the fulfillment of new emission standards and alternative drive systems such as diesel hybrid and fuel cells.

Further reduction in our cars' CO_2 emissions. Thanks to our new economical engines and our additional BlueEFFICIENCY models, we were able to reduce the average CO_2 emissions of the passenger cars we sold in the European Union in the year under review to 158 grams per kilometer. What's more, we achieved this feat despite a greater share of exceptionally high-quality and powerful vehicles in our model mix. The first of these fuel-efficient automobiles, with which we achieve additional fuel savings compared with the standard models of more than 20%, was launched in 2008. By the end of the year 2010, 85 BlueEFFICIENCY models had become available. Meanwhile, nearly one third of our cars sold in Europe have CO_2 emissions of less than 140 grams per kilometer. We will reduce fuel consumption and CO_2 emissions even more in the future with innovative technologies for locally emission-free mobility. Our goal is to reduce the CO_2 emissions of our new car fleet in the European Union to less than 140 grams per kilometer by 2012. In recent years, we have continuously reduced the emission of pollutants by our cars: by more than 75% since 1995 and by more than 30% in the past five years. The emission reductions achieved by our cars with our BlueTEC diesel engines are particularly impressive: by more than 90% compared with 1995 and by more than 75% compared with 2005. We are global leaders for clean diesel engines with our BLUETEC technology. Our BLUETEC automobiles fulfill the strictest emission standards and are the cleanest diesel cars in the world.

Commercial vehicles with low consumption and emissions. We have also continuously reduced the emissions of CO_2 and other harmful substances by our commercial vehicles in recent years. BLUETEC technology increases the efficiency and reduces the polluting emissions of our trucks significantly: Fuel consumption falls by 2 to 5%, representing 2,000 liters less diesel per truck each year. The Mercedes-Benz Actros 1844 LS is the world's most fuel-efficient series-produced truck, with consumption of 19.44 liters per 100 kilometers. Hybrid drive is becoming increasingly important for commercial vehicles and can reduce diesel consumption in delivery applications by up to 15%. Daimler is the world's leading manufacturer of commercial vehicles with hybrid drive: By December 2010, we had supplied customers with about 3,000 Orion hybrid buses, approximately 1,000 Freightliner trucks and vans with hybrid drive, and more than 1,100 Fuso trucks and buses with hybrid technology. Worldwide, a total of more than 5,200 commercial vehicles from Daimler are on the road with hybrid drive.

Research and development expenditure

	2010	2009	10/09
In millions of euros			% change
Daimler Group	4,849	4,181	+16
thereof capitalized	1,373	1,285	+7
Mercedes-Benz Cars	3,130	2,696	+16
thereof capitalized	940	913	+3
Daimler Trucks	1,282	1,116	+15
thereof capitalized	373	368	+1
Mercedes-Benz Vans	267	193	+38
thereof capitalized	29	0	.
Daimler Buses	223	212	+5
thereof capitalized	31	5	+520

€2.3 billion for environmental protection. Once again in the year 2010, we pursued the goal of preserving resources and reducing all relevant emissions. We consider the effects of all our processes – from vehicle development to production and to recycling and environmentally friendly disposal. Last year, we increased our spending on environmental protection by 8% to €2.3 billion.

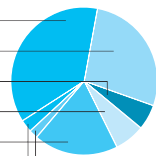
Extensive activities for environmental protection in production. With the help of environmentally friendly production methods, we have succeeded in recent years – with comparable production volumes – in continually reducing our plants' energy consumption, CO_2 emissions, production-related solvent emissions and noise pollution. As a result, energy consumption fell between 2005 and 2010 by 5.7% to 10.3 million megawatt hours. During the same period, CO_2 emissions decreased by 3.0% to 3.7 million tons. Compared with the year 2009, both energy consumption and CO_2 emissions increased last year: by 16% and 18% respectively. However, this is solely a reflection of the unusually low production volumes in the prior year caused by the worldwide sales crisis. A more relevant comparison is with the year 2008, which shows reductions in energy consumption of 5.9% and in CO_2 emissions of 4.6%, despite the new inclusion of production-related fuel consumption. Without this change, the reductions would have been 6.6% for energy consumption and 4.7% for CO_2 emissions. Utilization of techniques that preserve resources such as closed-cycle systems enabled us to reduce water consumption by 10.5% between 2005 and 2010. Water consumption was 18% higher in 2010 than in 2009, but was 10.1% lower than in 2008.

In the area of waste management, our guiding principle is that avoidance and recycling are better than disposal. Innovative techniques and environmentally compatible production allow us to steadily reduce our volumes of waste materials. Between 2005 and 2010, the total of production-related waste material fell by 13% to 1.0 million tons. Also in this area, we recorded an increase over the prior year – along with the substantial growth in production volumes – of 27%. But in the more relevant comparison with 2008, there was a reduction of 10%. The figures stated for the year 2010 are based on an extrapolation of the environmental data currently available for 2010. The exact figures will be released with the publication of the new Sustainability Report in April 2011.

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

Employees by division

Daimler Group	260,100
Mercedes-Benz Cars	96,281
Daimler Trucks	71,706
Mercedes-Benz Vans	14,557
Daimler Buses	17,134
Sales Organization	48,299
Daimler Financial Services	6,742
Other	5,381



Employment

260,100 employees worldwide. Due to the revival of demand, the size of our workforce increased slightly in 2010. As of December 31, we employed a total of 260,100 people worldwide, compared with 256,407 at the end of 2009. In Germany, the number of employees increased to 164,026 (2009: 162,565); 18,295 people were employed in the United States (2009: 17,697), 13,484 in Brazil (2009: 13,088) and 12,836 in Japan (2009: 14,152). At our consolidated subsidiaries in China, the headcount at the end of 2010 was 1,552 (2009: 1,166); in addition, our Chinese joint venture companies employed approximately 7,500 people. The number of apprentices and trainees was 8,841 (2009: 9,151). The parent company, Daimler AG, employed 145,796 people as of December 31, 2010 (2009: 147,052).

Employment increased at the divisions Mercedes-Benz Cars (+3%) and Daimler Trucks (+1%). While the number of persons employed in the sales and marketing organization also rose (+1%), headcounts decreased at the divisions Mercedes-Benz Vans (-4%) and Daimler Financial Services (-1%). At Daimler Buses, employment was nearly unchanged.

Cost savings due to package of measures taken. In 2010, it was possible to suspend the measures agreed upon by the Board of Management and the Group Employee Council in Germany in 2009 to reduce labor costs and secure employment. Due to the improving economic situation, we reduced short-time work as of January at first at the car plants and then gradually also at the truck and van plants, so by the end of the third quarter it was completely phased out. For the entire workforce, the termination of reduced working hours was agreed upon for the end of May 2010 – one month earlier than planned. In total, this package of measures, which also included savings on supplementary company benefits, made an important contribution to the reduction of personnel expenses. By means of the measures taken to enhance personnel flexibility, we were able to overcome the difficult economic situation without actively reducing the headcount in Germany.

Due to the discontinuation of reduced working hours and short-time work, personnel and related expenses increased to €16.5 billion in 2010 from €13.9 billion in the prior year.

Profit sharing. As a result of the unsatisfactory business development in 2009, no profit-sharing bonus could be granted for that year. Nonetheless, the employees of Daimler AG paid according to wage-tariff agreements received a special one-time bonus of 500 euros in April 2010. This was intended to show the Board of Management's recognition of the workforce's efforts in a difficult environment. In addition, employee shares were offered once again in May 2010, after the employee-share program had to be suspended in 2009.

In view of the Group's positive economic development in the year 2010, Daimler's Board of Management and General Employee Council have agreed that the special efforts made by the workforce in 2010 will be rewarded with a high performance participation bonus: In Germany, each entitled employee of Daimler AG will be paid 3,150 euros at the end of April 2011.

Average age. The average age of our employees worldwide in 2010 was 41.9 (2009: 41.4). In Germany, the average age of the employees of Daimler AG was 43. Along with general demographic developments, the average will increase over the coming years.

This demographic change is leading to various challenges and opportunities. The objective of the measures we have initiated is to develop our employees' productivity and to make use of their growing experience. As part of our resource management activities, we examine for example how demographic change will affect our future needs for skilled workers. This will allow us to take preventative action in order to maintain the long-term competitiveness of our workforce.

Increase in employees' average period at the Group and in the proportion of women in management positions. The average period for which Daimler employees have been at the Group increased in 2010 from 15.4 to 16.0 years. At the end of the year, Daimler Group employees in Germany had been with us for an average of 18.7 years (2009: 18.1); the average for employees of Daimler AG was 18.9 years (2009: 18.4). The average period for our employees outside Germany was 11.3 years (2009: 11.0). Women accounted for 13.5% of the total workforce of Daimler AG at the end of 2010 (2009: 13.1%). In management positions of levels 1 to 4, the proportion of women increased from last year's 10.9% to 11.6%.

Procurement

Goal: the world's most effective supplier network. The Daimler Group's procurement organization consists of three departments – Procurement Mercedes-Benz Cars and Vans, Procurement Daimler Trucks and Buses, and International Procurement Services for non-production materials – and is present at more than 50 locations all over the world. The goal of the procurement organization is to create the world's most effective supplier network and thus to contribute to Daimler's overall success.

Performance-oriented cooperation with our suppliers. Under the motto "Commitment to Excellence," the Daimler Supplier Network (DSN) defines the business philosophy of Daimler's procurement organization. Its principles are performance and partnership: With the help of the external balanced scorecard, suppliers' performance is measured in the categories quality, technology, costs and reliability. To us, partnership means fairness, dependability and credibility. The best suppliers are rewarded each year with the Daimler Supplier Award for outstanding performance.

Increasing raw-material prices. After historical lows in the prior year, the prices of many raw materials increased again significantly in 2010. This development was the result above all of expansive monetary policies worldwide, rising industrial demand in emerging economies, and the interests of financial investors. Daimler protects itself against price fluctuations with a number of measures, including long-term agreements and hedging transactions.

Risk management continues to prove its worth. Also in the year 2010, we continually monitored the financial development of our suppliers in the context of our risk management. We focus in particular on security of supply, the development of working capital and the continuation of productivity-enhancing projects from the year 2009. Although some of our suppliers had to file for bankruptcy in 2010, we were able to avoid any major production losses. Due to the great importance of suppliers for our production processes, Daimler has established a Supplier Risk Board, which holds regular meetings. This board has members from various departments and if required develops action plans enabling us to react quickly to the danger of supplier insolvency. We support distressed suppliers for example by making advance payments for subsequent deliveries.

Sustainability in procurement. Our goal is to ensure that our business practices are sustainable along the entire value chain. Our expectations in terms of ecological and social aspects are formulated in Daimler's sustainability guidelines for suppliers. Since the end of 2010, they have been a binding component of our terms and conditions for purchasing in Germany, which are valid for a large proportion of our suppliers. Other contracts and agreement are gradually being adapted worldwide. In addition, we apply various instruments to check and support the implementation of our requirements, including supplier training courses as well as dialogues and other communication activities.

Information technology

IT as key factor for efficiency and innovation. In view of technological advances and the increasing penetration of information technology (IT) in business processes, the importance of a secure, high-performance IT system is increasing all the time. Nearly all business processes – from product development to vehicle production to sales and finance processes – are becoming ever more digitalized. Efficient and innovative IT systems therefore make a significant contribution to our business success. Approximately 4,800 employees at more than 500 locations provide effective support for Daimler's business processes with various IT applications. This includes ensuring that the system landscape is constantly functional and permanently optimized. In order to simultaneously improve efficiency, we continuously consolidate the IT system landscape and intend to reduce the number of existing systems by up to 40% by the year 2015. In 2010, we already reduced the number of applications by approximately 8%.

Worldwide, Daimler's IT organization supports more than 260,000 employees as well as external business partners with an integrated network infrastructure. One of the key IT tasks is therefore to protect the flow of information against unauthorized access. Due to increasing risks and dangers for information security, we have set up a dedicated department at corporate level to work on this issue. This department defines and monitors the technical protective facilities and also takes organizational precautions such as worldwide employee training courses or the management of local IT-security executives.

IT solutions support the further development of individual mobility. Both for our operating business units and for the sales organization, we have developed tailored IT solutions to support Daimler's mobility strategy. After supporting car2go with its IT systems, Daimler's IT specialists provided advice to the web-based car-sharing service, car2gether, and assisted with the design and implementation of its web portal. We also accompanied the launch of the car2gether pilot project in Ulm.

IT mobility services were further developed also in the sales function. Following the launch of the Apple iPhone app for the personalized contract management of financial services at Mercedes-Benz Financial, the entire Mercedes-Benz dealer network in the United States was equipped for mobile work with Apple's 3G iPad™. All 355 dealerships can now access Advantage®, the Mercedes-Benz dealer system, at each point of sale and at any place or time. We have also developed a function that allows customers to electronically sign documents directly on the iPad display. Since the beginning of 2010, Mercedes-Benz Financial's IT services also include a website created solely for smartphone users.

Integrated system solution for commercial-vehicle sales. Following a successful start in the Daimler TruckStores, we further developed the internet-based software solution for the used commercial-vehicle business and introduced it at Daimler Buses. All accounting-relevant transactions are processed automatically worldwide. Details of vehicles in stock, including pictures, are transferred daily and automatically from the system to the TruckStore Internet portal for the sales function.

Green IT makes visible contribution to sustainability. One focus of our IT work at Daimler is on sustainability issues such as green IT. We have achieved substantial savings of resources in the context of this initiative: In the IT organization, 55 million kilowatt-hours of electricity and 33,000 tons of CO_2 emissions were saved within one year. This benefited not only our ecological performance, but also our profitability.

The consistent focus of IT on aspects of sustainability has been emphasized by the inclusion of key figures for green IT in the IT organization's balanced scorecard. This makes it possible to continually measure the environmental and resource-saving application of information technology. It also allows us to recognize innovative environmental potential faster and to integrate it into the processes of our business operations. Outside Daimler, the IT organization is active in the EU's Code of Conduct for Data Centers – an environmental initiative by the European Union encouraging companies to commit voluntarily to the use of efficient data centers.

In November 2010, Daimler AG received the Gartner Data Center Excellence Award for the concept and measurable success of the Group-wide green IT initiative entitled "Think economically, act ecologically." This prize is awarded for pioneering and strategic concepts related to the design and ecological operation of data centers. It is the most prestigious award in the international IT industry.

Liquidity and Capital Resources

Principles and objectives of financial management

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

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

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

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

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

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

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

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

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

Cash flows

Condensed consolidated statement of cash flows

	2010	2009	10/09
In millions of euros			Change
Cash and cash equivalents at the beginning of the year	9,800	6,912	2,888
Cash provided by operating activities	8,544	10,961	-2,417
Cash provided by / used for investing activities	-313	-8,950	8,637
Cash provided by / used for financing activities	-7,551	1,057	-8,608
Effect of exchange-rate changes on cash and cash equivalents	423	-180	603
Cash and cash equivalents at the end of the year	10,903	9,800	1,103

Cash provided by operating activities amounted to €8.5 billion in 2010 (2009: €11.0 billion). The positive effect from the significant improvement in net profit was partially offset by the development of inventories, which increased in 2010 due to the higher production volumes but decreased substantially in the prior year. Compared with 2009, additional factors reducing cash provided by operating activities were the increased new leasing and sales financing business and the reduction in proceeds from the sale of parts of the non-automotive portfolio in the financial services business. In addition, the negative effects from increased trade receivables resulting from higher unit sales were only partially offset by an increase in trade payables. Furthermore, income-tax payments of €1.2 billion were higher than in the prior year (2009: €0.4 billion), but due to the utilization of tax-loss carry-forwards, they increased at a lower rate than operating result.

Cash flows from investing activities resulted in a net cash outflow of €0.3 billion (2009: €9.0 billion). The reduced cash outflow 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 a net cash inflow of €4.3 billion last year compared with a net cash outflow of €5.4 billion in the prior year. The reporting period was also affected by proceeds from the sale of shares in Tata Motors (€0.3 billion). There were higher cash outflows for substantially increased investments in property, plant and equipment and intangible assets, as well as for the payment made in connection with the cross-shareholding with the Renault-Nissan Alliance (€0.1 billion).

Cash flows from financing activities resulted in a net cash outflow of €7.6 billion, which almost solely reflects the repayment of financing liabilities. To a lower extent, there were opposing cash inflows from the issue of new shares in connection with the exercise of stock options (€0.2 billion). The net cash inflow of €1.1 billion in the prior year mainly reflects the capital increase from the issue of new shares (€1.95 billion), reduced by the payment of the dividend for the year 2008 (€0.6 billion).

Cash and cash equivalents increased compared with December 31, 2009 by €1.1 billion, after taking currency translation into account. Total liquidity, which also includes deposits and marketable debt securities, was reduced by €3.1 billion to €13.0 billion.

The **free cash flow of the industrial business**, which is the parameter used by Daimler to measure the Group's financing capability, increased by a significant €2.7 billion to €5.4 billion.

The main reason for the increase in the free cash flow was the substantial improvement in the divisions' profit contributions, which more than offset the negative effects of inventory developments and higher investments in property, plant and equipment and intangible assets. The sale of the shares in Tata Motors also had a positive impact on the free cash flow.

Free cash flow of the industrial business

In millions of euros	2010	2009	10/09 Change
Cash provided by operating activities	10,066	6,544	3,522
Cash used for investing activities	-741	-7,716	6,975
Change in cash (> 3 months) and marketable debt securities included in liquidity	-3,893	3,878	-7,771
Free cash flow of the industrial business	5,432	2,706	2,726

Net liquidity of the industrial business

In millions of euros	Dec. 31, 2010	Dec. 31, 2009	10/09 Change
Cash	9,535	6,735	2,800
Marketable debt securities and term deposits	1,258	5,073	-3,815
Liquidity	10,793	11,808	-1,015
Financing liabilities	1,358	-5,516	6,874
Market valuation and currency hedges for financing liabilities	-213	993	-1,206
Financing liabilities (nominal)	1,145	-4,523	5,668
Net liquidity	11,938	7,285	4,653

The net liquidity of the industrial business is calculated as the amount of cash, cash equivalents, marketable debt securities and other financial investments included in liquidity management, less the currency-hedged nominal amount of the 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, it is deducted for the calculation of the debt of the industrial business. At December 31, 2010, due to the application of the funds of the industrial business, the Group's internal refinancing was larger than the financing liabilities originally entered into by the industrial business. This resulted in a positive value for the financing liabilities of the industrial business, and therefore a positive component of net liquidity.

Compared with a year earlier, the **net liquidity of the industrial business** increased by €4.7 billion to €11.9 billion.

The increase was primarily due to the positive free cash flow.

Net debt at Group level, which primarily results from the refinancing of the leasing and sales financing business, decreased compared with December 31, 2009 by €0.3 billion.

Net debt of the Daimler Group

In millions of euros	Dec. 31, 2010	Dec. 31, 2009	10/09 Change
Cash	10,903	9,800	1,103
Marketable securities and term deposits	2,096	6,342	-4,246
Liquidity	12,999	16,142	-3,143
Financing liabilities	-53,682	-58,294	4,612
Market valuation and currency hedges for financing liabilities	-213	993	-1,206
Financing liabilities (nominal)	-53,895	-57,301	3,406
Net debt	-40,896	-41,159	263

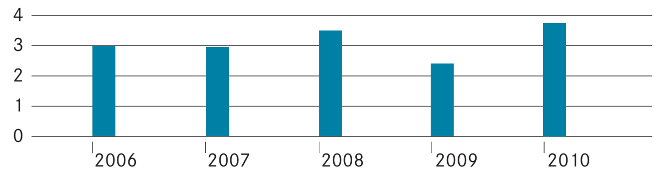
Capital expenditure

Following significant reductions in the year 2009 as a result of strict liquidity management, in line with the more favorable business development, we increased our investment in property, plant and equipment to €3.7 billion in 2010 (2009: €2.4 billion). The focus was on investments in new vehicle models and new drive systems. €2.1 billion of the total volume of capital expenditure was in Germany.

At Mercedes-Benz Cars, investments in property, plant and equipment increased by 52% to €2.5 billion in 2010. One focus was on the expansion of production capacities for the successor to the A/B-Class at the new plant in Kecskemét, Hungary, and at the Rastatt plant in Germany. In addition, we invested in the ramp-up of the new M-Class in Tuscaloosa, USA, and prepared for the start of C-Class production there in 2014. The main investment at the Bremen plant was for the new generation of the SLK roadster. We also invested in engine projects such as the production of the new V6 and V8 gasoline engines at the plant in Stuttgart-Bad Cannstatt, as well as in expanding our car production capacities in the growth markets of China and India. Daimler Trucks invested primarily in projects for the global harmonization and standardization of engines and other main components and to enable it to fulfill stricter emission regulations. We also invested in the successor generations of existing truck models. Other areas of investment were for additional production capacities for the Actros heavy-duty truck, which has also been produced in Aksaray, Turkey, since late 2010 and will be assembled in Juiz de Fora, Brazil, as of 2012, and for the expansion of production capacities at the plant in São Bernardo do Campo, Brazil. Total investment in property, plant and equipment at Daimler Trucks amounted to €1.0 billion (2009: €0.6 billion).

Capital expenditure

In billions of euros



At the Mercedes-Benz Vans division, the focus of investment was for the model upgrade of the Vito/Viano, the development of new products, and our plants and sales organization. At Daimler Buses, our main investment in 2010 was in new products and our production plants.

Investment in property, plant and equipment

In millions of euros	2010	2009	10/09 % change
Daimler Group	3,653	2,423	+51
Mercedes-Benz Cars	2,457	1,618	+52
Daimler Trucks	1,003	597	+68
Mercedes-Benz Vans	91	113	-19
Daimler Buses	95	78	+22
Daimler Financial Services	12	14	-14

Refinancing

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

In 2010, the Group covered its liquidity requirements mainly through the issuance of bonds and with bank loans. Due to the positive development of cash provided by operating activities, the funding requirement was significantly lower than in 2009. To a very small extent, funds were also raised by issuing commercial paper. Furthermore, the still high level of customer deposits at Mercedes-Benz Bank was used as an additional source of finance.

For raising longer-term capital in the capital market, various programs are available such as the €35 billion multi-currency multi-issuer euro medium-term note program, under which the following euro benchmark bonds were successfully placed on the market in 2010:

Amount in billions of euros	Term in years	Maturity
1.0	3.5	July 2013
1.0	7.0	January 2017

In order to diversify our refinancing, we made smaller private placements in the euro market and issued bonds in the local markets of South Africa, Mexico, Argentina and Thailand. And in April 2010, the Group successfully placed an ABS transaction in an amount of US$1.0 billion with investors in the United States; in this context, Daimler made use of its US platform, Mercedes-Benz Auto Receivables Trust.

At the end of 2010, Daimler had short-term and long-term credit lines totaling €24.0 billion (2009: €21.1 billion), of which €9.4 billion (2009: €0.8 billion) was not utilized. These included a new syndicated credit facility arranged with a consortium of international banks in volume of €7 billion with a maturity of five years. That credit facility was significantly over-subscribed. After signing the new credit line, Daimler prematurely terminated the two existing syndicated credit lines of US$5 billion and €3 billion.

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

	Average interest rates		Book value	
	Dec. 31, 2010	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009
	In %		In millions of euros	
Bonds/notes	**4.58**	4.66	**26,123**	30,095
Commercial paper	**4.82**	6.48	**91**	176
Liabilities to banks	**4.42**	5.04	**14,328**	13,000

The financial instruments shown in the table above at December 31, 2010 are mainly denominated in the following currencies: 30% in US dollars, 29% in euros, 7% in Japanese yen, 7% in Brazilian real and 5% in British pounds.

At December 31, 2009, the financial liabilities shown in the consolidated balance sheet, which include customer deposits in the direct banking business, amounted to €53,682 million (2009: €58,294 million).

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

Other financial commitments and off-balance-sheet transactions

In the context of its normal business operations, the Group has entered into other financial commitments in addition to the liabilities shown in the consolidated balance sheet at December 31, 2010. These other financial commitments primarily relate to purchasing commitments and commitments to invest in replacement and expansion of property, plant and equipment. The Group has also committed to make payments in connection with rental and leasing agreements for the use of production facilities and other property, plant and equipment. In addition, particularly Daimler Financial Services has made irrevocable loan commitments within the framework of its business operations.

The table below provides an overview of these other financial commitments and their maturities:

		Payments falling due:			
	Total	within 1 year	in 1-3 years	in 4-5 years	after 5 years
In millions of euros					
Purchasing commitments, investments in property, plant and equipment	7,420	6,017	1,086	168	149
Future lease payments under rental and leasing agreements	2,150	297	504	396	953
Irrevocable loan commitments	1,910	1,624	262	24	-

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

The guarantees reported by the Group (excluding product warranties) principally represent financial guarantees that require us to make certain payments if a guarantee holder fails to meet its financial obligations. The maximum potential obligation resulting from these guarantees amounts to €1.1 billion at December 31, 2010 (end of 2009: €1.5 billion); the corresponding provisions amount to €0.2 billion at the end of the year (end of 2009: €0.2 billion).

Most of the financial guarantees relate to the situations described as follows: In connection with the transfer of a majority interest in Chrysler, Daimler guaranteed payments of up to US$200 million into the Chrysler pension plans. The term of this guarantee is limited until August 2012. The Group also provided guarantees for other Chrysler obligations; at December 31, 2010, these guarantees amounted to €0.3 billion, whereby Chrysler provided €0.2 billion on an escrow account as collateral for the guaranteed obligations. Another financial guarantee of €0.1 billion relates to bank loans of Toll Collect GmbH, the operator company of the toll-collection system for trucks in Germany.

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

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

Buyback obligations arise for the Daimler Group from agreements under which we guarantee to customers certain trade-in or resale values for sold vehicles. Most of these guarantees provide the holder with the right to return purchased vehicles to the Group if the customer acquires another vehicle from Daimler. At December 31, 2010, the maximum potential obligation from these guarantees amounted to €0.7 billion (December 31, 2009: €0.7 billion); the corresponding provisions amounted to €0.1 billion at the end of 2010 (end of 2009: €0.1 billion).

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

Credit ratings

No significant changes were made to the ratings of Daimler AG and its subsidiaries during the year under review. Only Standard & Poor's Ratings Services (Standard & Poor's) and Fitch Ratings (Fitch) upgraded the outlook for our long-term credit rating, whereby the upgrade issued by Fitch of an improvement from negative to positive was more significant than the change from negative to stable at Standard & Poor's.

In their publications during the year 2010, most of the rating agencies pointed out the significant improvement in Daimler's profitability, in particular at Mercedes-Benz Cars. Another factor is that the recovery of worldwide demand for motor vehicles last year was stronger than most of the rating agencies had expected. But in view of uncertainty about the ongoing development of the automotive industry and additional costs caused by legislation on emission reductions, there have not yet been any further adjustments of our ratings.

	End of 2010	End of 2009
Long-term credit ratings		
Standard & Poor's	BBB+	BBB+
Moody's	A3	A3
Fitch	BBB+	BBB+
DBRS	A (low)	A (low)
Short-term credit ratings		
Standard & Poor's	A-2	A-2
Moody's	P-2	P-2
Fitch	F2	F2
DBRS	R-1 (low)	R-1 (low)

On August 26, 2010, **Standard & Poor's** affirmed its long-term credit rating for Daimler AG at BBB+ and changed its outlook from negative to stable. It justified this step with the substantial improvement in our financial risk profile during the first half of 2010. In this context, Standard & Poor's referred to the significant increase in the Group's profitability.

The rating agency **Moody's Investors Service** (Moody's) did not alter its ratings for Daimler during the year 2010. On December 7, 2010, Moody's affirmed its long-term rating at A3 and praised the material improvements in Daimler's operating performance. At the same time, Moody's made it clear that the improvements in profitability and cash-flow generation achieved in the first nine months would have to be maintained beyond the year 2010 to secure the existing level of rating.

On July 19, 2010, **Fitch** upgraded our rating outlook from negative to positive in the context of revising its ratings for European automobile manufacturers. Our long-term rating was confirmed at BBB+. As justification, Fitch referred to the continuous improvement in the financial profiles of European carmakers since the year 2009, the faster-than-expected recovery in global auto sales, and Fitch's revised expectations for those companies' key credit metrics in the coming years.

On November 29, 2010, the Canadian agency **DBRS** confirmed the long-term rating for Daimler AG and its related companies at A (low) with a stable outlook. It stated that although our financial profile had deteriorated in the previous year due to the global economic downswing, our profitability had improved sharply year-over-year in the first three quarters of 2010.

The short-term ratings of all four rating agencies remained unchanged during 2010.

Financial Position

Condensed consolidated statement of financial position

	Dec. 31, 2010	Dec. 31, 2009	% change 10/09
In millions of euros			
Assets			
Intangible assets	7,504	6,753	11
Property, plant and equipment	17,593	15,965	10
Equipment on operating leases and receivables from financial services	60,955	57,010	7
Investments accounted for using the equity method	3,960	4,295	-8
Inventories	14,544	12,845	13
Trade receivables	7,192	5,285	36
Cash and cash equivalents	10,903	9,800	11
Interest-bearing securities	2,096	6,342	-67
Other financial assets	5,441	5,135	6
Other assets	5,642	5,391	5
Total assets	135,830	128,821	5
Equity and liabilities			
Equity	37,953	31,827	19
Provisions	20,637	18,372	12
Financing liabilities	53,682	58,294	-8
Trade payables	7,657	5,622	36
Other financial liabilities	10,509	9,737	8
Other liabilities	5,392	4,969	9
Total equity and liabilities	135,830	128,821	5

The Group's **balance sheet total** increased compared with December 31, 2009 by €7.0 billion to €135.8 billion. Adjusted for the effects of currency translation, the balance sheet total grew by €0.7 billion. The financial services business accounted for €67.9 billion of the balance sheet total (December 31, 2009: €65.1 billion), equivalent to 50% of the Daimler Group's total assets (December 31, 2009: 51%).

Current assets accounted for 42% of the balance sheet total, the same as a year earlier. The increases in receivables, inventories and cash and cash equivalents were offset by the reduction in marketable debt securities. Current liabilities increased to 39% of the balance sheet total (December 31, 2009: 37%), primarily due to higher trade payables and higher provisions.

Intangible assets increased to €7.5 billion (December 31, 2009: €6.8 billion). The increase of €0.6 billion after adjusting for the effects of currency translation was mainly caused by capitalized development costs, which accounted for 28.3% of total development expenditure (2009: 30.7%).

Capital expenditure that was significantly higher than depreciation and exchange-rate effects caused **property, plant and equipment** to increase to €17.6 billion (December 31, 2009: €16.0 billion). The investments were made at the car plants in Kecskemét, Rastatt, Tuscaloosa and Kölleda and at the truck plants in Germany, Brazil and India.

Equipment on operating leases and **receivables from financial services** increased primarily due to exchange-rate effects by €3.9 billion to a total of €61.0 billion. The increase adjusted for exchange-rate effects was due to the higher volume of new business resulting from growth in unit sales in the automotive divisions, and mainly related to the business with end-customers. The proportion of the balance sheet total was 45% (December 31, 2009: 44%).

Investments accounted for using the equity method of €4.0 billion primarily comprise the carrying amounts of our equity interests in EADS, Tognum and Kamaz. The decrease of €0.3 billion mainly relates to our investment in EADS and reflects impairments of derivative financial instruments recognized directly in equity at EADS as well as the company's net loss for the period.

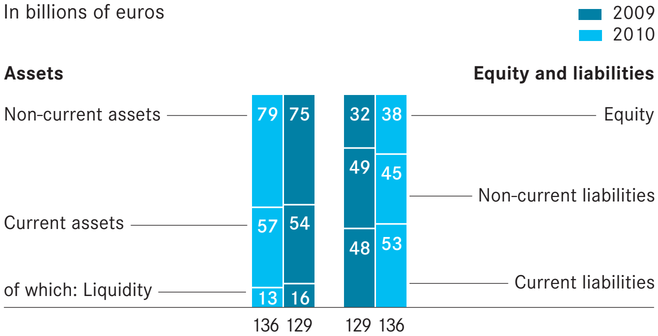
Inventories increased by €1.7 billion to €14.5 billion, equivalent to 11% of total assets. Higher production volumes and exchange-rate effects were the reasons for the increase, which primarily reflects increased stocks of finished vehicles.

Due to higher unit sales and exchange-rate effects, **trade receivables** increased by €1.9 billion to €7.2 billion.

Cash and cash equivalents increased compared with December 31, 2009 by €1.1 billion to €10.9 billion.

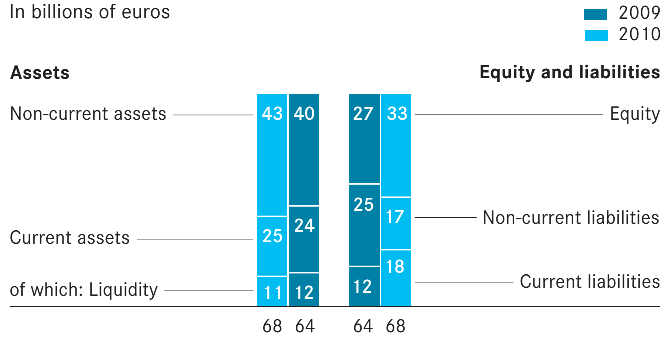
Balance sheet structure Daimler Group

In billions of euros



Balance sheet structure industrial business

In billions of euros



Marketable debt securities decreased compared with December 31, 2009 from €6.3 billion to €2.1 billion. These items primarily comprise debt instruments quoted in an active market and are allocated to liquidity.

Other financial assets increased from €5.1 billion to €5.4 billion. They mainly comprise investments and derivative financial instruments, as well as loans and other receivables due from third parties. The increase in investments reflects the cross-shareholding arising from the strategic cooperation with the Renault-Nissan Alliance, and was partially offset by the sale of our interest in Tata Motors. The fair values of derivative financial instruments decreased partially as a result of the weaker euro.

Other assets of €5.6 billion mainly comprise deferred tax assets and reimbursements due to tax refunds (December 31, 2009: €5.4 billion).

The **Group's equity** increased compared with December 31, 2009 by €6.1 billion to €38.0 billion. The increase primarily reflects the net profit of €4.7 billion, boosted by exchange-rate effects and the issue of shares in connection with the acquisition of shares in Renault and Nissan. The shares in Renault and Nissan were mainly acquired with the use of treasury shares. The **equity ratio** was 26.5% for the Group (December 1, 2009: 24.7%) and 45.8% for the industrial business (December 31, 2009: 42.6%). The 2010 equity ratios are adjusted for the proposed dividend payment for the year 2010.

Provisions account for 15% of the balance sheet total. Most of them relate to provisions for warranty claims and personnel and pension obligations, and at €20.6 billion were above the level of December 31, 2009 (€18.4 billion). The increase was mainly due to higher provisions for personnel obligations.

Financing liabilities decreased by €4.6 billion to €53.7 billion. The decrease adjusted for currency effects of €6.9 billion is mainly related to bonds and liabilities arising from customers' deposits in Mercedes-Benz Bank's direct banking business.

Trade payables increased by €2.0 billion to €7.7 billion, partially due to the higher production volumes.

Other financial liabilities increased to €10.5 billion (December 31, 2009: €9.7 billion). They primarily relate to residual-value guarantees, wages and salaries, derivative financial instruments and accrued interest on financing liabilities. The increase mainly resulted from the revaluation of hedging instruments due to the weakness of the euro.

Other liabilities of €5.4 billion mainly comprise deferred tax liabilities, tax liabilities and accrued expenses as well as deferred income (December 31, 2009: €5.0 billion).

The **funded status of the Group's pension benefit obligations,** defined as the difference between the present value of the pension obligations and the fair value of pension plan assets, decreased in 2010 by €0.6 billion to minus €6.5 billion.

At December 31, 2010, the present value of the Group's pension obligations amounted to €17.7 billion, compared with €16.5 billion at the end of the prior year. The increase resulted primarily from a reduction in the discount rate for German pension benefit plans of 0.3 of a percentage point to 5.0%. The plan assets available to finance the pension obligations increased from €10.6 billion to €11.2 billion, due to the positive development of capital markets as well as contributions.

Further information on pension benefit and similar obligations is provided in Note 22 of the Notes to the Consolidated Financial Statements.

Daimler AG

Condensed version according to the German Commercial Code (HGB)

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

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

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

Unlike Daimler's consolidated financial statements, which are prepared in accordance with the International Financial Reporting Standards (IFRS), the annual financial statements of Daimler AG are prepared according to the German Commercial Code (HGB). This results in some differences with regard to recognition and measurement, mainly relating to intangible assets, provisions, financial instruments and deferred taxes.

The financial statements for the year 2010 were for the first time prepared with application of the provisions of Germany's Accounting Law Modernization Act (BilMoG).

The main effects of changing over to the new accounting regulations were the netting of pension plan assets with provisions for pensions, changes in the area of measuring provisions, inventories and amounts in foreign currencies, and a change in the presentation of treasury shares.

The result of operations reported by Daimler AG improved by €254 million as a result of changing over to the new accounting regulations according to BilMoG. The balance sheet total decreased by €7,936 million.

The following overview shows the reconciliation of the balance sheet amounts shown in the 2009 financial statements to the "transitional amounts" according to HGB as amended by the Accounting Law Modernization Act (HGB n.F.) at the time of first application (January 1, 2010).

Reconciliation of the 2009 financial statements to transitional amounts according to BilMoG at January 1, 2010

In millions of euros	Jan. 1, 2010	Reconciliation	Dec. 31, 2009
Assets			
Non-current assets	37,637	-7,811	45,448
Inventories	5,006	134	4,872
Receivables, securities and other assets	20,582	-259	20,841
Cash and cash equivalents	2,251		2,251
Current assets	27,839	-125	27,964
Deferred expenses and accrued income	53		53
	65,529	-7,936	73,465
Equity and liabilities			
Share capital	2,938	-107	3,045
(conditional capital €415 million)			
Capital reserve	11,123		11,123
Retained earnings	7,279	1,558	5,721
Unappropriated profit	254	254	0
Equity	21,594	1,705	19,889
Provisions for pensions and similar obligations	3,961	-9,020	12,981
Other provisions	10,624	-580	11,204
Total provisions	14,585	-9,600	24,185
Trade payables	3,111	-7	3,118
Other liabilities	24,427	-34	24,461
Total liabilities	27,538	-41	27,579
Deferred income and accrued expenses	1,812		1,812
	65,529	-7,936	73,465

Effects of the application of BilMoG at January 1, 2010 on the statement of income/loss for 2010

In millions of euros	
Measurement of inventories	134
Fair valuation of pension plan assets	38
Allocation to other provisions	-12
Measurement of assets and liabilities denominated in foreign currencies	94
Extraordinary income	254

The equity ratio increased due to the changeover to HGB n.F. to 33.0% at January 1, 2010 (December 31, 2009: 27.1%).

Profitability

The development of business in the year 2010 was primarily driven by the recovery of the world economy. The main automotive markets developed positively with a generally high level of demand. Unit sales were higher than the prior-year levels for all types of vehicle. After the prior year was severely impacted by the financial and economic crisis, Daimler AG posted a **profit on ordinary activities** of €5.6 billion in 2010 (2009: loss of €4.4 billion).

The improved result is primarily due to the increased unit sales of vehicles, a favorable sales structure and the improvement in financial income/expense.

Revenue increased by €15.8 billion to €63.0 billion. The revenue generated by sales of passanger cars increased by €11.7 billion to €46.1 billion due to higher unit sales and structural effects. As a result of the worldwide recovery of demand, Daimler AG also recorded a substantial increase in revenue generated by sales of trucks and vans of €4.1 billion to €16.9 billion.

The result of operations in the car business was a significant profit in 2010. This was mainly due to high volumes of unit sales and an advantageous product mix. Better pricing also had a positive impact on earnings. There was an opposing, negative effect on earnings from increased research and development expenses. Sales of new cars increased by 21% to 1,256,000 units* in 2010 (2009: 1,038,000 units). Car sales increased significantly, particularly in the United States and China and in the premium and luxury segments. Sales rose of the S-Class by 78% to 84,000 units and of the E-Class by 47% to 320,000 units.

The result of operations for trucks and vans was also significantly better than in the prior year due to higher unit sales. Unit sales of vans increased due to the positive market development by 39% to 208,000 vehicles. Unit sales of trucks reached 77,000 vehicles (2009: 53,000)*. The growth in unit sales of trucks and vans was mainly based on the Actros (62%), Axor (33%) and Sprinter (50%) model series.

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

Condensed statement of income of Daimler AG

	Dec. 31, 2010	Dec. 31, 2009
In millions of euros		
Revenue	63,002	47,177
Cost of sales (including R&D expenses)	-54,241	-44,503
Selling expenses	-4,907	-4,389
Administrative expenses	-2,194	-2,178
Other operating income/expense	923	-68
Financial income/expense	3,024	-403
Profit/loss on ordinary activities	5,607	-4,364
Extraordinary income	254	–
Income tax expense	-462	-401
Profit/loss for the year	5,399	-4,765
Transfer from the capital reserve	-	4,765
Transfer to retained earnings	-2,699	–
Balance sheet profit/loss	2,700	–

Financial income/expense improved by €3.4 billion to €3.0 billion, primarily due to improved income from equity investments. The increase in investment income is mainly the result of higher profit contributions from the domestic and foreign subsidiaries of Daimler AG.

Cost of sales (excluding R&D expenses) increased at a lower rate than revenue by 22.8% to €50.0 billion (2009: €40.7 billion). The increase in cost of sales was primarily due to the increase in material expenses caused by the higher unit sales. It was especially apparent in direct materials and the expense of purchased services.

Research and development expenses, which are included in cost of sales, increased from €3.8 billion to €4.2 billion, but decreased as a proportion of revenue from 8.0% to 6.7%. The increase in research and development expenditure was mainly the result of higher expenses for purchased goods and services. One focus of R&D expenditure was on activities for the reduction of fuel consumption and CO_2 emissions, as well as the development of alternative drive systems. Other important projects were for the revision and extension of the product portfolio, in particular the S-/SL-Class, the C-Class, the A-/B-Class and the smart. Cars accounted for €3.0 billion (2009: €2.8 billion) and trucks and vans accounted for €1.2 billion (2009: €1.0 billion). At the end of the year, approximately 16,000 people were employed in the area of research and development.

Selling expenses increased to €4.9 billion in 2010 (2009: €4.4 billion). The increase was caused by the higher volume of business and the related higher charges from impairments of receivables and cost of shipping. Expenses of information technology also increased.

Administrative expenses of €2.2 billion were at the level of the prior year (2009: €2.2 billion).

Other operating income improved by €1.0 billion to €0.9 billion. The prior year comprised expenses in connection with Chrysler and from the amendment requirements for former AEG share holders.

Extraordinary income reflects the income and expenses relating to the changeover to the new accounting regulations according to BilMoG at January 1, 2010.

The **income tax expense** amounts to €0.5 billion and primarily comprises the tax expense for the year 2010.

Financial position, liquidity and capital resources

Statements on changes in individual items relate to the reconciled balance sheet amounts at January 1, 2010.

Compared to January 1, 2010, the **balance sheet total** increased by 17.0% to €76.7 billion.

Non-current assets increased by €1.5 billion to €39.2 billion during 2010. This was primarily the result of increased equity interests in subsidiaries and associated companies and was mainly related to the strategic cooperation with Renault-Nissan. As part of the cross-shareholding, Daimler AG received a 3.1% equity interest in each of Renault and Nissan. Daimler AG placed those equity interests with a Spanish subsidiary. Capital expenditure on property, plant and equipment (excluding leased assets of approximately €2.1 billion) mainly constituted investment for the production of the new SLK, CLS and C-Class coupe, as well as investment in engine and transmission projects for both cars and commercial vehicles.

Balance sheet structure of Daimler AG

	Dec. 31, 2010	Jan. 1, 2010	Dec. 31, 2009
In millions of euros			
Assets			
Non-current assets	39,151	37,637	45,448
Inventories	5,574	5,006	4,872
Receivables, securities and other assets	26,123	20,582	20,841
Cash and cash equivalents	5,753	2,251	2,251
Current assets	37,450	27,839	27,964
Deferred expenses and accrued income	99	53	53
	76,700	65,529	73,465
Equity and liabilities			
Share capital	3,057	2,938	3,045
(conditional capital €602 million)			
Capital reserve	11,321	11,123	11,123
Retained earnings	11,193	7,279	5,721
Unappropriated profit	2,700	254	0
Equity	28,271	21,594	19,889
Provisions for pensions and similar obligations	4,027	3,961	12,981
Other provisions	11,463	10,624	11,204
Total provisions	15,490	14,585	24,185
Trade payables	4,334	3,111	3,118
Other liabilities	27,598	24,427	24,461
Total liabilities	31,932	27,538	27,579
Deferred income and accrued expenses	1,007	1,812	1,812
	76,700	65,529	73,465

Inventories increased compared with January 1, 2010 by €0.6 billion to €5.6 billion, mainly relating to finished goods and our higher production volumes.

Receivables, securities and other assets increased compared with January 1, 2010 by €5.5 billion to €26.1 billion. This was primarily caused by an increase in receivables due from subsidiaries related to the financing function of the parent company of €7.8 billion. There was an opposing effect from the decrease of €3.2 billion in securities held as current assets.

Cash and cash equivalents increased by €3.5 billion to €5.8 billion.

Gross liquidity – defined as cash and cash equivalents plus other marketable securities – of €7.0 billion was €0.3 billion above the prior-year level. **Cash provided by operating activities** amounted to €6.7 billion in 2010 (2009: €3.3 billion). The positive effects from the significantly improved result of operations and from equity investments were partially offset by higher receivables from the supply of goods and services within the Group. Cash provided by operating activities increased also due to the increase in trade payables caused by the higher levels of production and unit sales. The **cash flow from investing activities** resulted in a net cash inflow of €0.4 billion in 2010 (2009: net outflow of €5.1 billion). This mainly reflects the sale of securities held as current assets. There was an opposing effect from capital expenditure for property, plant and equipment. The **cash flow from financing activities** resulted in a net cash outflow of €3.6 billion (2009: net inflow of €3.3 billion). This was mainly caused by the increase in financial receivables due from companies of the Group. On the other hand, borrowing increased the cash inflow from financing activities.

Equity increased compared with January 1, 2010 by €6.7 billion. This change primarily resulted from the net profit, of which, pursuant to Section 58 Subsection 2 of the German Stock Corporation Act (AktG), €2.7 billion was transferred to retained earnings, and from the strategic cooperation with Renault-Nissan. Retained earnings increased by €1.1 billion due to the transfer of treasury shares to Renault S.A. and Nissan Motor Co. Ltd. The equity ratio at December 31, 2010 was 36.9% (January 1, 2010: 33.0%).

Provisions increased compared with January 1, 2010 by €0.9 billion to €15.5 billion. This was mainly related to pensions and similar obligations and provisions for derivative financial instruments.

Liabilities rose by €4.4 billion to €31.9 billion. This rise mainly reflects the increases in bonds and commercial paper (plus €2.1 billion), trade payables (plus €1.2 billion) and financial liabilities to subsidiaries (plus €0.9 billion).

Risks and opportunities

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

Outlook

Due to the interrelations between Daimler AG and its subsidiaries and the relative size of Daimler AG within the Group, we refer to the statements in the Outlook chapter, which also largely reflect our expectations for the parent company. Daimler AG expects to post a significant profit in the year 2011 but lower than in 2010. Further increases in annual earnings are anticipated in the medium term.

Overall Assessment of the Economic Situation

On the whole, Daimler's business developed substantially better in 2010 than we expected at the beginning of the year. Daimler has emerged strengthened and with great dynamism from the global financial and economic crisis. We made use of the years 2009 and 2010 to significantly increase our efficiency and to achieve a sustained improvement in our cost basis. We are now profiting from the fact that we steadily continued with our projects for securing our future also through the financial and economic crisis. As a result, we now have a large number of new and attractive products and pioneering technologies to offer our customers. In addition, our long-term and wide-ranging involvement in markets such as China, India, Brazil and Russia started to pay off significantly in the year under review. This is due not least to the fact that the recovery of worldwide automotive demand has been driven not by our established markets, but by the growth markets of Asia and Latin America.

Against this backdrop, all of Daimler's automotive divisions significantly increased their unit sales in the year 2010. In fact, Mercedes-Benz Cars and Daimler Buses approached the levels they achieved in 2008. Daimler Trucks and Mercedes-Benz Vans posted double-digit growth rates despite the hesitant upswing of markets for commercial vehicles, but their unit sales were still below the record levels of the years before the crisis. The Daimler Group's revenue increased at an even higher rate than its unit sales – by 24% to €97.8 billion. One reason for this development is that the structure of unit sales at Mercedes-Benz Cars shifted towards higher-value vehicles with the market success of the new E-Class models and the S-Class.

The earnings turnaround was particularly impressive: After posting a loss in 2009, we achieved EBIT of €7.3 billion and net profit of €4.7 billion last year. The main contribution to this result came from Mercedes-Benz Cars. Both the Daimler Trucks division and the Mercedes-Benz Vans division significantly improved their EBIT. But Daimler Buses' earnings were also above the prior-year level and Daimler Financial Services' EBIT reached the very high level of €831 million (2009: €9 million).

Because of this positive earnings trend, our key figures improved significantly in 2010. The Group's overall equity ratio increased from 24.7% to 26.5% and the equity ratio of the industrial business rose from 42.6% to 45.8%. The free cash flow of the industrial business – the parameter we use to measure our financial strength – increased by €2.7 billion to €5.4 billion in 2010. This means that the net liquidity of our industrial business also improved during the course of the year: from €7.3 billion to €11.9 billion.

After deciding not to pay a dividend last year in view of the net loss in 2009, we now want our shareholders to participate again appropriately in our financial success. In setting the dividend, we aim to distribute approximately 40% of the Group's net profit attributable to the Daimler shareholders. On this basis, the Board of Management and the Supervisory Board have decided to recommend to the shareholders for their approval at the Annual Meeting to be held on April 13, 2011 that a dividend of €1.85 per share be paid out. The total dividend payout will then amount to €1,971 million.

We are well prepared for the challenges of the coming years.

From the starting point of a sound financial basis, we are continuing and intensifying our research and development work. During the planning period of 2011 through 2012, Daimler will invest a total of €10.3 billion in research and development activities. Our objective is to strengthen Daimler's competitive position against the backdrop of the upcoming technological challenges. We intend to convince the markets with innovative solutions for low-emission and safe mobility.

With a volume of more than €10 billion, we will also significantly increase our capital expenditure in the years 2011 and 2012. The focus will be on preparing for numerous product launches as well as expanding and modernizing our production facilities. In order to penetrate markets in the developing economies, we are increasingly investing in local production capacities, especially in China, India and Russia. We can only ensure that we profit from the future growth of those markets by having an effective local presence.

Daimler is a financially healthy, strong and above all innovative company. We therefore enter the year 2011 with great confidence.

Events after the End of the 2010 Financial Year

Since the end of the 2010 financial year, there have been no occurrences other than those taken into account in the consolidated financial statements or otherwise reported on that are of major significance for Daimler. The course of business in the first two months of 2011 confirms the statements made in the Outlook section of this Annual Report.

Risks and opportunities

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

Entrepreneurial activity primarily consists of creating and utilizing opportunities in order to secure and strengthen the company's competitiveness. Entrepreneurial opportunities are not reported within our risk management system, but are included in the annual operational planning and followed up during the year in the context of periodical corporate reporting. The divisions are directly responsible for the early identification of opportunities and their utilization. Within the framework of the strategy process, longer-term opportunities for further profitable growth are identified and brought into the decision-making process. Further information on this subject is provided on page 117 of the Management Report.

Risk management systems

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

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

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

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

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

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

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

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

Economic risks

In the first year after the worst recession of the postwar period, the **world economy** enjoyed a relatively strong recovery, although global economic dynamism weakened somewhat towards the middle of 2010. At the same time, there was increased concern about a renewed slump (double dip). The world economy therefore remains very fragile and sensitive to external disturbances. We see the biggest individual risks for the year 2011 in renewed financial turbulence (including currency risks), the further exacerbation of public authorities' debt problems, a growth slump in China, high price volatility in raw-material markets, nascent protectionism and the possible destabilizing effects of a too-expansive monetary policy. The development of the world economy in 2011 that is expected by the majority of economic research institutions, and also by Daimler, is highly dependent on the development of those risk factors. But it would only be possible for the world economy to return to a phase of recession if several of those factors actually occurred. This means that there are still considerable economic risks for Daimler's financial position, cash flows and profitability.

One important topic in the year 2010 was **levels of public debt in the triad**, which increased sharply as a result of the recession and the economic stimulus programs – some of them quite substantial – that had been initiated. This problem will not only dampen the economic outlook for 2011, but could also have a considerable impact on the financial markets. This applies in particular to the risk of a sovereign default; from the perspective of the financial markets, this risk has not been eliminated for several European countries, despite the rescue fund set up by the European Union and the International Monetary Fund (IMF). There is a serious risk that after Greece and Ireland, other countries might get into refinancing difficulties. This would result in even higher volatilities on the financial markets, significant downward pressure on the euro and drastic spending cuts to reduce public deficits. These austerity efforts could become so strict that demand would fall quite severely in the countries affected, leading to another recessive phase. Another risk could be that after the countries of the euro zone, the financial markets might focus on other highly indebted countries.

In their attempts to resolve the crisis, central banks have applied **expansive monetary policies**, in some cases to a substantial extent. This applies especially to the United States and the United Kingdom. In view of the rather hesitant economic recovery, the further expansion of quantitative easing was announced in the United States in the autumn of 2010. But the further the process of economic recovery advances, the greater the potential risk that this will result in excess liquidity, in particular with regard to possible new market bubbles or higher inflation. The impact of expansive monetary policy on global exchange rates is also connected with significant risks.

The **US economy** was still on course for a relatively moderate recovery at the end of 2010. The upswing was still generally too weak to have a positive effect on the labor market, so the unemployment rate has remained unusually high by American standards. If the unemployment situation does not improve a little or actually gets worse, private consumption will decrease enormously. Another factor is the risk from the real-estate sector; if it continues its weak development, the asset positions of private households and banks could come under additional pressure. A further risk for the US economy is to be seen in insufficient lending, which is not unlikely despite the sharp increase in the money supply. This would be the case above all if banks severely limited their lending in order to reduce their own risk exposure or to improve their balance sheet ratios. In such a scenario, there would be a reduction in investment activity, which needs to recover before there is a sustained improvement in the labor market. The consequence would be even weaker growth in gross domestic product and possibly even stronger monetary expansion. Due to the importance of the US economy, such an unfavorable development would have a corresponding negative impact on the world economy. Furthermore, the United States still has a relatively high current account deficit and is thus dependent on capital inflows from abroad. A possible – and in the medium term inevitable – correction of the current account deficit could depress domestic demand and trigger depreciation of the US dollar. That depreciation could be additionally accelerated by massive movements of global currency reserves. In total, such occurrences would have negative impacts on demand for cars and commercial vehicles.

With few exceptions, such as Germany or Sweden, economic recovery in **Western Europe** has been rather moderate so far. The biggest risks for the ongoing development are to be seen in the financial markets and the consolidation of budget deficits. The countries of the euro zone in particular could come under pressure due to the continuing discussion about refinancing problems, sovereign default and banks' problems. As the basic scenario already contains a substantial growth differential within Western Europe, this could become more extreme and increase the existing tension. Demand for and supply of credit have been rather disappointing in the economic cycle so far. If credit volumes decreased significantly, the resulting burden would be primarily on small and medium-sized enterprises. The continuation of the economic recovery process could be jeopardized and lead to another spate of insolvencies, possibly affecting vehicle dealers and automotive suppliers. There is also a risk that both private consumption and companies' investments will be substantially weaker than assumed, which would have a corresponding negative impact on demand for motor vehicles. This has considerable risk potential for the Daimler Group given the importance of Germany and the other countries of Western Europe as major sales markets.

The basic economic pattern for **Japan** is similar. Although the country's economic growth rate was relatively strong in 2010, it was already significantly less dynamic in the second half of the year. The appreciation of the yen was a particularly negative factor. If the yen stays at this high level or continues to climb, the Japanese economy will come under even more pressure. The enormous increase in the national debt and the high level of unemployment by Japanese standards are sources of additional risk potential that should not be underestimated. A less favorable economic outlook in Japan would not only reduce the Group's exports to that market, but would also worsen the earnings of our subsidiaries there.

A sustained reduction in economic growth in **China** would also be financially and strategically relevant for Daimler. Concern about an investment and real-estate bubble were often apparent in China last year. In the second half of 2010, increased food prices put pressure on the inflation rate, which in the long term could jeopardize social stability. Significantly lower growth rates in China would result in distinct growth losses for the world economy and would therefore affect Daimler's business operations. Risks for the development of demand could also result from measures taken to avoid economic overheating (e.g. regional approval restrictions), especially if such measures are wide-ranging or stringent. An additional factor is that possible economic crises in the emerging markets where the Group has important production facilities could be highly relevant. On the other hand, crises in emerging economies where Daimler is active solely in a sales function would result in a more limited risk potential.

We see an additional major risk in the development of **raw-material prices**. If prices were to rise sharply once again and depart even further from fundamentally justified levels, the assumed global economic outlook would be jeopardized. Raw-material markets have so far absorbed some of the excess liquidity, and with a continuation of expansive monetary policy, there is a danger of speculative bubbles. This would result in a negative impact on growth, especially in those countries that import large volumes of raw materials. However, falling raw-material prices entail substantial risks for the economic growth of raw-material exporting emerging markets.

Risks for market access and the global networking of the Group's facilities could arise as a result of a **weakening of international free trade** in favor of regional trade blocks or the emergence of protectionist tendencies. The latter could occur in particular due to competitive devaluation resulting from insufficient adjustment of exchange rates and an increase in speculative capital movements. A rise in bilateral free-trade agreements outside the European Union could also affect Daimler's position in key foreign markets.

Finally, the world economy could be negatively affected by a lasting deterioration in **consumer and investor confidence** and by sustained deflationary tendencies, but also by inflationary tendencies. Such developments could be triggered not only by financial market problems, but also by geopolitical and military instability. That also includes the recent events in northern Africa, which certainly have the potential to have implications far beyond the region. In addition to possible effects on raw-material prices, the transfer of political instability to other countries respectively regions would depress not only the regional outlook, but also the outlook for the global economy.

Industry and business risks

General market risks. Although the world economy enjoyed a strong recovery in 2010, there are still considerable economic risks for the development of the automotive markets. And **competitive pressure in the automotive markets** is as high as ever. Customers have meanwhile become used to a certain level of **sales-supporting actions**. If competitive pressure in the automotive markets becomes even tougher, possibly due to a renewed worsening of global economic developments, this could lead to the increased application of sales-promoting financing offers and other incentives once again. This would not only reduce revenues in the new-vehicle business, but would also lead to lower price levels in used-vehicle markets and thus to falling residual values. In many markets, a shift in demand towards smaller, more fuel efficient vehicles is apparent; this is the result of customers' significantly increased sensitivity to vehicles' environmental friendliness and the development of fuel prices. In order to enhance the attractiveness of less fuel-efficient vehicles, additional actions might become necessary with a negative impact on earnings. This, together with the shift in the model mix towards smaller vehicles with lower margins, would place an additional burden on the Group's financial position, cash flows and profitability.

Due to the competitive pressure on the automotive markets, it is essential for us to continually and successfully adapt our **production and cost structures** to changing conditions. If we fail to do so, this would affect the Group's competitiveness and could once again require cost-intensive restructuring actions.

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

Risks relating to the leasing and sales-financing business. Daimler's financial services business primarily comprises the provision of financing and leasing for the Group's products. In particular, this business involves the risk that the prices realizable for used vehicles at the end of leasing contracts are below their book values (residual-value risk). Another inherent risk is that some of the receivables due in the financial services business might not be recoverable due to customer default (credit risk). Other risks connected with the leasing and sales-financing business are the possibilities of increased refinancing costs and of potential changes in interest rates. An adjustment of credit conditions for customers in the leasing and sales-financing business due to higher refinancing costs could reduce the new business and contract volume of Daimler Financial Services, thus also reducing the unit sales of the automotive divisions. Daimler counteracts residual-value and credit risks by means of appropriate market analyses and creditworthiness checks. Derivative financial instruments are used to hedge against the risk of changes in interest rates. Further information on credit risks and the Group's risk-minimizing actions is provided in Note 31 of the Notes to the Consolidated Financial Statements.

Production and technology risks. In order to achieve the targeted levels of prices, factors such as **brand image, design and product quality** play an important role, as well as additional technical features resulting from our innovative research and development. Convincing solutions, for example supporting accident-free driving or further improving our vehicles' fuel consumption and emissions as with as the electrification of the drive train, are of key importance for safe and sustainable mobility. Because those solutions generally require higher advance expenditure and greater technical complexity, there is an increasing challenge to realize efficiency improvements while simultaneously fulfilling Daimler's own quality standards. If we fail to perform this task optimally or cannot implement statutory requirements in good time, that could negatively affect the Group's future profitability. The possible loss of acceptance for our products could have a negative impact on pricing and capacity utilization.

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

Risks related to the legal and political framework. The legal and political framework has a considerable impact on Daimler's future business success. Regulations concerning vehicles' **emissions, fuel consumption and safety** play a particularly important role. Complying with these varied and often diverging regulations all over the world requires strenuous efforts on the part of the automotive industry. We expect that we have to significantly increase our research and development spending in order to fulfill those requirements in the future. Many countries have already implemented stricter regulations to reduce vehicles' emissions and fuel consumption, or are about to do so, one example being European regulations on exhaust emissions and fuel consumption. For example, the key elements of the European Union's regulation on carbon dioxide, which was passed by the EU parliament at the end of 2008, call for a significant reduction in new cars' CO_2 emissions already as of 2012, and for phased improvements whereby the average emissions of manufacturers' entire fleets of new cars have to meet new limits by 2015. Non-compliance with those limits will lead to penalty payments for manufacturers. Similar legislation exists or has been proposed for cars in the United States, China, South Korea, Japan and Switzerland. In 2010, most of the new CO_2 legislation for light-duty commercial vehicles was passed in the European Union. The resulting targets constitute a long-term challenge in particular for Mercedes-Benz Vans. Efforts are also being made worldwide to regulate the CO_2 emissions of heavy commercial vehicles. We assume that we will meet those targets. As a result of customers' future purchase decisions, monetary sanctions cannot be completely ruled out in the United States. In addition to emission, consumption and safety regulations, **traffic-policy restrictions** for the reduction of traffic jams and pollution are becoming increasingly important in the cities and urban areas of the European Union and other regions of the world. Drastic provisions such as general vehicle-registration restrictions, for example in Beijing or Shanghai, can have a dampening effect on the development of unit sales, especially in the growth markets. Daimler monitors these developments and attempts to anticipate foreseeable requirements and long-term targets during the phase of product development.

Procurement market risks. Procurement market risks arise for the Group from **fluctuations in prices of raw materials.** After falls in those prices at the end of 2008 and their subsequent recovery in 2009, they have now reached a very high level once again. This recovery of prices is highly dependent on economic recovery in the various economic regions of the world. But the outlook for future price developments remains uncertain not least due to the increasing influence of institutional investors. This influence is apparent in the increased demand for raw-material investments and thus explains the high level of price volatility in the raw-material markets. In general, our scope to pass on the increased cost of raw materials and purchased components in the form of price increases for our vehicles is very limited because of intense pressure of competition in the international automobile markets. Daimler counteracts procurement risks by means of targeted commodity and supplier risk management. We attempt to reduce our dependency on individual materials in the context of commodity management, by making appropriate technological progress for example. Daimler protects itself against the volatility of raw-material prices by entering into long-term supply agreements, which make short-term risks for material supplies and the effects of price fluctuations more calculable. Furthermore, in connection with some metals, we make use of derivative price hedging instruments. Supplier risk management aims to identify suppliers' potential financial difficulties at an early stage and to initiate suitable countermeasures. As a result of the financial market crisis, some of our suppliers' refinancing possibilities have worsened significantly. This has necessitated individual or joint **support actions** by vehicle manufacturers to safeguard their own production and sales. In the context of supplier risk management, regular reporting dates are set for suppliers depending on our assessment of them, in which key performance indicators are reported to Daimler and any required support actions are decided upon.

Information technology risks and unforeseeable events. Production and business processes could also be disturbed by **unforeseeable events**, such as natural disasters or terrorist attacks. Consumer confidence would be significantly affected and production could be interrupted by supply problems and intensified security measures at territorial borders. **Information technology** plays an important role in our business processes. Storing and exchanging data in a timely, complete and correct manner and being able to utilize fully functioning IT applications are highly important for a global company such as Daimler. Possible risks, the occurrence of which could result in the interruption of our business processes due to the failure of IT systems or the loss or corruption of data, are therefore identified and evaluated over the entire life cycles of applications and IT systems. Daimler has defined suitable actions for risk avoidance and limitation of damage, continually adapts these actions to changing circumstances, and monitors their implementation. These activities are embedded in a multi-stage IT risk management process. For example, the Group minimizes potential interruptions of operating routines in the data centers by means of mirrored data sets, decentralized data storage, outsourced archiving, high-availability computers and appropriate emergency plans. In order to counteract the growing threat for the operation of central IT systems and the security of confidential data, we have our own risk management system for information security. Due to the wide-ranging security measures we take, most IT risks have a low probability of occurrence, but can have a significant impact on business operations if they do occur.

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

Specific risks in the area of human resources. Daimler's success is highly dependent on the expertise and commitment of its workforce. Competition for highly qualified staff and management is still very intense in the industry and the regions in which we operate. Our future success also depends on the extent to which we succeed over the long term in recruiting, integrating and retaining executives, engineers and other specialists. The application of our human resources instruments takes such personnel risks into consideration, while contributing towards the recruitment and retention of staff with high potential and expertise and ensuring transparency with regard to our resources. One focus of our human resources management is on the targeted personnel development and further training of our workforce. Our employees profit for example from the range of courses offered by the Daimler Corporate Academy and from the transparency created by LEAD, our uniform worldwide performance and potential management system.

Because of demographic developments, the Group has to cope with the changes relating to an aging workforce and has to secure a sufficient number of qualified young persons with the potential to become the next generation of highly skilled specialists and executives.

Risks relating to equity holdings and cooperations as well as other business risks. Daimler bears in principle a proportionate share of the risks of its associated companies, of EADS and joint ventures in growth markets for example. In order to make use of additional growth opportunities, particularly in the emerging markets, cooperation with partners in joint ventures and the associated risks are of increasing significance. The Group includes associated companies and joint ventures in the consolidated financial statements using the equity method of accounting; any factors with a negative impact on those companies' earnings have a proportionate negative impact on our net results. Such factors can also mean that impairment losses have to be recognized on the carrying values of the equity interests or the amounts entered on the basis of the equity method. Furthermore, failures or delays in the development of joint ventures could negatively affect our growth targets in important markets. The successful implementation of cooperations with other companies is also of key importance to realize cost advantages and combat the competitive pressure in the automotive industry.

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

Financial risks

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

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

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

Equity price risks. Daimler holds investments; in accordance with international banking standards, Daimler does not include equity investments that the Group classifies as long-term, such as in EADS, Tognum, Kamaz, Renault and Nissan, in the assessment of equity price risks.

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

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

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

Risks connected with pension benefit plans. Daimler has pension benefit obligations, and to a smaller extent obligations relating to healthcare benefits, which are not completely covered by plan assets. The balance of obligations less plan assets constitutes the funded status for these employee-benefit plans. Even small changes in the assumptions used for the valuation of the benefit plans such as a reduction in the discount rate could lead to an increase in those obligations. On the other hand, the market value of the plan assets is determined to a large degree by developments in the capital markets. Unfavorable developments, in particular relating to equity prices and fixed-interest securities, could reduce the market value. Higher obligations as well as reduced plan assets or a combination of both would have a negative impact on the funded status of our benefit plans. Higher obligations and lower yields from the plan assets could also increase the net expenses relating to the benefit plans in the coming years.

Further information on financial market risks, risk-minimizing actions and the management of those risks is provided in Note 31 of the Notes to the Consolidated Financial Instruments. Information on financial instruments and on the Group's pension benefit plans can be found in Notes 30 and 22.

Legal risks

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

Overall risk

The Group's overall risk situation is the sum of all the individual risks of all risk categories for the divisions and the corporate functions. There are no discernible risks that, either alone or in combination with other risks, could jeopardize the continued existence of the Group. In total, risks have decreased significantly compared with crisis year 2009. But since considerable economic and industry risks still exist, setbacks on the way to regularly achieving our targeted growth and profitability targets cannot be completely ruled out.

Outlook

The statements made in the Outlook section are generally based on the operational planning of Daimler AG as approved by the Board of Management and Supervisory Board in December 2010 for the years 2011 and 2012. This planning is based on premises regarding the economic situation, which are derived from assessments made by renowned economic institutions, and on the targets set by our divisions. The prospects for our future business development presented here reflect the opportunities and risks offered by anticipated market conditions and the competitive situation. We are constantly adjusting our expectations, taking into account the latest forecasts on the development of the world economy and of automotive markets as well as our recent business development. The statements made below are based on the knowledge available to us in February 2011.

World economy

At the beginning of the year 2011, most leading indicators suggest that the global economic upswing will continue. However, there are also signs that the rate of economic expansion is likely to be somewhat weaker than in 2010. The ongoing uncertainty in financial markets is evidence of continued concern about the sustainability of the upswing. Particularly in the industrialized countries, the economic outlook is rather modest. The spending cuts initiated due to high state deficits will be a great challenge for many countries. And as financial consolidation is an important issue also in the private sector, the overall negative impact on total economic demand is significant. Higher levels of unemployment in many countries, tight real-estate markets and underutilized production capacities are restricting the growth of private consumption as well as investment. As world trade has also lost some of its impetus and is no longer growing as fast as last year, foreign trade cannot fully compensate for the weakness of other components of economic growth. This is especially relevant for export-oriented economies such as Germany and Japan, both of which gained a substantial contribution to overall growth from foreign trade in 2010. In the United States, employment should continue increasing in the private sector, but the gains will probably be too small to reduce unemployment to a significant extent. But private consumption, a key economic driver, should be stimulated by the recently approved tax changes, which has now significantly improved the prospects for growth in 2011. The effects of the substantial expansion of the money supply and the ongoing increase in government debt on the US economy remain to be seen, however.

In Western Europe, the debt crisis and the resulting spending cuts are having a negative impact on total growth potential. Some economies, such as Greece, will therefore remain in the recessive phase. On the other hand, according to the more positive economic indicators at the end of the year, the outlook for the German economy has brightened considerably so that the country's growth is expected to be significantly higher than the European average. Against this backdrop, the aggregate growth rate for the industrialized countries is likely to fall slightly to approximately 2 to 2.5% in 2011, whereby individual countries' rates will differ. Once again, substantially more impetus to the world economy will come from the emerging markets, which should expand at about two and a half times that rate. However, there have been signs in recent months of a slight growth slowdown also for those economies, especially in Asia and South America. In the case of China, a somewhat lower growth rate is actually desirable in view of the significant expansion of credit volumes and regional real-estate bubbles. In total therefore, global economic output could expand in the year 2011 by approximately 3.5%. But due to ongoing consumer and investor uncertainty in many countries, the world economy remains rather fragile and thus also sensitive to external disturbances.

Automotive markets

According to current estimates, worldwide demand for motor vehicles will continue to grow this year, but no longer as dynamically as in 2010. The global car market could expand by 5 to 7%, thus reaching a new record volume. The Asian emerging markets and in particular the Chinese market will continue to play a major role. China's importance also for the German premium manufacturers will continue increasing this year. But the outlook remains mixed for the triad markets of Western Europe, the United States and Japan. The US market should continue its recovery, while the best that can be expected for car sales in Western Europe is that they remain at the prior-year level.

The after-effects of state incentive programs are still dampening demand in some volume markets, above all in the lower market segments. In Germany, however, significant growth is now to be expected following the double-digit market decline in 2010. On the other hand, the Japanese car market is unlikely to equal its artificially high level of 2010, which was boosted by state incentives for car buyers. In addition to the Asian emerging markets, demand will continue to grow also in Latin America and Eastern Europe. In Brazil, slightly less market growth than in the prior year is anticipated, while demand in Russia should also expand at a lower rate this year.

Worldwide demand for commercial vehicles this year will probably feature sharply differing market developments in the triad markets and the other regions. Market recovery is expected to accelerate in the triad of Western Europe, the United States and Japan, especially in the segment of medium-duty and heavy-duty trucks. For the NAFTA region, market growth of 20 to 25% is anticipated. Demand for trucks in Europe should increase by 15 to 20%. Following the expiry of state incentive schemes in autumn 2010, moderate volume growth is expected for the Japanese market for medium and heavy-duty trucks. Demand for trucks outside the triad will be primarily determined by the Chinese market. Since the state incentive program expired in China at the end of 2010, demand is expected to decline this year. But the Indian market should continue growing, although rather moderately. The Brazilian market, which is important for Daimler, will probably remain roughly at the high level of last year. The end of state incentives after the first quarter should be offset by ongoing strong demand from infrastructure projects. The possibility of purchases being brought forward before stricter emission limits come into force in 2012 could have an additional positive impact on the market this year. The Russian market is expected to continue its recovery, supported by a state scrappage bonus. From a global perspective, however, a slight reduction in total market volume is likely, due to anticipated lower demand in China.

Growth in demand in Daimler's currently most important van market, Europe, is expected to be moderate at between 4 and 6% this year. Demand for vans in the United States is likely to grow by a double-digit percentage.

With regard to buses, we anticipate ongoing strong demand in Latin America at a similar level to the year 2010. In Western Europe, we expect no significant change in the market situation.

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

Unit sales

In view of the continuation of generally good market prospects as well as numerous model changes and new products, **Mercedes-Benz Cars** anticipates further growth in unit sales by the Mercedes-Benz brand. Thanks to our up-to-date and competitive model range, we will profit also in the year 2011 from the strong demand for our E-Class models and from the market success of the S-Class. Furthermore, the new version of the CLS coupe has been delivered to customers since late January 2011. As of March, the new generation of the C-Class sedan and station wagon and the new SLK roadster will provide additional sales impetus. The C-Class coupe will follow in June, the new version of the M-Class will be launched in September, and the roadster version of the Mercedes-Benz SLS AMG will follow in the fourth quarter. In November, the new B-Class will be launched – the first model of four new vehicles in the compact-car segment. On the engine side, we will introduce our highly efficient four, six and eight-cylinder engines and the eco-start-stop technology in additional models. This will give us a wide range of vehicles that will impress our customers – especially our fleet customers – with high performance and outstanding drivability combined with low fuel consumption. On this basis, we are putting particularly economical and environmentally friendly model versions on the road, thus further reducing the CO_2 emissions of our fleet. With the new generation of the C-Class, for example, the C 220 CDI will soon be available with fuel consumption of just 4.4 liters per 100 kilometers and CO_2 emissions of 117 g/km.

In regional terms, we see good growth opportunities in the coming years above all in North America, the BRIC countries (China, India, Russia and Brazil) and South Korea. On the other hand, growth prospects in Western Europe and Japan are rather limited. But on the basis of our attractive range of automobiles, we assume that we will be able to defend our position also in these extremely competitive markets. Our overall goal is to increase the unit sales of Mercedes-Benz in each of the years 2011 and 2012. For the smart brand, due to the full availability of the new-generation smart fortwo, we anticipate unit sales in the magnitude of the year 2010.

Daimler Trucks assumes that it will increase its unit sales substantially again in 2011 and 2012. Aided by the general economic recovery and the expected related growth in demand for transport services and vehicles, most of our markets will grow at double-digit rates. In Western Europe, we anticipate significant growth in unit sales following a moderate recovery in 2010, although they are likely to be below the pre-crisis level. Our unit sales should be around the level of the previous year in Eastern Europe this year. We anticipate an ongoing high level of unit sales in Latin America due to strong infrastructure demand. We also expect purchases to be brought forward there in connection with the upcoming introduction of Euro 5 regulations. Although the economic situation in the NAFTA region is improving only slowly, a significantly positive trend is apparent. We see clearly positive signals for our business also in Asia. And we expect a positive business development in Japan, despite the end of state incentives.

Our expectations for unit sales are based on our numerous new products, including the new Atego and the Atego BlueTec Hybrid, both of which were voted Truck of the Year 2011. The new version of the Axor is the first truck of its class in the upper performance range in Germany to be fitted with Mercedes PowerShift transmission as standard equipment. PowerShift optimizes fuel consumption and enhances driving comfort. BLUETEC technology, which has already proven its worth for several years in Europe, was successfully introduced in new engines in the United States and Canada in 2010. We assume that with these new engines, we will profit even more from the replacement of aging vehicles that is expected in North America. In Japan, we presented the new long-distance truck Super Great in spring 2010. In November, the all-new Canter was launched, a light-duty truck that sets new standards in terms of economy, environmental compatibility, safety and design. The Fuso Canter Eco Hybrid is Number 1 for fuel efficiency among trucks up to five tons in Japan, and is now available also in Australia, Ireland and Hong Kong. Our wide range of safety technology was expanded for Mercedes-Benz trucks with the second generation of Active Brake Assist, which can initiate an emergency braking procedure also before stationary obstacles if required.

In addition, we want to utilize additional growth potential with our involvement in the emerging markets – especially in Russia, India and China. We are also expanding our production capacities in Brazil and Turkey. This will improve the availability of our trucks there and help us to defend or strengthen our position in those markets.

At **Mercedes-Benz Vans,** the positive sales trend of the year 2010 should continue in 2011 and 2012. On the product side, demand will be boosted by new generations of the Vito and Viano and additional BlueEFFICIENCY models. Production in Argentina will change over by the end of the year 2011 to the current Sprinter model generation, thus significantly upgrading our product range in South American markets. Furthermore, the Sprinter will be launched in China this year. By means of local production, we intend to significantly increase our unit sales in that market with great potential for the future. In this context, the 50:50 joint venture Fujian Daimler Automotive will produce a bus version of the Sprinter in addition to the Vito and Viano starting in 2011.

Daimler Buses assumes it will maintain its globally leading position for buses above 8 tons with innovative and high-quality new products. We expect to achieve unit sales in the years 2011 and 2012 similar to the high levels of 2010. But due to the probable development of our key markets of Western Europe and Latin America, scope for growth is rather limited.

Daimler Financial Services anticipates further growth in 2011 and 2012 in the financing and leasing business as well as with insurance and fleet management. We are continually expanding our product offering and combine individual financial services elements into attractive mobility solutions.

On the basis of our assumptions concerning the development of automotive markets and the divisions' planning, we expect the **Daimler Group's** total unit sales to continue increasing in the years 2011 and 2012.

Revenue and earnings

Following the substantial increase in 2010, we assume that Daimler's **revenue** will continue growing at more moderate rates in 2011 and 2012. This growth will probably be driven by all the automotive divisions.

The following factors are particularly important for the **earnings situation of the Daimler Group** in the years 2011 and 2012:

- We made use of crisis year 2009 and also of the year 2010 to achieve a sustainable improvement in our cost basis. We intensified the efficiency-enhancing programs running in all divisions, supplementing some of them with structural components. We will consistently continue our efforts to improve efficiency on the basis of the existing programs.
- At the same time, we are now profiting from the fact that we continued with the projects designed to safeguard our future also during the financial and economic crisis. This is the reason why we can now convince our customers with a large number of highly attractive products and new technologies. Within the framework of our initiative "The Road to Emission-free Mobility," we intend to further improve the environmental friendliness and fuel efficiency of our vehicles with the application of new technologies, while attracting and retaining customers with our typical product features.
- In the BRIC countries, we have developed production facilities and distribution structures and can therefore participate in the above-average growth of those markets.
- In order to secure and strengthen our competitive position, we will significantly increase our advance expenditure to safeguard our future in the years 2011 and 2012.
- The increases in raw-material prices - some of them quite substantial – that we have to anticipate also for the year 2011 are likely to have a negative impact on our earnings.

On the basis of current assessments, we expect Daimler to post EBIT from the ongoing business in 2011 significantly in excess of the level of the year 2010.

In the coming years, we want to improve the earnings of the individual divisions and thus of the entire Group, and to achieve our return targets on a sustainable basis. We intend to profit to an above-average extent from the anticipated growth of automotive markets.

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

The years 2011 and 2012 will feature high expenditure for new products and technologies and to penetrate new markets. Furthermore, the numerous model changes scheduled for Mercedes-Benz Cars during the planning period will only have a positive impact on our earnings after a certain delay. Another factor to be considered is that despite their strong growth rates, the major commercial-vehicle markets will only reach their volumes of the record years before the financial and economic crisis in the medium term.

After deciding not to pay a dividend last year in view of the net loss in 2009, we want our shareholders to participate again appropriately in our financial success in the coming years. In setting the dividend, we aim to distribute approximately 40% of the Group's net profit attributable to the Daimler shareholders. On this basis, the Board of Management and the Supervisory Board have decided to recommend to the shareholders for their approval at the Annual Meeting to be held on April 13, 2011 that a dividend of €1.85 per share be paid out.

Opportunities and risks

Our forecasts for the years 2011 and 2012 are based on the assumptions that political conditions will remain generally stable and that there will be no serious setback in the development of the global economy and that the upward trend of worldwide demand for motor vehicle will continue in 2011 and 2012. Additional opportunities and risks may result from the development of currency exchange rates and raw-material prices, as well as from our assessments of the future market success of our products.

In our view, the biggest individual risks for the world economy are renewed financial-market turbulence including currency risks, the exacerbation of public authorities' debt problems, a growth slump in China, high price volatilities in raw-material markets, production interruptions due to bottlenecks at supplier companies, nascent protectionism, and the possible destabilizing effects of excessively expansive monetary policy. There would be reason to fear that the world economy could enter another recessive phase only if several of those factors occurred simultaneously.

We have already hedged most of the risks arising for our business in the year 2011 from severe exchange-rate fluctuations. The hedging rate for the US dollar and the British pound is approximately 75%.

Fundamentally, there are also good chances of a generally more positive development of the world economy. If investors and consumers very quickly regain confidence in the firmness of the upswing and this is also reflected in the form of increased demand and investment, growth rates could be significantly higher, particularly in the industrialized countries. This applies above all if the banks support the upswing with appropriately increased lending and if the dampening effects of state financial consolidation are less significant than assumed. A rapid return to stability in the financial markets is another factor that could support the global upswing.

Such a scenario would result in the possibility of a significantly more favorable business development at Daimler in the years 2011 and 2012. We see opportunities for additional unit sales and earnings in particular if the mature automotive markets of the triad markets of North America, Western Europe and Japan return faster than generally expected to their volumes of the record years 2007 and 2008.

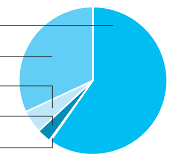
In the medium term, additional growth potential will be presented above all by the expansion of our presence in Asia and Eastern Europe. Our local activities there will enable us to utilize those opportunities. Together with our local partners, we are increasing the production of cars and vans in China and are now preparing to establish a truck joint venture which will include the production of heavy-duty truck engines. We are also expanding our production facilities for cars and setting up a new truck plant in India. In Russia, we are intensifying our partnership with truck manufacturer Kamaz, and have signed a memorandum of understanding on production of the Sprinter with GAZ. In addition, we have started construction of a new car plant in Hungary. We see good prospects for additional growth also in Latin America and emerging markets such as Indonesia, Vietnam and Thailand.

Furthermore, there will be considerable opportunities in the medium term also from the upcoming fundamental changes in automotive technology. If we succeed in our aim of playing a pioneering role for motor vehicles and concepts for sustainable mobility with innovative technologies, this should give us additional growth potential in terms of both unit sales and earnings.

Investment in property, plant and equipment 2011–2012

In %

Mercedes-Benz Cars	60%
Daimler Trucks	32%
Mercedes-Benz Vans	5%
Daimler Buses	3%
Daimler Financial Services	0.2%



Capital expenditure

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. At both Mercedes-Benz Cars and Daimler Trucks, the planned investment in property, plant and equipment will be significantly higher than in the prior years. At the Mercedes-Benz Cars division, the focus will be on advance expenditure for new vehicles such as the successor models to the A- and B-Class and the new M-Class. The biggest current project is the expansion of our model range in the A/B-Class segment: Solely for that purpose, we will invest a total of approximately €1.4 billion at our sites in Rastatt and Keçskemèt, Hungary. But substantial investments are also planned for the expansion of our production capacities in the United States, China and India. Daimler Trucks will mainly invest in successor generations for existing models in the coming years. Another area of investment will be to establish and expand production capacities, in order to penetrate the Indian market for example. At Mercedes-Benz Vans, the focus will be on investing in cooperation projects with Renault, in local production of the Sprinter in Russia, and in existing production plants. The key projects at Daimler Buses are advance expenditure for new models, future emission technologies and alternative drive systems.

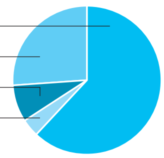
Investment in property, plant and equipment

	2009	2010	2011-2012
In billions of euros			
Daimler Group	2.4	3.7	10.1
Mercedes-Benz Cars	1.6	2.5	6.1
Daimler Trucks	0.6	1.0	3.2
Mercedes-Benz Vans	0.1	0.1	0.5
Daimler Buses	0.1	0.1	0.3
Daimler Financial Services	0.01	0.01	0.02

Research and development expenditure 2011–2012

In %

Mercedes-Benz Cars	62%
Daimler Trucks	26%
Mercedes-Benz Vans	8%
Daimler Buses	4%



Research and development

With our research and development activities, our goal is to further improve Daimler's competitive position against the backdrop of upcoming technological challenges. We want to create competitive advantages by means of innovative solutions for low emissions and safe mobility. In the years 2011 and 2012, Daimler plans to spend a total of €10.3 billion on research and development activities. This is approximately €1.3 billion more than in the years 2009 and 2010. We intend to increase our research and development spending at Mercedes-Benz Cars once again. The main projects are the successor models for the A- and B-Class, the M-Class and the S-Class, as well as new engines and alternative drive systems. Research and development expenditure at Daimler Trucks will remain at a high level. The focus will be on developing and adapting new engine generations in order to fulfill increasingly strict emission regulations, as well as on successor generations for existing products. The further development of engines for future emission standards is an important area of research and development at Mercedes-Benz Vans and Daimler Buses. Alternative drive systems also play an important role, in particular at Daimler Buses.

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

Research and development expenditure

	2009	2010	2011-2012
In billions of euros			
Daimler Group	4.2	**4.8**	10.3
Mercedes-Benz Cars	2.7	**3.1**	6.4
Daimler Trucks	1.1	**1.3**	2.7
Mercedes-Benz Vans	0.2	**0.3**	0.8
Daimler Buses	0.2	**0.2**	0.4

Workforce

Against the backdrop of rising production volumes and the targeted productivity advances, Daimler assumes that the total number of persons employed by the Group will increase slightly in the years 2011 and 2012.

Forward-looking statements in this annual report:
This document contains forward-looking statements that reflect our current views about future events. The words "anticipate," "assume," "believe," "estimate," "expect," "intend," "may," "plan," "project," "should" and similar expressions are used to identify forward-looking statements. These statements are subject to many risks and uncertainties, including 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; changes in currency exchange rates; a shift in consumer preference towards smaller, lower margin vehicles; or a possible lack of acceptance of our products or services, which may limit our ability to implement prices as well as to adequately utilize our production capacities; price increases in fuel, raw materials; disruption of production due to shortages of materials, labor strikes, or supplier insolvencies; a decline in resale prices of used vehicles; the effective implementation of cost-reduction and efficiency-optimization measures; the business outlook of companies in which we hold a significant equity interest, most notably EADS; the successful implementation of strategic cooperations and joint ventures; changes in laws, regulations and government policies, particularly those relating to vehicle emissions, fuel economy and safety; the resolution of pending governmental investigations and the conclusion of pending or threatened future legal proceedings; and other risks and uncertainties, some of which we describe under the heading "Risk Report" in Daimler's Annual Report. If any of these risks and uncertainties materialize, or if the assumptions underlying any of our forward-looking statements prove incorrect, then our actual results may be materially different from those we express or imply by such statements. We do not intend or assume any obligation to update these forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made.

All of Daimler’s divisions profited from the global economic upswing and from their attractive product ranges. In terms of unit sales and revenue, mainly double-digit growth rates were achieved. We were able to further improve our market position in many product areas.

The Divisions

122 - 125 Mercedes-Benz Cars

- Unit sales up by 17%
- Improved market position and model mix
- New E-Class models well received by the market
- Lower fuel consumption due to new engines
- Substantially improved profitability:
  EBIT of €4.7 billion and return on sales of 8.7%

126 - 129 Daimler Trucks

- Strong growth in unit sales in all major markets
- Global product offensive with new engines and models
- Entry into new markets and growth areas
- Significant increase in EBIT to €1.3 billion

130 - 131 Mercedes-Benz Vans

- Unit sales up significantly to 224,200 units
- Leading market position in European Union maintained
- Start of production in China
- EBIT of €451 million

132 - 133 Daimler Buses

- Generally positive unit-sales trend driven by Latin America
- Positive development of market share in key markets
- Attractive product portfolio with pioneering drive technologies
- EBIT of €215 million

134 - 135 Daimler Financial Services

- High growth rates in Asia
- Reorganization of business in Germany
- Top marks for customer and dealer satisfaction
- Very high level of EBIT at €831 million

Mercedes-Benz Cars

Mercedes-Benz Cars improved its market position and achieved stronger, sustainable profitability in 2010. This positive development largely resulted from new models in the E-Class series and the market success of the S-Class. The E-Class convertible, the new CLS four-door coupe and the Mercedes-Benz SLS AMG super sports car were the fascinating new product highlights in the year under review. In addition, our new engines are now demonstrating that efficiency and performance are no longer mutually exclusive.

Mercedes-Benz Cars

	2010	2009	10/09
Amounts in millions of euros			% change
EBIT	4,656	-500	.
Revenue	53,426	41,318	+29
Return on sales	8.7%	-1.2%	.
Investment in property, plant and equipment	2,457	1,618	+52
Research and development expenditure	3,130	2,696	+16
thereof capitalized	940	913	+3
Production	1,312,456	1,031,562	+27
Unit sales [1]	1,276,827	1,093,905	+17
Employees (December 31)	96,281	93,572	+3

Unit sales

	2010	2009	10/09
In thousands			% change
Mercedes-Benz	1,178	975	+21
thereof A/B-Class	222	215	+3
C/CLK/SLK-Class	342	323	+6
E/CLS-Class	331	212	+56
S/CL/SL-Class/ SLR/SLS/Maybach	80	57	+41
M/R/GL/GLK/ G-Class	203	167	+21
smart	94	114	-17
Mercedes-Benz Cars [1]	1,277	1,094	+17
thereof Western Europe	636	623	+2
thereof Germany	293	298	-2
NAFTA	256	236	+9
thereof United States	220	203	+9
China	160	67	+137
Japan	31	27	+17

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

Significant increase in unit sales, revenue and earnings. Mercedes-Benz Cars, comprising the brands Mercedes-Benz, Maybach, and smart, sold 1,276,800 vehicles in the year under review (2009: 1,093,900). With this increase of 17%, the division returned to the sales volumes of 2008 following weak market conditions in 2009. At the same time, a shift in the division's sales structure toward higher-value models significantly increased revenue by 29% to €53.4 billion. EBIT rose to €4.7 billion (2009: minus €0.5 billion) and return on sales reached 8.7%. The overall market recovery, highly dynamic markets in Asia and the sales success of our models all contributed to this development, as did the extensive measures we took to reduce costs and improve efficiency.

Mercedes-Benz gains market share in many countries. The Mercedes-Benz brand shipped 1,178,300 vehicles in 2010 (2009: 974,700), thus improving its position in many markets. Our S-, E-, and C-Class sedans are market leaders worldwide in their respective segments, as is the E-Class station wagon.

Thanks to the success of our new models, we were able to boost unit sales in the E-Class segment by 56% to 330,800 vehicles in 2010. Following the introduction of the E-Class sedan, coupe, and station wagon in 2009, we launched the E-Class convertible in the spring of 2010. Worldwide unit sales for Mercedes-Benz in the luxury segment (S-, CL-, SL-Class; SLR, SLS, and Maybach) rose from 57,100 vehicles in 2009 to 80,400 during the year under review, whereby the S-Class defended its lead as the world's best-selling luxury sedan, despite new competitors in its segment. This development was due in part to heightened demand in the Chinese market. Unit sales in the C-Class segment (C- and SLK-Class) increased by 6% to 341,900 vehicles, while unit sales in the all-terrain/SUV segment (M-, R-, GL-, GLK-, and G-Class) rose by 21% to 202,800 vehicles. As they approached the end of their lifecycles, the A- and B-Class models posted a 3% increase in unit sales. As a result, sales of those cars rose to 222,400 units (2009: 215,500).

The new generation of the Mercedes-Benz C-Class has been comprehensively modernized for spring 2011.

Mercedes-Benz succeeded in boosting unit sales in all regions during the year under review. Despite a weak market development, we sold 265,000 vehicles in Germany, thereby reaching the sales level recorded in the prior year (2009: 265,500), allowing us to increase our market share and maintain our leading position in the premium segment. Mercedes-Benz sales in other Western European countries rose by 9% to 290,500 units (2009: 267,200). In the United States, we increased unit sales by 15% to 216,400 vehicles. Business also developed very positively in the emerging markets. In China, for example, where Mercedes-Benz remains the fastest-growing premium brand, unit sales more than doubled to 156,400 vehicles (+140%). China has now been the world's most important market for the S-Class for two years in a row. Additional demand was generated in China in 2010 by a long-wheelbase version of the E-Class – a model that we started producing locally and exclusively for the Chinese market in May 2010. Double-digit sales increases were also recorded in the other BRIC nations Brazil (+40%), Russia (+68%) and India (+79%), as well as in the growth markets of Taiwan (+109%), South Korea (+80%) and the Middle East (+63%).

The new E-Class convertible: Open-air driving pleasure for four. The E-Class convertible celebrated its world premiere at the North American International Auto Show in Detroit in January 2010. The four-seat, year-round convertible completes the successful E-Class family and features a world first in the form of the AIRCAP wind deflector, which significantly reduces air turbulence in the vehicle's interior during open-top driving. Like all E-Class models, the convertible also offers outstanding levels of safety. Its safety equipment includes the ATTENTION ASSIST drowsiness detection system, the anticipatory PRE-SAFE® occupant protection system, the Intelligent Light System, and the DISTRONIC PLUS proximity control unit. Readers of Germany's "auto motor und sport" magazine voted the vehicle "2010's most beautiful convertible." The first E-Class convertibles were delivered to customers in March 2010 and 24,500 units had been sold by the end of the year.

Fascination and efficiency – the new CLS. The new four-door CLS coupe, which was presented for the first time during the Paris Motor Show at the end of September, has assumed the pioneering role that characterized its predecessor. However, the newcomer also stands out as a new and unique product. The CLS combines a powerful and confident design with the highest levels of efficiency. All CLS engines are new and offer fuel savings of up to 25% compared with the predecessor models. The CLS, which has been available for delivery to our customers since January 2011, was awarded the coveted Golden Steering Wheel 2010 shortly after it was unveiled at the Paris Motor Show.

Additional new models in 2010. The most prominent external feature of the new R-Class generation is the model's completely redesigned front end. On the inside, the new R-Class offers the space economy one would expect from a modern minivan. At the same time, it also boasts the comfort, high value and prestige typical of a classic Mercedes-Benz sedan. With the new-generation CL-Class, Mercedes-Benz is shifting the focus to achieving better fuel economy and lower exhaust gas emissions in the exclusive upper range segment as well. An impressive 22% reduction in fuel consumption has been achieved with the CL 500 BlueEFFICIENCY with the help of our all-new BlueDIRECT technology, which features spray-guided direct injection, and our customized BlueEFFICIENCY package.

Economical and powerful engines. Our new engines prove that efficiency and performance are no longer mutually exclusive. We had already updated our range of four-cylinder engines in 2009, and we followed that up in 2010 with the launch of our new six and eight-cylinder units. We now offer a broad range of high-performance, low-consumption engines that can also be used flexibly in a variety of models. With a total of four new diesel and gasoline engines, the Mercedes-Benz S-Class leads the way in its segment. The new S 250 CDI BlueEFFICIENCY, for example, has been named the "world's most fuel-efficient luxury sedan." Despite its high output of 150 kW (204 hp), this S-Class consumes only 5.7 liters of diesel per 100 km (combined NEDC consumption), which corresponds to CO_2 emissions of 149 g/km. The new V6 diesel engine in the S 350 BlueTEC delivers 190 kW (258 hp) with a combined consumption of 6.8 liters per 100 km (177 g CO_2/km).

The Mercedes-Benz SLS AMG E-CELL super sports car with pure electric drive.

Thanks to its AdBlue® exhaust gas treatment system, this unit is one of the cleanest diesel engines in the world. Our newly developed six-cylinder gasoline engine is now used in the CLS 350 BlueEFFICIENCY model, for example. The vehicle's standard ECO start/stop feature gives the model combined consumption of 6.8 liters per 100 km (159 g CO_2/km).

CO_2 emissions further reduced. Thanks to our new economical engines and our additional BlueEFFICIENCY models, we were able to reduce the average CO_2 emissions of the passenger cars we sold in the European Union in the year under review to 158 g/km. What's more, we achieved this feat despite a greater share of exceptionally high-quality and powerful vehicles in our model mix. Our goal is to reduce the CO_2 emissions of our new vehicle fleet in the EU to less than 140 g/km by 2012 (see pages 83 f and 140 ff).

Locally emission-free electric vehicles in series production. At the end of 2009, the Mercedes-Benz B-Class F-CELL and the smart fortwo electric drive became the first locally emission-free vehicles manufactured under series-production conditions at Daimler. A total of 1,500 smart fortwo electric drive cars will have been leased to selected customers in Berlin and major European and US cities by the end of 2011. Half of those vehicles had already been delivered by the end of 2010. We are now manufacturing 200 Mercedes-Benz B-Class F-CELL cars with fuel-cell drive in small-batch production; these vehicles will be delivered to selected customers in Germany and the United States for use under everyday conditions between now and 2012. The third electric car from Mercedes-Benz, the A-Class E-CELL, went into production at the plant in Rastatt, Germany, in September 2010. This five-seater, which can comfortably meet everyday requirements and is ideal for families, features a battery-electric drive system. The car is based on the most recent A-Class model and offers a spacious and versatile interior and cargo area. Thanks to its two highly efficient lithium-ion batteries, which are mounted in a space-saving manner in the vehicle floor, it achieves a range of 255 km (NEDC). The approximately 500 units that have been produced are being delivered to selected customers in several European countries (including Germany, France and the Netherlands) for use as full-service rental cars (see page 141).

New-generation smart fortwo. The new model generation of the innovative two-seater has been available at dealerships since October 2010. The smart fortwo has been made even more attractive through a new interior look, an upgraded exterior design, and even greener engines. The vehicle's communication and entertainment systems are equipped with state-of-the-art technology, and ultra-modern propulsion is ensured by gasoline engines that have been further refined and emit less than 100 g CO_2/km in the 45 kW and 52 kW versions – a new record. Unit sales of the smart brand totaled 94,300 vehicles in the year under review (2009: 113,900).

Continued success for car2go. The response to the innovative car2go mobility concept, which we began offering in Ulm, Germany, in March 2009 and in Austin, Texas, in November 2009, has been very encouraging. The number of customers in Ulm increased to more than 20,500 during the year under review, while Austin currently has around 15,000 registered users. In view of the great success enjoyed by car2go in Ulm and Austin, we have decided to offer the system in other cities as well (see page 142).

Maybach sedans even more glamorous. Maybach presented its high-end luxury sedans with significantly expanded high-class equipment and customization options at the Auto China show in Beijing in April 2010. A large new chrome radiator grille emphasizes the legendary brand's exceptional status and self-confidence, while the output of the 12-cylinder engines in the Maybach 57 S and 62 S was increased to 463 kW (630 hp), despite a reduction in the pollutant emissions of all models. Unit sales of 200 Maybach models were at roughly the same level as in the prior year.

Automotive fascination: the Mercedes-Benz SLS AMG. The Mercedes-Benz SLS AMG was the most important new-product highlight from our AMG performance brand in 2010. The super sports car stands for automotive fascination and high technology of the highest order, boasting purist design, systematic lightweight engineering and superior handling. The Mercedes-Benz SLS AMG has already won many awards, such as the Design Award of the Federal Republic of Germany in Gold, the Golden Steering Wheel from Auto Bild and the award for "Most Beautiful Sports Car" in a survey of readers of "auto motor und sport" magazine. In 2010, AMG also presented a new and highly efficient powertrain with a gasoline direct-injection biturbo V8 engine for the S- and CL-Class.

The ultimate luxury coupe: the new generation of the Mercedes-Benz CL-Class.

Investment in the global production network. The targeted expansion of the international production network is helping us increase our competitiveness, reduce our susceptibility to exchange-rate fluctuations, and optimally benefit from growth opportunities. At the same time, substantial capital investment in our German plants underscores the fact that our German locations remain the heart of our production network.

In October 2010, we celebrated the topping-out ceremony for our new car plant in Kecskemét, Hungary, after just one year of construction. Plans call for the Kecskemét facility to begin manufacturing two models of the A-Class and B-Class successor generations in 2012 in a production network with the Rastatt plant. To this end, Daimler is investing €800 million in the construction of the plant in Hungary and €600 million in the implementation of upgrades at the primary facility in Rastatt. We have also taken the initial step of expanding the production capacity of Beijing Benz Automotive Co., Ltd. (BBAC) in Beijing to 100,000 units per year to meet the rising demand for our products in China. In addition to the C-Class sedan, BBAC now also manufactures a long-wheelbase version of the E-Class exclusively for the Chinese market. Production of the latter vehicle began in May 2010. Key projects in Germany in the year under review included preparations for production of the new SLK in Bremen, the establishment of manufacturing facilities for new six and eight-cylinder gasoline engines in Bad Cannstatt, and expansion of engine assembly operations at MDC Power GmbH in Kölleda.

Many awards for Mercedes-Benz automobiles. The measures taken to further enhance quality proved very successful in the year under review – a fact that was confirmed by external studies as well. In the most recent J. D. Power and Associates Initial Quality Study, 82,000 purchasers of model-year 2010 vehicles were surveyed 90 days after receiving their vehicles. We achieved our best results in this US survey since 1990: The C-Class finished first in its segment, while the E-Class sedan, E-Class coupe, and S-Class all finished second in their respective vehicle segments.

Mercedes-Benz was also honored by several organizations for outstanding achievements in the areas of safety, design, value retention and service in 2010. Mercedes-Benz workshops, for example, received the highest possible marks in a test conducted by Germany's ADAC automobile association and the Stiftung Warentest consumer advocacy group, as well as in tests conducted by other organizations.

The best or nothing. The Mercedes-Benz brand is one of Daimler's most valuable assets. It is therefore not surprising that the prestigious Interbrand rankings for 2010 once again named Mercedes-Benz the most valuable premium car brand in the world and the most valuable German brand. We will do everything we can to improve this position even further. Accomplishing that goal will require not only fascinating products but also a self-confident brand. That is why we introduced a carefully refined brand image in 2010 – one that is based on our exceptional history. We invented the automobile and we have been shaping the industry with our groundbreaking innovations for the past 125 years. Many technologies that are now standard in the automotive industry can be traced back to our company. They include the safety cell, ABS, airbags, ESP®, the latest technological highlights such as PRE-SAFE® and state-of-the-art driver assistance systems such as ATTENTION ASSIST drowsiness detection. This heritage by itself is enough to make customers expect more from Mercedes-Benz. For us, that means delivering the best product to our customers, no matter what the segment or system – today and in the future.

Own factory team for the Formula 1 series; DTM winners. In its first year as a Formula 1 factory team, MERCEDES GP PETRONAS finished fourth in the Constructors' Championship, while drivers Nico Rosberg and Michael Schumacher finished seventh and ninth respectively in the Drivers' Championship. McLaren race cars equipped with Mercedes-Benz engines captured four Grand Prix victories during the season. Our Formula 1 team is working hard to develop a competitive vehicle that will allow it to battle for success in both the Constructors' and Drivers' Championships in 2011. The 2010 German Touring Car Masters (DTM) season was one of the most successful for Mercedes-Benz in the history of the series. The C-Class came out on top in nine out of 11 races. After the ninth race, it was already clear that only one of our three Mercedes drivers would be able to capture the title. Eventually Paul Di Resta won the championship with a total of three race victories.

Daimler Trucks

Business development at Daimler Trucks was clearly positive in 2010. Active management of market cycles, one of the four pillars of the Global Excellence strategy, ensured we were well prepared to utilize the global upturn for commercial vehicles following crisis year 2009. Continuation of the strategy program will safeguard our long-term competitiveness.

Daimler Trucks

	2010	2009	10/09
Amounts in millions of euros			% change
EBIT	**1,323**	-1,001	.
Revenue	**24,024**	18,360	+31
Return on sales	**5.5%**	-5.5%	.
Investment in property, plant and equipment	**1,003**	597	+68
Research and development expenditure	**1,282**	1,116	+15
thereof capitalized	**373**	368	+1
Production	**360,896**	235,474	+53
Unit sales	**355,263**	259,328	+37
Employees (December 31)	**71,706**	70,699	+1

Unit sales

	2010	2009	10/09
In thousands			% change
Total	**355**	259	+37
Western Europe	**55**	44	+25
thereof: Germany	**30**	25	+21
United Kingdom	**6**	4	+53
France	**6**	5	+26
NAFTA	**77**	62	+24
thereof: United States	**63**	52	+20
Latin America (excluding Mexico)	**58**	37	+57
thereof: Brazil	**44**	30	+45
Asia	**120**	87	+39
thereof: Japan	**25**	23	+7

Significant increase in unit sales, revenue and EBIT. The global economy recovered in 2010, although the rate of recovery varied greatly from region to region. The economic upturn led to a substantial increase in demand for commercial vehicles and transportation services. Daimler Trucks was able to post substantial increases in unit sales and earnings in this favorable environment. Unit sales rose by 37% to 355,300 vehicles with all of our core markets (Europe, the United States, Latin America, and Japan) contributing to this development. Revenue increased by 31% to €24.0 billion and EBIT reached €1.3 billion (2009: minus €1.0 billion).

Positive sales development at Trucks Europe/Latin America. The Mercedes-Benz Trucks brand stands for "Trucks you can trust." This means always doing everything possible for our customers and being a reliable partner. With its Actros, Axor and Atego models, Mercedes-Benz offers individual solutions in the medium and heavy-duty truck segment for long-haulage transport, construction and local distribution applications. The portfolio is completed with the Econic, Zetros and Unimog models offered by the Mercedes-Benz Special Trucks unit.

One year after experiencing a sharp decline in unit sales, Trucks Europe/Latin America profited from the global economic recovery during 2010 and unit sales increased by 41% to 135,200 vehicles. With a market share of 24.3%, we expanded our leadership in the segment for medium and heavy-duty trucks in Western Europe (2009: 23%). Our position is particularly strong in Germany, where Mercedes-Benz Trucks was once again number one with a market share of 40.5% (2009: 41.6%).

After undergoing a disproportionate decline in the prior year, unit sales in Eastern Europe more than doubled in 2010 (+11,000 to 19,000 units). We achieved a 122% increase in unit sales to 11,500 vehicles in Turkey, where we are the market leader with a share of 38% of the Turkish market (2009: 33.5%). Extremely positive economic developments in Brazil and government subsidies that stimulated demand led to a sales increase of 45% to 44,300 units in that country. Due to intense competition, our market share in the medium and heavy-duty truck segment in Brazil decreased slightly to 27.4% (2009: 28.5%).

Trucks Europe/Latin America – the focus was on the market launch of the new Mercedes-Benz Atego and the new Mercedes-Benz Axor.

Continuous investment in the further development of the product range and the expansion of our plants contributes towards safeguarding our long-term competitiveness. Some of the results could be seen at the 2010 IAA Commercial Vehicles trade fair, where we presented a number of new products. In response to the tremendous increase in demand for heavy-duty long-haulage trucks in our core markets, we began assembling the Actros in Aksaray, Turkey, in late 2010 and will start production of that model in Juiz de Fora, Brazil, in 2012. Mercedes-Benz do Brasil also invested in expanding the production capacity of its São Bernardo do Campo plant by 15% to 75,000 units each year.

The demands placed on commercial vehicles are continually rising, and individual solutions and conversions are becoming more and more important in the truck segment. For this reason, Mercedes-Benz Special Trucks expanded its Mercedes-Benz Custom Tailored Trucks (CTT) unit in the past two years and established a development center for special trucks in Molsheim, France. CTT, which focuses on special customer requirements related to conversions and special equipment for Mercedes-Benz trucks, celebrated its tenth anniversary in 2010.

Sales growth in the NAFTA region. Trucks NAFTA is the leading truck manufacturer in North America in Classes 6 to 8. Under the Freightliner brand name, we offer customers heavy-duty trucks for long-haulage transport and medium-duty trucks mainly for local distribution applications. Heavy-duty trucks from the Western Star premium brand serve the markets for special-purpose, construction and long-haulage trucks. Since 1916, Thomas Built Buses has been the embodiment of innovative design, safety and top quality. The yellow school buses manufactured by the market leader are a common sight across the United States.

With sales of 79,400 units, Trucks NAFTA sold 25% more vehicles in 2010 than in the prior year. The region is currently experiencing a mild recovery. Our positive sales development is being achieved through our successful new EPA10-compliant engines and stepped-up activities in the sectors for construction and disposal services, particularly in the Class 8 segment. This allowed us to increase our market share in Classes 6 to 8 to 31.6%, making us the market leader in the entire NAFTA region (2009: 29.6%). Also in the United States, Trucks NAFTA is the most successful supplier in this segment with a market share of 32.6% (2009: 30.0%). In Class 8, we further increased our market share in both the NAFTA region with a share of 32.4% (2009: 30.9%) and the United States with a share of 33.9% (2009: 31.2%). This is clear evidence of customers' strong acceptance of our products.

Daimler Trucks North America launched a repositioning program in 2008 that has since been successfully completed. In order to further consolidate our long-term competitiveness, we will continue to optimize our processes and improve our efficiency in the future. The successful implementation of the program was made possible in large part by an agreement with the United Auto Workers union (UAW) covering the four sites of Mt. Holly, Cleveland, Gastonia and Portland. Thanks to positive market developments in the NAFTA region, we increased production capacity in good time in 2010 and rehired nearly 1,100 workers. In addition, approximately 700 employees were newly recruited at our new plant in Saltillo. The Detroit Diesel engine plant in Redford, Michigan, also benefited from solid orders and the BlueTec engines newly introduced in the United States. We are currently investing approximately US$200 million in expanding the Detroit Diesel facility. Our commitment to developing environmentally friendly and efficient drive-system technologies was honored by the US Department of Energy at the beginning of 2010: Daimler Trucks North America will receive some US$40 million in funding over the next five years as part of the "21st Century Truck Technology Partnership." The funds will be used for commercial-vehicle and engine development. The high level of acceptance enjoyed by our engines is confirmed by the success of the Captive Engine strategy at Trucks NAFTA. Today, more than 95% of our trucks in the heavy-duty segment are powered by engines we build ourselves.

Daimler Trucks North America – market leader for heavy-duty trucks in the United States and the NAFTA region.

Significant unit-sales increase by Trucks Asia. With its Canter, Fighter, and Super Great truck models and its Rosa and Aero buses, the Fuso brand has gained a reputation around the world as a quality-focused manufacturer of commercial vehicles. In addition to producing a successful range of models in the light to heavy-duty segments, Mitsubishi Fuso Truck and Bus Corporation (MFTBC) is also the competence center for light-duty trucks and state-of-the-art hybrid technology from Daimler Trucks.

At 140,700 vehicles, unit sales by Trucks Asia were significantly higher in 2010 than in the prior year (+41%). Trucks Asia's sharp increase in unit sales in Indonesia by 82% to 55,700 vehicles was accompanied by a strong 30% rise in Taiwan to 8,200 vehicles. As a result, MFTBC was able to fully participate in the upturn there. The Japanese home market displayed a slight recovery and unit sales in Japan rose by 7% to 24,800 units.

Fuso is already the leader in several emerging Asian markets. We are number one, for example, in the segment for light-duty trucks in Taiwan and Indonesia.

During the year under review, we consistently and very successfully continued our program to realign MFTBC activities. The program was launched in 2009 in response to structural changes in the Japanese commercial-vehicle market. To ensure we remain well positioned and competitive in the future, we are placing great emphasis on maintaining the level of efficiency we have now achieved. In 2010, Daimler AG increased its interest in MFTBC from 85% to 89% through a capital increase of JPY30 billion (€271 million).

Fuso has great expertise in developing alternative drive systems for commercial vehicles and designing and developing light-duty trucks. Building on the success of the Fuso Canter Eco Hybrid, MFTBC has expanded its hybrid development activities. In December 2010, a new test rig was added to the Kitsuregawa test center in Japan, where hybrid drives are to be tested under various realistic conditions in the future.

Widespread acceptance of new products. Innovation and customer utility in relation to future product generations are two important elements of Daimler Trucks' Global Excellence strategy. We presented numerous new products at the 63rd IAA Commercial Vehicles trade fair in Hanover, Germany, all of which take their cue from successful past vehicles. The new Atego and Atego BlueTec Hybrid were both named "Truck of the Year 2011," and the hybrid version was also honored with the German Environmental Technology Award and the German Sustainability Award. The new Axor is winning over customers with its standard-fitted Mercedes-Benz PowerShift automated gearshift and a new design. With the second generation of our Active Brake Assist system, which can initiate an emergency braking maneuver in critical situations, we are once again underscoring our leading role in the field of safety. The system even responds to stationary objects. At Daimler Trucks North America, we focused on the development and market launch of new environmentally friendly technologies in 2010: Our presentation at the Mid-American Trucking Show (MATS) in March 2010 highlighted our three new DD13, DD15 and DD16 engines from Detroit Diesel (DDC). These engines are equipped with selective catalytic reduction technology (SCR) for exhaust gas treatment and comply with the EPA10 emissions standard that came into effect in the United States in early 2010. Nearly 20,000 trucks and buses from Trucks NAFTA have been put on the road in North America with this advanced technology since the introduction of the new engine generation. Fuso started its product offensive with the launch of the new Super Great long-haulage truck on the Japanese market in the spring of 2010. With its 6R10 engine from Daimler Trucks' new heavy-duty engine generation (equipped with BLUETEC technology), Fuso's flagship model fulfills the stringent JP09 emission limits. It is also equipped with various innovative safety systems. And since June, new versions of the mediumduty truck Fuso Fighter have been available in Japan. Trucks Asia presented the new Canter in Japan in November 2010. With its low fuel consumption, it sets new standards in the light-duty truck segment for efficiency, environmental friendliness, safety, and design. The Canter will also be launched in Fuso's worldwide export markets beginning in 2011. Fuso's introduction of the Duonic transmission marks the first time a dual-clutch transmission has been made available as standard equipment in a truck.

Trucks Asia – the new Super Great long-haulage truck and the new Canter delivery truck form the core of the Fuso product offensive.

The Fuso Canter is Daimler Trucks' best-selling vehicle the world over and since February 2010, its standard diesel variant has complied with the Enhanced Environmentally Friendly Vehicle Standard. The Fuso Canter Eco Hybrid is number one in terms of fuel efficiency among trucks up to five tons gross vehicle weight in Japan. Altogether, more than 1,000 units have been sold worldwide to date. The vehicle is also now available outside Japan in Australia, Ireland, and Hong Kong. The world premiere of the Fuso Canter E-CELL concept truck also met with a very positive response. This model's battery-electric drive system performs so well that a combustion engine is unnecessary. Fuso continued to move ahead consistently with its product offensive in the year under review with the introduction of its new Super Great long-haulage truck on the Japanese market in the spring of 2010.

Shaping Future Transportation. Our new products and technologies offer evidence of the success of the CleanDrive, SafeDrive, and ValueDrive programs from our Shaping Future Transportation initiative, which was launched in 2007. CleanDrive stands for environmentally friendly and economical commercial vehicles built by Daimler for all different types of applications. Within the framework of SafeDrive, we are pursuing the vision of accident-free driving and continually developing new safety technologies. We constantly focus also on customer utility, because operating and maintenance costs account for approximately 90% of the total cost of ownership (TCO) of a commercial vehicle. This is where the various customized services from Daimler Trucks come into play such as Charterway and the FleetBoard telematics services, all of which are consolidated into the "ValueDrive" program.

For ten years, Daimler FleetBoard has been developing and marketing telematics solutions to boost the profitability of commercial vehicle fleets. Key benefits here include average fuel savings of seven percent within the first three months after the system is introduced, training programs for new customers, significant savings on maintenance and repair work for longtime customers, optimal order management thanks to the FleetBoard transport management system, close to real-time transmission of vehicle locations and routes using satellite images and FleetBoard Mapping, and a time management system that enables operators to better monitor drivers' working and resting times and thus optimize order management.

Outstanding global position with the Global Excellence Program. The penetration and extensive management of new markets and growth sectors – another pillar of the Global Excellence strategy – was successfully continued during the year under review. In Russia, our joint ventures Fuso Kamaz Trucks Russia and Mercedes-Benz Trucks Vostok manufactured the first Fuso and Mercedes-Benz trucks to be produced in the country and launched the vehicles on the domestic market. At the end of 2010, we also signed a memorandum of understanding with Kamaz relating to cooperation on the production of axles in Russia. In addition, Kamaz is currently introducing the Truck Operating System (TOS) that Daimler Trucks uses around the world. This system forms the basis for the Operational Excellence initiative, which is part of the Global Excellence strategy. The initiative concentrates on the rigorous reduction of material expenses and fixed costs, as well as the optimization and standardization of global processes and the increased flexibility of production plants. In India, we consolidated all the country's truck sales activities at Daimler India Commercial Vehicles (DICV) in Chennai. DICV is thus also responsible for sales and marketing of Mercedes-Benz trucks in India. We also put our proving grounds into operation in the spring of 2010. In China, we received approval from the Chinese National Development and Reform Commission (NDRC) as the first major step toward establishing a 50:50 joint venture with the Chinese truck manufacturer Foton Motor, with whom we signed a joint venture agreement.

In December, we signed an agreement covering the delivery of Mercedes-Benz truck components to Finnish truck manufacturer Oy Sisu Auto Ab. With this contract, Mercedes-Benz is opening up a new area of business and generating additional sales potential for vehicle components. The contract involves the delivery of Mercedes-Benz Actros cabs, engines, and transmissions for 200 to 400 vehicles each year. Heavy-duty Polar Truck models will be assembled by Sisu and sold in Finland under the Sisu brand name. Plans call for the first trucks to be delivered to customers in March 2011.

Mercedes-Benz Vans

Mercedes-Benz Vans performed well in the year 2010 and maintained its position as market leader in the European Union. Start of production at the new plant in Fuzhou enables us to supply the Chinese market with locally manufactured vans. We are continuing our product offensive with new generations of the Vito and the Viano.

Mercedes-Benz Vans

	2010	2009	10/09
Amounts in millions of euros			% change
EBIT	451	26	.
Revenue	7,812	6,215	+26
Return on sales	5.8%	0.4%	.
Investment in property, plant and equipment	91	113	-19
Research and development expenditure	267	193	+38
thereof capitalized	29	0	.
Production	227,975	156,667	+46
Unit sales	224,224	165,576	+35
Employees (December 31)	14,557	15,226	-4

Unit sales

	2010	2009	10/09
			% change
Total	224,224	165,576	+35
Western Europe	156,775	128,134	+22
thereof: Germany	62,193	58,185	+7
Eastern Europe	16,404	10,980	+49
United States	10,482	1,604	+553
Latin America (excluding Mexico)	12,528	9,453	+33
China	12,151	1,302	+833
Other markets	15,884	14,103	+13

Significant increases in unit sales, revenue and EBIT following market recovery. Mercedes-Benz Vans sold 224,200 vehicles during the year under review. Thanks to recovering markets and increasing demand, unit sales of the Sprinter, Vario, Vito and Viano models were 35% higher than in 2009. At €7.8 billion (2009: €6.2 billion), revenue was also significantly higher than in the prior year. EBIT substantially increased from the prior year to €451 million (2009: €26 million).

Mercedes-Benz Vans records strong increase in unit sales. Mercedes-Benz Vans recorded major sales increases in Western Europe, our key sales market. At 156,800 vehicles, unit sales surpassed the prior year's figure by 22%. The sales situation was particularly encouraging in key Western European markets such as the United Kingdom and France, which experienced an early and sustained recovery. As a result, unit sales there grew by 43% and 45% respectively. In Germany, unit sales increased by 7% to 62,200 vans. In Eastern Europe, the increase in unit sales by Mercedes-Benz Vans grew by a significant double-digit rate (+49%) in 2010.

Mercedes-Benz Vans' new sales organization in the United States and Canada was very successful. Since the beginning of 2010, we have been selling the Sprinter under the Mercedes-Benz and Freightliner brands through our retail network in North America, which currently numbers around 180 dealers. We are benefiting from the market success of the Sprinter, whose outstanding technology, safety, efficiency and driving performance continually set new standards in its vehicle segment. During the year under review, unit sales in the NAFTA region rose to 13,300 vehicles (2009: 2,600).

Mercedes-Benz Vans sold 12,200 units in 2010 in the rapidly expanding Chinese market for high-quality vans and premium multi-purpose vehicles. A total of 10,700 of those vehicles were manufactured in China, where local production commenced in spring 2010. By starting local production, we have created the right conditions to quickly and successfully participate in one of the world's largest and fastest-growing automotive markets.

The new Mercedes-Benz Viano: first class for comfort and environmental compatibility.

In 2010, Mercedes-Benz Vans was also very successful in Latin America, where it increased its unit sales by 33% to 12,500 vehicles. Compared with the prior year, worldwide sales of the Sprinter rose by 37% to 143,700 units. The Vito and Viano models also posted increases, with unit sales rising by 34% to 77,600 vehicles during the start-up phase for the new vehicle generations.

Moreover, Mercedes-Benz Vans was able to maintain its market leadership in the European Union's medium-sized and large van segments. The Sprinter did particularly well, achieving a market share of more than 18% of the large-van segment. This was the vehicle's biggest market share since the expansion of the European Union to its present size.

First customer vehicle rolls off the assembly line in China. In 2010, Mercedes-Benz Vans steadily pursued its strategy, which entails growing in new markets in addition to expanding in traditional markets and maintaining its technological leadership. In 2007, we teamed up with Fujian Motors Group to form the first-ever van joint venture in China. The goal here is to leverage the growth potential of this important market. Since the start of manufacturing operations at the new plant in Fuzhou in April 2010, the 50:50 joint venture company Fujian Daimler Automotive (FDJA) has also been supplying the Chinese market with locally produced Vito and Viano vans. Beginning in 2011, we will also produce a bus version of the Sprinter in China.

Agreement reached on contract production of vans in Russia. In December 2010, we signed a memorandum of understanding with GAZ, a Russian manufacturer of commercial vehicles, on production of the Mercedes-Benz Sprinter in Russia. Engines, transmissions, axles and other components will also be produced locally, to be used in the Sprinter as well as in GAZ products.

Product lineup expanded. The wide-ranging strategic partnership established with Renault-Nissan in April 2010 also includes collaboration on light-duty commercial vehicles. This partnership is an important step for Mercedes-Benz Vans with regard to future projects and the expansion of its product range. In this context, we will add a completely new city delivery vehicle for commercial customers to our product lineup in 2012.

Product offensive launched at IAA Commercial Vehicles. In order to generate additional growth in existing markets, Mercedes-Benz Vans also invested in the modernization and expansion of its current product range during the year under review. As a result, we celebrated the world premieres of four new vans at the IAA Commercial Vehicles trade fair in Hanover, Germany. The new Vito for commercial use features a higher payload and is very robust, while the new Viano sets standards for safety, comfort and driving pleasure in a large van. The two models are also equipped with efficient, environmentally friendly and economical engines using BlueEFFICIENCY technology. As a result, they produce up to 15% less CO_2 and consume up to 15% less fuel than the predecessor models.

In addition to the penetration of new growth areas, Mercedes-Benz Vans' strategic approach focuses on the development of environmentally friendly technologies and safety systems. At IAA Commercial Vehicles, we also presented the Mercedes-Benz Vito E-CELL – the world's first series-produced all-electric van. Thanks to its locally emission-free drive system, the Vito E-CELL is ideal for use in inner cities and areas with very sensitive environments. A small batch of approximately 70 Vito E-CELLs was produced during the year under review and handed over to customers in Berlin and Stuttgart for testing under everyday conditions. 2,000 of these vehicles are scheduled to go on the road by 2012. Another premiere was celebrated at the IAA by the Mercedes-Benz Sprinter LGT, which can run on either liquefied gas or gasoline.

Outstanding products impress experts and customers alike. In 2010, the great popularity enjoyed by Mercedes-Benz vans among customers and automotive experts alike was reflected by several awards. Our vehicles took first place in the overall Vans category of the annual image rankings conducted by the "VerkehrsRundschau" automotive magazine. And the Sprinter was ranked first among vehicles up to 3.5 tons gross vehicle weight in the readers' choice poll conducted by EuroTransport Media and DEKRA to determine the best commercial vehicles of 2010.

Daimler Buses

In the year 2010, unit sales at Daimler Buses almost matched the record number achieved in 2008. We thus consolidated our global market leadership as the world's largest manufacturer of buses over eight tons – a position that has remained unchallenged for many years. We resolutely continue to forge ahead with alternative drive technologies.

Daimler Buses

	2010	2009	10/09
Amounts in millions of euros			% change
EBIT	215	183	+17
Revenue	4,558	4,238	+8
Return on sales	4,7%	4.3%	.
Investment in property, plant and equipment	95	78	+22
Research and development expenditure	223	212	+5
thereof capitalized	31	5	+520
Production	39,405	32,666	+21
Unit sales	39,118	32,482	+20
Employees (December 31)	17,134	17,188	-0

Unit sales

	2010	2009	10/09
			% change
Total	39,118	32,482	+20
Western Europe	7,168	7,219	-1
thereof Germany	2,635	2,831	-7
NAFTA	3,878	3,899	-1
Latin America (excluding Mexico)	23,215	16,286	+43
Asia	1,462	1,976	-26
Other markets	3,395	3,102	+9

Increased demand in Latin America boosts unit sales, revenue and earnings. With unit sales of 39,100 (2009: 32,500) complete buses and bus chassis and revenue of €4.6 billion (2009: €4.2 billion), Daimler Buses was the world's leading producer of buses and chassis over eight tons gross vehicle weight also in 2010. The 20% increase in unit sales at Daimler Buses was mainly the result of the positive business development for chassis in Latin America. For market-related reasons, unit sales in Western Europe were slightly lower than in the prior year. At €215 million, EBIT was higher than in the prior year (2009: €183 million), with the increase mainly due to the positive sales development in Latin America.

Positive development of market share in key markets. In Western Europe, the Daimler Buses brands Mercedes-Benz and Setra offer the complete range of city buses, intercity buses and coaches, as well as Mercedes-Benz bus chassis. Unit sales in this region decreased by 1% to 7,200 units. Thanks primarily to our attractive product lineup, the coach segment suffered only a moderate drop in sales compared with the prior year. Unit sales of city buses decreased significantly in 2010 due to the reluctance of public transport operators to place new orders. On the other hand, unit sales of bus chassis developed positively in Europe. Daimler Buses succeeded in maintaining its leading market position in Western Europe with a market share of approximately 30% (2009: 30%).

In the sharply contracting North American market, Daimler Buses' unit sales decreased by 29% to 800 units in 2010. Orion hybrid buses accounted for 32% of total unit sales in North America.

In Mexico, Daimler Buses produces and sells complete buses and bus chassis of the Mercedes-Benz brand. This region suffered more than any other from the economic crisis in 2009 but recovered slightly in the year under review. Our unit sales in Mexico of 3,100 buses and chassis were 12% higher than in the prior year. With an increase in market share to 53.6% (2009: 51.8%), Daimler Buses further consolidated its market leadership in the country.

60 years of Setra – the ongoing success story of the bus with a unibody construction.

In Latin America (excluding Mexico), Daimler Buses was able to boost sales of Mercedes-Benz bus chassis by 43% to 23,200 units, after markets there had rebounded significantly. Our unit sales in the region therefore returned to their pre-crisis level, enabling Daimler Buses to increase its market share in the region to 47.1% (2009: 44.7%).

Daimler Buses resolutely continues to forge ahead with alternative drive technologies. A total of 16 Mercedes-Benz Citaro G BlueTec hybrid buses have been delivered to customers since the vehicle was first presented to the public in 2009. These hybrid buses are being tested successfully in six European cities. Thanks to their pioneering drive technology, they are the only buses to date that can travel for up to five kilometers at a stretch solely on electric power.

In addition, the Clean Hydrogen in European Cities (CHIC) project was launched in Cologne in 2010. This EU-funded project makes it possible to integrate 26 fuel-cell buses into regular-service operations in five European cities. Daimler Buses is one of at least three manufacturers participating in the project and is supplying fuel-cell hybrid buses. The project marks an important step on the path toward the comprehensive introduction and marketing of hydrogen-powered fuel-cell buses. The aim is to gradually create fleets of fuel-cell buses and the required infrastructure. In the next step, the experience gained during the project will be incorporated into the creation of fuel-cell fleets and infrastructures in 14 European regions.

In this way, Daimler Buses is promoting the spread of locally emission-free drive technology and responding to the global challenges we face today. As a result of climate change, global population growth and urbanization, all modes of transport should supplement one another in an effective and networked system. Buses play a key role in this endeavor.

Bus Rapid Transit. With highly efficient transport solutions such as Bus Rapid Transit (BRT), Daimler Buses is helping to meet the rising demand for mobility in a sustainable way. BRT is an efficient and affordable transportation system that consists of one or more separate lanes on which high-capacity buses travel at frequent intervals. They are linked to intelligent computer-controlled traffic management systems, such as those used for traffic-light prioritization. In addition to real-time traffic management, this makes it possible for operators to offer high-speed transportation. It is also possible to quickly establish bus routes with BRT. These systems have been introduced at many locations, including South Africa, where they played a role during the 2010 soccer World Cup. At that event, Daimler Buses contributed its expertise on intelligent transportation systems and delivered 460 Mercedes-Benz buses.

Expansion of activities in India's promising market. Daimler Buses is consistently expanding its involvement in India. In early 2010, Daimler Buses presented its new three-axle coach for the luxury segment at Auto Expo in New Delhi. The coach comes with a Mercedes-Benz chassis and the body is assembled by the Indian partner company, Sutlej Motors Ltd. We delivered a total of around 100 buses to Indian bus operators in 2010.

Daimler Financial Services

The financial services business recovered distinctly during the year under review. Asia provided significant impetus and our operations in North and South America were very profitable again. Daimler Financial Services continued to be among the top performers in terms of customer and dealer satisfaction.

Daimler Financial Services

	2010	2009	10/09
Amounts in millions of euros			% change
EBIT	831	9	.
Revenue	12,788	11,996	+7
New business	29,267	25,066	+17
Contract volume	63,725	58,350	+9
Investment in property, plant and equipment	12	14	-14
Employees (December 31)	6,742	6,800	-1

Strong performance by the financial services division. Daimler Financial Services' business developed very favorably during the year under review. Worldwide contract volume of €63.7 billion was 9% higher than the prior-year level. Adjusted for exchange-rate effects, contract volume grew by 3%. New business increased by 17% to €29.3 billion. Adjusted for exchange-rate effects, the increase was 11%. EBIT was very high at €831 million (2009: €9 million).

Successful continuation of "Captive #1." Daimler Financial Services continued to implement its "Captive #1" strategic program during the year under review. The aims of this program include further improving customer and dealer satisfaction, boosting efficiency and profitability, and achieving sustainable growth. Due to the global economic and financial crisis, the division's focus was on reducing costs and ensuring sufficient refinancing in 2009. However, sustainable profitable growth is now once again playing a greater role at Daimler Financial Services. This is especially true in the Chinese and Brazilian markets, and the scheduled launch of operations in India in 2011 promises to generate additional growth.

Business remains stable in Europe. Our financial services business remained stable in Europe in 2010. At €29.2 billion, contract volume was 2% higher than a year earlier. Adjusted for exchange-rate effects, there was a slight increase of 1%. New business of €14.8 billion was 8% higher than the prior-year level. In Germany, Mercedes-Benz Bank's contract volume was at the prior-year level of €16.1 billion. The deposit volume in the direct banking business decreased from €12.6 billion to €10.9 billion as we shifted our focus from liquidity to profitability during the year.

Developments were very mixed in European markets during the year under review. Some Central and Eastern European countries continued to suffer from the effects of the global financial and economic crisis. In those countries, the division focused on strengthening its collections management and improving remarketing processes. Contract volume once again grew significantly in other European markets such as Portugal (+23%), Sweden (+17%) and the United Kingdom (+16%). Growth was also achieved in Russia (+25%).

Business reorganized in Germany. Daimler Financial Services and Mercedes-Benz Bank have decided to reorganize their business activities in Germany. In October, 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.

Growth in North and South America. Contract volume of €25.9 billion in North and South America was 13% higher than in 2009. Adjusted for exchange-rate effects, there was an increase of 4%. New business increased by 22% to €10.9 billion. Daimler Financial Services grew noticeably in Mexico, Brazil and Argentina, with contract volume rising by a total of 30% to €4.1 billion.

Daimler Financial Services attracted many new customers last year; new business increased by a significant 17 percent.

Mercedes-Benz Financial Services expanded its offering for smart phones and other mobile internet devices in the United States, allowing flexible and convenient payment of leasing and financing installments. Beginning in the second quarter of 2010, all Mercedes-Benz dealerships in the USA were equipped with Apple iPads®, which enable sales staff to directly access the dealer system at the point of sale. This step not only increases the flexibility and effectiveness of sales negotiations, but also makes it easier for customers to return leased vehicles.

Strong growth in Asia. Contract volume rose by 28% to €8.7 billion in the Africa & Asia/Pacific region. Adjusted for exchange-rate effects, contract volume increased by 7%. New business of €3.6 billion was 45% higher than in the prior year.

All of the region's markets contributed to this expansion. Growth was particularly strong in China, where contract volume rose by 101% to €958 million. Contract volume increased by double-digit rates also in other markets of the region, including South Korea (+51%), Thailand (+28%), Australia (+25%), South Africa (+24%) and Japan (+14%). With the rapid growth in the region, risk management has continued to be a priority to assure continued portfolio quality.

Growing business with insurance. The Insurance Services unit brokered more than 839,000 policies worldwide in 2010, representing an increase of 22% compared with the prior year. This growth was achieved by effectively combining insurance services with leasing and financing products, service contracts and additional safety features in the vehicles. Other growth factors included the consistent utilization of business opportunities in growth markets such as China and the increased brokerage of insurance products to cash buyers.

In 2010, Daimler Financial Services concluded further partnership agreements with international insurance companies. For example, it signed a framework agreement with Allianz SE regulating the two companies' collaboration in the global motor insurance business. The contracts stipulate that damaged vehicles are to be brought to Mercedes-Benz repair shops. With this agreement, we ensure that our customers receive top-quality service while also generating additional business for our spare parts and repair business.

Growth in the fleet business with commercial customers. During the year under review, Daimler Financial Services once again expanded its business with commercial customers and fleet operators. It played a major role in supporting sales and increasing the proportion of financed Mercedes-Benz vehicles in commercial fleets. At 112,000 units, new business in this segment was 35% higher than in the prior year. Contract volume rose by 5% to 303,000 units. This shows that Daimler Financial Services' high level of reliability during the financial and economic crisis and the resulting rise in customer trust are now paying off. The products offered in this segment range from financing, leasing and full-service leasing to fleet management services for owner-operators and major international customers.

Top rankings for customer and dealer satisfaction. Daimler Financial Services achieved top marks in a number of global customer and dealer satisfaction surveys during the year under review. Mercedes-Benz Financial Services in the United States came in first in the overall dealer satisfaction category of the J. D. Power survey. Mercedes-Benz Bank in Germany was once again voted the best premium-segment financial services provider in the Autohaus BankenMonitor 2010 survey. In the United Kingdom, Mercedes-Benz Financial Services once again took first place in the Sewells survey of dealer satisfaction. Mercedes-Benz Financial Services was voted number one also in an AC Nielsen survey of dealer satisfaction in Australia and in industry-wide dealer satisfaction surveys in Russia, Portugal and the Czech Republic.

Toll Collect system continues to run smoothly. The system for collecting truck tolls on German highways continued to run smoothly and without any disturbances. A total of 665,600 on-board units for automatic toll collection were in use at the end of the year. Tolls were collected for a total distance of 25.8 billion kilometers during 2010. Daimler Financial Services holds a 45% stake in the Toll Collect consortium.

Daimler is committed to the principle of sustainability and has a holistic view of this issue. So for us, economic, social and ecological responsibility are inseparable from each other.

Sustainability

138 - 139 Sustainability at Daimler

- 125 years of sustainability
- The principle of sustainability is a fixed element of our corporate strategy
- Goal of sustained increase in enterprise value
- Daimler Sustainability Board supplements established management structures
- Intensive dialogue with stakeholders

140 - 143 Innovation, Safety and the Environment

- €4.8 billion invested in research and development
- Further reductions in fuel consumption and CO_2 emissions
- Fuel-efficient and environmentally friendly engines for cars and commercial vehicles
- Four zero-emission vehicles in series production
- Innovative concepts for urban mobility
- New technologies for more safety

144 - 145 Human Resources

- Slight workforce growth
- Measures taken to ensure future supply of qualified staff
- Employees qualified in new technologies
- Promotion of diversity throughout the Group
- High standard of health care

146 - 147 Social Responsibility

- Social commitment as an element of our corporate activities
- Clear regulations for the award of project funds
- Disaster relief provided in Haiti and Pakistan
- Support for various neighborhood projects at our sites

Detailed reporting on the issue of sustainability.
Detailed information is provided in our separate Sustainability Report. It describes transparently and factually the sustainability aspects of the past year.

The web-based Interactive Sustainability Report supplements our sustainability reporting with additional details and information **(http://sustainability2010.daimler.com)**.

In 2011, the new Sustainability Report will be available as of the middle of April in time for the Annual Shareholders' Meeting.

Further information on the subject of sustainability can be found on our website at **http://www.daimler.com/sustainability**

Sustainability at Daimler

Sustainability is an integral part of our corporate strategy. Efficient management structures support the implementation of sustainability policies in all of our divisions. We continued the intensive dialogue with our stakeholders in 2010.

125 years of the automobile. Carl Benz changed the world on January 29, 1886. He registered his “vehicle with gas-engine drive” under patent number 37435 with the Berlin Patent Office. This date marks the birth of the automobile, and the roots of today’s Daimler AG reach back to that time. Sustainability is an essential condition for such a long and successful corporate history. Only sustainable business practices can secure a company’s continued existence, growth and financial success over the long term. Not least for that reason, we feel bound in the tradition of our founders, Carl Benz and Gottlieb Daimler, to the principle of sustainability.

Our sustainability strategy. We intend to enhance the value of our company over the long term. And we can do that only if we define value creation holistically and measure the success of our business operations not only in terms of financial figures but also in terms of their social acceptance. The principle of sustainability is therefore an essential component of our corporate strategy. In addition, we are firmly committed to the ten principles of the Global Compact, the labor standards of the International Labor Organization (ILO), and the OECD guidelines for multinational companies.

Effective and coordinated strategies and initiatives ensure that sustainability principles are firmly established in our business operations. These strategies are firmly anchored in our Group-wide sustainability management system by means of concrete actions and measurable target indicators:

– **Economic sustainability:** Profitable growth and long-term business success ensure our commitment to sustainable development. As the technological pacemaker of the automotive industry, we aim to stand out because of our top performance and to shape the future of safe and environmentally friendly mobility. The foundation of our business operations is corporate management based on a sense of responsibility, building on systematic corporate governance and unequivocal principles of compliance, and demanding irreproachable ethical behavior from every single employee and manager.

– **Environmental sustainability:** Environmental protection, innovation and safety are the biggest challenges our company faces in its commitment to sustainability. Our passenger cars and commercial vehicles are among the leaders in their respective market segments in terms of environmental protection and safety. As we explore new mobility concepts, we are extending our focus beyond the vehicle itself and are testing environmentally compatible approaches to urban mobility. Also in the production of our vehicles, we carefully plan every production step to be as environmentally compatible as possible.

– **A sustainable society:** Daimler regards itself as an active member of our society. That is why we are committed to acting in the best interests of our employees, our customers and the people who live and work near our business locations. After all, we benefit from highly motivated and well-qualified employees, satisfied customers and good relations with our stakeholders that are based on mutual trust. We want to create value for society, and through our donations, sponsorships and foundations, we help people in need, promote intercultural understanding, and support the arts, culture, education, science and sports.

Management structures that promote sustainability. Since 2008, the Daimler Sustainability Board has been complementing and networking our established sustainability management structures and supporting the divisions in their implementation of measures that promote sustainability. In May 2009, Dr. Thomas Weber, the Daimler Board of Management member responsible for Group Research and Mercedes-Benz Cars Development, became the new chairman of this top-level committee.

Locally emission-free around the world: Three Mercedes-Benz B-Class F-Cell cars demonstrate Daimler's claim to leadership in the field of sustainable mobility.

Another task of the Sustainability Board is to analyze and evaluate our Group's performance in the area of sustainability. Whenever they see room for improvement, the members of this committee develop decision-making tools. In cooperation with the Sustainability Office, which operates at the working level, the Sustainability Board supports the Board of Management in its efforts to develop a consensus concerning issues relevant to sustainability.

Our stakeholders: a corrective force on the road to sustainability. Back in 2008, we intensified the dialogue with our stakeholders and established the Daimler Sustainability Dialogue. This annual forum brings scientists, politicians and other public figures together with representatives of Daimler's top management. The aim is to promote an in-depth dialogue concerning critical issues and to engage in a joint search for practical solutions.

A total of 130 participants came together at the third Daimler Sustainability Dialogue, which was held in Stuttgart in November 2010. After an introductory talk by Dr. Dieter Zetsche, the event focused on workshops dealing with the following issues: electric mobility, sustainable mobility systems, job security during the economic crisis, demographic developments, human rights, supplier management and community relations. The results of the workshops will be further developed in the following 12 months, and they will serve as starting points for the next Sustainability Dialogue.

In July 2010, we were one of the first German companies to initiate a dialogue with stakeholders in China on the issue of sustainability. The conference under the title of Daimler Sustainability Forum – Ethical Standards and Corporate Social Responsibility was held in the United Nations pavilion in the Expo Park in Shanghai.

Voluntary commitment to responsible actions. In Berlin on November 25, 2010, top executives and entrepreneurs from 21 German companies signed a "Mission statement for responsible actions in business." With the other signatories, Daimler subscribes to the social market economy and fair rules in global competition. Based on six principles, the chief executives and managing directors committed to a style of management oriented towards success and values compatible with the social market economy. According to this mission statement, competition is essential but profits may not be achieved by illegally harming third parties. In addition, the companies see it as a duty to continually search for ways to utilize resources for the benefit of mankind, and thus to do business more sustainably. The principles included in this mission statement are to be put into practice together with employees and social partners, and are to become a constitutive element of the management process.

Transparent reporting on sustainability. We published our first sustainability report in 1993, thus laying the foundation for our ongoing reporting on sustainability issues. The year 2010 saw the publication of our sixth Group-wide sustainability report, 360 DEGREES, which is prepared in accordance with the guidelines of the Global Reporting Initiative (GRI). It provides a detailed and comprehensive sustainability analysis of the previous financial year and is supplemented by an interactive online sustainability report that contains more detailed and extensive information (http://sustainability.daimler.com). We will present the new sustainability report at the Annual Shareholders' Meeting in mid-April 2011.

The electronic Daimler Sustainability Newsletter provides information at regular intervals about our activities in the area of sustainability. You can subscribe to the newsletter at sustainability@daimler.com. Further information is available online at http://sustainability.daimler.com

Innovation, Safety and the Environment

Research and development have always played a key role at Daimler. Our goal is to make mobility safe and sustainable by means of innovative vehicles and customized transportation concepts. To achieve this goal, we develop fascinating automobiles, cutting-edge drive concepts and trendsetting safety systems.

Innovation from tradition. In the tradition of our founders Carl Benz and Gottlieb Daimler, research and development have always played a key role at our company. This is particularly true today, when we are faced with the task of reinventing the automobile because of the accelerated pace of technological development and the challenges posed by climate change and environmental protection. We invested a total of €4.8 billion in research and development in 2010 (2009: €4.2 billion). At the end of 2010, approximately 22,100 men and women were employed at Corporate Research and in the development departments of Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans and Daimler Buses.

Patents provide evidence of innovative strength. The invention of the automobile was followed at Daimler and its predecessor companies in the past 125 years by more than 80,000 patents registered worldwide, whereby quality has always had priority over quantity. This is shown for example by the Patent Asset Index of WHU – Otto Beisheim School of Management: Daimler is ahead of the competition in terms of competitive impact per patent, a key indicator for companies' innovative strength. Today, Daimler has a wide-ranging patent portfolio of more than 19,600 industrial property rights and a broad spectrum of trademarks and protected designs.

Our goal is emission-free mobility. The automobile is entering a new era. Oil reserves are finite, and their use is contributing to climate change. At the same time, the need for mobility is growing worldwide, and individual transport is steadily increasing, with associated effects on the climate and the environment in general. Our aim is therefore to substantially reduce our vehicles' fuel consumption and emissions here and now, and to completely eliminate them in the long term. We develop innovative vehicle concepts that are specifically designed to safeguard the mobility of future generations. One of the primary technological developments in this respect is the electrification of the powertrain. Over the past 30 years, Daimler engineers have applied for patents on more than 750 inventions for electric vehicles with battery drive and more than 1,000 inventions for fuel-cell drive, of which more than 380 were in the area of lithium-ion technology. The path to electric mobility will not be taken in one great leap but instead in many small steps. What is therefore required is a differentiated approach, which is reflected by Daimler's customer-focused threefold drive-system mix:

- We are optimizing the fuel efficiency of conventional vehicles.
- We are developing hybrid drive systems - particularly for large cars, buses and light-duty trucks for delivery service.
- And we are working on all-electric drive systems that use batteries and fuel cells.

Research results and the experience we have gained through our successful large-scale projects for the testing of alternative vehicle and drive concepts have allowed us to create the preconditions for driving with zero local emissions. In addition, we have expanded our company's business operations into future-oriented areas such as the development and production of lithium-ion batteries and fuel-cell drive. What's more, our strategic partnerships provide us with direct access to the key technologies of the future.

Further reductions in fuel consumption and CO_2 emissions. Thanks to combustion engines that have been optimized in numerous ways, downsizing concepts featuring superchargers, and new transmission systems, we have significantly reduced the fuel consumption and CO_2 emissions of our cars and commercial vehicles over the past several years. Our range of car engines was almost completely updated in 2009 and 2010, allowing us to offer a broad spectrum of vehicles that consume little fuel despite their outstanding driving performance. We were able to further reduce the CO_2 emissions of our fleet of new vehicles in 2010, even though the proportion of high-performance premium automobiles has grown. Our extensive range of particularly economical BlueEFFICIENCY models contributed to this reduction in fuel consumption. As a result, the CO_2 emissions of our entire fleet of cars in the European Union decreased to 158 grams per kilometer in 2010, despite various opposing effects such as a market shift towards larger cars.

E-drive on the move: pre-series electric vehicles from Daimler.

BlueDirect engines set new fuel-efficiency standards. Innovative technologies will enable us to further reduce the fuel consumption and CO_2 emissions of our vehicles. The BlueDirect V6 and V8 engines with third-generation gasoline direct injection, which we introduced in late 2010, will help make this possible, as they set the fuel efficiency standards in this segment. In combination with the enhanced seven-speed 7G-TRONIC PLUS automatic transmission, the standard-fitted ECO start/stop function, and the new reduced-friction converter technology, these new engines can cut fuel consumption by more than 20%. We have set ourselves the goal of reducing the average CO_2 emissions of our new-vehicle fleet in the European Union to less than 140 g/km by 2012. We are steadily introducing fuel-efficient technologies in all vehicle segments, as demonstrated by models such as the S 250 CDI BlueEFFICIENCY, which is the world's first "five-liter" vehicle in the luxury segment. It is also the first car in its class with CO_2 emissions of less than 150 grams per kilometer.

Environmentally friendly technologies for trucks and buses. BLUETEC is not only one of Daimler's key technologies, but also a synonym for diesel engines for cars and commercial vehicles with low pollutant emissions and enhanced fuel economy. Back in 2005, we introduced the first Mercedes-Benz Actros heavy-duty truck with BLUETEC technology. As the pioneer of this technology, Daimler Trucks has consistently improved the system. We now offer BLUETEC not only in Western Europe but also in North America and Japan. We had sold more than 380,000 BLUETEC commercial vehicles by the end of 2010. That indicates how well this technology is being accepted by our customers, and it contributes considerably to cutting fuel consumption and pollutant emissions.

The EEV (Enhanced Environmentally Friendly Vehicle) emissions standard for engines is even stricter than Euro 5, requiring one-third lower particulate emissions. To meet this standard, we have further enhanced our engines and the BLUETEC technology. As a result, we now can meet the stringent emission limits even without additional exhaust gas aftertreatment. Daimler Trucks is now expanding its range of environmentally friendly vehicles by gradually introducing EEV variants into certain power classes of trucks and buses. BlueTec EEV has been part of the expanded range of the Mercedes-Benz Econic since January 2010. In February 2010, the Fuso Canter became Daimler's first vehicle to be delivered as an EEV-compliant truck in all power classes as standard.

In the context of a voluntary commitment signed by various truck manufacturers, we are pursuing the goal of reducing the CO_2 emissions of the heavy-duty trucks (above 12 tons) we sell in Europe compared with the base year of 2005 by an average of 20% per ton-kilometer by the year 2020.

Four zero-emission vehicles in series production. At the end of 2009, the Mercedes-Benz B-Class F-CELL and the smart fortwo electric drive became the first locally emission-free vehicles manufactured by Daimler under series-production conditions (see page 124). They were followed last year by the Vito E-CELL van and the Mercedes-Benz A-Class E-CELL. The Vito E-CELL, which has been delivered to customers since September, is a fully fledged van for everyday use and is the world's first electric van to be series produced. With a payload of about 900 kilograms and a fully usable cargo area, the Vito E-CELL can take on all of the usual transport tasks for a vehicle of its class. This quiet, zero-exhaust van was produced in a small batch of 100 vehicles, of which 50 are being used in Berlin and the others in the greater Stuttgart area. Another 2,000 units of this innovative van will be manufactured in early 2011. The A-Class E-CELL has battery-electric drive. The vehicle is fully suited for everyday use and as a family car, and its two highly efficient lithium-ion batteries give it a range of more than 250 km (NEDC). The approximately 500 units of the vehicle are being delivered to selected customers in several European countries for use as full-service rental cars.

Fuel cells in everyday use. Due to their range and suitability for everyday use, electric vehicles with fuel cells are a promising alternative to conventional automobiles as we head toward sustainable mobility. With its numerous patents and the world's most-tested fleet of fuel-cell vehicles, Daimler leads the development of fuel-cell technology for automotive use. The latest generation of our fuel-cell vehicles includes the B-Class F-CELL and the Citaro FuelCELL Hybrid bus. The B-Class F-CELL boasts superior driving performance and demonstrates its suitability for everyday use in many ways, such as offering a range of about 400 km. A total of approximately 200 B-Class F-CELL vehicles are scheduled to be produced and tested in everyday use by customers in Germany and the United States.

Citaro G BlueTec Hybrid: milestone for fuel efficiency and low emissions.

The Mercedes-Benz Citaro FuelCELL Hybrid bus features a highly ecological concept. It generates no pollutant emissions and is almost noiseless, making it ideal for use in congested downtown areas. To date, a total of 36 Mercedes-Benz Citaro fuel-cell buses have proven their worth with 12 public transport operators on three continents. Mercedes-Benz buses have demonstrated the suitability of fuel-cell drive for everyday use in more than 140,000 hours of operation, during which they were driven more than 2.2 million kilometers.

German Sustainability Award for the Mercedes-Benz Atego BlueTec Hybrid. The prize presented in November 2010 by the German Sustainability Award Foundation honors companies that combine business success with social responsibility and nature conservation. The award jury came to the conclusion that the Mercedes-Benz Atego BlueTec Hybrid is an environmentally friendly vehicle with which Daimler is setting benchmarks worldwide. The Mercedes-Benz Atego's innovative hybrid drive marks the first time that Daimler is offering this especially low-emission technology in Europe ex works. Parallel hybrid drive reduces fuel consumption and exhaust emissions by up to 15% and also makes it possible to reduce noise. The first batch of 50 Atego BlueTec Hybrids was delivered to German customers in the distribution sector in early 2011. The Mercedes-Benz Atego BlueTec Hybrid underscores our position as the world market leader for hybrid-drive commercial vehicles.

The Mercedes-Benz Citaro G BlueTec Hybrid in everyday use. The new Citaro G BlueTec Hybrid buses, which have been put into service in several European cities since early 2010, cut diesel consumption and CO_2 emissions by 20 to 30% and operate without emissions and almost noiselessly for portions of a route. To date, the Citaro G BlueTec Hybrid is the only hybrid bus that can cover some of its route almost noiselessly while running solely on electricity, without using the diesel engine. Propulsion is provided by four electric wheel-hub motors that obtain their electricity from one of the world's largest lithium-ion batteries in mobile use. If required, electricity can also be provided by a generator driven by a diesel engine that is relatively small for the Citaro's vehicle class. Electricity is also generated when braking during downhill driving, for example.

Innovative concepts for urban mobility. Existing infrastructure and transportation systems are increasingly reaching their limits, particularly when it comes to fulfilling the need for fast and comfortable transport in metropolitan areas. But these are exactly the applications that offer great opportunities for new and sustainable mobility concepts such as car2go, car2gether, and Bus Rapid Transit.

The innovative **car2go** mobility concept, which we launched in Ulm, Germany, in March 2009 and in Austin, Texas, in November 2009, is particularly notable for its flexibility. The car2go vehicles are distributed throughout their respective operating areas, where they can be rented on the spur of the moment, used as long as desired, and left in any parking space within the system's operating area. The number of customers in Ulm rose to more than 20,500 in 2010, and over 230,000 rental contracts were processed completely automatically. In Austin, meanwhile, around 15,000 users rented the vehicles more than 120,000 times. In response to this success, car2go will now be introduced in additional cities worldwide. Beginning in spring 2011, for example, we will offer car2go in Hamburg, Germany, in cooperation with the car rental company Europcar. The vehicle used will be the smart car2go edition – the world's first car-sharing automobile to be produced for this purpose ex works. Among other things, this model has a more fuel-efficient gasoline engine, automatic transmission with start/stop function, an all-new generation of telematic systems and a solar roof.

Following car2go, Daimler developed another innovative urban mobility concept known as **car2gether**, which was launched last autumn with two pilot projects in Ulm and Aachen, Germany. The concept encompasses an online ride-sharing community and takes advantage of the many communication possibilities of mobile Internet applications. This system enables users to organize ride-sharing opportunities on their smartphones while they are on the go or on their computers at home, almost in real time. Daimler is the world's first automaker to test this kind of mobility in a pilot project, investigating the potential of a smart and modern ride-sharing service that was designed especially for metropolitan areas.

Active blind-spot assistant: an innovation for active safety.

Daimler is relying on **Bus Rapid Transit (BRT) solutions** to meet the growing transportation needs of large cities and regions that are undergoing rapid population growth. BRT systems consist of one or more trunk lines with regular service buses traveling at frequent intervals and fed by several feeder lines coming from all parts of a city. Separate bus lanes with their own traffic-light settings enable the vehicles to make quick progress even during rush hour. In addition, the system is easily adaptable to each city's specific conditions. Daimler Buses has a team of experts providing support with the planning, implementation, and enhancement of customized BRT systems. BRT is already being successfully used in cities such as Nantes, Istanbul, Bogotá, and Mexico City.

On the "Road to Accident-free Driving." Vehicle safety is one of our core areas of expertise and a key component of our product strategy. No other manufacturer worldwide invests more in the development of life-saving safety systems than Daimler. For more than 60 years, our developments have led the way worldwide in safety for cars, trucks, vans, and buses. We regard our commitment to enhancing road safety as an expression of our sense of responsibility toward society and an approach that is in the interest of all road users. That is why we are systematically progressing along the "Road to Accident-free Driving." This endeavor is also being honored by third parties. For example, the independent European safety association Euro NCAP recognized the Mercedes-Benz brand with two Euro NCAP Advanced Rewards for its PRE-SAFE® occupant protection system and PRE-SAFE® brake assistance system in 2010.

Innovations boost active safety. In order to further boost active safety, we expanded our range of proven technologies – the anti-lock braking system (ABS), Electronic Stability Program® (ESP®), Brake Assist Plus, and PRE-SAFE® braking - by adding two new safety innovations in 2010: Active Blind Spot Assist and Active Lane Keeping Assist. In the commercial vehicle sector, the second generation of Active Brake Assist marks another milestone in safety innovation.

Active Blind Spot Assist warns the driver when it detects the risk of a collision during a lane change. To make this possible, short-range radar sensors monitor the area immediately adjacent to and behind the vehicle. In addition to issuing a warning, Active Blind Spot Assist uses ESP® to brake the wheels on the opposite side of the vehicle so that the automobile leaves its collision course. A display in the instrument cluster warns the driver at the same time. If an accident cannot be avoided despite the adjustment of the vehicle's direction, Active Blind Spot Assist can still reduce the severity of the impact.

Active Lane Keeping Assist, which is also connected to ESP®, kicks in when the vehicle crosses a solid line to the right or left of the lane without the driver activating the turn-indicator light. In this case, Active Lane Keeping Assist uses ESP® to brake the opposing wheels in order to prevent the vehicle from leaving the lane. A display in the instrument cluster warns the driver at the same time. If the vehicle crosses a broken lane marking, the system activates an electric motor in the steering wheel. This produces a brief vibration – a subtle but effective command to counter steer immediately.

In commercial vehicles, additional safety is provided by **Active Brake Assist 2**. Like its predecessor, this system uses radar to continuously determine how a vehicle's speed differs from that of the vehicle ahead of it. However, the new version also measures the distance to stationary obstacles. If an accident becomes unavoidable with unchanged vehicle speed and direction, the driver initially receives a visual warning in the form of an illuminated red triangle, after which an alarm also sounds. If the situation becomes more critical, the system initiates braking. The warning system is designed in such a way that drivers can get out of critical situations without requiring the system to automatically brake the vehicle. For this reason and to avoid endangering any vehicles coming up from behind, Active Brake Assist responds to stationary obstacles with only 50% of the maximum braking force. Mercedes-Benz' Active Brake Assist 2 has certain major advantages over systems that are currently under development. For one thing, the proven radar technology is not affected by weather or lighting conditions, and it is also active throughout a truck's entire speed range.

Human Resources

Our employees are provided with high-quality training and support. We aim to ensure that we have a competitive workforce also in the future. In response to demographic developments, we have launched a variety of initiatives designed to maintain and strengthen the performance of our workforce and to attract young employees with high potential.

Human Resources

	2010	2009	10/09
Employees (December 31)			% change
Daimler Group	260,100	256,407	+1
Mercedes-Benz Cars	96,281	93,572	+3
Daimler Trucks	71,706	70,699	+1
Mercedes-Benz Vans	14,557	15,226	-4
Daimler Buses	17,134	17,188	-0
Sales & Marketing Organization	48,299	47,625	+1
Daimler Financial Services	6,742	6,800	-1
Other	5,381	5,297	+2

Workforce development. As of December 31, 2010, the Daimler Group employed 260,100 men and women worldwide. This figure was 3,693 more than in the prior year. The increase was caused on the one hand by additions to the consolidated Group, which were mainly companies incorporated into the Mercedes-Benz Cars division and the sales and marketing organization. On the other hand, personnel numbers increased due to the upturn in demand as well. Further information on the development of our workforce – in particular in the individual regions and divisions – is povided in the Management Report on page 86 of this Annual Report.

Comprehensive range of training courses. Providing our employees with high-quality training and support is one of our key concerns. We regard employee development as a continuing process, which is why we begin our activities in daycare centers and schools. Our Genius initiative, for example, provides children and teenagers with valuable insights into pioneering technologies and careers in the automotive industry in order to get them excited about engineering professions and Daimler at an early age.

Training continues to have a very high priority at Daimler, and is maintained at a recognized high level of quality. Training courses for technical and commercial professions as well as programs at the Cooperative State University are key elements of our efforts to secure young talent so that our company will remain successful over the long term.

We had 8,841 apprentices and trainees worldwide at the end of 2010 (2009: 9,151). A total of 2,034 young people (2009: 2,341) began their occupational training in Germany during the year under review. Apprentices who perform well are offered attractive job opportunities. In 2010, 84% of the apprentices at Daimler AG were hired after completing their training (2009: 89%). The number of people we train and subsequently hire is based on our company's needs and future development. We have an agreement with the employee council regarding the number of apprenticeships we will offer in the medium term. At Daimler AG, these apprenticeships totaled 1,250 in 2010; there will be 1,150 in 2011 and 1,050 in 2012.

Securing and promoting young talent. In 2010, we once again provided more than 500 university graduates and young people with initial work experience worldwide with first-class entry-level positions in which to begin their careers. Through our CAReer corporate talent program, we focused our hiring efforts on strategic areas such as green technology. Women currently comprise 35% of CAReer participants, and our trainees come from about 20 different countries. Our Daimler Student Partnership (dsp) program, which currently has approximately 100 active participants, also contributes substantially to strategically securing and promoting young talent at the company. We aim to contact potential new employees and attract them to our company while they are still at university.

We are also investing in our existing human resources through new Daimler Academic programs. They enable outstanding employees to earn bachelor's, master's, or MBA degrees either by studying full-time or while working. The first batch of employees to be supported in this manner began their studies in the winter semester of 2010. In a future step, the program will be expanded to countries outside Germany.

Employees with many different skills and experience work together at Daimler on shaping the future of the automobile.

Employee qualification. "You never stop learning" is an expression that has been true for many generations and is becoming even more relevant today. As a result of our employees' own motivation and our targeted range of qualification programs and courses, we ensure that our employees can exercise the full range of their capabilities, particularly with regard to new technologies. In the year under review, we invested €202 million in the training and continuing education of our employees in Germany alone (2009: €207 million); each of our employees received on average 2.3 days of training in 2010 (2009: 2.4 days).

We apply a range of different qualification measures to maintain our technological leadership. We are the leading company in Germany in the training and further training of electrical specialists, for example. Since 2006, more than 1,000 employees at Daimler AG in Germany have been trained in high-voltage technology. Over the next three years, more than 30,000 executives and employees throughout the Group are scheduled to take part in the Green Qualification Program, which offers training courses in environmentally friendly technologies. The participants will include specialists along the entire value chain (from development to sales and service) worldwide.

Diversity management. In its commitment to a varied workforce and diversity management, Daimler is promoting employee diversity, creating networks and making the company fit for the future. This is because diversity management is a success factor not only from a social point of view but also from an economic one.

Diversity management has been established at Daimler since 2005. One of its focuses is on promoting women to executive positions (gender diversity). At the end of 2010, the proportion of executive positions at the Daimler Group around the world that were held by women was 9%. We intend to increase this proportion to 20% by the year 2020. This objective takes account of industry-specific facts and constitutes a realistic target on the basis of the current workforce situations of 13.5% women at Daimler AG and 15% at the Daimler Group. Another important aspect that we have considered in setting an appropriate target is the proportion of female students of engineering subjects. This is currently between 5 and 20% in Western Europe.

In addition to the advancement of women, we are also focusing on many other aspects of diversity, including topics such as generation management and internationality.

Healthy employees in a healthy company. Daimler provides workplace-related preventive support to ensure that its employees remain healthy over the long term. Highly qualified emergency medical personnel provide accident victims with first aid at our company locations. Our plant medical services assist employees who are suffering from health-related problems or require occupational health examinations. We take preventive action against increased physical strain and the associated health risks by incorporating ergonomic measures and assessment methods, whose suitability has been proven in labor research, into the entire product-creation process.

Another method that is greatly helping employees to stay healthy is integration management. One focus of these activities is on reintegrating employees with disabilities. In 2010, we created binding regulations and guidelines for dealing with health data throughout Germany in order to support responsible and successful management behavior.

A "thank you" to our workforce. The Board of Management would like to take this opportunity to thank all of our employees for their support during the crisis and for their efforts during the subsequent phase of recovery. Without the flexibility of our workforce, this achievement would not have been as great as it was. We would also like to thank the employee representatives for their great commitment and constructive cooperation.

Social Responsibility

We regard our social commitment as a fundamental element of our business activities. We therefore support the interests of society as a whole and are involved in the communities where we do business. In 2010, we continued our activities in the areas of corporate volunteering, foundations and community relations, and we supported various initiatives with donations and sponsorship.

The reasons for our policy of social commitment. Our company interacts in many different ways with its social environment in all the places where we have business locations. We regard these relationships as both an opportunity and an obligation. They affect the roles we play as an employer, client, service provider and automaker, as well as our overall sense of being a corporate citizen. We aim to create value for all of our stakeholders. That is why we are involved in society in general and at our business locations, and why we help to develop regulatory frameworks for society.

We regard this as a fundamental component of our business activities. We provide social support through donations, sponsorship, corporate volunteering, foundations and community relations – with a clear focus on certain themes. We promote cultural activities, education, science, sports and health, as well as charitable projects, and we also provide speedy short-term assistance for the victims of natural catastrophes. In the process, we take into account the specific requirements of our business locations as well as the interests of society in general, and we prioritize close contacts with local communities and social institutions.

Transparent management. We set high quality standards for our social involvement and we have created transparent structures and clear lines of responsibility for our distribution of financial aid. Our Donations and Sponsorship Committee makes its decisions on the basis of well-defined support criteria. We register all of the Group's activities in the areas of donations and sponsorship in a database. In 2009, we also approved sponsorship guidelines as a basis for a transparent awards process. It is designed to help ensure that our donations are in compliance with current legal requirements and ethical standards.

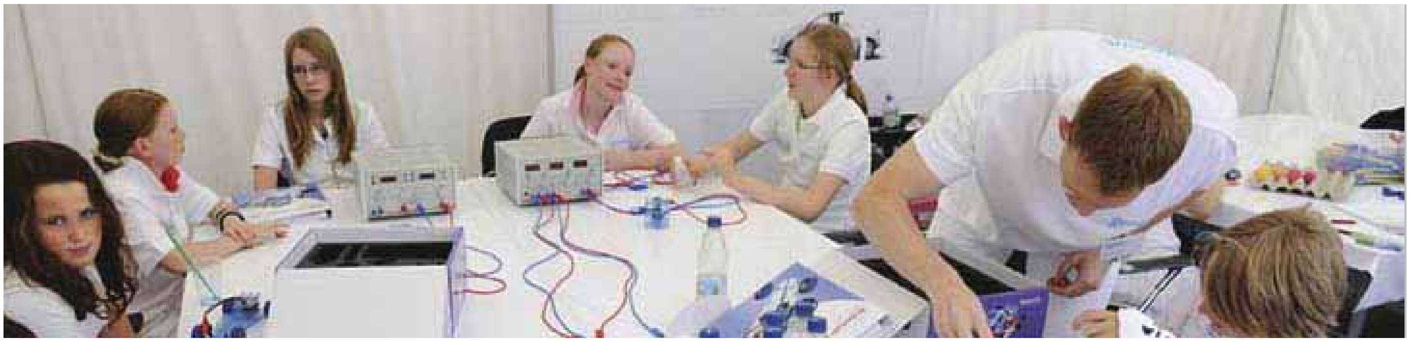
We decide on specific regional areas of activity in close coordination with our national subsidiaries and production locations. In 2010, Daimler provided financial support totaling more than €51 million for socially oriented projects and charitable institutions. In addition, we increased the capital of the Daimler and Benz Foundation by €88 million.

We also act in accordance with clear guidelines when making donations to political parties. According to these rules, donations to political parties generally require authorization from the Board of Management and are at present only permitted for parties in Germany.

Donations. Our donation activities focus on the promotion of science and education, support for charitable projects, and disaster relief. Because disaster relief has to be quick and effective, we established a special process for it in 2009. This enabled us to react promptly to the earthquake in Haiti in January and the catastrophic floods in Pakistan in July and August 2010, and to support the appropriate aid projects.

Since 2009, Daimler has also supported, among other institutions, Deutsche Cleft-Kinder-Hilfe, a charitable organization that supports the comprehensive treatment of children with cleft palates all over the world. In India, we funded the construction of a new aid center in Mumbai aimed at helping local people to help themselves, and we are supporting its ongoing operation.

Sponsorship in the fields of education, sports and culture. Through our sponsorship activities, we aim to promote sustainable development in key areas of social responsibility. This refers in particular to education, the environment, the arts and culture in those places where we have business locations. For example, we have been a sponsor of the Stuttgart Staatsgalerie art museum for many years, thus creating cultural and educational opportunities for Daimler employees and their families and many others.



With Genius, Daimler aims in particular to get girls interested in science and technology.

Since 2007, Mercedes-Benz has cooperated with the German Soccer Association to award an annual Integration Award in line with the motto "Soccer: many cultures – one passion." The award pays tribute to soccer projects for children and young people that promote integration. Offering material and financial support with a total value of €150,000, the Integration Award is one of the largest financial awards in Germany in the area of social commitment.

Corporate volunteering and other activities for the common good. We consider it important to be a good neighbor at our business locations, and we therefore participate in local social projects focusing on education and training. In 2010, we established "Genius - Daimler's Young Knowledge Community" in order to get more children and young people enthusiastic about technology and the natural sciences.

In addition, many of our employees volunteer to work in neighborhood projects. For example, Daimler Financial Services employees have been working since 2005 in the "Beyond Basics" program at Thirkell Elementary School in Detroit, Michigan, which promotes the education of pupils from socially disadvantaged families. A total of 650 children participated in the program in 2010. During the Day of Caring, which Daimler Financial Services organized once again at 15 locations all over the world last year, a total of approximately 2,000 employees donated their time and skills to help socially disadvantaged people.

Support through foundations. In a number of countries, we have established foundations that enable us to focus our initiatives that address social issues. They include the Daimler and Benz Foundation, which was founded in Germany in 1986, the Daimler Fund in the German Donors' Association for the Promotion of Sciences and Humanities, and the Daimler Foundation in Japan, which supports charitable projects and cultural programs. At the end of 2010, on the occasion of the 125th anniversary of the automobile, the Board of Management decided to increase the capital of the Daimler and Benz Foundation to €125 million.

The Laureus Sport for Good Foundation, of which Daimler is a co-founder, uses the power of sports to address the social challenges of our time. It is now one of the world's biggest social initiatives. The foundation has the support of 46 legendary sportspersons and is actively involved in 80 socially oriented sports projects on every continent. It has meanwhile helped more than one million children and young people.

Community relations. As an employer and customer, we aim to help enhance the competitiveness of the regions in which we operate and help them meet their social, environmental and educational policy challenges. That is why we participate in solving regulatory issues and shaping political frameworks. The issues we discuss with political decision-makers include the traffic infrastructure, new mobility concepts and electric mobility.

More details of projects supported by the Group and activities related to our social commitment can be found in the Daimler Sustainability Report and on our website under the heading of "Sustainability" (www.daimler.com/sustainability).

Daimler’s Board of Management and Supervisory Board are committed to the principles of good corporate governance. All of our activities are based on the principles of responsible, transparent and sustainable management and supervision.

Corporate Governance

Report of the Audit Committee

Dear Shareholders,

Seven meetings of the Audit Committee were held in 2010. These meetings were regularly attended by, in addition to the members of the Audit Committee, the Chairman of the Supervisory Board, the Chairman of the Board of Management, the member of the Board of Management responsible for Finance and Controlling (CFO), and the external auditors. The heads of specialist departments were also present for the appropriate items of the agenda. In addition, the Chairman of the Audit Committee held regular individual discussions, for example with the external auditors, the CFO, the heads of Corporate Accounting, Internal Auditing, Corporate Compliance and Legal, and the Group's independent Compliance Monitor. The Chairman of the Audit Committee first informed the Audit Committee about the results of those bilateral discussions. The Chairman of the Audit Committee then reported to the Supervisory Board about the activities of the Committee and about its meetings and discussions in the following Supervisory Board meetings.

In a meeting in mid-February 2010 attended by the external auditors, the Audit Committee dealt with the preliminary figures of the annual company and consolidated financial statements, possible alternatives for a dividend proposal, and the recommendation of the Board of Management not to pay a dividend. In view of the unusual crisis conditions in the year 2009 and the Group's net loss for that year, the Audit Committee recommended to the Supervisory Board that the recommendation of the Board of Management should be followed and that no dividend proposal should be made to the shareholders at the Annual Shareholders' Meeting. The preliminary figures were published at the Annual Press Conference on February 18, 2010.

In a meeting attended by the external auditors at the beginning of March 2010, the Audit Committee dealt with the annual company financial statements, the annual consolidated financial statements and the combined management report for Daimler AG and the Daimler Group for the year 2009, each of which had been issued with an unqualified audit opinion by the external auditors. In preparation, the members of the Audit Committee and the other members of the Supervisory Board were provided with comprehensive documentation, including the Annual Report, the audit reports of KPMG on the annual financial statements of Daimler AG and the annual consolidated financial statements according to IFRS, the combined management report for Daimler AG and the Daimler Group, drafts of the reports of the Supervisory Board and of the Audit Committee, and the annual report according to Form 20-F. Reports by the Internal Auditing department and the external auditors revealed no indications of any deficiencies of the internal control and risk management system. As a result, the Audit Committee recommended that the Supervisory Board should approve the annual financial statements and once again affirmed its recommendation to the Supervisory Board to adopt the recommendation of the Board of Management that no dividend proposal should be made to the shareholders at the Annual Shareholders' Meeting. Also in this meeting, the Audit Committee dealt with the draft agenda of the 2010 Annual Shareholders' Meeting, with the annual audit plan of the Internal Auditing department for the year 2010, and accepted an activity report from the Corporate Compliance department. Furthermore, the Audit Committee dealt with the fees paid to the external auditors in the year 2009, discussed the fees agreed for the year 2010, and approved a list of permissible non-audit services to be provided by the external auditors in the 2010 financial year.

The Audit Committee regularly examined the qualifications and independence of the external auditors and the implementation of the principles decided upon for the approval of non-audit services provided by the external auditors. After receiving the approval of the Annual Shareholders' Meeting, the Audit Committee engaged KPMG AG, Wirtschaftsprüfungsgesellschaft, Berlin, to conduct the 2010 annual audit, negotiated the audit fee of the external auditors, determined the important audit issues for the year 2010, and informed the Supervisory Board accordingly.

In the meetings during the year 2010 relating to the quarterly results, the Audit Committee dealt with the interim financial reports including the related risk reports. In those meetings, it accepted reports on the provision of non-audit services by the external auditors and activity reports from the Corporate Compliance department, the Internal Auditing department and the independent Compliance Monitor. In this context, the Chairman of the Audit Committee is also involved in setting and evaluating the annual compliance targets for the Board of Management.

The Audit Committee also dealt with notifications that were received confidentially, and if desired anonymously, through the Group's own whistleblower system and processed internally by the Business Practices Office.

Another key area of the Audit Committee's work in 2010 was its own duties of control, which had been made more specific by the German Accounting Law Modernization Act (BilMoG). In this context, the Committee held an additional meeting in which it dealt, supported by statements from the external auditors and the

Bernhard Walter, Chairman of the Audit Committee.

Internal Auditing department, with the effectiveness of the existing systems of internal control and risk management, of internal auditing and of compliance management, also going beyond the area of accounting. For this purpose, the Audit Committee dealt with the activity reports of the Internal Auditing and Corporate Compliance departments, as well as with the systematic aspects of risk management and risk reporting and with the functionality of the systems in use. For many years, a key element of the Group's internal control system has been internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. In this context, the Audit Committee held a discussion with the Board of Management about the continuation under other conditions of external audits according to Section 404 of the Sarbanes-Oxley Act, which are no longer mandatory due to deregistration with the US SEC and delisting from the New York Stock Exchange. Concerning this matter, in the meeting of the Audit Committee in July, Daimler presented a risk-oriented approach for reviewing the accounting-related internal control systems that had previously been discussed with the external auditors, which provides for the external auditors to issue a statement of opinion containing the results of their (future) audit of this issue. The Committee also received the annual activity report of the Group's Data Protection Officer and received information on Treasury risk management and investment strategy, on the extent of the Group's insurance cover and on the status and management of the pension funds. Other matters discussed at the additional meeting were the method of calculating key financial indicators at Daimler, the ongoing development of accounting regulations resulting from the German Accounting Law Modernization Act (BilMoG), amendments to the International Financial Reporting Standards, and fundamental legal questions relating to the activities of members of the Supervisory Board and the Audit Committee.

In a meeting in September 2010, the Audit Committee dealt with the results and recommendations of the first report of the Compliance Monitor. The stage of implementation and the requirements for the further development of internal guidelines for securing compliance were discussed intensively.

In two meetings attended by the external auditors at the end of February 2011, the Audit Committee reviewed the annual company financial statements for 2010 and the annual consolidated financial statements for 2010 together with the combined management report for Daimler AG and the Daimler Group and the proposal made by the Board of Management on the appropriation of profits. In preparation, the members of the Audit Committee and the other members of the Supervisory Board were provided with comprehensive documentation, some of which was in draft form, including the Annual Report, the audit reports of KPMG on the annual financial statements of Daimler AG and the annual consolidated financial statements according to IFRS, the combined management report for Daimler AG and the Daimler Group, and drafts of the reports of the Supervisory Board and of the Audit Committee. It was no longer necessary to prepare a report according to Form 20-F due to the delisting and deregistration in the United States. The audit reports and significant accounting matters were discussed with the external auditors. The Audit Committee of Daimler AG also dealt with the monitoring of the accounting process, the effectiveness of the system of internal control, of the risk management system and of the internal auditing system, and questions of compliance including antitrust issues. This includes the further development and required adjustments within the Group-wide compliance structures and activities that were decided upon by the Board of Management. Following intensive reviews and discussion of the documentation, the Audit Committee recommended that the Supervisory Board should approve the annual financial statements and adopt the Board of Management's proposal on the appropriation of profits. The Audit Committee also approved the report of the Audit Committee in its current version. Furthermore, in that meeting, the Audit Committee also dealt with the draft agenda of the 2011 Annual Shareholders' Meeting and the annual audit plan of the Internal Auditing department.

As in previous years, the Audit Committee once again conducted a self-evaluation of its own activities in 2010. This did not result in any need for action with regard to the Committee's tasks or with regard to the content or procedure of its meetings.

Stuttgart, February 2011

The Audit Committee

Dr. h. c. Bernhard Walter
Chairman

The Remuneration Report summarizes the principles that are applied to determine the remuneration of the Board of Management of Daimler AG and explains both the level and the structure of its members' remuneration. It also describes the principles and level of remuneration of the Supervisory Board. The Remuneration Report is part of the Management Report for Daimler AG and for the Group.

Principles of Board of Management remuneration

Goals. The remuneration system for the Board of Management aims to remunerate its members commensurately with their areas of activity and responsibility and in compliance with applicable law, so that Daimler is an attractive employer also for first-class executives. By means of adequate variability, the system should also clearly and directly reflect the joint and individual performance of the Board of Management members and the long-term sustainable performance of the Group.

Practical implementation. For each upcoming financial year, the Presidential Committee at first prepares a review by the Supervisory Board of the system and level of remuneration on the basis of a comparison with competitors. The main focus is on checking for appropriateness, based on a horizontal and vertical comparison. In this context, the following aspects are given particular attention in relation to a group of comparable companies in Germany:

- the effects of the individual fixed and variable components, that is, the methods behind them and their reference parameters,
- the relative weighting of the components, i.e. the relationship between the fixed base salary and the short-term and long-term variable components,
- the ratio of an average employee's salary to that of a member of the Board of Management, and the resulting target remuneration consisting of base salary, annual bonus and long-term remuneration, also with consideration of entitlement to retirement pension and fringe benefits.

In carrying out this review, the Presidential Committee and the Supervisory Board consult independent external advisors, above all to facilitate a comparison with remuneration systems common in the market. If the review results in a need for changes to the remuneration system for the Board of Management, the Presidential Committee submits proposals for such changes to the entire Supervisory Board for its approval.

On the basis of the approved remuneration system, the Supervisory Board decides at the beginning of the year on the base and target remuneration for the individual members of the Board of Management and decides upon the success parameters relevant for the variable components of remuneration in the coming year. Furthermore, once a year, individual goals are agreed for the coming year between the Chairman of the Supervisory Board, the Chairman of the Board of Management and each member of the Board of Management for his specific area of responsibility; these goals are then taken into consideration after the end of the financial year when the annual bonus is decided upon by the Supervisory Board.

In this way, the individual base and target remuneration and the relevant performance parameters are set by the beginning of each year. These details require the approval of the Supervisory Board.

On this basis, after the end of each year, target achievement is measured and the actual remuneration is calculated by the Presidential Committee and submitted to the Supervisory Board for its approval.

The system of Board of Management remuneration in 2010. The remuneration system continues to comprise a fixed base salary (approximately 20% of the target remuneration), an annual bonus (approximately 30% of the remuneration), and a variable component of remuneration with a medium-term and long-term incentive effect (approximately 50% of the target remuneration). The latter reflects the recommendations of the German Corporate Government Code through its link to the share price and to additional challenging comparative parameters, and takes account of both positive and negative developments. The details of the system are as follows:

The **base salary** is fixed cash remuneration relating to the entire year, oriented towards the area of responsibility of each Board of Management member, and paid out in twelve monthly installments. In the first six months of 2010, this was reduced due to a voluntary waiver in the context of the economic crisis by the members of the Board of Management of 15% of their base salaries, effective as of May 1, 2009.

The **annual bonus** is variable cash remuneration, the level of which is primarily linked to the operating profit of the Daimler Group (EBIT), a set of targets determined by the Supervisory Board and the actual result for the prior year, and optionally to other key figures and targets (for 2010: total shareholder return and compliance) as well as the individual performance of the Board of Management members in the past financial year.

Reference parameters:
- 50% relates to a comparison of actual EBIT in 2010 with EBIT targeted for 2010.
- 50% relates to a comparison of actual EBIT in 2010 with actual EBIT in 2009.

Amount with 100% target achievement:
In the year 2010, 1.5 times the base salary, set with consideration of a market comparison.

Range of target achievement:
0 – 200%, i.e. the annual bonus has an upper limit of three times the base salary and may also be zero.

On the basis of the resulting degree of target achievement, depending on predefined key figures, an amount of up to 10% can be added or deducted. Furthermore, the Supervisory Board has the possibility, based for example on the aforementioned agreed targets, to take account of the personal performance of the individual Board of Management members with an addition or deduction of up to 25%.

Once again in 2010, additional individual targets were agreed upon with the Board of Management with regard to the development and sustained function of a compliance system. The complete or partial non-achievement of individual compliance targets can be reflected by a deduction of up to 25% from the individual target achievement. However, the compliance targets cannot result in any increase in individual target achievement, even in the case of full accomplishment.

The **Performance Phantom Share Plan** is an element of remuneration with long-term incentive effects. Its opportunity and risk potential is primarily linked with the development of Daimler's share price through the granting of phantom shares. At the beginning of the plan, medium-term performance targets are set for a period of three years whose accomplishment has an effect on the number of phantom shares that are earned. Payouts under the 2010 plan occur after four years in cash at the price of Daimler shares that is then valid. For the granting of phantom shares, the Supervisory Board specifies an absolute amount in euros in the context of setting the annual target remuneration. The number of phantom shares granted is calculated by dividing that amount by the relevant average share price over a long period. This average price is definitive not only for granting phantom shares under the new plan, but also for payment under the plan granted four years previously. Half of the net amount paid out must be used to buy ordinary Daimler shares until the guidelines for share ownership are fulfilled (see below); those shares must then be held permanently.

Reference parameters for Plan 2010:
- 50% relates to the Group's return on sales compared with a group of competitors (BMW, Fiat, Ford, Honda, Paccar, Renault, Toyota, Volvo and Volkswagen). For the measurement of this success criterion, the competitors' average return on sales is calculated over a period of three years, whereby the best and worst value is not taken into consideration. The extent that Daimler's return on sales deviates by plus or minus two percentage points from the average thus calculated is deemed to be the range of target achievement. This means that target achievement is 200% if Daimler's return on sales is two percentage points or more above the calculated average. Target achievement is 0% if Daimler's return on sales is two percentage points or more below the calculated average.
- 50% relates to the Group's return on net assets in relation to cost of capital. This criterion stands for the value created by the Group. The extent that Daimler's return on net assets deviates over a period of three years by plus or minus two percentage points from a target of 8% is deemed to be the range of target achievement. This means that target achievement is 200% if Daimler's return on net assets is 10% or more. Target achievement is 0% if Daimler's return on net assets is 6% or less.

Value upon allocation:
Determined annually in relation to a market comparison; for 2010, approximately 2 to 2.5 times the base salary.

Range of target achievement:
0 to 200%, i.e. the plan has an upper limit and may also be zero.

Value of the phantom shares on payout:
In line with the calculated share price and the number of shares achieved according to the aforementioned criteria. Payout is in any case limited to 2.5 times the share price at the beginning of the plan.

During the four-year period, the phantom shares earn a dividend equivalent whose amount is related to the dividend paid on real Daimler shares in the respective year. With regard to share-based remuneration, any subsequent change in the defined performance targets or reference parameters is ruled out.

Guidelines for share ownership. As a supplement to these three components of remuneration, Stock Ownership Guidelines have been approved for the Board of Management. These guidelines require the members of the Board of Management to invest a portion of their private assets in Daimler shares over several years and to hold those shares until the end of their Board of Management membership. The number of shares to be held has been set in relation to triple the annual base salary for the Chairman of the Board of Management and double the annual base salary for the other members of the Board of Management. In fulfillment of the guidelines, half of the net payment made out of a Performance Phantom Share Plan is generally to be used to acquire ordinary shares in the Company, but the required shares can also be acquired in other ways.

Implementation of the Act on the Appropriateness of Management Board Remuneration/Adjustment of the remuneration system in 2011. Against the backdrop of the German Act on the Appropriateness of Management Board Remuneration (VorstAG), the Supervisory Board of Daimler AG commissioned an expertise on the system of Board of Management remuneration by external auditors in late 2009. As a result, the remuneration system described above was confirmed as complying with the provisions of applicable law. On this basis and due to the difficult economic situation at the beginning of the year, the Supervisory Board decided not to change the remuneration system in 2010. This remuneration system was approved by the Annual Shareholders' Meeting in April 2010 with a majority of 95.97% of the votes cast.

The 2010 Annual Shareholders' Meeting was already informed about the adjustment of remuneration as of the year 2011. The total of base salary and annual bonus will be divided equally between those two components. This change at first has the effect of a neutral shift within the target remuneration from the annual bonus to the fixed salary. As a result, the target bonus has been reduced from 1.5 times the base salary to the same amount as the base salary, thus reducing the maximum amount of annual bonus to be paid to 200% of the fixed salary. The range of target achievement and the reference parameters remain unchanged. In addition, the annual bonus is no longer paid out after the end of the year in full, but only 50%. The rest is paid out one year later in the form of a bonus/malus (reward/penalty) arrangement, depending on the development of Daimler's share price compared with an automotive index (Auto-STOXX, see pages 22 ff.), which Daimler uses as a criterion for the relative performance of its share price.

Board of Management remuneration in 2010

Total Board of Management remuneration in 2010. The total remuneration granted by Group companies to the members of the Board of Management of Daimler AG is calculated as the total of the amounts of remuneration paid in cash (base salary and annual bonus), the value of the share-based remuneration at the time when granted in February 2010 (Performance Phantom Share Plan – PPSP), and taxable non-cash benefits. The share price relevant for the payout amount of the PPSP in four years' time can deviate significantly from the share price relevant when granted.

Total remuneration comprises €4.8 million as fixed, i.e. non-performance-related remuneration (2009: €4.8 million) €13.5 million as short-term variable remuneration, i.e. short-term performance-related remuneration (2009: €1.8 million), and €7.5 million as variable performance-related remuneration with a long-term incentive effect granted in 2010 (2009: €5.2 million). This adds up to a total of €25.8 million for the year 2010 (2009: €11.8 million).

Board of Management remuneration 2010

		Base salary	Waiver	Short-term variable remuneration (annual bonus)	Long-term variable remuneration (PPSP) Number	Value when granted (2010: at share price €30.61) (2009: at share price €18.82)	Total
In thousands of euros							
Dr. Dieter Zetsche	2010	1,530	- 115	4,819	80,269	2,457	8,691
	2009	1,530	- 153	689	114,967	2,164	4,230
Dr. Wolfgang Bernhard	2010	472	- 30	1,487	29,554	905	2,834
Wilfried Porth	2010	535	- 39	1,679	32,108	983	3,158
	2009	382	- 53	172			501
Andreas Renschler [1]	2010	575	- 43	1,771	35,829	1,079	3,382
	2009	575	- 58	305	51,317	966	1,788
Bodo Uebber [2]	2010	660	- 50	2,079	38,383	997	3,686
	2009	660	- 66	297	54,975	930	1,821
Dr. Thomas Weber	2010	545	- 41	1,679	34,078	1,043	3,226
	2009	545	- 55	245	48,809	919	1,654
Total	2010	4,317	- 318	13,514	250,221	7,464	24,977
	2009	3,692	- 385	1,708	270,068	4,979	9,994

1 PPSP amount after deduction of remuneration of €17,732 received as a board member of an affiliated company.
2 PPSP amount after deduction of remuneration of €177,321 received as a board member of an affiliated company.

Once again, basic salaries were reduced due to the voluntary waiver by the members of the Board of Management of 15% of their base salaries, which was in effect from May 1, 2009 until June 30, 2010. The increase in the total of base salaries compared with the prior year reflects the increased number of Board of Management members.

The table on page 154 shows the base salaries and variable remuneration of the active members of the Board of Management for the year 2010 compared with 2009. It is necessary to take into consideration that Dr. Bernhard was newly appointed to the Board of Management with effect as of February 18, 2010.

The granting of taxable non-cash benefits in kind, i.e. primarily the provision of company cars and the reimbursement of expenses for security precautions, resulted in benefits for the members of the Board of Management worth the following amounts:

Taxable non-cash benefits and other benefits

	2010	2009
In thousands of euros		
Dr. Dieter Zetsche	133	112
Dr. Wolfgang Bernhard	52	
Wilfried Porth	101	346
Andreas Renschler	148	251
Bodo Uebber [1]	217	114
Dr. Thomas Weber	162	252
Total	813	1,075

1 2010: Including an anniversary bonus of €55,000.

Commitments upon termination of service

Retirement provision. The pension agreements of some Board of Management members include a commitment to an annual retirement pension, calculated as a proportion of the former base salary and depending on the number of years of service. Those pension rights were granted until 2005 and remain valid, but have been frozen at that level.

Retirement pensions start upon request when the term of service ends at or after the age of 60, or are paid as disability pensions if the term of service ends before age 60 due to disability. The agreements provide for a 3.5% annual increase in benefits (with the exception of that Wilfried Porth's benefits will be adjusted in accordance with applicable law). The agreements include a provision by which a spouse of a deceased Board of Management member is entitled to 60% of that member's pension. The amount can increase by up to 30 percentage points depending on the number of dependent children.

Effective as of January 1, 2006, we substituted the pension agreements of the Board of Management members with a new arrangement, the so-called pension capital system. Under this system, each Board of Management member is credited with a capital component each year. This capital component comprises an amount equal to 15% of the sum of the Board of Management member's fixed base salary and the annual bonus that was actually achieved, multiplied by an age factor equivalent to a certain rate of return, at present 6% (Wolfgang Bernhard and Wilfried Porth: 5%). The benefit from this pension plan is payable at the age of 60 at the earliest.

Service costs for pension obligations according to IFRS amounted to €1.945 million in 2010 (2009: €1.660 million). The present value of the total defined benefit obligation according to IFRS amounted to €49.327 million at December 31, 2010 (December 31, 2009: €41.588 million). Taking age and period of service into account, the individual entitlements, service costs and present values are as follows:

Individual entitlements, service costs and present values for Board of Management pension plans in 2009/2010

In thousands of euros		Annual pension (as regulated until 2005) as of age 60	Service cost (for pension and pension capital)	Present value of obligations (for pension and pension capital)
Dr. Dieter Zetsche	**2010**	**1,050**	**712**	**26,149**
	2009	1,050	629	22,706
Dr. Wolfgang Bernhard	**2010**		**205**	**410**
Wilfried Porth	**2010**	**156**	**118**	**3,715**
	2009	156	88	3,002
Andreas Renschler	**2010**	**250**	**243**	**6,102**
	2009	250	215	5,078
Bodo Uebber	**2010**	**275**	**397**	**5,357**
	2009	275	362	4,301
Dr. Thomas Weber	**2010**	**300**	**270**	**7,594**
	2009	300	240	6,501
Total	**2010**	**2,031**	**1,945**	**49,327**
	2009	2,031	1,534	41,588

Commitments upon early termination of service. No severance payments are foreseen for Board of Management members in the case of early termination of their service contracts. Solely in the case of early termination of a service contract by mutual consent, Board of Management service contracts include a commitment to payment of the base salary and provision of a company car until the end of the original service period. Such persons are only entitled to payment of the performance-related component of remuneration pro rata for the period until they leave the Company. Entitlement to payment of the performance-related component of remuneration with a long-term incentive effect is defined by the exercise conditions specified in the respective plans. For the period beginning after the end of the original service period, departing Board of Management members can receive payments in the amounts of the pension commitments granted as described in the previous section, as well as the use of a company car. In the case of those persons receiving payments until the age of 60, possibly reduced due to other sources of income, the aforementioned increased amounts also apply.

Sideline activities of Board of Management members. The members of the Board of Management should accept management board or supervisory board positions and/or any other administrative or honorary functions outside the Group only to a limited extent. Furthermore, members of the Board of Management require the consent of the Supervisory Board before commencing any sideline activities. This ensures that neither the time required nor the remuneration paid for such activities leads to any conflict with the members' duties to the Group. Insofar as such sideline activities are memberships of other supervisory boards or comparable boards, they are disclosed in the Notes to the Consolidated Financial Statements of Daimler AG and on our website. No remuneration is paid to Board of Management members for board positions held at other companies of the Group.

Loans to members of the Board of Management. In 2010, no advances or loans were made to members of the Board of Management of Daimler AG.

Payments made to former members of the Board of Management of Daimler AG and their survivors. Payments made in 2010 to former members of the Board of Management of Daimler AG and their survivors amounted to €17.5 million (2009: €16.1 million). Pension provisions for former members of the Board of Management and their survivors amounted to €197.1 million at December 31, 2010 (2009: €192.8 million).

Remuneration of the Supervisory Board

Supervisory Board remuneration in 2010. The remuneration of the Supervisory Board is determined by the Shareholders' Meeting of Daimler AG and is governed by the Company's Articles of Incorporation. The new regulations for Supervisory Board remuneration approved by the Annual Shareholders' Meeting in April 2008 specify that the members of the Supervisory Board receive, in addition to the refund of their expenses and the cost of any value-added tax incurred by them in performance of their office, fixed remuneration of €100,000, with three times that amount for the Chairman of the Supervisory Board, twice that amount for the Deputy Chairman of the Supervisory Board and the Chairman of the Audit Committee, 1.5 times that amount for the chairmen of the other Supervisory Board committees and members of the Audit Committee, and 1.3 times that amount for members of the other Supervisory Board committees. Members of a Supervisory Board committee are only entitled to remuneration for such membership if the committee has actually convened to fulfill its duties in the respective year. If a member of the Supervisory Board exercises several of the aforementioned functions, he or she is to be remunerated solely for the function with the highest remuneration.

In April 2009, the Supervisory Board decided to make a solidarity contribution with regard to the measures taken to reduce labor costs, and to waive 10% of the members' respective components of individual remuneration for the period of May 1, 2009 until June 30, 2010.

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

The members of the Supervisory Board and its committees receive a meeting fee of €1,100 for each Supervisory Board meeting and committee meeting that they attend.

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

The remuneration paid in 2010 to the members of the Supervisory Board of Daimler AG for their services to the Group therefore totaled €2.7 million (2009: €2.6 million).

Loans to members of the Supervisory Board. In 2010, no advances or loans were made to members of the Supervisory Board of Daimler AG.

Supervisory Board remuneration

Name	Function(s) remunerated	Total in 2010
In euros		
Dr. Manfred Bischoff	Chairman of the Supervisory Board, the Presidential Committee and the Nomination Committee	298,543
Erich Klemm [1]	Deputy Chairman of the Supervisory Board, the Presidential Committee and the Audit Committee	208,672
Dr. Paul Achleitner	Member of the Supervisory Board (since April 14, 2010)	73,934
Sari Baldauf	Member of the Supervisory Board	102,301
Dr. Clemens Börsig	Member of the Supervisory Board and the Audit Committee	155,982
Prof. Dr. Heinrich Flegel	Member of the Supervisory Board	102,301
Dr. Jürgen Hambrecht	Member of the Supervisory Board	102,301
Jörg Hofmann [1]	Member of the Supervisory Board	102,301
Dr. Thomas Klebe [1, 3]	Member of the Supervisory Board and the Presidential Committee	148,583
Gerard Kleisterlee	Member of the Supervisory Board	101,201
Arnaud Lagardère	Member of the Supervisory Board (until April 14, 2010)	25,644
Jürgen Langer [1]	Member of the Supervisory Board	103,291
Ansgar Osseforth [4]	Member of the Supervisory Board	103,291
Valter Sanches [2]	Member of the Supervisory Board	103,291
Dr. Manfred Schneider	Member of the Supervisory Board, the Presidential Committee and the Nomination Committee	136,973
Stefan Schwaab [1]	Member of the Supervisory Board and the Audit Committee	158,072
Jörg Spies [1]	Member of the Supervisory Board (since January 5, 2010)	102,305
Lloyd G. Trotter	Member of the Supervisory Board	102,301
Dr. h.c. Bernhard Walter	Member of the Supervisory Board and Chairman of the Audit Committee	205,592
Uwe Werner [1]	Member of the Supervisory Board	102,301
Lynton R. Wilson	Member of the Supervisory Board and the Nomination Committee	133,893

1 The employee representatives have stated that their board remuneration is to be transferred to the Hans-Böckler Foundation, in accordance with the guidelines of the German Trade Union Federation. The Hans-Böckler Foundation is a German not-for-profit organization of the German Trade Union Federation.
2 Mr. Sanches has directed that his board remuneration is to be paid to the Hans-Böckler Foundation.
3 Dr. Klebe also received remuneration and meeting fees of €13,700 for his board services at Daimler Luft- und Raumfahrt Holding AG. These amounts are also to be transferred to the Hans-Böckler Foundation.
4 Mr. Osseforth has directed that a portion of his board remuneration is to be paid to a German foundation for adult education ("Treuhandstiftung Erwachsenenbildung").

Compliance

Our understanding of compliance and our principles. Integrity is one of our four corporate values. It is the foundation of our actions and of our success as a globally active group of companies. We are convinced that financial success can only be sustainable if it is achieved legally and correctly. What does compliance mean in this context? We understand it as adherence to all applicable laws, rules and regulations and to our related internal guidelines. We can only establish a sustained culture of compliance if each individual internalizes the rules and accepts responsibility. Correct business practice and sustainable growth are closely interlinked, because in the long term, communities of values are also communities of value creation. In 2010, we carried out for the first time a survey on our Integrity Code and our anti-corruption guidelines, in order to gain an overview of our employees' attitude and knowledge. The results of the survey will help us to improve the quality of the guidelines and the related processes.

Settlement with the US authorities. The investigations in the United States of Daimler AG and three other companies of the Group concerning possible violations of the Foreign Corrupt Practices Act were terminated on April 1, 2010. In the coming years, Judge Louis Freeh, a former US federal judge and director of the FBI, will regularly report to the US authorities on the effectiveness of our compliance program in the role of our Compliance Monitor. The Group fully supports the Monitor in carrying out his tasks. On the other hand, the Monitor's activities will help us to improve the effectiveness and efficiency of our compliance program.

Further development of compliance organization. In the third quarter of 2010, the Supervisory Board decided to create a new Board of Management position, Integrity and Legal Affairs, thus further developing our compliance organization. The tasks of the new Board of Management member include managing the global legal and compliance organization, business ethics and the sustained anchoring of integrity and compliance throughout the Group. The Chief Compliance Officer is the head of the Group Compliance department. In the future, he will report directly to the Board of Management member for Integrity and Legal Affairs and will regularly inform the Audit Committee of the Supervisory Board of his activities.

Systematic compliance risk management. The Corporate Compliance Operations department (CCO) defines the annual anti-corruption program and supports its implementation worldwide. In a systematic risk analysis, all companies and entities of the Daimler Group are assessed and classified in terms of their corruption risk. The crucial aspects include business activities, the business environment, and country-specific evaluation in a corruption awareness index developed by Transparency International, an anti-corruption organization. Subsequently, we implement an individually adapted program for the prevention of corruption on the basis of risk assessments in the companies and units.

The local compliance managers deployed worldwide are particularly important as contact persons and as an interface to Corporate Compliance Operations. Approximately 90 specifically qualified local compliance managers look after more than 180 companies and business units at our worldwide sites. They support the local management with adherence to the anti-corruption regulations and regularly report both within their business units and to the Group's headquarters.

In 72 sales companies and business units, we have also established standardized control systems which help to secure correct behavior in conformance with applicable regulations. The effectiveness of the controls is assessed by our Internal Auditing department and by the companies themselves in standardized annual self-assessments. In order to minimize the risk of corruption, the existing standard process for reviewing transactions with public authorities and government clients in countries with an increased risk of corruption is being further developed.

The highest expectations also of business partners. Correct behavior is a precondition for a trusting partnership and cooperation. We therefore expect our business partners to behave in full conformance with applicable regulations. Anyone acting on Daimler's behalf must fulfill the highest ethical standards. To minimize the risk of corruption, we therefore carry out a risk-based integrity test with business partners who support Daimler with sales transactions, and enter into contractual arrangements with those partners, making clear our expectations in terms of adherence to the law.

Standard processes support behavior that conforms to applicable regulations. Compliance cannot be delegated. Executives are role models and are the first points of contact for their staff; they therefore bear special responsibility for correct behavior. For this reason, the fundamental importance of compliance is firmly anchored in our qualification programs for executives and junior managers, as well as in our talent-promotion activities. Only those employees who consistently orient their decisions and processes towards applicable rules and regulations can be given additional responsibility. In addition, we set specific compliance targets for chief executives, heads of finance, sales managers and after-sales managers in units where there is an increased risk of corruption. In the future, we will link the variable element of executive remuneration more closely with compliant behavior.

Wide-ranging compliance activities. In addition to line managers and local contact persons, the Daimler Group also has headquarters departments for compliance matters. All of the Group's employees can contact the Compliance Consultation Desk with specific questions on the prevention of corruption. And the most common questions and answers with regard to compliance advice are accessible in an online database. In accordance with the Group's policy of the "Zero-Tolerance-Principle" and the corporate guidelines on disciplinary actions, there is no scope for discretion in connection with behavior that is against the law or contrary to applicable regulations.

The contact point for accepting, documenting and processing any suspected misconduct is the whistleblower system, the Business Practices Office (BPO). Not only our employees but also external persons can report any indications of suspected misconduct through various channels – worldwide and at any time on a confidential basis – if desired also anonymously. Employees are required and executives are obliged to report any concrete suspicion of violations of criminal law or of the Daimler Integrity Code to the BPO. The protection of whistleblowers is also regulated with binding effect. Processing reported indications of suspected misconduct was significantly accelerated in 2010 as a result of process improvements. To enhance transparency, we pass on all the significant reported indications of suspected misconduct in anonymous form to the top management once each quarter. As a result of case analyses, processes can be altered if required so that future damage is avoided.

Expansion of worldwide training. Once again, more than 111,000 employees participated in the web-based training on Daimler's Integrity Code in 2010. In addition to the issue of corruption prevention, we also covered the aspects of environmental protection, respect for human rights, dealing with conflicts of interest and appearing in public. In addition, more than 21,000 employees from sales companies and sales departments passed through the web-based training on the prevention of corruption. The training includes more than 140 presence courses worldwide with more than 3,500 participants from functions that are particularly exposed to risk. Furthermore, the Group's top management level underwent a specific course of anti-corruption training.

Corporate Governance Report

Our understanding

At Daimler, good corporate governance goes beyond the mere fulfillment of statutory provisions. The Board of Management and the Supervisory Board have the goal of aligning the Group's management and supervision with national and international benchmarks, in order to secure the continued success of the Group and its strong traditions by means of sustained value creation and to contribute to the safeguarding of mobility as an element of individual freedom.

General conditions

The legal framework for corporate governance at Daimler AG, as a German stock corporation, is based on German law, in particular the Stock Corporation Act (AktG), the Codetermination Act (MitbestG) and legislation concerning capital markets, as well as on the Articles of Incorporation of Daimler AG.

Daimler AG is obliged by the German Stock Corporation Act (AktG) to apply a dual management system featuring strict separation between the Board of Management and the Supervisory Board (two-tier board). With this system, the Company's Board of Management is responsible for the executive functions while the Supervisory Board advises and monitors the Board of Management. No person may be a member of the two boards at the same time.

Daimler's corporate bodies

Shareholders' Meeting. The Company's shareholders exercise their rights in the Company, in particular their voting rights, at the Shareholders' Meeting. Each share in Daimler AG entitles its owner to one vote. There are no Daimler shares with multiple voting rights, no preferred stock, and no maximum voting rights. Documents and information relating to the Shareholders' Meeting can be found on our website at www.daimler.com/ir/am (see also page 24).

The Annual Shareholders' Meeting is generally held within four months after the end of a financial year. The Company facilitates the exercise of voting rights for the shareholders by appointing proxies who are bound by the shareholders' voting instructions. The Company's Articles of Incorporation also authorize the Board of Management to permit postal voting.

Among other matters, the Annual Shareholders' Meeting decides on the appropriation of distributable profits, the ratification of the actions of the members of the Board of Management and the Supervisory Board, the election of the external auditors and the election of the members of the Supervisory Board representing the shareholders. The Annual Meeting also makes other decisions, especially on amendments to the Articles of Incorporation, capital measures, and the approval of certain intercompany agreements. Shareholders can submit countermotions on resolutions proposed by the Board of Management and the Supervisory Board and can challenge resolutions passed by the Shareholders' Meeting in a court of law.

The influence of the Shareholders' Meeting on the management of the Company is limited by law, however. The Shareholders' Meeting can only make management decisions if it is requested to do so by the Board of Management.

Supervisory Board. In accordance with the German Codetermination Act (MitbestG), the Supervisory Board of Daimler AG comprises 20 members. Half of them are elected by the shareholders at the Annual Meeting. The other half comprises members who are elected by the Company's employees who work in Germany. The members representing the shareholders and the members representing the employees are equally obliged by law to act in the Company's best interests.

The Supervisory Board has given itself a set of rules of procedure, which regulate not only its duties and responsibilities and the personal requirements placed upon its members, but above all the convening, preparation and chairing of its meetings and the procedure of passing resolutions. The rules of procedure of the Supervisory Board can be seen on our website at www.daimler.com/dai/rop.

With regard to its own composition, the Supervisory Board has stipulated in its rules of procedure that more than half of the members of the Supervisory Board representing the shareholders are to be independent in order to allow the Board of Management to be advised and monitored independently. The rules of procedure also stipulate that no person may be a member of the Supervisory Board who is a member of a board of, or advises, a significant competitor of Daimler AG or its subsidiaries, or who is subject to any other conflicts of interest. The Supervisory Board of Daimler AG fulfills these criteria in its present composition.

Governance Structure

Shareholders (Annual Meeting of shareholders)
Election of shareholder representatives
Supervisory Board (10 shareholder and 10 employee representatives), Nomination Committee, Audit Committee, Presidential Committee, Mediation Committee
Appointments, monitoring, consulting
Board of Management (7 Board members)

One member representing the shareholders, the Chairman of the Supervisory Board, is a former member of the Board of Management. After stepping down from the Board of Management of Daimler AG in December 2003, he was elected to the Supervisory Board following a cooling-off period of more than two years in April 2006, and was elected as its Chairman following a cooling-off period of more than three years in April 2007. Three members of the Supervisory Board are members of the board of management of a listed company, but including their positions at Daimler AG, they do not hold more than three supervisory board positions outside their own groups at listed companies or in supervisory boards or committees of companies with comparable requirements.

The rules of procedure of the Supervisory Board specify that candidates for election as representatives of the shareholders who are to hold the position for a full period of office should generally not be over the age of 68 at the time of the election.

Proposals of candidates for election as members representing the shareholders of Daimler AG take into consideration, as well as the requirements of applicable law, the Articles of Incorporation and the German Corporate Governance Code (HGB), a list of criteria of qualifications and experience. They include market knowledge in the regions important to Daimler, expertise in the management of technologies, and experience in certain management functions. An additional guarantee for productive work in the Supervisory Board, which should include persons not only with special competencies but also with an international outlook and openness for social issues, is the members' personal individual diversity with regard to gender, ethnic origin or other personal characteristics. With proposals of candidates for election as representatives of the shareholders, the Supervisory Board therefore considers the overall balance, with regard in particular to gender but also to other aspects, and sees this as added value for the Supervisory Board in its entirety. The guideline with regard to gender balance is the Company's target of achieving a proportion of 20% women in executive positions by the year 2020 (of the Supervisory Board members representing the shareholders at December 31, 2010, 10% are women). With regard to ensuring sufficient internationality, a proportion of more than one third of non-German members is deemed to be appropriate and is currently fulfilled.

The Supervisory Board's duties include appointing and recalling the members of the Board of Management, deciding on and regularly reviewing the system of Board of Management remuneration, and determining the individual total remuneration of the members of the Board of Management.

With due consideration of the Group's international operations, the Supervisory Board pays particular attention to the issue of diversity also in connection with the composition of the Board of Management, for example with regard to gender, ethnic origin and other personal characteristics.

The Supervisory Board monitors and advises the Board of Management in its management of the Company. At regular intervals, the Supervisory Board receives reports from the Board of Management on the Group's strategy, corporate planning, profitability and business developments. The Supervisory Board has retained the right of approval for transactions of fundamental importance.

Following discussions with the external auditors and its own review, the Supervisory Board approves the annual company financial statements and the annual consolidated financial statements with due consideration of the external auditors' audit reports, as well as the results of the review carried out by the Audit Committee. The Supervisory Board reports to the Annual Shareholders' Meeting on the results of its own review.

The members of the Supervisory Board attend in their own responsibility such courses of training and further training as might be necessary for the performance of their tasks and are supported by the Company in doing so. In addition to courses already offered, Daimler AG will make appropriate offers to the members of its Supervisory Board as required also in the future. The contents of such courses could include the subjects of technological and economic developments, accounting and financial reporting, internal control and risk management systems, compliance, new legislation and board of management remuneration.

The Supervisory Board has formed four committees, which perform to the extent legally permissible the tasks assigned to them in the name of and on behalf of the entire Supervisory Board: the Presidential Committee, the Nomination Committee, the Audit Committee and the Mediation Committee. The committee chairpersons report to the entire Supervisory Board on the committees' work at the latest in the meeting of the Supervisory Board following each committee meeting. The Supervisory Board has issued rules of procedure for each of its committees. These rules of procedure can also be seen on our website at www.daimler.com/dai/rop; the current members of the Supervisory Board are listed at www.daimler.com/supervisoryboard and of its committees at www.daimler.com/dai/sbc. The members of the Supervisory Board and its committees are also listed on pages 20 and 21 of this Annual Report.

The **Presidential Committee** is composed of the Chairman of the Supervisory Board, his Deputy and two other members, who are elected by a majority of the votes cast on the relevant resolution of the Supervisory Board.

The Presidential Committee makes recommendations to the Supervisory Board on the appointment of members of the Board of Management and is responsible for their contractual affairs. It submits proposals to the Supervisory Board on the design of the remuneration system for the Board of Management and on the appropriate individual remuneration of its members, and decides on the granting of consent to sideline activities of Board of Management members.

In addition, the Presidential Committee decides on questions of corporate governance, on which it also makes recommendations to the Supervisory Board. It supports and advises the Chairman of the Supervisory Board and his Deputy, and prepares the meetings of the Supervisory Board.

The **Nomination Committee** is composed of at least three members, who are elected by a majority of the votes cast by the members of the Supervisory Board representing the shareholders, and is the only Supervisory Board Committee comprised solely of members representing the shareholders. It makes recommendations to the Supervisory Board concerning persons to be proposed for election as members of the Supervisory Board representing the shareholders at the Annual Shareholders' Meeting. In doing so, it takes into consideration the specific goals that the Supervisory Board has set for its own composition. Furthermore, it defines the requirements for each specific position to be occupied.

The **Audit Committee** is composed of four members, who are elected by a majority of the votes cast on the relevant resolution of the Supervisory Board. The Chairman of the Audit Committee must have special expertise in the field of accounting and should also have special expertise and experience in the field of internal control procedures. All the other members of the Audit Committee should have special expertise in the field of accounting, business administration or finance.

The Supervisory Board is convinced of the independence of the Chairman of the Audit Committee, Dr. h.c. Bernhard Walter, and the other member of the Audit Committee representing the shareholders, Dr. Clemens Börsig. Both of them have special expertise and experience in the application of accounting principles and internal monitoring systems, which qualify them as financial experts.

The Audit Committee deals with questions of accounting and risk management, the internal monitoring system, internal auditing, compliance and the annual external audit. At least once a year, it discusses with the Board of Management and the external auditors the effectiveness, functionality and appropriateness of the internal monitoring systems and the risk management system, and discusses with the Board of Management the effectiveness and appropriateness of the internal auditing system and compliance management. Furthermore, it regularly receives reports on the work of the Internal Auditing department and the compliance organization. At least four times a year, the Audit Committee receives a report from the Business Practices Office, which has been established to deal with complaints and information about any breaches of guidelines, criminal offences or dubious accounting, financial reporting or auditing, and is regularly informed about how such cases are dealt with.

The Audit Committee discusses the interim reports on the first quarter, first half and first nine months of the year with the Board of Management. On the basis of the report of the external auditors, the Audit Committee reviews the annual company financial statements and the annual consolidated financial statements and discusses them with the external auditors. It makes a proposal to the Supervisory Board on the appropriation of profits and on the adoption of the annual company financial statements of Daimler AG and on the approval of the annual consolidated financial statements. The Committee also makes recommendations for the proposal on the selection of external auditors, assesses those auditors' suitability and independence, and, after the external auditors are elected by the Annual Meeting, it commissions them to conduct the annual audit of the company and consolidated financial statements and to review the interim reports, negotiates an audit fee, and determines the focus of the annual audit.

The Audit Committee receives reports from the external auditors on all accounting matters that might be regarded as critical and on any material weaknesses of the internal monitoring and risk management system with regard to accounting. Finally, the Audit Committee approves services provided by the firm of external auditors or its affiliates to Daimler AG or to companies of the Daimler Group that are not directly related to the annual audit.

The **Mediation Committee** is composed of the Chairman of the Supervisory Board and his Deputy, as well as one member of the Supervisory Board representing the employees and one member of the Supervisory Board representing the shareholders, each elected with a majority of the votes cast. It is formed solely to perform the functions laid down in Section 31 Subsection 3 of the German Codetermination Act (MitbestG). Accordingly, the Mediation Committee has the task of making proposals on the appointment of members of the Board of Management if in the first vote the majority required for the appointment of a Board of Management member of two thirds of the members of the Supervisory Board is not achieved.

Board of Management. As of December 31, 2010, the Board of Management of Daimler AG comprised six members. Information on their areas of responsibility and curriculum vitae is posted on our website at www.daimler.com/dai/bom. The members of the Board of Management and their areas of responsibility are also listed on pages 12 and 13 of this Annual Report.

No member of the Board of Management holds more than three supervisory board positions at other listed companies or in supervisory boards of companies with comparable requirements.

With the consent of the Supervisory Board, the Board of Management sets the Group's strategic focus. Its members have joint responsibility for managing the Group's business.

The Board of Management prepares the consolidated interim reports, the annual company financial statements of Daimler AG and the annual consolidated financial statements. It has established a risk management system and monitors that system. In addition, the Board of Management is responsible for adherence to the provisions of applicable law, official regulations and the Group's internal guidelines, and works to secure compliance with those rules and regulations by the companies of the Group. Further information on compliance is summarized in the Compliance section on pages 158 and 159 of this Annual Report.

The Board of Management requires the consent of the Supervisory Board for certain types of transaction of fundamental importance. At regular intervals, the Board of Management reports to the Supervisory Board on corporate strategy, corporate planning, profitability and business developments, as well as on the internal control system, the risk management system and compliance issues. Significant deviations are reported without delay.

When making appointments to executive positions at the Group, the Board of Management gives due consideration to the issue of **diversity**, with regard for example to the criteria of age, gender and internationality. Diversity-management activities include diversity workshops, the development of internal networks, external cooperation with educational facilities, and membership of selected initiatives. A key area of action is the targeted promotion of women. The proportion of women in top executive positions is to increase from the current 9% to 20% by the year 2020. By means for example of flexible working-time arrangements, setting up day-nurseries close to workplaces, and a special mentoring program for women, Daimler has already succeeded in increasing the proportion of women in top executive positions continuously since 2005.

The Board of Management has also given itself a set of rules of procedure, which can be seen on our website at www.daimler.com/dai/rop. In addition to specifying the responsibilities of its members, they also describe the procedure to be observed when passing resolutions and ways to avoid conflicts of interest.

Information on the **remuneration** of the Board of Management including the performance phantom share plan and on the remuneration of the Supervisory Board is provided on pages 152 ff. of this Annual Report.

Shares held by the Board of Management and the Supervisory Board, directors' dealings

At December 31, 2010, the members of the Board of Management held a total of 1.2 million shares or share options of Daimler AG (0.110% of the shares issued). At the same date, members of the Supervisory Board held a total of 0.1 million shares or share options of Daimler AG (0.006% of the shares issued).

In 2010, the transactions in shares of Daimler AG or related financial instruments listed in the table below took place involving members of the Board of Management and the Supervisory Board (and, pursuant to the provisions of Section 15a of the German Securities Trading Act (WpHG), involving persons in a close relationship with the aforementioned persons). Daimler AG discloses these transactions without delay after receiving notification of them. This information is also available on our website at www.daimler.com/dai/dd/en.

Directors' dealings (pursuant to Section 15a of the German Securities Trading Act (WpHG)) in the year 2010

Date	Name	Function	Type and place of transaction	Number	Price	Total volume
Nov. 25, 2010	Andreas Renschler	Member of the Board of Management	Acquisition of shares by exercise of options (off-market)	40,000	€51.52	€2,060,800
Nov. 25, 2010	Andreas Renschler	Member of the Board of Management	Sale of new shares (Frankfurt)	40,000	€51.81	€2,072,400
Nov. 26, 2010	Andreas Renschler	Member of the Board of Management	Acquisition of shares by exercise of options (off-market)	8,000	€34,40	€275,200
Nov. 25, 2010	Bodo Uebber	Member of the Board of Management	Acquisition of shares by exercise of options (off-market)	47,000	€43.57	€2,047,790
Nov. 25, 2010	Bodo Uebber	Member of the Board of Management	Sale of new shares (Frankfurt)	47,000	€51.81	€2,435,070
Nov. 25, 2010	Bodo Uebber	Member of the Board of Management	Acquisition of shares by exercise of options (off-market)	18,000	€34.40	€619,200
Nov. 25, 2010	Bodo Uebber	Member of the Board of Management	Sale of new shares (Frankfurt)	18,000	€51.81	€932,580
Nov. 25, 2010	Bodo Uebber	Member of the Board of Management	Acquisition of shares by exercise of options (off-market)	18,000	€51.52	€927,360
Nov. 25, 2010	Bodo Uebber	Member of the Board of Management	Sale of new shares (Frankfurt)	18,000	€51.81	€932,580
Nov. 25, 2010	Bodo Uebber	Member of the Board of Management	Acquisition of shares by exercise of options (off-market)	13,000	€43.57	€566,410
Nov. 25, 2010	Dr. Thomas Weber	Member of the Board of Management	Acquisition of shares by exercise of options (off-market)	19,000	€51.52	€978,880
Nov. 25, 2010	Dr. Thomas Weber	Member of the Board of Management	Sale of new shares (Frankfurt)	19,000	€51.81	€984,390
Nov. 25, 2010	Dr. Thomas Weber	Member of the Board of Management	Acquisition of shares by exercise of options (off-market)	1,000	€51.52	€51,520
Nov. 25, 2010	Dr. Dieter Zetsche	Member of the Board of Management	Acquisition of shares by exercise of options (off-market)	231,000	€51.52	€11,901,120
Nov. 25, 2010	Dr. Dieter Zetsche	Member of the Board of Management	Sale of new shares (Frankfurt)	231,000	€51.81	€11,968,110
Nov. 25, 2010	Dr. Dieter Zetsche	Member of the Board of Management	Acquisition of shares by exercise of options (off-market)	19,000	€51.52	€978,880
Nov. 4, 2010	Gregor Zetsche	Closely related natural person	Sale of new shares (Frankfurt)	1,425	€50.00	€71,250

Risk management, financial reporting and transparency

Risk management at the Group. Daimler has a risk management system commensurate with its position as a company with global operations (see pages 104 ff.). The risk management system is one component of the overall planning, controlling and reporting process. Its goal is to enable the Company's management to recognize significant risks at an early stage and to initiate appropriate countermeasures in a timely manner. The Supervisory Board deals with the risk management system in particular with regard to the approval of the operational planning. The Audit Committee discusses at least once a year the effectiveness, functionality and appropriateness of the risk management system with the Board of Management and the external auditors. In addition, the Audit Committee deals with the risk report once each quarter. The Chairman of the Supervisory Board has regular contacts with the Board of Management to discuss not only the Group's strategy and business development, but also the issue of risk management. The Corporate Audit department monitors adherence to the legal framework and Group standards by means of targeted audits and initiates appropriate actions as required.

Accounting principles. The consolidated financial statements of the Daimler Group are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, and with the supplementary standards to be applied according to Section 315a Subsection 1 of the German Commercial Code (HGB). Details of the IFRS are provided in this Annual Report in the Notes to the Consolidated Financial Statements (see Note 1). The annual financial statements of Daimler AG, which is the parent company, are prepared in accordance with the accounting standards of the German Commercial Code (HGB). Both sets of financial statements are audited by external auditors.

Transparency. We maintain close contacts with our shareholders in the context of comprehensive investor relations activities. We regularly inform our shareholders, financial analysts, shareholder associations, the media and the interested public about the situation of the Group and any significant changes in its business (see pages 24 f).

We have posted an overview of all the significant information disclosed in the year 2010 on our website at www.daimler.com/ir/annualdoc10.

Irrespective of deregistering Daimler's shares from the United States Securities and Exchange Commission (SEC) and ending our listing on the New York Stock Exchange in 2010, the Company will continue to maintain a high standard of transparency in its financial reporting.

Fair disclosure. All new facts that are communicated to financial analysts and institutional investors are simultaneously also made available to all shareholders and the interested public. If any information is made public outside Germany as a result of the regulations governing capital markets in the respective countries, we also make this information available without delay in Germany in the original version or at least in English. In order to ensure that information is provided quickly, Daimler makes use of the Internet and other methods of communication.

Financial calendar. All the dates of important disclosures (e.g. annual reports and interim reports) and the date of the Annual Shareholders' Meeting are announced in advance in a financial calendar. The financial calendar can be seen inside the rear cover of this annual report and on our website at www.daimler.com/ir/calendar.

Integrity

Integrity Code. The Integrity Code is a set of guidelines for behavior, which has been in effect since 1999 and was revised in 2003, defining a binding framework for the actions of all our employees worldwide. Among other things, the guidelines define correct behavior in international business and in any cases of conflicts of interest, questions of equal treatment, proscription of corruption, the role of internal control systems and the duty to comply with applicable law as well as other internal and external regulations. The Principles of Social Responsibility are also a component of the Integrity Code. In those principles, Daimler expresses its commitment to internationally recognized human rights and employee rights. Daimler expects all of its employees to adhere strictly to the provisions of the Integrity Code.
The full text of the Integrity Code is posted on our website at www.daimler.com/dai/guidelines.

Code of Ethics. We introduced our Code of Ethics in July 2003. This code addresses the members of the Board of Management and persons with special responsibility for the contents of financial disclosure. The provisions of the code aim to prevent mistakes by the persons addressed and to promote ethical behavior as well as the complete, appropriate, accurate, timely and clear disclosure of information on the Group. The wording of the Code of Ethics can be seen on our website at www.daimler.com/dai/guidelines.

Declaration of Compliance with the German Corporate Governance Code

Section 161 of the German Stock Corporation Act (AktG) requires the Board of Management and the Supervisory Board of a listed stock corporation to declare each year that the recommendations of the „German Corporate Governance Code Government Commission“ as published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette have been and are being met or, for which reasons which recommendations have not been or are not being applied. Permanent public access to such declaration must be given on the website of the Company.

The German Corporate Governance Code (“Code”) contains rules with varying binding effects. Apart from outlining aspects of the applicable German Stock Corporation Law, it contains recommendations from which companies are permitted to deviate. However, if they do so, they must disclose this each year. According to § 161 AktG, deviations from the recommendations of the Code have to be explained. The Code further contains suggestions which can be ignored without giving rise to any disclosure requirement.

The Board of Management and the Supervisory Board of Daimler AG have decided to disclose and explain not only deviations from the Code’s recommendations (see I.) but also – without being legally obliged to do so – deviations from its suggestions (see II.).

For the period since the last compliance declaration of April 2010 until July 1, 2010, the following declaration refers to the Code as amended on June 18, 2009. For the corporate governance practice of Daimler AG since July 2, 2010, this declaration refers to the requirements of the Code as amended on May 26, 2010, published in the electronic Federal Gazette on July 2, 2010.

The Board of Management and the Supervisory Board of Daimler AG declare that as a rule both the recommendations and the suggestions of the „German Corporate Governance Code Government Commission“ have been and are being met. The Board of Management and the Supervisory Board of Daimler AG also intend to follow the recommendations and suggestions of the German Corporate Governance Code in the future. The following recommendations and suggestions are the only ones that have not been and are not being applied:

I. Deviations from the recommendations of the German Corporate Governance Code

1. Deductible with the D&O insurance for the Supervisory Board (Code Clause 3.8, Paragraph 3). The Directors’ and Officers’ Liability insurance (D&O insurance) obtained by Daimler AG also refers to the members of the Supervisory Board. As no insurance coverage for intentional acts and omissions and for breaches of duty knowingly committed is assumed, a deductible only comes into question in the context of negligent breaches of duty.

Since the renewed D&O insurance policy as of April 1, 2010 such deductible for the members of the Supervisory Board is provided for negligent breach of duty amounting to 50% of the respective remuneration.

Since the remuneration structure of the Supervisory Board is limited to a fixed remuneration without success-related components the setting of a deductible for members of the Supervisory Board of one and a half times of the fixed annual remuneration compared to the members of the Board of Management, whose remuneration consists of fixed and success-related components, would lead to a disproportionate economic result. Against this background the Supervisory Board decided on a deductible for its members amounting to 50% of the respective remuneration, which exceeds the legal mandatory deductible for the members of the Board of Management in relation to the total remuneration.

2. Concrete Objectives for the Composition of the Supervisory Board (Code Clause 5.4.1, Sentence 2). Over and above the existing quality objectives the Supervisory Board has decided on December 9, 2010 on concrete figures for its composition, under special consideration of an adequate proportional representation of women.

3. Compensation of the Supervisory Board (Code Clause 5.4.6, Paragraph 2, Sentence 1). The Supervisory Board receives adequate compensation that contains fixed and function-related elements, where applicable, as well as attendance fees. The Articles of Incorporation provide for a base annual fee for each Member of the Supervisory Board. This base annual fee increases according to the respective field of responsibility with taking over further functions within the Supervisory Board, as taking a membership or the Chair of Supervisory Board Committees or the Chair or Deputy Chair of the Supervisory Board. If a member of the Supervisory Board exercises several of the aforementioned functions, he/she shall be remunerated solely according to the function with the highest remuneration. We believe that a function-related compensation system is also more appropriate for the oversight role of Supervisory Board members than performance-related compensation because it eliminates any potential conflicting interests that might arise from decisions of the Supervisory Board with possible influence on performance criteria. Thus the Supervisory Board does not receive performance-related compensation.

II. Deviations from the suggestions of the German Corporate Governance Code

1. Broadcast of the Annual Meeting (Code Clause 2.3.4). The Annual Meeting of Daimler AG is broadcast on the internet through the end of the Board of Management's report. Continuing the broadcast after this point, particularly broadcasting comments made by individual shareholders could be construed as interfering with privacy rights. The fact that, at the forefront, transmission of the entire Annual Shareholders Meeting requires legitimation by the Articles of Incorporation or Rules of Procedure adopted by the Shareholders' Meeting itself, points out that, in due consideration, privacy rights of the shareholder are not per se subordinated to a transmission interest.

For this reason the company will go on not to broadcast the entire Annual Meeting.

2. Variable compensation of the Supervisory Board relating to the company's long-term success (Code Clause 5.4.6 Paragraph 2, Sentence 2). We refer to the comments on I. 3. with regard to the introduction of performance-related compensation for the members of the Supervisory Board.

Stuttgart, in December 2010

The Supervisory Board — The Board of Management

The Consolidated Financial Statements presented as follows have been prepared in accordance with the International Financial Reporting Standards (IFRS). They also include additional requirements set forth in Section 315a (1) of the German Commercial Code (HGB).

Contents

Responsibility Statement

in accordance with Section 37y (1) of the WpHG (German Securities Trading Act) in conjunction with Section 297 (2), 4 and Section 315 (1), 6 of the HGB (German Commercial Law)

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report, which has been combined with the management report for DAG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Stuttgart, February 28, 2011

Dieter Zetsche

Wolfgang Bernhard

Christine Hohmann-Dennhardt

Wilfried Porth

Andreas Renschler

Bodo Uebber

Thomas Weber

Independent Auditors' Report

We have audited the consolidated financial statements prepared by the Daimler AG, Stuttgart, comprising statement of income (loss), statement of comprehensive income (loss), statement of financial position, statement of changes in equity, statement of cash flows and notes to the consolidated financial statements together with the report on the position of the Company and the Group for the business year from January 1 to December 31, 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. [paragraph] 1 HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition, we have been instructed to express an opinion as to whether the consolidated financial statements comply with IFRS as promulgated by the International Accounting Standards Board (IASB-IFRS).

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) [Institute of Public Auditors in Germany]. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and IASB-IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Stuttgart, February 28, 2011

KPMG AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Nonnenmacher	Meyer
Wirtschaftsprüfer	Wirtschaftsprüfer

Consolidated Statement of Income/Loss

		Consolidated		Industrial Business (unaudited additional information)		Daimler Financial Services (unaudited additional information)	
		Year ended December 31,		Year ended December 31,		Year ended December 31,	
	Note	2010	2009	2010	2009	2010	2009
In millions of euros							
Revenue	4	97,761	78,924	84,973	66,928	12,788	11,996
Cost of sales	5	-74,988	-65,567	-63,912	-54,268	-11,076	-11,299
Gross profit		22,773	13,357	21,061	12,660	1,712	697
Selling expenses	5	-8,861	-7,608	-8,517	-7,303	-344	-305
General administrative expenses	5	-3,474	-3,287	-2,951	-2,838	-523	-449
Research and non-capitalized development costs	5	-3,476	-2,896	-3,476	-2,896	–	–
Other operating income	6	971	693	879	589	92	104
Other operating expense	6	-660	-503	-569	-460	-91	-43
Share of profit/loss from investments accounted for using the equity method, net	13	-148	72	-141	65	-7	7
Other financial income/expense, net	7	149	-1,341	157	-1,339	-8	-2
Earnings before interest and taxes (EBIT) [1]		7,274	-1,513	6,443	-1,522	831	9
Interest income	8	825	1,136	821	1,132	4	4
Interest expense	8	-1,471	-1,921	-1,457	-1,907	-14	-14
Profit/loss before income taxes		6,628	-2,298	5,807	-2,297	821	-1
Income taxes	9	-1,954	-346	-1,681	-350	-273	4
Net profit/loss		4,674	-2,644	4,126	-2,647	548	3
Profit (-)/loss attributable to minority interest		-176	4				
Profit/loss attributable to shareholders of Daimler AG		4,498	-2,640				
Earnings/loss per share (in €) for profit/loss attributable to shareholders of Daimler AG	34						
Basic		4.28	-2.63				
Diluted		4.28	-2.63				

1 EBIT includes expenses from compounding of provisions and effects of changes in discount rates (2010: minus €240 million; 2009: minus €1,003 million).

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income/Loss [1]

	Consolidated	
	2010	2009
In millions of euros		
Net profit/loss	4,674	-2,644
Unrealized gains from currency translation adjustments	1,200	267
Unrealized gains/losses from financial assets available for sale	-121	247
Unrealized losses from derivative financial instruments	-484	-308
Unrealized gains/losses from investments accounted for using the equity method	-449	195
Other comprehensive income, net of taxes	146	401
Thereof income/loss attributable to minority interest	-86	103
Thereof income attributable to shareholders of Daimler AG	232	298
Total comprehensive income/loss	4,820	-2,243
Thereof income attributable to minority interest	90	99
Thereof income/loss attributable to shareholders of Daimler AG	4,730	-2,342

1 For other information regarding comprehensive income/loss, see Note 20.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Note	Consolidated		Industrial Business (unaudited additional information)		Daimler Financial Services (unaudited additional information)	
		At December 31,		At December 31,		At December 31,	
		2010	2009	2010	2009	2010	2009
In millions of euros							
Assets							
Intangible assets	10	7,504	6,753	7,450	6,690	54	63
Property, plant and equipment	11	17,593	15,965	17,544	15,911	49	54
Equipment on operating leases	12	19,925	18,532	9,611	8,651	10,314	9,881
Investments accounted for using the equity method	13	3,960	4,295	3,917	4,241	43	54
Receivables from financial services	14	22,864	22,250	-45	-24	22,909	22,274
Marketable debt securities	15	766	1,224	15	85	751	1,139
Other financial assets	16	3,194	2,793	2,015	2,634	1,179	159
Deferred tax assets	9	2,613	2,233	2,108	1,830	505	403
Other assets	17	408	496	214	305	194	191
Total non-current assets		78,827	74,541	42,829	40,323	35,998	34,218
Inventories	18	14,544	12,845	14,056	12,337	488	508
Trade receivables	19	7,192	5,285	6,964	5,073	228	212
Receivables from financial services	14	18,166	16,228	-51	-37	18,217	16,265
Cash and cash equivalents		10,903	9,800	9,535	6,735	1,368	3,065
Marketable debt securities	15	1,330	5,118	1,243	4,988	87	130
Other financial assets	16	2,247	2,342	-5,282	-4,312	7,529	6,654
Other assets	17	2,621	2,352	-1,335	-1,346	3,956	3,698
Sub-total current assets		57,003	53,970	25,130	23,438	31,873	30,532
Assets held for sale from non-automotive leasing portfolios	3	–	310	–	–	–	310
Total current assets		57,003	54,280	25,130	23,438	31,873	30,842
Total assets		135,830	128,821	67,959	63,761	67,871	65,060
Equity and liabilities							
Share capital		3,058	3,045				
Capital reserves		11,905	11,864				
Retained earnings		20,553	16,163				
Other reserves		864	632				
Treasury shares		-7	-1,443				
Equity attributable to shareholders of Daimler AG		36,373	30,261				
Minority interest		1,580	1,566				
Total equity	20	37,953	31,827	33,088	27,157	4,865	4,670
Provisions for pensions and similar obligations	22	4,329	4,082	4,141	3,901	188	181
Provisions for income taxes		2,539	2,774	2,537	2,772	2	2
Provisions for other risks	23	5,548	4,696	5,367	4,585	181	111
Financing liabilities	24	27,861	33,258	3,480	13,390	24,381	19,868
Other financial liabilities	25	1,883	2,148	1,824	1,985	59	163
Deferred tax liabilities	9	675	509	-1,813	-2,987	2,488	3,496
Deferred income		1,824	1,914	1,481	1,305	343	609
Other liabilities	26	79	75	74	66	5	9
Total non-current liabilities		44,738	49,456	17,091	25,017	27,647	24,439
Trade payables		7,657	5,622	7,429	5,422	228	200
Provisions for income taxes		1,229	509	382	75	847	434
Provisions for other risks	23	6,992	6,311	6,711	6,070	281	241
Financing liabilities	24	25,821	25,036	-4,838	-7,874	30,659	32,910
Other financial liabilities	25	8,626	7,589	6,058	6,280	2,568	1,309
Deferred income		1,269	1,397	766	755	503	642
Other liabilities	26	1,545	1,074	1,272	859	273	215
Total current liabilities		53,139	47,538	17,780	11,587	35,359	35,951
Total equity and liabilities		135,830	128,821	67,959	63,761	67,871	65,060

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity [1]

	Share capital	Capital reserves	Retained earnings	Other reserves: Currency translation adjustment	Other reserves: Financial assets available-for-sale	Other reserves: Derivative financial instruments	Other reserves: Share of investments accounted for using the equity method	Treasury shares	Equity attributable to share-holders of Daimler AG	Minority interest	Total equity
In millions of euros											
Balance at January 1, 2009	2,768	10,204	19,359	-487	23	576	222	-1,443	31,222	1,508	32,730
Net loss	–	–	-2,640	–	–	–	–	–	-2,640	-4	-2,644
Unrealized gains/losses	–	–	–	274	255	-431	102	–	200	141	341
Deferred taxes on unrealized gains/losses	–	–	–	–	-8	123	-17	–	98	-38	60
Total comprehensive income/loss	–	–	-2,640	274	247	-308	85	–	-2,342	99	-2,243
Dividends	–	–	-556	–	–	–	–	–	-556	-101	-657
Share-based payment	–	1	–	–	–	–	–	–	1	–	1
Issue of new shares	277	1,676	–	–	–	–	–	–	1,953	–	1,953
Other	–	-17	–	–	–	–	–	–	-17	60	43
Balance at December 31, 2009	3,045	11,864	16,163	-213	270	268	307	-1,443	30,261	1,566	31,827
Net profit	–	–	**4,498**	–	-	–	–	–	**4,498**	**176**	**4,674**
Unrealized gains/losses	–	–	–	**1,152**	**-128**	**-696**	**-461**	–	**-133**	**-148**	**-281**
Deferred taxes on unrealized gains/losses	–	–	–	–	**7**	**212**	**146**	–	**365**	**62**	**427**
Total comprehensive income/loss	–	–	**4,498**	**1,152**	**-121**	**-484**	**-315**	–	**4,730**	**90**	**4,820**
Dividends	–	–	–	–	–	–	–	–	–	**-93**	**-93**
Share-based payment	–	**4**	–	–	–	–	–	–	**4**	–	**4**
Capital increase/ Issue of new shares	**13**	**156**	–	–	–	–	–	–	**169**	**5**	**174**
Acquisition of treasury shares	–	–	–	–	–	–	–	**-54**	**-54**	–	**-54**
Issue and disposal of treasury shares	–	**-110**	**-108**	–	–	–	–	**1,490**	**1,272**	–	**1,272**
Other	–	**-9**	–	–	–	–	–	–	**-9**	**12**	**3**
Balance at December 31, 2010	**3,058**	**11,905**	**20,553**	**939**	**149**	**-216**	**-8**	**-7**	**36,373**	**1,580**	**37,953**

1 For other information regarding changes in equity, see Note 20.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows [1]

	Consolidated		Industrial Business (unaudited additional information)		Daimler Financial Services (unaudited additional information)	
	2010	2009	2010	2009	2010	2009
In millions of euros						
Net profit/loss adjusted for	4,674	-2,644	4,126	-2,647	548	3
Depreciation and amortization	3,364	3,264	3,335	3,231	29	33
Other non-cash expense and income	434	-563	1,839	738	-1,405	-1,301
Gains (-)/losses on disposals of assets	-366	-34	-367	-35	1	1
Change in operating assets and liabilities						
Inventories	-955	4,232	-1,018	4,267	63	-35
Trade receivables	-1,493	1,795	-1,499	1,787	6	8
Trade payables	1,778	-902	1,763	-876	15	-26
Receivables from financial services	-823	3,148	103	-615	-926	3,763
Vehicles on operating leases	-571	1,766	39	167	-610	1,599
Other operating assets and liabilities	2,502	899	1,745	527	757	372
Cash provided by/used for operating activities	8,544	10,961	10,066	6,544	-1,522	4,417
Additions to property, plant and equipment	-3,653	-2,423	-3,641	-2,409	-12	-14
Additions to intangible assets	-1,555	-1,422	-1,548	-1,415	-7	-7
Proceeds from disposals of property, plant and equipment and intangible assets	329	280	320	268	9	12
Investments in businesses	-163	-141	-163	-139	–	-2
Proceeds from disposals of businesses	365	67	362	61	3	6
Acquisition of securities (other than trading)	-11,710	-17,782	-11,710	-16,560	–	-1,222
Proceeds from sales of securities (other than trading)	16,035	12,407	15,603	12,407	432	–
Change in other cash	39	64	36	71	3	-7
Cash provided by/used for investing activities	-313	-8,950	-741	-7,716	428	-1,234
Change in short-term financing liabilities	-28	-2,332	203	-1,347	-231	-985
Additions to long-term financing liabilities	13,828	24,900	-4,484	6,887	18,312	18,013
Repayment of long-term financing liabilities	-21,482	-22,807	-2,474	-3,377	-19,008	-19,430
Dividends paid	-93	-657	-86	-654	-7	-3
Proceeds from issuance of share capital (including minority interest)	278	1,953	278	1,952	–	1
Purchase of treasury shares	-54	–	-54	–	–	–
Internal equity transactions	–	–	-286	7	286	-7
Cash provided by/used for financing activities	-7,551	1,057	-6,903	3,468	-648	-2,411
Effect of foreign exchange rate changes on cash and cash equivalents	423	-180	378	-225	45	45
Net increase/decrease in cash and cash equivalents	1,103	2,888	2,800	2,071	-1,697	817
Cash and cash equivalents at the beginning of the period	9,800	6,912	6,735	4,664	3,065	2,248
Cash and cash equivalents at the end of the period	10,903	9,800	9,535	6,735	1,368	3,065

1 For other information regarding consolidated statements of cash flows, see Note 27.

The accompanying notes are an integral part of these consolidated financial statements.

1. Significant accounting policies

General information

The consolidated financial statements of Daimler AG and its subsidiaries ("Daimler" or "the Group") have been prepared in accordance with Section 315a of the German Commercial Code (HGB) and International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union.

Daimler AG is a stock corporation organized under the laws of the Federal Republic of Germany. The company is entered in the Commercial Register of the Stuttgart District Court under No. HRB 19360 and its registered office is located at Mercedesstraße 137, 70327 Stuttgart, Germany.

The consolidated financial statements of Daimler AG are presented in euros (€).

The Board of Management authorized the consolidated financial statements for publication on February 28, 2011.

Basis of preparation

Applied IFRSs. The accounting policies applied in the consolidated financial statements comply with the IFRSs required to be applied as of December 31, 2010.

In January 2008, the IASB published revisions of IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements. Major changes are: (a) the requirement that assets acquired, liabilities assumed and equity interests be consistently measured at fair value on the acquisition date; (b) costs incurred in an acquisition are to be recognized in the income statement of the period; (c) option of measuring any non-controlling interest in entities acquired at fair value; and (d) once control is obtained, all other increases and decreases in ownership interest are reported in equity. Daimler will adopt the standards prospectively as of January 1, 2010.

IFRSs issued but neither EU endorsed nor yet adopted. In November 2009, the IASB published IFRS 9 Financial Instruments as part of its project of a revision of the accounting guidance for financial instruments. Requirements for financial liabilities were added to IFRS 9 in October 2010. The requirements for financial liabilities were carried forward unchanged from IAS 39, with the exception of certain changes to the fair value option for financial liabilities that address the consideration of own credit risk. The new standard provides guidance on the accounting of financial assets and financial liabilities as far as classification and measurement are concerned. The standard will be effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Group will not early adopt IFRS 9 Financial Instruments for 2011. Daimler will determine the expected effects on the Group's consolidated financial statements.

Other IFRSs issued but not required to be adopted are not expected to have a significant influence on the Group's financial position, financial performance or statement of cash flows.

Presentation. Presentation in the statement of financial position differentiates between current and non-current assets and liabilities. Assets and liabilities are classified as current if they mature within one year or within a longer operating cycle. Deferred tax assets and liabilities as well as assets and provisions for pensions and similar obligations are presented as non-current items. The consolidated statement of income/loss is presented using the cost-of-sales method.

Commercial practices with respect to certain products manufactured by the Group necessitate that sales financing, including leasing alternatives, be made available to the Group's customers. Accordingly, the Group's consolidated financial statements are significantly influenced by the activities of its financial services business.

To enhance readers' understanding of the Group's consolidated financial statements, unaudited information with respect to the results of operations and financial position of the Group's industrial and financial services business activities are provided in addition to the audited consolidated financial statements. Such information, however, is not required by IFRS and is not intended to, and does not represent the separate IFRS results of operations and financial position of the Group's industrial or financial services business activities. Eliminations of the effects of transactions between the industrial and financial services businesses have generally been allocated to the industrial business columns.

To enhance readers' understanding of the Group's financial position, the Group decided to present marketable debt securities in the statement of financial position and notes thereto separately so that it is possible to determine liquidity directly from the statement of financial position. These debt instruments, classified as available-for-sale financial assets, form part of the Group's liquidity management function and were previously reported within "Other financial assets." The prior-year presentation has been adjusted accordingly (for further information see Note 15).

Measurement. The consolidated financial statements have been prepared on the historical cost basis with the exception of certain items such as available-for-sale financial assets, derivative financial instruments, hedged items and pensions and similar obligations. The measurement models applied to those exceptions are described below.

Risks and uncertainties. Daimler's financial position, results of operations and cash flows are subject to numerous risks and uncertainties. For example, a renewed downturn of the global economy, renewed financial turbulence or a growth slump in China could cause actual results to differ from current expectations. Additional parameters which may cause actual results to differ from current expectations include further increases in overcapacity and the intensity of competition in the automotive industry; dependence on suppliers, especially single-source suppliers; a permanent shift in consumer preference towards smaller cars; implementation of new technologies; fluctuations in currency exchange rates, interest rates and commodity prices; the resolution of significant legal proceedings and governmental investigations; and environmental and other government regulations.

Principles of consolidation. The consolidated financial statements include the financial statements of Daimler AG and, in general, the financial statements of Daimler AG's subsidiaries, including special purpose entities which are directly or indirectly controlled by Daimler AG. Control means the power, directly or indirectly, to govern the financial and operating policies of an entity so that the Group obtains benefits from its activities.

The financial statements of consolidated subsidiaries are generally prepared as of the reporting date of the consolidated financial statements, except for Mitsubishi Fuso Truck and Bus Corporation (MFTBC), a significant subgroup which is consolidated with a one-month time lag. Adjustments are made for significant events or transactions that occur during the time lag.

The financial statements of Daimler AG and its subsidiaries included in the consolidated financial statements have been prepared using uniform recognition and valuation principles. All significant intercompany accounts and transactions relating to consolidated subsidiaries and consolidated special purpose entities have been eliminated.

Business combinations are accounted for using the purchase method.

Changes in equity interests in Group subsidiaries that reduce or increase Daimler's percentage ownership without loss of control are accounted for as an equity transaction between owners.

As an additional funding source, Daimler transfers finance receivables, in particular receivables from the leasing and automotive business, to special purpose entities. Daimler thereby principally retains significant risks of the transferred receivables. According to IAS 27 Consolidated and Separate Financial Statements and the Standing Interpretations Committee (SIC) Interpretation 12 Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by the transferor. The transferred financial assets remain on Daimler's consolidated statement of financial position.

Investments in associated companies and joint ventures. Associated companies are equity investments in which Daimler has the ability to exercise significant influence over the financial and operating policies of the investee. Joint ventures are those entities over whose activities Daimler has joint control with partners, which are established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associated companies and joint ventures are accounted for using the equity method.

At the acquisition date, the excess of the cost of Daimler's initial investment in equity method companies over the Group's proportionate reassessed ownership interest is recognized as investor level goodwill and included in the carrying amount of the investment accounted for using the equity method.

If the carrying amount exceeds the recoverable amount of an investment in any associated company or joint venture, the carrying amount of the investment is reduced to the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss is recognized in the statement of income in the line item "Share of profit/loss from investments accounted for using the equity method, net." Income and expenses from the sale of investments accounted for using the equity method are shown in the same line item.

Profits from transactions with associated companies and joint ventures are eliminated by reducing the carrying amount of the investment.

Daimler's share of any dilution gains and losses reported by its investees accounted for under the equity method are recognized in share of profit/loss from investments accounted for using the equity method, net.

For the investments in the European Aeronautic Defence and Space Company EADS N.V. (EADS), Tognum AG (Tognum) and Kamaz OAO (Kamaz), the Group's proportionate share of the results of operations is included in Daimler's consolidated financial statements with a three-month time lag because the financial statements of those associated companies are not made available in good time to Daimler. Adjustments are made for all significant events or transactions that occur during the time lag (see also Note 13).

Foreign currency translation. Transactions in foreign currency are translated at the relevant foreign exchange rates prevailing at the transaction date. Gains and losses from the subsequent measurement of financial assets and liabilities denominated in foreign currency are recognized in profit and loss (except for available-for-sale equity instruments and financial liabilities designated as a hedge of a net investment in a foreign operation).

Assets and liabilities of foreign companies for which the functional currency is not the euro are translated into euros using period-end exchange rates. The translation adjustments generated after the transition to IFRS on January 1, 2005 are presented directly in equity. The consolidated statements of income/loss and cash flows are translated into euros using average exchange rates during the respective periods.

The exchange rates of the US dollar, the most significant foreign currency for Daimler, were as follows:

	2010	2009
	1 € =	1 € =
Exchange rate at December 31	1.3362	1.4406
Average exchange rate		
First quarter	1.3829	1.3029
Second quarter	1.2709	1.3632
Third quarter	1.2910	1.4303
Fourth quarter	1.3590	1.4785

Accounting policies

Revenue recognition. Revenue from sales of vehicles, service parts and other related products is recognized when the risks and rewards of ownership of the goods are transferred to the customer, the amount of revenue can be estimated reliably and collectability is reasonably assured. Revenue is recognized net of sales reductions such as cash discounts and sales incentives granted.

Daimler uses sales incentives in response to a number of market and product factors, including pricing actions and incentives offered by competitors, the amount of excess industry production capacity, the intensity of market competition and consumer demand for the product. The Group may offer a variety of sales incentive programs at any point in time, including cash offers to dealers and consumers, lease subsidies which reduce the consumers' monthly lease payment, or reduced financing rate programs offered to costumers.

Revenue from receivables from financial services is recognized using the effective interest method. When loans are issued below market rates, related receivables are recognized at present value and revenue is reduced for the interest incentive granted.

The Group offers an extended, separately priced warranty for certain products. Revenue from these contracts is deferred and recognized into income over the contract period in proportion to the costs expected to be incurred based on historical information. In circumstances in which there is insufficient historical information, income from extended warranty contracts is recognized on a straight-line basis. A loss on these contracts is recognized in the current period if the sum of the expected costs for services under the contract exceeds unearned revenue.

For transactions with multiple deliverables, such as when vehicles are sold with free or reduced in price service programs, the Group allocates revenue to the various elements based on their estimated fair values.

Sales in which the Group guarantees the minimum resale value of the product, such as sales to certain rental car companies, are accounted for similar to an operating lease. The guarantee of the resale value may take the form of an obligation by Daimler to pay any deficiency between the proceeds the customer receives upon resale in an auction and the guaranteed amount, or an obligation to reacquire the vehicle after a certain period of time at a set price. Gains or losses from the resale of these vehicles are included in gross profit.

Revenue from operating leases is recognized on a straight-line basis over the lease term. Among the assets subject to "Operating leases" are Group products which are purchased by Daimler Financial Services from independent third-party dealers and leased to customers. After revenue recognition from the sale of the vehicles to independent third-party dealers, these vehicles create further revenue from leasing and remarketing as a result of lease contracts entered into. The Group estimates that the revenue recognized following the sale of vehicles to dealers equals approximately the additions to leased assets at Daimler Financial Services. Additions to leased assets at Daimler Financial Services were approximately €5 billion in 2010 (2009: approximately €4 billion).

Research and non-capitalized development costs. Expenditure for research and development that does not meet the conditions for capitalization according to IAS 38 Intangible Assets is expensed as incurred.

Borrowing costs. Borrowing costs are expensed as incurred unless they are directly attributable to the acquisition, construction or production of a qualifying asset and therefore are part of the cost of that asset.

Government grants. Government grants related to assets are deducted in calculating the carrying amount of the asset and are recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense. Government grants which compensate the Group for expenses, are recognized as other financial income in same periods as the expenses themselves.

Interest income and expense. Interest income and expense includes interest expense from liabilities, interest income from investments in securities, cash and cash equivalents and interest as well as changes in fair values related to interest rate hedging activities. Income and expense resulting from the allocation of premiums and discounts is also included. Furthermore, the interest component of pensions and similar obligations is presented in this line item.

An exception to the afore mentioned principles is made for Daimler Financial Services. In this case, the interest income and expense and the result from derivative financial instruments are disclosed under revenue and cost of sales, respectively.

Other financial income/expense, net. Other financial income/expense, net includes all income and expense from financial transactions which are not included in interest income and expense, and for Daimler Financial Services not included in revenue and cost of sales. For example, expense from the compounding of interest on provisions for other risks is recorded in this line item.

Income taxes. Current income taxes are determined based on the respective local taxable income of the period and local tax rules. In addition, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest expense and penalties on the underpayment of taxes. Deferred taxes are included in income taxes and reflect changes in deferred tax assets and liabilities except for changes recognized directly in equity.

Deferred tax assets or liabilities are determined based on temporary differences between financial reporting and the tax basis of assets and liabilities including differences from consolidation, loss carryforwards and tax credits. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences. Daimler recognizes a valuation allowance for deferred tax assets when it is unlikely that a corresponding amount of future taxable profit will be available or when Daimler no longer has control over the tax advantage.

Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Earnings/loss per share. Basic earnings/loss per share are calculated by dividing profit or loss attributable to shareholders of Daimler AG by the weighted average number of shares outstanding. Diluted earnings/loss per share additionally reflect the potential dilution that would occur if all stock option plans were exercised.

Goodwill. For acquisitions, goodwill represents the excess of the consideration transferred over the fair values assigned to the separately identifiable assets acquired and liabilities assumed.

Other intangible assets. Intangible assets acquired are measured at cost less accumulated amortization. If necessary, accumulated impairment losses are recognized.

Intangible assets with indefinite lives are reviewed annually to determine whether indefinite-life assessment continues to be appropriate. If not, the change in the useful-life assessment from indefinite to finite is made on a prospective basis.

Intangible assets other than development costs with finite useful lives are generally amortized on a straight-line basis over their useful lives (3 to 10 years) and are tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period for intangible assets with finite useful lives is reviewed at least at each year-end. Changes in expected useful lives are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recorded in functional costs.

Development costs are recognized if the conditions for capitalization according to IAS 38 are met. Subsequent to initial recognition, the asset is carried at cost less accumulated amortization and accumulated impairment losses. Capitalized development costs include all direct costs and allocable overheads and are amortized straight-line over the expected product life cycle (2 to 10 years). Amortization of capitalized development costs is an element of the manufacturing costs and is allocated to those vehicles and components by which they were generated and is included in cost of sales when the inventory (vehicles) is sold.

Property, plant and equipment. Property, plant and equipment are measured at acquisition or manufacturing costs less accumulated depreciation. If necessary, accumulated impairment losses are recognized. The costs of internally produced equipment and facilities include all direct costs and allocable overheads. Acquisition or manufacturing costs include the estimated costs of dismantling and removing the item and restoring the site, if any. Plant and equipment under finance leases are stated at the lower of present value of minimum lease payments or fair value less the respective accumulated depreciation and any accumulated impairment losses. Depreciation expense is recognized using the straight-line method. The residual value of the asset is considered. Property, plant and equipment are depreciated over the following useful lives:

Buildings and site improvements	10 to 50 years
Technical equipment and machinery	6 to 25 years
Other equipment, factory and office equipment	2 to 30 years

Leasing. Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. The Group is a lessee of property, plant and equipment and a lessor of its products. It is evaluated on the basis of the risks and rewards of a leased asset whether the ownership of the leased asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Rent expense on operating leases where the Group is lessee is recognized over the respective lease terms on a straight-line basis. Equipment on operating leases where the Group is lessor is carried initially at its acquisition or manufacturing cost and is depreciated to its expected residual value over the contractual term of the lease, on a straight-line basis. The same accounting principles apply to assets if Daimler sells such assets and leases them back from the buyer.

Impairment of non-financial assets. Daimler assesses at each reporting date whether there is an indication that an asset may be impaired. If such indication exists, or when annual impairment testing for an asset is required (goodwill, other intangible assets with indefinite useful lives and intangible assets not yet in use), Daimler estimates the recoverable amount of the asset. The recoverable amount is determined for each individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets (cash-generating units). The recoverable amount is the higher of fair value less costs to sell and value in use. Daimler determines the recoverable amount as fair value less costs to sell and compares it with the carrying amount (including goodwill). Fair value is measured by discounting future cash flows using a risk-adjusted interest rate. Cash flows which influence the assessment of residual values are estimated on the basis of multi-year planning. Periods not covered by the forecast are taken into account by recognizing a residual value, which principally does not consider any growth rates. If fair value less costs to sell cannot be determined or is lower than the carrying amount, value in use is calculated. If the carrying amount exceeds the recoverable amount, an impairment charge is recognized amounting to the difference.

An assessment for assets other than goodwill is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If this is the case, Daimler records a partial or an entire reversal of the impairment. Thereby, the carrying amount is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized in prior years.

Non-current assets held for sale and disposal groups. Non-current assets held for sale or disposal groups are classified as held for sale and disclosed separately in the statement of financial position. The assets or disposal groups are then measured at the lower of carrying amount and fair value less costs to sell and are no longer depreciated. If fair value less costs to sell subsequently increases, any impairment loss previously recognized is reversed. The reversal is restricted to the impairment losses previously recognized for the assets concerned.

Inventories. Inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is based on the average cost principle and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost also includes production overheads based on normal capacity.

Financial instruments. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments in the form of financial assets and financial liabilities are generally presented separately. Financial instruments are recognized as soon as Daimler becomes a party to the contractual provisions of the financial instrument.

Upon initial recognition, financial instruments are measured at fair value. For the purpose of subsequent measurement, financial instruments are allocated to one of the categories mentioned in IAS 39 Financial Instruments: Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered by determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. If the transaction date and the settlement date (i.e. the date of delivery) differ, Daimler uses the transaction date for purposes of initial recognition or derecognition.

Financial assets. Financial assets primarily comprise receivables from financial services, trade receivables, receivables from banks, cash on hand, derivative financial assets and marketable securities and investments.

Financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss include those financial assets designated as held for trading.

Financial assets such as shares and interest-bearing securities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including embedded derivatives separated from the host contract, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognized in profit or loss.

Loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as receivables from financial services or trade receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses, if necessary. Gains and losses are recognized in the statement of income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Available-for-sale financial assets. Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or that are not classified in any of the preceding categories. This category includes, among others, equity instruments and debt instruments such as government bonds, corporate bonds and commercial paper.

After initial measurement, available-for-sale financial assets are measured at fair value, with unrealized gains or losses being recognized in equity within other reserves (reserves from available-for-sale financial assets). If objective evidence of impairment exists or if changes occur in the fair value of a debt instrument resulting from currency fluctuations, these changes are recognized in profit or loss. Upon disposal of financial assets, the accumulated gains and losses recognized in equity resulting from measurement at fair value are recognized in profit or loss. If a reliable estimate of the fair value of an unquoted equity instrument, such as investments in German limited liability companies, cannot be made, this instrument is measured at cost (less any impairment losses). Interest earned on these financial assets is generally reported as interest income using the effective interest method. Dividends are recognized in profit or loss when the right of payment has been established.

Cash and cash equivalents. Cash and cash equivalents consist primarily of cash on hand, checks, demand deposits at banks as well as debt instruments and certificates of deposits with an original term of up to three months. Cash and cash equivalents correspond with the classification in the consolidated statement of cash flows.

Impairment of financial assets. At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss are assessed to determine whether there is objective evidence of impairment (e.g. a debtor is facing serious financial difficulties or there is a substantial change in the technological, economic, legal or market environment of the debtor).

For quoted equity instruments, a significant or prolonged decline in fair value is additional objective evidence for a possible impairment. Daimler has defined criteria for the significance and duration of a decline in fair value. A decline in fair value is deemed significant if it exceeds 20% of the carrying amount of the investment; a decline is deemed prolonged if the carrying amount exceeds the fair value for a period longer than nine months.

Loans and receivables. The amount of the impairment loss on loans and receivables is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be attributed objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

In most cases, an impairment loss on loans and receivables (e.g. receivables from financial services including finance lease receivables, trade receivables) is recorded using allowance accounts. The decision to account for credit risks using an allowance account or by directly reducing the receivable depends on the estimated probability of the loss of receivables. When receivables are assessed as uncollectible, the impaired asset is derecognized.

Available-for-sale financial assets. If an available-for-sale financial asset is impaired, the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the statement of income/loss, is reclassified from direct recognition in equity to the statement of income/loss. Reversals with respect to equity instruments classified as available for sale are recognized in equity. Reversals of impairment losses on debt instruments are reversed through the statement of income/loss if the increase in fair value of the instrument can be objectively attributed to an event occurring after the impairment losses were recognized in income/loss.

Financial liabilities. Financial liabilities primarily include trade payables, liabilities to banks, bonds, derivative financial liabilities and other liabilities.

Financial liabilities measured at amortized cost. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities at fair value through profit or loss. Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Derivatives, including embedded derivatives separated from the host contract, are classified as held for trading unless they are designated as effective hedging instruments in hedge accounting. Gains or losses on liabilities held for trading are recognized in profit or loss.

Derivative financial instruments and hedge accounting. Daimler uses derivative financial instruments such as forward contracts, swaps, options, futures, swaptions, forward rate agreements, caps and floors mainly for the purpose of hedging interest rate and currency risks that arise from its operating, financing, and investing activities.

Embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss, if the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IAS 39 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as either a fair value hedge or a cash flow hedge. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is hedged. In a cash flow hedge, the variability of cash flows to be received or paid related to a recognized asset or liability or a highly probable forecast transaction is hedged. The documentation of the hedging relationship includes the objectives and strategy of risk management, the type of hedging relationship, the nature of risk being hedged, the identification of the hedging instrument and the hedged item, as well as a description of the method used to assess hedge effectiveness. The hedging transactions are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are regularly assessed to determine that they have actually been highly effective throughout the financial reporting periods for which they are designated.

Changes in the fair value of derivative financial instruments are recognized periodically in either earnings or equity, as a component of other reserves, depending on whether the derivative is designated as a hedge of changes in fair value or cash flows. For fair value hedges, changes in the fair value of the hedged item and the derivative are recognized currently in earnings. For cash flow hedges, fair value changes in the effective portion of the hedging instrument are recognized in other reserves, net of applicable taxes. Amounts taken to equity are reclassified to the statement of income/loss when the hedged transaction affects the statement of income/loss. The ineffective portions of fair value changes are recognized in profit or loss.

If derivative financial instruments do not or no longer qualify for hedge accounting because the qualifying criteria for hedge accounting are not or are no longer met, the derivative financial instruments are classified as held for trading.

Pensions and similar obligations. The measurement of defined benefit plans for pensions and other post-employment benefits (medical care) in accordance with IAS 19 Employee Benefits is based on the projected unit credit method. For the valuation of defined post-employment benefit plans, differences between actuarial assumptions used and actual results and changes in actuarial assumptions result in actuarial gains and losses, which generally have to be amortized in future periods. Amortization of unrecognized actuarial gains and losses arising after the transition to IFRS on January 1, 2005 is recorded in accordance with the "corridor approach." This approach requires partial amortization of actuarial gains and losses in the following year with an effect on earnings if the unrecognized gains and losses exceed 10 percent of the greater of (1) the defined post-employment benefit obligation or (2) the fair value of the plan assets. In such cases, the amount of amortization recognized by the Group is the resulting excess divided by the average remaining service period of active employees expected to receive benefits under the plan.

Expenses resulting from the compounding of pension benefit obligations and other post-employment benefit obligations as well as the expected returns on plan assets are presented within interest expense and interest income. The amortization of unrecognized actuarial gains and losses is also included in these line items. Other expenses resulting from providing pension benefits and other post-employment benefits are allocated to the functional costs in the consolidated statement of income/loss.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs.

Provisions for other risks and contingent liabilities. A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. Provisions with an original maturity of more than one year are discounted to the present value of the expenditures expected to settle the obligation at the end of the reporting period. In particular, restructuring provisions are recognized when the Group has a detailed formal plan that has either commenced implementation or been announced. Provisions are regularly reviewed and adjusted as further information develop or circumstances change.

The provision for expected warranty costs is established when the product is sold, upon lease inception, or when a new warranty program is initiated. Estimates for accrued warranty costs are primarily based on historical experience.

Daimler records the fair value of an asset retirement obligation from the period in which the obligation is incurred.

Restructuring provisions arise from planned programs that materially change the scope of business performed by a segment or business unit or the manner in which business is conducted. In most cases, restructuring expenses include termination benefits and compensation payments due to the termination of agreements with suppliers and dealers.

Share-based payment. Share-based payment comprises cash-settled liability awards and equity-settled equity awards.

The fair value of equity awards is generally determined by using a modified Black-Scholes option pricing model at grant date and represents the total payment expense to be recognized during the service period with a corresponding increase in equity (paid-in capital).

Liability awards are measured at fair value at each balance sheet date until settlement and are classified as provisions. The expense of the period comprises the addition to and the reversal of the provision between two balance sheet dates and the dividend equivalent paid during the period.

Presentation in the consolidated statements of cash flows. Interest and taxes paid as well as interest and dividends received are classified as cash provided by operating activities. Dividends paid are shown in cash provided by/used for financing activities.

2. Accounting estimates and assessments

In the consolidated financial statements, to a certain degree, estimates, assessments and assumptions have to be made which can affect the amounts and reporting of assets and liabilities, the reporting of contingent assets and liabilities on the balance sheet date and the amounts of income and expense reported for the period. The major topics affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

Recoverable amounts of cash-generating units and investments accounted for using the equity method. In the context of impairment tests for non-financial assets, estimates have to be made to determine the recoverable amounts of cash-generating units. Assumptions have to be made in particular with regard to future cash inflows and outflows for the planning period and the following periods. The estimates include assumptions regarding future market share and the growth of the respective markets as well as regarding the products' profitability. On the basis of the impairment tests carried out, the recoverable amounts are substantially larger than the net assets of the Group's cash-generating units.

When objective evidence of impairment is present, estimates and assessments also have to be made to determine the recoverable amount of an equity-method financial investment. The determination of the recoverable amount is based on assumptions regarding future business developments for the determination of the expected future cash flows of that financial investment. See Note 13 for the presentation of carrying values and fair values of equity-method financial investments in listed companies.

Equipment on operating leases. Daimler regularly reviews the factors determining the values of its leased vehicles. In particular, it is necessary to estimate the residual values of vehicles at the end of their leases, which constitute a substantial part of the expected future cash flows from leased assets. In this context, assumptions have to be made regarding the future supply of and demand for vehicles, as well as the development of vehicle prices. Those assumptions are determined either by qualified estimates or by expertise provided by third parties; qualified estimates are based on publicly available data with consideration of internally available additional information such as historical experience of price developments and recent sale prices. The residual values thus determined serve as a basis for systematic depreciation; changes in residual values lead either to prospective adjustments to the systematic depreciation or, in the case of a significant drop in expected residual values, to impairment. If systematic depreciation is prospectively adjusted, changes in estimates of residual values do not have a direct effect but are equally distributed over the remaining periods of the lease contracts.

Collectability of receivables from financial services. The Group regularly estimates the risk of default on receivables from financial services. Many factors are taken into consideration in this context, including historical loss experience, the size and composition of our portfolios, current economic events and conditions and the estimated fair values and adequacy of collateral. Changes in economic conditions can, beside changes in our customers' creditworthiness, lead to changes in used vehicle prices which would have a direct effect on the market values of the vehicles assigned as collateral. Changes to the estimation and assessment of these factors influence the allowance for credit losses with a resulting impact on the Group's net results. See also Notes 14 and 31 for further information.

Product warranties. The recognition and measurement of provisions for product warranties is generally connected with estimates. The Group provides various types of product warranties depending on the type of product and market conditions. Provisions for product warranties are generally recognized when vehicles are sold, upon lease inception, or when new warranty programs are initiated. Based on historical warranty claim experience, assumptions have to be made on the type and extent of future warranty claims and customer goodwill, as well as on possible recall or buyback campaigns for each model series. In addition, the estimates also include assumptions on the amounts of potential repair costs per vehicle and the effects of possible time or mileage limits. The provisions are regularly adjusted to reflect new information.

Further information on provisions for other risks is provided in Note 23.

Legal proceedings. Various legal proceedings, claims and governmental investigations are pending against Daimler AG and its subsidiaries on a wide range of topics. Adverse decisions in one or more of those proceedings could require us to pay substantial compensatory and punitive damages or to undertake service actions, recall campaigns or other costly actions. Litigation and governmental investigations often involve complex legal issues and are connected with a high degree of uncertainty. Accordingly, the assessment of whether an obligation exists on the balance sheet date as a result of an event in the past, and whether a future cash outflow is likely and the obligation can be reliably estimated, largely depends on estimations by the management. Daimler regularly evaluates the current stage of legal proceedings, also with the involvement of external legal counsel. It is therefore possible that the amounts of the provisions for pending or potential litigation will have to be adjusted due to future developments. Changes in estimates and premises can have a material effect on the Group's future profitability. The end of a legal dispute can result in Daimler having to make payments in excess of the provisions recognized for that purpose. It is also possible that the outcome of individual cases for which no provisions could be recognized might force the Group to make payments whose amounts or range of amounts could not be reliably estimated at December 31, 2010. Although the final outcome of such cases can have a material effect on Daimler's earnings or cash flows in a certain reporting period, in our assessment, any such resulting obligations will not have a sustained impact on the Group's financial position. Further information on legal proceedings is provided in Note 28.

Pension obligations. To calculate the present values of defined-benefit pension obligations, it is necessary among other things to determine discounting factors. The discounting factors are to be determined by reference to market yields at the end of the reporting period on high quality corporate bonds in the respective markets. In addition, at the beginning of the financial year, Daimler has to estimate the expected returns on plan assets on the basis of market expectations for the types of investments included in the plan assets. The level of the discount rate has a material effect on the funded status of the pension plans and the expected return on plan assets has a significant effect on net periodic pension costs. Due to the use of the corridor approach, changes in the assumptions do not directly affect the consolidated statement of financial position or the consolidated statement of income/loss. Further information in this context is provided in Note 22.

Income taxes. For the calculation of deferred tax assets, assumptions have to be made regarding future taxable income and the time of realization of the deferred tax assets. In this context, we take into consideration, among other things, the projected earnings from business operations, the effects on earnings of the reversal of taxable temporary differences, and realizable tax strategies. As future business developments are uncertain and are sometimes beyond Daimler's control, the assumptions to be made in connection with accounting for deferred tax assets are connected with a substantial degree of uncertainty. On each balance sheet date, Daimler carries out impairment tests on deferred tax assets on the basis of the planned taxable income in future financial years; if Daimler assesses that the probability of future tax advantages being partially or fully unrealized is more than 50%, the deferred tax assets are impaired. Further information is provided in Note 9.

3. Significant acquisitions and dispositions of interests in companies and of other assets and liabilities

Acquisitions

Renault-Nissan. In April 2010, within the framework of a wide-ranging strategic cooperation with the Renault-Nissan Alliance, the Group entered into a cross-shareholding structure. In this regard, Daimler received a 3.1% equity interest in Renault SA (Renault) as well as 3.1% of the shares of Nissan Motor Company Ltd. (Nissan) from Renault in an equivalent total amount of €1.3 billion. Daimler used treasury shares for the acquisitions and additionally paid €90 million in cash. See Note 20 for information on the number of treasury shares used.

Dispositions

Daimler Financial Services. Most of the non-automotive assets subject to finance leases that were presented separately as held for sale in the consolidated statement of financial position at December 31, 2009 (€310 million) were sold in 2010. These transactions resulted in a cash inflow of €274 million and a pre-tax expense of €1 million in 2010. In the third quarter of 2010, the Group reclassified the remaining non-automotive assets presented as held for sale to receivables from financial services, as the criteria for a held for sale classification were no longer met. In 2010, the measurement of these assets resulted in a pre-tax gain of €1 million. In 2009, the measurement of the assets classified as held for sale at fair value resulted in a pre-tax expense of €69 million.

Moreover, in 2010, the Group sold additional non-automotive assets subject to finance leases which were previously shown under receivables from financial services. These transactions resulted in a cash inflow of €187 million and a pre-tax expense of together €9 million in 2010 (including a pre-tax expense of €35 million from the measurement of these assets).

Also in 2009, Daimler Financial Services achieved a cash-inflow of €825 million from the sale of non-automotive finance leases. These sales resulted in a pre-tax expense of €31 million.

The results of the above-mentioned transactions are included in “cost of sales” in the consolidated statement of income/loss. The expense is allocated to the Daimler Financial Services segment.

Tata Motors. In March 2010, the Group sold its equity interest of approximately 5% in Tata Motors Limited to various groups of investors through the capital market. This transaction resulted in a cash inflow of €303 million and a gain before income taxes of €265 million in 2010. The gain is included in “other financial income/expense, net” in the consolidated statement of income/loss and in the reconciliation from total segments’ EBIT to Group EBIT within the segment reporting.

Chrysler. Based on a binding term sheet signed in April 2009, Daimler and Cerberus entered into a redemption agreement in June 2009. In connection with this agreement, Daimler gave up its 19.9% equity interest in Chrysler Holding LLC (Chrysler Holding). As a result, since June 3, 2009, Daimler no longer has any equity interest in Chrysler Holding or its subsidiaries and all Daimler representatives resigned from the boards of Chrysler Holding and its subsidiaries.

The binding term sheet also provided for a settlement agreement covering issues relating to Chrysler which Daimler, the US Pension Benefit Guaranty Corporation (PBGC), Chrysler LLC (Chrysler) and Cerberus entered into in June 2009. Among other matters, Chrysler and Cerberus waived all claims that might arise from the representations and warranties made in the contribution agreement dated August 3, 2007, including claims by Cerberus that Daimler allegedly improperly managed certain issues in the period between the signing of the contribution agreement and the conclusion of the transaction, as well as certain other claims against Daimler.

In connection with this settlement agreement, Daimler paid US$200 million into Chrysler’s pension plans in each of June 2009 and June 2010. The remaining amount of US$200 million is due in the second quarter of 2011. The 2007 Daimler pension guarantee of US$1 billion vis-à-vis the PBGC has been replaced by a new guarantee in an amount of US$200 million that will remain in place until August 2012.

Moreover, the settlement agreement provides for the forgiveness of Daimler's receivables in connection with a subordinated loan and a credit line for Chrysler's automotive business which was drawn in 2008. The Group provided the credit line in connection with the transaction contracted on August 3, 2007. The nominal amounts of these receivables, which were fully impaired at December 31, 2008, were US$0.4 billion and US$1.5 billion. However, the forgiveness of the US$1.5 billion second lien loan by Daimler was subject to the condition that certain unsecured creditors of Chrysler, represented by a committee under US bankruptcy law, will not bring litigation against Daimler in the course of the current Chrysler bankruptcy proceedings. In the third quarter 2009, the committee of the unsecured creditors filed a complaint with the bankruptcy court. In consequence, the forgiveness was rescinded (see also Note 28).

The contractual agreements described above negatively impacted 2009 EBIT by €379 million; these results are included in the reconciliation of total segments' EBIT to Group EBIT.

In connection with the legal transfer of Chrysler's international sales activities to Chrysler in the first quarter of 2009 and due to the valuation of Chrysler-related assets, the Group recorded a total gain before income taxes of €85 million in 2009. This gain is included in the reconciliation of total segments' EBIT to Group EBIT in the segment reporting.

4. Revenue

Revenue at Group level consists of the following:

	2010	2009
In millions of euros		
Sales of goods	84,573	66,772
Rental and leasing business	9,971	8,886
Interest from the financial services business at Daimler Financial Services	2,862	2,885
Sales of services	355	381
	97,761	78,924

Revenue by segment and region is presented in Note 32.

5. Functional costs

Cost of sales. Cost of sales includes the following items:

	2010	2009
In millions of euros		
Cost of goods sold	-64,604	-54,276
Depreciation of equipment on operating leases	-3,404	-3,450
Refinancing costs at Daimler Financial Services	-2,021	-2,211
Impairment losses on receivables from financial services	-536	-853
Other cost of sales	-4,423	-4,777
	-74,988	-65,567

Selling expenses. In 2010, selling expenses amounted to €8,861 million (2009: €7,608 million). Selling expenses include direct selling costs as well as selling overhead expenses and consist of personnel costs, material costs and other selling costs.

General administrative expenses. General administrative expenses amounted to €3,474 million in 2010 (2009: €3,287 million) and comprise expenses which were not attributable to production, sales, research and development functions, including personnel expenses, depreciation and amortization on fixed and intangible assets, and other administrative costs.

Research and non-capitalized development costs. Research- and non-capitalized development costs were €3,476 million in 2010 (2009: €2,896 million) and primarily comprise personnel expenses and material costs.

Amortization expense of capitalized development costs are recognized in cost of sales and amounted to €719 million in 2010 (2009: €647 million).

Optimization programs. Measures and programs with implementation costs that materially impacted EBIT are briefly described below:

Daimler Financial Services. In May 2010, the Board of Management decided to restructure the business activities of Daimler Financial Services AG and Mercedes-Benz Bank AG in Germany by the end of 2012. Among other effects, this repositioning will result in streamlined structures and simplified processes. Expenses recorded in this regard in 2010 primarily relate to personnel measures.

Mitsubishi Fuso Truck and Bus Corporation (MFTBC). In May 2009, the Board of Management of Daimler AG decided on a major realignment of the operations of its subsidiary MFTBC. Measures provided for in the plan included the streamlining of the product portfolio, the realignment of manufacturing sites, the streamlining of the retail network in Japan, and other efficiency improvements. In connection with these measures, the Group targeted, among other things, the relocation and idling of selected production sites, headcount reductions of up to 2,300 employees by the end of 2010, and a reduction of the dealer network.

Daimler Trucks North America (DTNA). In response to continuing depressed demand across the industry and structural changes in the company's core markets, the Group adopted a wide-ranging plan in October 2008 to optimize and reposition the business operations of its subsidiary Daimler Trucks North America (DTNA). Measures provided for in the plan included the discontinuation of the Sterling Trucks brand in 2009, further consolidation of the production network in the NAFTA region, capacity adjustments, including the closing of two manufacturing plants in 2009 and 2010. In addition, the plan included headcount reductions of up to 3,500 employees, which were primarily accomplished in 2009. Based on new information available, the Group decided in 2009 not to proceed with the closing of one truck manufacturing plant, which was originally scheduled for 2010.

The following table shows implementation costs as well as income and expense resulting from the reassessment of assumptions of measures and programs that materially impacted the EBIT of individual segments. Furthermore, the table shows the cash outflows resulting from the implementation of the measures and programs and the balance of the respective provisions:

	2010	2009
In millions of euros		
Daimler Financial Services		
EBIT	-82	–
Cash outflow	6	–
Balance of provision as of December 31	76	–
Daimler Trucks		
Mitsubishi Fuso Truck and Bus Corporation (MFTBC)		
EBIT	-3	-245
Cash outflow	103	31
Balance of provision as of December 31	32	156
Daimler Trucks North America LLC (DTNA)		
EBIT	-37	-95
Cash outflow	68	151
Balance of provision as of December 31	6	34

Income and expenses associated with these programs are included in the following line items within the consolidated statement of income/loss:

	2010	2009
In millions of euros		
Cost of sales	4	-72
Selling expenses	-12	-159
General administrative expenses	-117	-91
Research and non-capitalized development costs	3	-14
Other operating expense	–	-4
	-122	-340

Personnel expenses and number of employees. Personnel expenses included in the consolidated statement of income/loss as well as the average number of people employed are as follows:

	2010	2009
In millions of euros and number of people employed		
Personnel expenses	-16,454	-13,928
People employed	258,120	258,628
thereof trainees/apprentices	13,272	12,911

Information on the remuneration of the current and former members of the Board of Management and the current members of the Supervisory Board is included in Note 36.

6. Other operating income and expense

Other operating income consists of the following:

	2010	2009
In millions of euros		
Gains on sales of property, plant and equipment	148	44
Government grants and subsidies	110	137
Rental income, other than income relating to financial services	45	51
Reimbursements under insurance policies	22	20
Other miscellaneous income	646	441
	971	693

Government grants and subsidies contain mainly reimbursements of social insurance contributions, granted by the Federal Employment Agency related to short-time work in the German production plants, as well as reimbursements relating to current partial retirement contracts.

Other miscellaneous income includes reimbursements of non-income related taxes, income from employee canteens and other miscellaneous items. In 2010, other miscellaneous income comprises a pretax income of €218 million related to the positive outcome of a legal dispute involving Daimler AG in October 2010.

Other operating expense consists of the following:

	2010	2009
In millions of euros		
Loss on sales of property, plant and equipment	-73	-56
Other miscellaneous expenses	-587	-447
	-660	-503

Other miscellaneous expenses include losses from sales of current assets, changes in other provisions and other miscellaneous items.

In view of the 125th anniversary of the invention of the automobile in 2011, the Board of Management decided in December 2010 to increase the capital of the charitable Daimler and Benz Foundation from €37 million to €125 million. The expenses of €88 million as well as additional expenses in connection with legal proceedings in 2010 are included in other miscellaneous expenses in 2010.

7. Other financial income/expense, net

	2010	2009
In millions of euros		
Expense from compounding of provisions and effects of changes in discount rates [1]	-240	-1,003
Miscellaneous other financial income/expense, net	389	-338
	149	-1,341

1 Excluding the expense from compounding provisions for pensions and similar obligations.

In 2010, income of €0.3 billion from the sale of the equity interest in Tata Motors is included in miscellaneous other financial income/expense, net. In 2009, payments and the commitment to further payments into the Chrysler pension plans resulted in expenses of €0.4 billion and are included in miscellaneous other financial income/expense, net. In addition, income of €0.1 billion in connection with the revaluation of loans, receivables and other assets relating to Chrysler is included in 2009 miscellaneous other financial income/expense, net.

8. Interest income and expense

In millions of euros	2010	2009
Interest income		
Expected return on pension and other post-employment benefit plan assets	622	671
Interest and similar income	203	465
	825	1,136
Interest expense		
Interest cost for pension and other post-employment benefit plans	-1,011	-950
Interest and similar expense	-460	-971
	-1,471	-1,921

9. Income taxes

Profit/loss before income taxes consists of the following:

In millions of euros	2010	2009
Germany	2,318	-2,543
Non-German countries	4,310	245
	6,628	-2,298

The profit/loss before income taxes in Germany includes the income/loss from investments accounted for using the equity method if the shares of those companies are held by German companies.

Income taxes are comprised of the following components:

In millions of euros	2010	2009
Current taxes		
Germany	-464	-423
Non-German countries	-1,237	-472
Deferred taxes		
Germany	-376	883
Non-German countries	123	-334
	-1,954	-346

The current tax expense includes tax benefits at German and foreign companies of €101 million (2009: tax expense of €237 million) recognized for prior periods.

The deferred tax expense (2009: tax benefit) is comprised of the following components:

In millions of euros	2010	2009
Deferred taxes	-253	549
due to temporary differences	1,205	218
due to tax loss carry forwards and tax credits	-1,458	331

For German companies, the deferred taxes were calculated using a federal corporate tax rate of 15%, a solidarity tax surcharge of 5.5% for each year on federal corporate taxes, plus a trade tax of 14%. In total, the tax rate applied for the calculation of German deferred taxes amounted to 29.825%. For non-German companies, the deferred taxes at period-end were calculated using the tax rates of the respective countries.

A reconciliation of expected income tax expense/benefit to actual income tax expense determined using the applicable German combined statutory rate of 29.825% is included in the following table:

	2010	2009
In millions of euros		
Expected income tax expense (2009: tax benefit)	-1,977	685
Foreign tax rate differential	-65	74
Trade tax rate differential	38	40
Tax law changes	-22	-2
Change of valuation allowance on deferred tax assets	259	-695
Tax-free income and non-deductible expenses	-143	-509
Other	-44	61
Actual income tax expense	-1,954	-346

In 2010, the Group released valuation allowances on deferred tax assets of foreign subsidiaries while in 2009, the Group had to record additional valuation allowances on deferred tax assets of foreign subsidiaries. The resulting tax expenses and benefits are included in the line "change of valuation allowance on deferred tax assets."

Tax-free income and non-deductible expenses include all other effects at foreign and German companies relating to tax-free income and non-deductible expenses, for instance tax-free gains included in net periodic pension costs at the German companies and tax-free results of our equity-method investments. Moreover, the line also includes the following effects:

In 2010, Daimler realized tax-free gains on the sale of Daimler's equity interest in Tata Motors.

In 2009, adjustments regarding transfer pricing risks at our former investment Chrysler in Canada caused an additional tax expense. The Daimler Group has to account for this obligation. Furthermore, additional tax expenses are included relating to tax assessments and estimations for prior years.

In respect of each type of temporary difference and in respect of each type of unutilized tax losses and unutilized tax credits, the deferred tax assets and liabilities before offset are summarized as follows:

	At December 31, 2010	2009
In millions of euros		
Intangible assets	81	84
Property, plant and equipment	673	646
Equipment on operating leases	917	659
Inventories	695	562
Investments accounted for using the equity method	16	15
Receivables from financial services	168	117
Other financial assets	3,336	3,324
Tax loss and tax credit carry forwards	4,970	5,770
Provisions for pensions and similar obligations	607	620
Other provisions	2,048	1,874
Liabilities	1,427	882
Deferred income	863	751
Other	78	74
	15,879	15,378
Valuation allowances	-3,578	-3,096
Deferred tax assets, gross	12,301	12,282
Development costs	-1,795	-1,598
Other intangible assets	-88	-67
Property, plant and equipment	-1,066	-999
Equipment on operating leases	-2,582	-3,159
Inventories	-142	-132
Receivables from financial services	-727	-805
Other financial assets	-181	-110
Other assets	-296	-257
Provisions for pensions and similar obligations	-2,882	-2,851
Other provisions	-235	-264
Taxes on undistributed earnings of non-German subsidiaries	-50	-46
Other	-319	-270
Deferred tax liabilities, gross	-10,363	-10,558
Deferred tax assets, net	1,938	1,724

Deferred tax assets and deferred tax liabilities were offset if the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and if there is the right to set off current tax assets against current tax liabilities. In the statement of financial position, the deferred tax assets and liabilities are not divided into current and non-current.

In 2010, the increase in deferred tax assets, net, amounted to €214 million (2009: €621 million) and was composed of:

	2010	2009
In millions of euros		
Deferred tax expense (2009: tax benefit)	-253	549
Deferred tax benefit (2009: tax expense) on financial assets available-for-sale charged or credited directly to related components of equity	7	-8
Deferred tax benefit on derivative financial instruments charged or credited directly to related components of equity	212	123
Income tax expense (2009: benefit) for deduction in excess of compensation expense for equity-settled employee stock option plans	-1	.
Other neutral changes [1]	249	-43

1 Primarily effects from currency translation.

Including the items charged or credited directly to related components of equity without an effect on earnings (including items charged or credited from investments accounted for using the equity method), the expense for income taxes consists of the following:

	2010	2009
In millions of euros		
Income tax expense	-1,954	-346
Income tax benefit recorded in other reserves	427	60
Income tax expense (2009: benefit) for deduction in excess of remuneration expense for equity-settled employee stock option plans	-1	.
	-1,528	-286

The valuation allowances relate to deferred tax assets of foreign companies and – although income tax benefits from the reversal of valuation allowances of €259 million were recorded in net profit/loss – increased in the statement of financial position by €482 million from December 31, 2009 to December 31, 2010. This is on the one hand a result of the neutral increase due to currency translation effects. On the other hand, additionally capital losses resulted out of our former investment Chrysler. Due to the valuation allowance on those capital losses, the additional capital loss and the valuation allowance did not affect net profit. The deferred tax assets on capital losses were completely adjusted by valuation allowances; the carry forward periods of those losses are limited and can only be used by capital gains.

At December 31, 2010, the valuation allowance on deferred tax assets relates, among other things, to capital losses (€1,335 million), to corporate tax net operating losses (€1,107 million) and to tax credit carryforwards (€427 million). Of the total amount of deferred tax assets adjusted by a valuation allowance, deferred tax assets for capital losses amounting to €1,233 million expire in 2014 and €102 million expire in 2015 and deferred tax assets for corporate tax net operating losses amounting to €157 million expire in 2011, €227 million expire in 2012, €205 million expire in 2013, €15 million expire in 2014, €267 million expire in 2015, €129 million expire at various dates from 2016 through 2030 and €107 million can be carried forward indefinitely. Of the deferred tax assets for tax credit carryforwards adjusted by a valuation allowance €154 million expire at various dates from 2012 through 2015, €5 million expire at various dates from 2016 through 2030 and €268 million can be carried forward indefinitely. Furthermore, the valuation allowance primarily relates to temporary differences and net operating losses for state and local taxes at the US companies. Daimler believes that it is more likely than not that those deferred tax assets cannot be utilized. In 2010 and prior years, respectively, the Group had taxable losses in several subsidiaries in some countries. After offsetting the deferred tax assets with deferred tax liabilities, the deferred tax assets not subject to valuation allowances amounted to €1,089 million for those foreign subsidiaries. Daimler believes it is more likely than not that due to future taxable income, deferred tax assets which are not subject to valuation allowances can be utilized. In future periods Daimler's estimate of the amount of deferred tax assets that are considered realizable may change, and hence the valuation allowances may increase or decrease.

Daimler recorded deferred tax liabilities for German tax of €50 million (2009: €46 million) on €3,323 million (2009: €3,082 million) in cumulative undistributed earnings of non-German subsidiaries on the future payout of these foreign dividends to Germany because, as of today, the earnings are not intended to be permanently reinvested in those operations.

The Group did not recognize deferred tax liabilities on retained earnings of non-German subsidiaries of €9,578 million (2009: €6,413 million) because these earnings are intended to be indefinitely reinvested in those operations. If the dividends are paid out, an amount of 5% of the dividends will be taxed under the German taxation rules and, if applicable, with non-German withholding tax. Additionally, income tax consequences could arise if the dividends first had to be distributed by a non-German subsidiary to a non-German holding company. Normally, the distribution would lead to an additional income tax expense. It is not practicable to estimate the amount of taxable temporary differences for these undistributed foreign earnings.

The Group has various unresolved issues concerning open income tax years with the tax authorities in a number of jurisdictions. Daimler believes that it has recognized adequate provisions for any future income taxes that may be owed for all open tax years.

10. Intangible assets

Intangible assets developed as follows:

	Goodwill (acquired)	Development costs (internally generated)	Other intangible assets (acquired)	Total
In millions of euros				
Acquisition or manufacturing costs				
Balance at January 1, 2009	893	7,664	2,127	10,684
Additions due to business combinations	–	–	58	58
Other additions	–	1,286	140	1,426
Reclassifications	–	–	–	–
Disposals	–	-1,015	-321	-1,336
Other changes [1]	32	-1	-21	10
Balance at December 31, 2009	925	7,934	1,983	10,842
Additions due to business combinations	**–**	**–**	**–**	**–**
Other additions	**–**	**1,378**	**190**	**1,568**
Reclassifications	**–**	**–**	**–**	**–**
Disposals	**–**	**-165**	**-166**	**-331**
Other changes [1]	**9**	**37**	**149**	**195**
Balance at December 31, 2010	**934**	**9,184**	**2,156**	**12,274**
Amortization				
Balance at January 1, 2009	233	2,948	1,390	4,571
Additions	–	647	181	828
Reclassifications	–	–	–	–
Disposals	–	-1,014	-285	-1,299
Other changes [1]	-2	–	-9	-11
Balance at December 31, 2009	231	2,581	1,277	4,089
Additions	**–**	**719**	**168**	**887**
Reclassifications	**–**	**–**	**–**	**–**
Disposals	**–**	**-156**	**-155**	**-311**
Other changes [1]	**-26**	**31**	**100**	**105**
Balance at December 31, 2010	**205**	**3,175**	**1,390**	**4,770**
Carrying amount at December 31, 2009	694	5,353	706	6,753
Carrying amount at December 31, 2010	**729**	**6,009**	**766**	**7,504**

1 Primarily changes from currency translation.

At December 31, 2010, goodwill of €426 million (2009: €388 million) relates to the Daimler Trucks segment and €199 million (2009: €189 million) relates to the Mercedes-Benz Cars segment.

Non-amortizable intangible assets are primarily comprised of goodwill and development costs for projects which have not yet been completed (carrying amount at December 31, 2010: €2,906 million; carrying amount at December 31, 2009: €2,753 million). In addition, other intangible assets with a carrying amount at December 31, 2010 of €161 million (2009: €137 million) are not amortizable. Other non-amortizable intangible assets mainly comprise trademarks, which relate to the Daimler Trucks segment and can be utilized without restrictions.

The total amortization expense for intangible assets is included in the consolidated statement of income/loss in the following line items:

	2010	2009
In millions of euros		
Cost of sales	**810**	735
Selling expenses	**37**	39
General administrative expenses	**35**	50
Research and non-capitalized development costs	**5**	4
	887	828

11. Property, plant and equipment

Property, plant and equipment developed as follows:

In millions of euros	Land, leasehold improvements and buildings including buildings on land owned by others	Technical equipment and machinery	Other equipment, factory and office equipment	Advance payments relating to plant and equipment and construction in progress	Total
Acquisition or manufacturing costs					
Balance at January 1, 2009	13,162	18,540	15,413	1,133	48,248
Additions due to business combinations	15	15	2	–	32
Other additions	146	551	845	913	2,455
Reclassifications	241	208	484	-933	–
Disposals	-130	-482	-765	-92	-1,469
Other changes [1]	62	130	139	11	342
Balance at December 31, 2009	13,496	18,962	16,118	1,032	49,608
Additions due to business combinations	–	–	–	–	–
Other additions	**246**	**471**	**1,053**	**2,023**	**3,793**
Reclassifications	**201**	**352**	**587**	**-1,140**	–
Disposals	**-236**	**-857**	**-690**	**-33**	**-1,816**
Other changes [1]	**358**	**191**	**424**	**78**	**1,051**
Balance at December 31, 2010	**14,065**	**19,119**	**17,492**	**1,960**	**52,636**
Depreciation					
Balance at January 1, 2009	7,139	13,495	11,509	18	32,161
Additions	289	725	1,422	–	2,436
Reclassifications	3	-95	92	–	–
Disposals	-87	-445	-677	–	-1,209
Other changes [1]	60	100	90	5	255
Balance at December 31, 2009	7,404	13,780	12,436	23	33,643
Additions	**300**	**781**	**1,396**	–	**2,477**
Reclassifications	**-3**	**28**	**-25**	–	–
Disposals	**-116**	**-816**	**-618**	**-17**	**-1,567**
Other changes [1]	**81**	**85**	**324**	–	**490**
Balance at December 31, 2010	**7,666**	**13,858**	**13,513**	**6**	**35,043**
Carrying amount at December 31, 2009	6,092	5,182	3,682	1,009	15,965
Carrying amount at December 31, 2010	**6,399**	**5,261**	**3,979**	**1,954**	**17,593**

1 Primarily changes from currency translation.

Property, plant and equipment include buildings, technical equipment and other equipment capitalized under finance lease arrangements with a carrying amount of €453 million (2009: €350 million). In 2010, depreciation expense on assets under finance lease arrangements amounted to €69 million (2009: €72 million).

12. Equipment on operating leases

Equipment on operating leases developed as follows:

In millions of euros	
Acquisition or manufacturing costs	
Balance at January 1, 2009	24,928
Additions due to business combinations	–
Other additions	10,759
Reclassifications	–
Disposals	-11,162
Other changes [1]	-23
Balance at December 31, 2009	24,502
Additions due to business combinations	–
Other additions	11,643
Reclassifications	–
Disposals	-11,498
Other changes [1]	1,036
Balance at December 31, 2010	25,683
Depreciation	
Balance at January 1, 2009	6,256
Additions	3,450
Reclassifications	–
Disposals	-3,723
Other changes [1]	-13
Balance at December 31, 2009	5,970
Additions	3,404
Reclassifications	–
Disposals	-3,930
Other changes [1]	314
Balance at December 31, 2010	5,758
Carrying amount at December 31, 2009	18,532
Carrying amount at December 31, 2010	19,925

1 Primarily changes from currency translation.

As of December 31, 2009, equipment on operating leases with a carrying amount of €643 million is pledged as security for liabilities from ABS transactions which are related to a securitization transaction of future lease payments on operating leases and related vehicles (see also Note 24).

Minimum lease payments. Non-cancelable future lease payments to Daimler for equipment on operating leases are due as follows:

	At December 31, 2010	2009
In millions of euros		
Maturity		
within one year	3,794	3,550
between one and five years	4,255	3,842
later than 5 years	213	155
	8,262	7,547

13. Investments accounted for using the equity method

Key financial figures of investments accounted for using the equity method are as follows:

	EADS	Tognum	BBAC	Kamaz	Others [1]	Total
Amounts in millions of euros						
December 31, 2010						
Equity interest (in %)	**22.5**	**28.4**	**50.0**	**15.0**	**–**	**–**
Market value (based on listed share prices)	**3,197**	**737**	**–**	**188**	**–**	**–**
Equity investment [2]	**2,415**	**672**	**175**	**177**	**521**	**3,960**
Equity result (2010) [2]	**-261**	**9**	**86**	**-4**	**22**	**-148**
December 31, 2009						
Equity interest (in %)	22.5	28.4	50.0	10.0	–	–
Market value (based on listed share prices)	2,583	433	–	105	–	–
Equity investment [2]	3,112	671	79	87	346	4,295
Equity result (2009) [2]	88	-9	10	-7	-10	72

1 Also including joint ventures accounted for using the equity method.
2 Including investor-level adjustments.

The following table presents summarized IFRS financial information on investments accounted for using the equity method, which was the basis for applying the equity method in the Group's consolidated financial statements:

	EADS	Tognum	BBAC	Kamaz	Others [1]	Total
In millions of euros						
Income statement information [2]						
2010						
Sales	**44,567**	**2,462**	**1,804**	**1,731**	**3,502**	**54,066**
Net profit/loss	**-1,021**	**97**	**123**	**-27**	**44**	**-784**
2009						
Sales	43,478	2,594	685	960	1,759	49,476
Net profit/loss	711	101	7	-51	4	772
Balance sheet information [3]						
2010						
Total assets	**78,441**	**2,611**	**1,416**	**1,651**	**3,586**	**87,705**
Equity	**10,552**	**720**	**288**	**736**	**1,558**	**13,854**
Liabilities	**67,889**	**1,891**	**1,128**	**915**	**2,028**	**73,851**
2009						
Total assets	73,889	2,407	647	1,738	2,538	81,219
Equity	13,706	632	146	723	1,132	16,339
Liabilities	60,183	1,775	501	1,015	1,406	64,880

1 Also including joint ventures accounted for using the equity method.
2 Figures of EADS, Tognum and Kamaz principally relate to the period from October 1 to September 30. Figures of Kamaz for 2009 relate to the period from January 1 to September 30. Figures of BBAC relate to the period from January 1 to December 31.
3 Figures of EADS, Tognum and Kamaz as of September 30. Figures of BBAC as of December 31.

EADS. The Group reports its investment in and its proportionate share in the results of the European Aeronautic Defence and Space Company EADS N.V. (EADS) in the reconciliation of total segments' assets to Group assets and total segments' EBIT to Group EBIT, respectively, in the segment reporting.

As a result of the recognition of the proportionate share in EADS' results with a three-month time lag, Daimler recognized its share in the loss provisions regarding the A400M military transporter program established at EADS for the purpose of their 2009 consolidated financial statements in its equity result for 2010. The Group's proportionate share in those expenses was €237 million.

On March 13, 2007, a subsidiary of Daimler which holds Daimler's 22.5% interest in EADS issued equity interests to investors in exchange for €1,554 million of cash. As a result of this transaction, the Group reports a minority interest in its consolidated statement of financial position representing the investor's ownership in the consolidated subsidiary that issued the equity interest. The amount reported as minority interest reflects the investor's 33% share in the net assets of that subsidiary. In connection with this transaction, between July 1, 2010 and September 30, 2010, Daimler had the option to exchange the newly issued equity interests for a 7.5% equity interest in EADS or for cash equivalent to the fair value of the 7.5% equity interest in EADS at that time. In March 2010, Daimler decided not to make use of this option. Therefore, Daimler will continue to base its equity-method accounting of EADS on a 22.5% equity interest.

Tognum. The Group reports its investment and its proportionate share in the results of Tognum AG in the reconciliation of total segments' assets to Group assets and total segments' EBIT to Group EBIT, respectively, in the segment reporting.

BBAC. The investment and the proportionate share in the results of Beijing Benz Automotive Co., Ltd. (BBAC) are allocated to the Mercedes-Benz Cars segment.

Kamaz. Resulting from its representation on the board of directors of Kamaz OAO (Kamaz) and its significant contractual rights under the terms of a shareholder agreement, the Group can exercise significant influence on Kamaz. Therefore, the Group accounts for its equity interest in Kamaz using the equity method; the investment and the proportionate share in the results of Kamaz are allocated to the Daimler Trucks segment. In 2010, the Group and the European Bank for Reconstruction and Development (EBRD) completed an increase in their strategic investments in Kamaz. Daimler has thus increased its equity interest in Kamaz by one percentage point to 11%, while the remaining 4% are legally held by EBRD. Due to the contractual situation Daimler is deemed to be the economic owner of the shares held by EBRD pursuant to IFRS.

Others. Included in other investments is the Group's investment in Tesla Motors, Inc. (Tesla). Daimler's equity interest amounted to 7.9% as of December 31, 2010 (2009: 9.09%). The fair value and the carrying amount of its investment were €149 million and €36 million as of December 31, 2010, respectively. Resulting from its representation on the board of directors of Tesla and its significant contractual rights under the terms of a shareholder agreement, the Group can exercise significant influence on Tesla. Therefore, the Group accounts for its equity interest in Tesla using the equity method; the investment and the proportionate share in the results of Tesla are allocated to the Mercedes-Benz Cars segment.

14. Receivables from financial services

Receivables from financial services are comprised of the following:

	At December 31, 2010			At December 31, 2009		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Receivables from						
Retail	12,436	21,363	33,799	11,835	20,772	32,607
Wholesale	6,131	1,091	7,222	4,808	1,001	5,809
Other	76	1,017	1,093	125	1,105	1,230
Gross carrying amount	18,643	23,471	42,114	16,768	22,878	39,646
Allowances for doubtful accounts	-477	-607	-1,084	-540	-628	-1,168
Carrying amount, net	18,166	22,864	41,030	16,228	22,250	38,478

Types of receivables. Retail receivables include loans and finance leases to end users of the Group's products who purchased their vehicle either from a dealer or directly from Daimler.

Wholesale receivables represent loans for floor financing programs for vehicles sold by the Group's automotive businesses to dealers or loans for assets purchased by dealers from third parties, primarily used vehicles traded in by dealers' customer or real estate such as dealer showrooms.

Other receivables mainly represent non-automotive assets from contracts of the financial services business with third parties.

All cash flow effects attributable to receivables from financial services are presented within cash provided by/used for operating activities in the consolidated statement of cash flows.

Allowances. Changes in the allowance account for receivables from financial services were as follows:

	2010	2009
In millions of euros		
Balance at January 1	**1,168**	934
Charged to costs and expenses	**534**	850
Amounts written off	**-439**	-446
Reversals	**-241**	-165
Currency translation and other changes	**62**	-5
Balance at December 31	**1,084**	1,168

The total expense relating to impairment losses on receivables from financial services amounted to €536 million in 2010 (2009: €853 million).

Credit risks. The following chart gives an overview of credit risks included in receivables from financial services:

	At December 31, 2010	2009
In millions of euros		
Receivables, neither past due nor impaired individually	**37,827**	35,270
Receivables past due, not impaired individually		
less than 30 days	**1,195**	1,219
30 to 59 days	**367**	442
60 to 89 days	**99**	121
90 to 119 days	**52**	78
120 days or more	**255**	184
Total	**1,968**	2,044
Receivables impaired individually	**1,235**	1,164
Carrying amount, net	**41,030**	38,478

Receivables not subject to an individual impairment assessment are grouped and subject to collective impairment allowances to cover credit losses.

The carrying amount of receivables from financial services of which the terms have been renegotiated and that would otherwise be past due or impaired as of December 31, 2010 was €399 million (2009: €260 million).

Further information on financial risks and nature of risks is provided in Note 31.

Finance leases. Finance leases consist of leasing contracts for which all substantial risks and rewards incidental to the leasing objects are transferred to the lessee.

Maturities of the finance lease contracts are comprised as follows:

	At December 31, 2010				At December 31, 2009			
	< 1 year	1 year up to 5 years	> 5 years	Total	< 1 year	1 year up to 5 years	> 5 years	Total
In millions of euros								
Contractual future lease payments	4,036	6,526	1,076	11,638	4,103	6,461	1,807	12,371
Unguaranteed residual values	740	915	165	1,820	740	975	209	1,924
Gross investment	4,776	7,441	1,241	13,458	4,843	7,436	2,016	14,295
Unearned finance income	-530	-846	-271	-1,647	-621	-1,168	-334	-2,123
Gross carrying amount	4,246	6,595	970	11,811	4,222	6,268	1,682	12,172
Allowances for doubtful accounts	-189	-275	-19	-483	-191	-284	-6	-481
Carrying amount, net	4,057	6,320	951	11,328	4,031	5,984	1,676	11,691

Sale of receivables. Based on market conditions and liquidity needs, Daimler may sell portfolios of retail and wholesale receivables to third parties (i.e. special purpose entities). At the time of the sale, Daimler determines whether the legally transferred receivables meet the criteria for derecognition in conformity with the appropriate provisions. If the criteria are not met, the receivables continue to be recognized in the Group's consolidated statement of financial position.

As of December 31, 2010, the carrying amount of receivables from financial services sold but not derecognized for accounting purposes amounted to €1,254 million (2009: €1,006 million). The associated risks and rewards are similar to those with respect to receivables from financial services that have not been transferred. For information on the related total liabilities associated with these receivables sold but not derecognized, see Note 24.

15. Marketable debt securities

As of December 31, 2010, marketable debt securities with a carrying amount of €2,096 million are presented separately in the consolidated statement of financial position. In 2009 and 2008, the carrying amounts of €6,342 million and €814 million were included in other financial assets. Thereof, non-current debt securities amounted to €766 million (2009: €1,224 million; 2008: €103 million). The prior-year presentation has been adjusted accordingly.

The marketable debt securities are part of the Group's liquidity management and comprise debt instruments which are quoted in an active market and are classified as available-for-sale.

Further information on marketable debt securities is provided in Note 30.

16. Other financial assets

The item "other financial assets" shown in the consolidated statement of financial position is comprised of the following classes:

	At December 31, 2010			At December 31, 2009		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Available-for-sale financial assets	–	2,199	2,199	–	1,084	1,084
Thereof equity instruments recognized at fair value through profit or loss	–	1,485	1,485	–	385	385
Thereof equity instruments carried at cost	–	714	714	–	699	699
Derivative financial instruments used in hedge accounting	345	471	816	474	600	1,074
Financial assets recognized at fair value through profit or loss	565	166	731	504	714	1,218
Other receivables and financial assets	1,337	358	1,695	1,364	395	1,759
	2,247	3,194	5,441	2,342	2,793	5,135

In 2010, equity instruments carried at cost with a carrying amount of €23 million (2009: €8 million) were sold. The realized gains from the sales were €23 million in 2010 (2009: losses of €7 million). As of December 31, 2010, the Group principally did not intend to dispose of any reported equity instruments carried at cost.

Financial liabilities recognized at fair value through profit or loss relate exclusively to derivative financial instruments, which are not used in hedge accounting.

Further information on other financial assets is provided in Note 30.

17. Other assets

The non-financial other assets are comprised as follows:

	At December 31, 2010			At December 31, 2009		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Reimbursements due to income tax refunds	525	31	556	584	176	760
Reimbursements due to other tax refunds	1,181	17	1,198	989	20	1,009
Reimbursements due to the Medicare Act (USA)	.	112	112	–	122	122
Other expected reimbursements	339	26	365	385	14	399
Prepaid expenses	298	81	379	225	52	277
Others	278	141	419	169	112	281
	2,621	408	3,029	2,352	496	2,848

Other expected reimbursements predominantly relate to recovery claims from our suppliers in connection with issued product warranties.

18. Inventories

	At December 31,	
	2010	2009
In millions of euros		
Raw materials and manufacturing supplies	1,509	1,517
Work-in-process	2,002	1,626
Finished goods, parts and products held for resale	10,974	9,666
Advance payments to suppliers	59	36
	14,544	12,845

The amount of write-down of inventories to net realizable value recognized as expense in cost of sales was €269 million in 2010 (2009: €299 million). At December 31, 2010, €1,403 million (2009: €1,482 million) of the total inventories were carried at net realizable value. Inventories that are expected to be turned over after more than twelve months amounted to €718 million at December 31, 2010 (2009: €634 million) and are primarily spare parts.

Based on the requirement to provide collateral for certain vested employee benefits in Germany, the value of company cars included in inventories at Daimler AG in an amount of €482 million (2009: €457 million) was pledged as collateral to the Daimler Pension Trust e.V.

The carrying amount of inventories recognized during the period by taking possession of collateral held as security amounted to €124 million in 2010 (2009: €136 million). The utilization of these assets occurs in the context of normal business cycle.

19. Trade receivables

	At December 31, 2010	2009
In millions of euros		
Gross carrying amount	7,598	5,675
Allowances for doubtful accounts	-406	-390
Carrying amount, net	7,192	5,285

As of December 31, 2010, €25 million of the trade receivables mature after more than one year (2009: €8 million).

Allowances. Changes in the allowance account for trade receivables were as follows:

	2010	2009
In millions of euros		
Balance at January 1	390	620
Charged to costs and expenses	86	50
Amounts written off	-73	-281
Currency translation and other changes	3	1
Balance at December 31	406	390

The total expenses relating to the impairment losses of trade receivables amounted to €176 million in 2010 (2009: €186 million).

Credit risks. The following chart gives an overview of credit risks included in trade receivables:

	At December 31, 2010	2009
In millions of euros		
Receivables neither past due nor impaired individually	4,327	3,026
Receivables past due, not impaired individually		
less than 30 days	665	512
30 to 59 days	153	110
60 to 89 days	51	62
90 to 119 days	48	34
120 days or more	308	394
Total	1,225	1,112
Receivables impaired individually	1,640	1,147
Carrying amount, net	7,192	5,285

Receivables not subject to an individual impairment assessment are grouped and subject to collective impairment allowances to cover credit losses.

Further information on financial risk and nature of risks is provided in Note 31.

Sale of receivables. Based on market conditions and liquidity needs, Daimler may sell portfolios of trade receivables to third parties. At the time of the sale, Daimler determines whether the legally transferred receivables meet the criteria for derecognition in conformity with the appropriate provisions. If the criteria are not met, the receivables continue to be recognized in the Group's consolidated statement of financial position.

As of December 31, 2010, the carrying amount of trade receivables sold, but not derecognized for accounting purposes amounted to €83 million (2009: €38 million). For information on the liabilities related to sold but not derecognized receivables, see Note 24.

20. Equity

See also the consolidated statements of changes in equity.

The share capital is divided into no par value shares. All shares are fully paid up. Each share grants the right to one vote at the Annual Meeting of Daimler AG and, if applicable, with the exception of any new shares potentially not entitled to dividend, to an equal portion of the profits as defined by the dividend distribution resolved at the Annual Meeting.

	2010	2009
In millions of shares		
Shares issued on January 1	1,061	964
Reacquired shares not cancelled (share buy-back program) previous years	-37	-37
Shares outstanding on January 1	1,024	927
Creation of new shares by exercise of stock options	5	1
Creation of new shares by capital increase	–	96
Utilization of treasury shares to enter into a cross-shareholding structure between Daimler AG, Renault SA and Nissan Motor Company Ltd	35	–
Repurchase of treasury shares by exercise of a forward contract to settle obligations towards former AEG shareholders	-1	–
Utilization of treasury shares due to the settlement of obligations towards former AEG shareholders	3	–
Shares outstanding on December 31	1,066	1,024
Reacquired shares not cancelled (share buy-back program)	–	37
Shares issued on December 31	1,066	1,061

Share buy-back program. On April 9, 2008, the Annual Meeting authorized Daimler AG to acquire, until October 9, 2009, treasury shares for certain predefined purposes, i. e. for the purpose of using them for business combinations or to acquire companies or to meet the subscription rights arising from stock option programs, up to 10% of the share capital issued as of the day of the resolution. Between June 18, 2008 and October 23, 2008, Daimler AG partly exercised the authorization by repurchasing a total of 37.3 million shares representing approximately 3.87% of the share capital as of the time of the Annual Meeting. In 2008 0.2 million shares repurchased were used to meet subscription rights arising from stock option programs.

Insofar as the resolution issued by the Annual Meeting on April 9, 2008 authorizing Daimler AG to acquire, until October 9, 2009, treasury shares for certain predefined purposes had not been utilized, it was terminated by resolution of the Annual Meeting on April 8, 2009. Simultaneously, Daimler AG was authorized again to acquire, until October 8, 2010, treasury shares for certain predefined purposes i. e. for the purpose of cancellation or using them for business combinations or to acquire companies, up to 10% of the share capital as of the day of the resolution. As of December 31, 2009, Daimler AG held a treasury stock of 37.1 million shares, that were repurchased in 2008.

The unused authorization of the Annual Meeting on April 8, 2009, to acquire treasury shares until October 8, 2010, was terminated by resolution of the Annual Meeting on April 14, 2010. Simultaneously, Daimler was again authorized to acquire until April 13, 2015 treasury shares, i. e. for the purpose of cancellation or for using them for business combinations or to acquire companies up to 10% of the share capital issued as of the day of the resolution. This authorization has not been exercised yet.

Approximately 32.9 million shares representing €94 million of the share capital, or approximately 3.1% of the share capital in an amount of total €1,278 million were transferred in 2010 when the Group entered into a cross-shareholding structure with Renault SA and Nissan Motors Company (see also Note 3). 2.4 million of these shares, representing €7 million or approximately 0.23% of the share capital in an amount of €90 million were sold at the stock exchange to settle a cash obligation of this transaction.

Through a final verdict reached by the higher regional court in Frankfurt am Main in November 2009, the exchange ratio specified in the domination and profit and loss transfer agreement between the former Daimler-Benz AG and the former AEG AG from 1988 as well as the compensation payment for unpaid AEG dividends determined in this agreement were increased for the benefit of those AEG shareholders. In 2010, approximately 1.5 million own shares representing €4 million or approximately 0.15% of the share capital were repurchased at a purchase price of €40 million by exercising a forward contract. This forward was concluded with regard to the litigation mentioned above but without any obligation to purchase shares. In 2010, obligations of former AEG shareholders were settled using approximately 3.1 million own shares in an amount of total €108 million. 1.2 million treasury shares thereof, representing €3 million or approximately 0.11% of the share capital were sold to generate revenue of €44 million to settle cash obligations of former AEG shareholders resulting from the litigation. The remaining 1.9 million shares, representing €6 million or approximately 0.19% of the share capital were transferred to former AEG shareholders to cover obligations to deliver additional Daimler shares.

As of December 31, 2010, 0.2 million treasury shares representing €1 million of the share capital or approximately 0.02% of the share capital repurchased under the resolution issued at the Annual Meeting on April 9, 2008 are still held by Daimler AG.

Employee share purchase plan. In 2010 0.4 million Daimler shares were purchased and reissued to employees in connection with an employee share purchase plan. In 2009, Daimler neither purchased nor reissued Daimler shares to employees.

Authorized capital. By way of a resolution adopted at the Annual Meeting on April 9, 2008, the Board of Management was authorized, with the consent of the Supervisory Board, to increase Daimler AG's share capital in the period until April 8, 2013 by a total of €500 million in exchange for cash contributions and furthermore by a total of €500 million in exchange for non-cash contributions (Authorized Capital I and II) and with the consent of the Supervisory Board to exclude shareholders' subscription rights under certain conditions. In March 2009, Daimler AG's share capital was increased under partial utilization of the authorized capital of €2,768 million in the amount of €276 million to €3,044 million in exchange for cash contributions, excluding any shareholders' subscription rights, by issuing 96.4 million new registered no par value shares at an issue price of €20.27 per share to an indirect subsidiary of Aabar Investments PJSC (Aabar), Abu Dhabi. Resulting transaction costs of €7 million (net of taxes) were deducted from capital reserves.

By resolution of the Annual Meeting on April 8, 2009, the Board of Management was authorized again, 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 €1,000 million 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.

Conditional capital. 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.

Stock option plans. As of December 31, 2010, 11 million options from stock option plans granting subscription rights on new shares representing €32 million of the share capital had not yet been exercised.

Dividends. Under the German Stock Corporation Act (AktG), the dividend that can be distributed to shareholders is based on the unappropriated earnings reported in the annual financial statements of Daimler AG (parent company only) in accordance with the German Commercial Code (HGB). For the year ended December 31, 2010, the Daimler management will propose to the shareholders at the Annual Meeting to distribute €1,971 million (€1.85 per no-par-value share entitled to dividend) of the unappropriated earnings of Daimler AG as a dividend to the shareholders.

The table below shows the changes in other reserves directly recognized in equity:

	Before taxes	Taxes	2010 Net of taxes	Before taxes	Taxes	2009 Net of taxes
In millions of euros						
Unrealized gains from currency translation adjustments	1,200	–	1,200	267	–	267
Financial assets available for sale						
Unrealized gains/losses	137	3	140	255	-8	247
Income (-)/expense reclassified through profit or loss	-265	4	-261	–	–	–
Unrealized gains/losses from financial assets available for sale	-128	7	-121	255	-8	247
Derivative financial instruments						
Unrealized gains/losses	-987	301	-686	-17	54	37
Income (-)/expense reclassified through profit or loss	291	-89	202	-414	69	-345
Unrealized gains/losses from derivative financial instruments	-696	212	-484	-431	123	-308
Investments accounted for using the equity method						
Unrealized gains/losses	-523	165	-358	441	-116	325
Income (-)/expense reclassified through profit or loss	-134	43	-91	-191	61	-130
Unrealized gains/losses from investments accounted for using the equity method	-657	208	-449	250	-55	195
Other comprehensive income/loss	-281	427	146	341	60	401

In the line item "Unrealized gains/losses from investments accounted for using the equity method," the amounts of 2010 include the following components (amounts attributable to shareholders of Daimler AG only): unrealized gains from currency translation adjustments before taxes and net of taxes of €40 million (2009: unrealized gains before taxes and net of taxes of €31 million), unrealized losses from financial assets available for sale before taxes of €15 million and net of taxes of €19 million (2009: unrealized gains before taxes of €28 million and net of taxes of €26 million) and unrealized losses from derivative financial instruments before taxes of €486 million and net of taxes of €336 million (2009: unrealized gains before taxes of €42 and net of taxes of €27 million).

The changes in other reserves directly recognized in equity attributable to minority interest are as follows:

	Before taxes	Taxes	2010 Net of taxes	Before taxes	Taxes	2009 Net of taxes
In millions of euros						
Unrealized gains/losses from currency translation adjustments	48	–	48	-7	–	-7
Unrealized gains/losses from investments accounted for using the equity method	-196	62	-134	148	-38	110
Other comprehensive income/loss	-148	62	-86	141	-38	103

21. Share-based payment

As of December 31, 2010, the Group has the 2007-2010 Performance Phantom Share Plans (PPSP) and the Stock Option Plans 2001-2004 outstanding. The unexercised rights from Stock Option Plan 2000 expired on April 21, 2010. The exercisable stock options of 2003 and 2004 are equity-settled share-based payment instruments and are measured at fair value at the date of grant. The PPSP are cash-settled share-based payment instruments and are measured at their respective fair values at the balance sheet date.

The PPSP are paid off at the end of the stipulated holding period; earlier, pro-rated payoff is possible only if certain defined conditions are met. PPSP 2006 was paid off as planned in the first quarter of 2010.

The effects of share-based payment arrangements on the consolidated statement of income/loss and statement of financial position were as follows (before income taxes):

	Remuneration expense		Provision at December 31,	
	2010	2009	2010	2009
In millions of euros				
PPSP	-69	-31	124	72
SOP	-4	-1	–	–
	-73	-32	124	72

Expenses in the consolidated statement of income/loss resulting from rights of current members of the Board of Management are as follows:

	Dr. Dieter Zetsche		Dr. Wolfgang Bernhard		Wilfried Porth	
	2010	2009	2010	2009	2010	2009
In millions of euros						
PPSP	-3.5	-1.7	-0.6	–	-0.9	-0.3
SOP	-2.0	-0.1	–	–	–	–

	Andreas Renschler		Bodo Uebber		Dr. Thomas Weber	
	2010	2009	2010	2009	2010	2009
In millions of euros						
PPSP	-1.6	-0.7	-1.7	-0.8	-1.5	-0.7
SOP	–	–	-0.9	-0.1	-0.8	-0.1

The details shown in the overview do not represent any paid or committed remuneration, but refer to expense which has been calculated according to IFRS. Details regarding remuneration of the members of the Board of Management in 2010 can be found in the Remuneration Report (see page 152).

Performance Phantom Share Plans. In 2010, the Group adopted a Performance Phantom Share Plan (PPSP), similar to that used from 2005 to 2009, under which eligible employees are granted phantom shares entitling them to receive cash payments after four years. The amount of cash paid to eligible employees is based on the number of vested phantom shares (determined over a three-year performance period) multiplied by the quoted price of Daimler's ordinary shares (calculated as an average price over a specified period at the end of the four years of service). For the plans granted in 2009 and 2010, the quoted price of Daimler's ordinary shares to be used for the payout is limited to 2.5 times the Daimler share price at the date of grant.

The number of phantom shares that vest will depend on the achievement of corporate performance goals based on competitive and internal benchmarks (return on net assets and return on sales).

The Group recognizes a provision for awarding the PPSP. Since payment per vested phantom share depends on the quoted price of one Daimler ordinary share, the quoted price almost completely represents the fair value of each phantom share. The proportionate remuneration expenses for the individual years are determined on the basis of the year-end quoted price of Daimler ordinary shares and the estimated target achievement.

Stock Option Plans. In April 2000, the Group's shareholders approved the Daimler Stock Option Plan (SOP), which grants stock options for the purchase of Daimler ordinary shares to eligible employees. Options granted under the SOP are exercisable at a reference price per Daimler ordinary share, which is determined in advance, plus a 20% premium. The options become exercisable in equal installments at the earliest on the second and third anniversaries of the date of grant. All unexercised options expire ten years after the date of grant. If the market price per Daimler ordinary share on the date of exercise is at least 20% higher than the reference price, the holder is entitled to receive a cash payment equal to the original exercise premium of 20%. No new stock options were granted after 2004.

In the event of exercise, the Group has generally issued ordinary shares so far.

The table below shows the basic terms of the SOP (in millions):

	Reference price	Exercise price	Options granted	Options outstanding	Options exercisable
				At December 31, 2010	
Year of grant					
2001	€55.80	€66.96	18.7	4.6	4.6
2002	€42.93	€51.52	20.0	1.8	1.8
2003	€28.67	€34.40	20.5	1.9	1.9
2004	€36.31	€43.57	18.0	2.8	2.8

Options granted to the Board of Management in 2004 for which – according to the recommendations of the German Corporate Governance Code – the Presidential Committee can impose a limit, or reserve the right to impose a limit in the event of exceptional and unpredictable developments, are measured at their intrinsic values as of December 31.

Analysis of the stock options issued is as follows:

	2010		2009	
	Number of stock options in millions	Average exercise price euros per share	Number of stock options in millions	Average exercise price euros per share
Balance at beginning of the year	22.4	56.57	24.3	56.61
Options granted	–	–	–	–
Exercised	-4.5	45.04	-0.2	34.40
Disposals/Forfeited	-6.8	70.07	-1.7	60.15
Outstanding at year-end	11.1	52.90	22.4	56.57
Exercisable at year-end	11.1	52.90	22.4	56.57

The weighted average share price of Daimler ordinary shares during the exercise period was €50.42 (2009: €35.07). As of December 31, 2010, the weighted average remaining contractual life of outstanding stock options was 1.5 years (2009: 2.1 years). Analysis of the stock options issued to the current members of the Board of Management is as follows:

Dr. Dieter Zetsche

		2010		2009
	Number of stock options in millions	Average exercise price euros per share	Number of stock options in millions	Average exercise price euros per share
Balance at beginning of year	1.0	52.99	1.0	52.99
Options granted	–	–	–	–
Exercised	-0.3	51.52	–	–
Disposals/Forfeited	-0.1	74.76	–	–
Outstanding at year-end	0.6	49.04	1.0	52.99
Exercisable at year-end	0.6	49.04	1.0	52.99
Weighted maturity		1.5 years		2.0 years

Dr. Wolfgang Bernhard

		2010		2009
	Number of stock options in millions	Average exercise price euros per share	Number of stock options in millions	Average exercise price euros per share
Balance at beginning of year	–	–	–	–
Options granted	–	–	–	–
Exercised	–	–	–	–
Disposals/Forfeited	–	–	–	–
Outstanding at year-end	–	–	–	–
Exercisable at year-end	–	–	–	–
Weighted maturity		–		–

Wilfried Porth

		2010		2009
	Number of stock options in millions [1]	Average exercise price euros per share	Number of stock options in millions	Average exercise price euros per share
Balance at beginning of year	.	65.40	.	65.40
Options granted	–	–	–	–
Exercised	.	51.52	–	–
Disposals/Forfeited	.	74.76	–	–
Outstanding at year-end	.	66.96	.	65.40
Exercisable at year-end	.	66.96	.	65.40
Weighted maturity		0.3 years		1.0 years

1 For number of stock options partially no disclosure due to rounding.

Andreas Renschler		2010		2009
	Number of stock options in millions [1]	Average exercise price euros per share	Number of stock options in millions	Average exercise price euros per share
Balance at beginning of year	0.2	51.88	0.2	51.88
Options granted	–	–	–	–
Exercised	.	48.67	–	–
Disposals/Forfeited	.	74.76	–	–
Outstanding at year-end	0.1	48.46	0.2	51.88
Exercisable at year-end	0.1	48.46	0.2	51.88
Weighted maturity		1.7 years		2.2 years

1 For number of stock options partially no disclosure due to rounding.

Bodo Uebber		2010		2009
	Number of stock options in millions [1]	Average exercise price euros per share	Number of stock options in millions	Average exercise price euros per share
Balance at beginning of year	0.1	49.51	0.1	49.51
Options granted	–	–	–	–
Exercised	-0.1	43.34	–	–
Disposals/Forfeited	.	74.76	–	–
Outstanding at year-end	.	66.96	0.1	49.51
Exercisable at year-end	.	66.96	0.1	49.51
Weighted maturity		0.3 years		2.8 years

1 For number of stock options partially no disclosure due to rounding.

Dr. Thomas Weber		2010		2009
	Number of stock options in millions [1]	Average exercise price euros per share	Number of stock options in millions	Average exercise price euros per share
Balance at beginning of year	0.2	43.61	0.2	43.61
Options granted	–	–	–	–
Exercised	.	51.52	–	–
Disposals/Forfeited	.	74.76	–	–
Outstanding at year-end	0.2	40.56	0.2	43.61
Exercisable at year-end	0.2	40.56	0.2	43.61
Weighted maturity		2.1 years		2.8 years

1 For number of stock options partially no disclosure due to rounding.

With regard to the figures shown in the above table, it has to be considered that benefits from the stock option plans only arise if the Daimler share price exceeds the hurdle which has been individually defined for each stock option plan and if the owner of the stock options realizes an exercise.

As variable compensation, only the difference between the reference and exercise price of the respective stock option plan is paid out. The average exercise price is only a statistical factor, which results from the weighted average of the exercise prices shown in the table for the basic terms of the SOP. The sum of rights shown here is calculated from the addition of the different amounts of options that were granted in the years 2000 to 2004.

22. Pensions and similar obligations

Provisions for pension benefit plans and similar obligations are comprised of the following components:

	At December 31, 2010	2009
In millions of euros		
Provision for pension benefits	3,449	3,158
Provision for other post-employment benefits	880	924
	4,329	4,082

Defined benefit pension plans. Provisions for pension benefits were solely made for defined entitlements to active or former employees. Under a defined benefit pension plan, beneficiaries obtain an entitlement to a defined benefit when the insured case occurs. Daimler provides pension benefits with defined entitlements to almost all of its employees. The majority of the active employees are entitled to pay-related defined pension benefits. Under these plans, employees earn benefits for each year of service. The benefits earned per year of service are dependent on the salary level and age of the respective employees. Principally, the defined benefit pension plans provided by Daimler vary according to the economic, tax and legal circumstances of the country concerned. Generally, defined benefit pension plans also provide benefits for invalidity and death. The defined benefit obligations are funded in large part with assets in pension funds.

Defined contribution pension plans. To a minor degree, Daimler additionally provides defined contribution pension benefits. For defined contribution plans, Daimler makes defined contributions to external insurances or funds. Basically, there are no further contractual obligations or risks for Daimler in excess of the defined contributions. The Group also pays contributions to governmental pension schemes. In 2010, the total cost from payments made under defined contribution plans amounted to €1.2 billion (2009: €1.0 billion). These payments are primarily related to governmental pension plans.

Other post-employment benefits. Certain foreign subsidiaries of Daimler, mainly in the United States provide their employees with post-employment health care benefits with defined entitlements, which have to be accounted for as defined benefit plans. These obligations are funded to a small extent through reimbursement rights and plan assets. The following table provides key data for other post-employment benefits:

	2010	2009
In millions of euros		
Present value of defined benefit obligations	1,056	1,040
Fair value of plan assets and reimbursement rights	130	149
Funded status	-926	-891
Net periodic cost/income for other-postemployment benefits	76	-102

As a result of the adjustment of defined health care and pension benefits at our subsidiary Daimler Trucks North America, the Group recorded a pre-tax gain of €160 million in 2010. The gain is mainly included in cost of sales in the consolidated statement of income/loss and is allocated to the Daimler Trucks segment. This pre-tax gain is included in the 2010 net periodic cost/income for defined health care and pension benefits, as presented in this Note.

Details of defined pension benefit plans

Funded status. The following information with respect to the funded status of the Group's defined pension benefit plans is presented separately for German plans and non-German plans. In 2006, the non-German plans were principally comprised of plans in the United States still including the Chrysler plans. In 2007, as a result of the deconsolidation of Chrysler, the Group's provisions for pension benefits and the corresponding plan assets decreased significantly.

The funded status has developed since 2006 as follows:

	At December 31, 2010			At December 31, 2009			At December 31, 2008		
	Total	German plans	Non-German plans	Total	German plans	Non-German plans	Total	German plans	Non-German plans
In millions of euros									
Present value of defined benefit obligations	**17,684**	**15,040**	**2,644**	16,529	14,183	2,346	15,044	12,780	2,264
Less fair value of plan assets	**11,177**	**9,542**	**1,635**	10,624	9,197	1,427	10,110	8,796	1,314
Funded status	**-6,507**	**-5,498**	**-1,009**	-5,905	-4,986	-919	-4,934	-3,984	-950

	At December 31, 2007			At December 31, 2006		
	Total	German plans	Non-German plans	Total	German plans	Non-German plans
In millions of euros						
Present value of defined benefit obligations	15,686	13,539	2,147	37,466	14,728	22,738
Less fair value of plan assets	13,774	12,073	1,701	35,176	11,542	23,634
Funded status	-1,912	-1,466	-446	-2,290	-3,186	896

The reconciliation of the funded status to the net amounts of defined benefit pension plans recognized in the consolidated statement of financial position is as follows:

	At December 31, 2010			At December 31, 2009		
	Total	German plans	Non-German plans	Total	German plans	Non-German plans
In millions of euros						
Funded status	**-6,507**	**-5,498**	**-1,009**	-5,905	-4,986	-919
Unrecognized actuarial net losses	**3,120**	**2,741**	**379**	2,785	2,458	327
Unrecognized past service cost	**–**	**–**	**–**	1	–	1
Net amounts recognized	**-3,387**	**-2,757**	**-630**	-3,119	-2,528	-591
Thereof recognized in: Other assets	**62**	**–**	**62**	39	–	39
Thereof recognized in: Provisions for pensions and similar obligations	**-3,449**	**-2,757**	**-692**	-3,158	-2,528	-630

Present value of defined pension benefit obligations and fair value of plan assets. The development of these metrics in the reported periods is as follows:

			2010			2009
	Total	German plans	Non-German plans	Total	German plans	Non-German plans
In millions of euros						
Present value of the defined benefit obligation at January 1	16,529	14,183	2,346	15,044	12,780	2,264
Current service cost	337	264	73	295	226	69
Interest cost	859	734	125	847	734	113
Contributions by plan participants	7	4	3	57	54	3
Actuarial losses	620	518	102	1,134	1,015	119
Past service cost/income (-)	-8	-18	10	4	–	4
Curtailments	-24	–	-24	–	–	–
Settlements	-93	–	-93	-101	.	-101
Pension benefits paid	-744	-647	-97	-733	-626	-107
Currency exchange-rate and other changes	201	2	199	-18	–	-18
Present value of the defined benefit obligation at December 31	17,684	15,040	2,644	16,529	14,183	2,346
Thereof pension plans financed with plan assets	16,404	13,873	2,531	15,300	13,058	2,242
Thereof pension plans financed without plan assets	1,280	1,167	113	1,229	1,125	104
Fair value of plan assets at January 1	10,624	9,197	1,427	10,110	8,796	1,314
Expected return on plan assets	609	503	106	660	568	92
Actuarial gains/losses	226	168	58	-32	-116	84
Actual return/losses on plan assets	835	671	164	628	452	176
Contributions by the employer	345	246	99	602	500	102
Contributions by plan participants	2	–	2	3	–	3
Settlements	-85	–	-85	-89	–	-89
Benefits paid	-660	-572	-88	-645	-551	-94
Currency exchange-rate and other changes	116	–	116	15	–	15
Fair value of plan assets at December 31	11,177	9,542	1,635	10,624	9,197	1,427

Experience adjustments. The experience related adjustments, which are the differences between the earlier actuarial assumptions applied and actual developments, are as shown in the following table (based on the pension benefit plans and plan assets at December 31):

					At December 31,
	2010	2009	2008	2007	2006
In millions of euros					
Present value of defined benefit obligation	550	-43	-194	154	45
Fair value of plan assets	226	-32	-3,970	-238	1,685

Composition of plan assets. At December 31, 2010, plan assets were invested in diversified portfolios that consisted primarily of debt and equity securities. Plan assets and income from plan assets are used solely to pay pension benefits and to administer the plans. The Group's plan asset allocations are presented in the following table:

	Plan assets German plans At December 31, 2010	2009	Plan assets Non-German plans At December 31, 2010	2009
In % of plan assets				
Equity securities	34	26	41	45
Debt securities	46	49	43	40
Alternative investments	11	8	4	4
Real estate	4	4	3	3
Liquidity and other plan assets	5	13	9	8

Alternative investments consist of private equity and debt investments as well as investments in commodities and hedge funds.

Assumptions. The measurement date for the Group's defined benefit pension obligations and plan assets is generally December 31. The measurement date for the Group's net periodic pension cost is generally January 1. The assumptions used to calculate the projected benefit obligations together with long-term rates of return on plan assets vary according to the economic conditions of the country in which the pension plans are situated.

The Group used the following weighted average assumptions to determine pension benefit obligations:

	German plans At December 31, 2010	2009	Non-German plans At December 31, 2010	2009
In %				
Discount rates	5.0	5.3	4.7	5.1
Expected long-term remuneration increases [1]	–	–	3.7	3.9
Expected increase in cost of living [2]	1.7	1.8	–	–

1 For most German plans, expected increases in long-term remuneration are not a part of the benefit formula.
2 For most non-German plans, expected increases in cost of living are not a part of the benefit formula.

The Group used the following weighted average assumptions to determine net periodic pension cost:

	German plans		Non-German plans	
	2010	2009	2010	2009
In %				
Discount rates	5.3	5.9	5.1	5.0
Expected long-term returns on plan assets	5.5	6.5	7.0	7.2
Expected long-term remuneration increases [1]	–	–	3.9	3.7
Expected increase in cost of living [2]	1.8	1.8	–	–

1 For most German plans, expected increases in long-term remuneration are not a part of the benefit formula.
2 For most non-German plans, expected increases in cost of living are not a part of the benefit formula.

Discount rates. The discount rates for German and non-German pension plans are determined annually as of December 31 on the basis of high-quality corporate bonds with maturities and values matching those of the pension payments.

Expected return on plan assets. The expected long-term rates of return for German and non-German plan assets are primarily derived from the asset allocations of plan assets and expected future returns for the various asset classes in the portfolios. Temporary variability in the asset allocations of plan assets does not result in adjustments of the expected long-term rates of return. For the determination of the expected long-term rates of return, our investment committees survey banks and large asset portfolio managers about their expectations for future returns for the relevant market indices. The allocation-weighted average return expectations serve as an initial indicator for the expected rate of return on plan assets for each pension fund.

In addition, Daimler considers long-term actual plan assets' results and historical market returns in its evaluation in order to reflect the long-term character of the plan assets.

Multi-employer plans. Daimler participates in some collectively bargained defined benefit pension plans maintained by more than one employer. The Group accounts for these plans in its consolidated financial statements as defined contribution plans because the information required to use defined benefit accounting is not available in a timely manner and in sufficient detail. The Group cannot exercise direct control over such plans and the plan-trustees have no legal obligation to share information directly with participating employers. Higher contributions by the Group to such a pension plan could result in particular when an underfunded status exceeds a specific level.

Net periodic pension cost. The components of net periodic pension cost included in the consolidated statement of income/loss were as follows:

			2010			2009
	Total	German plans	Non-German plans	Total	German plans	Non-German plans
In millions of euros						
Current service cost	-337	-264	-73	-295	-226	-69
Interest cost	-859	-734	-125	- 847	-734	-113
Expected return on plan assets	609	503	106	660	568	92
Amortization of net actuarial losses	-79	-66	-13	-27	-14	-13
Past service cost/income	17	18	-1	-5	–	-5
Curtailments and settlements	7	–	7	-17	–	-17
Net periodic pension cost	-642	-543	-99	-531	-406	-125

Net periodic pension cost is included in the following line items within the consolidated statements of income/loss:

	2010	2009
In millions of euros		
Cost of sales	-197	-172
Selling expenses	-51	-70
General administrative expenses	-32	-37
Research and non-capitalized development costs	-33	-38
Interest income	609	660
Interest expense	-938	-874
	-642	-531

Expected payments. In 2011, Daimler expects to make cash contributions of €0.6 billion to its pension plans. In addition, the Group expects to make pension benefit payments of €0.1 billion under pension benefit schemes without plan assets.

23. Provisions for other risks

The development of provisions for other risks is summarized as follows:

In millions of euros	Product warranties	Sales incentives	Personnel and social costs	Other	Total
Balance at December 31, 2009	5,489	914	2,054	2,550	11,007
Thereof current	2,874	914	803	1,720	6,311
Thereof non-current	2,615	–	1,251	830	4,696
Additions	**2,682**	**1,079**	**1,816**	**1,280**	**6,857**
Utilizations	**-2,628**	**-705**	**-793**	**-782**	**-4,908**
Reversals	**-131**	**-76**	**-75**	**-674**	**-956**
Addition of accrued interest and effects of changes in discount rates	**119**	**1**	**75**	**45**	**240**
Currency translation and other changes	**109**	**54**	**40**	**97**	**300**
Balance at December 31, 2010	**5,640**	**1,267**	**3,117**	**2,516**	**12,540**
Thereof current	**2,783**	**1,265**	**1,693**	**1,251**	**6,992**
Thereof non-current	**2,857**	**2**	**1,424**	**1,265**	**5,548**

Product warranties. Daimler issues various types of product warranties, under which it generally guarantees the performance of products delivered and services rendered for a certain period or term. The provision for these product warranties covers expected costs for legal and contractual warranty claims, as well as expected costs for policy coverage, recall campaigns and buyback commitments. The provision for buyback commitments represents the expected costs related to the Group's obligation, under certain conditions, to repurchase a vehicle from a customer. Buy-backs may occur for a number of reasons including litigation, compliance with laws and regulations in a particular region and customer satisfaction issues. The utilization date of product warranties depends on the incidence of the warranty claims and can span the entire term of the product warranties.

Sales incentives. The provisions for sales incentives relate to obligations for expected reductions in revenue already recognized. These include bonuses, discounts and other price reduction commitments, which are entered into with contractual partners in the reporting period or in previous periods but will not be paid until subsequent periods.

Personnel and social costs. Provisions for personnel and social costs primarily comprise expected expenses of the Group for employee anniversary bonuses, profit sharing arrangements, management bonuses as well as early retirement and partial retirement plans. The additions recorded to the provisions for profit sharing and management bonuses in the reporting year usually result in cash outflows in the following year.

Other. Provisions for other risks comprise, among others, expected costs in connection with liability and litigation risks, obligations under the EU End-of-Life Vehicles Directive and environmental protection risks. They also include provisions for other taxes and various other risks.

24. Financing liabilities

	At December 31, 2010			At December 31, 2009		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Notes/bonds	10,322	15,801	26,123	7,972	22,123	30,095
Commercial paper	91	–	91	176	–	176
Liabilities to financial institutions	6,295	8,033	14,328	6,066	6,934	13,000
Deposits in the direct banking business	7,856	3,020	10,876	9,403	3,195	12,598
Liabilities from ABS transactions	595	519	1,114	753	539	1,292
Liabilities from finance lease	80	419	499	49	348	397
Loans, other financing liabilities	582	69	651	617	119	736
	25,821	27,861	53,682	25,036	33,258	58,294

Based on market conditions and liquidity needs, Daimler may sell certain receivables and future lease payments resulting from equipment on operating leases to third parties. As of December 31, 2010, liabilities relating to these transactions, which do not meet all the criteria for derecognition, are accounted in the value of €1,197 million (2009: €1,330 million). The respective liabilities are reported under liabilities from ABS transactions in the amount of €1,114 million (2009: €1,292 million) and under liabilities to financial institutions in the amount of €83 million (2009: €38 million).

Liabilities from finance leases relate primarily to leases of property, plant and equipment which transfer substantially all risks and rewards to the Group as lessee. Future minimum lease payments under finance leases at December 31, 2010 amounted to €780 million (2009: €588 million). The reconciliation of future minimum lease payments from finance lease arrangements to the corresponding liabilities is as follows:

	Future minimum lease payments At December 31,		Interest included in future minimum lease payments At December 31,		Liabilities from finance lease arrangements At December 31,	
	2010	2009	2010	2009	2010	2009
In millions of euros						
Maturity						
within one year	105	61	25	12	80	49
between one and five years	233	160	84	62	149	98
later than five years	442	367	172	117	270	250
	780	588	281	191	499	397

25. Other financial liabilities

Other financial liabilities are composed of the following items:

	At December 31, 2010			At December 31, 2009		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Derivative financial instruments used in hedge accounting	468	390	858	141	67	208
Financial liabilities recognized at fair value through profit or loss	662	488	1,150	273	402	675
Liabilities from residual value guarantees	1,016	659	1,675	1,338	1,115	2,453
Liabilities from wages and salaries	1,005	–	1,005	896	–	896
Other	5,475	346	5,821	4,941	564	5,505
Miscellaneous other financial liabilities	7,496	1,005	8,501	7,175	1,679	8,854
	8,626	1,883	10,509	7,589	2,148	9,737

Financial liabilities recognized at fair value through profit or loss relate exclusively to derivative financial instruments which are not used in hedge accounting.

Further information on other financial liabilities is provided in Note 30.

26. Other liabilities

Other liabilities are composed of the following items:

	At December 31, 2010			At December 31, 2009		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Income tax liabilities	169	73	242	56	74	130
Miscellaneous other liabilities	1,376	6	1,382	1,018	1	1,019
	1,545	79	1,624	1,074	75	1,149

27. Consolidated statement of cash flows

Cash provided by operating activities. The changes in other operating assets and liabilities are as follows:

	2010	2009
In millions of euros		
Provisions	1,648	203
Financial instruments	-60	-44
Miscellaneous other assets and liabilities	914	740
	2,502	899

Cash provided by operating activities includes the following cash flows:

	2010	2009
In millions of euros		
Interest paid	-523	-894
Interest received	92	471
Income taxes paid, net	-1,189	-358
Dividends received	38	109

The line item other non-cash expense and income within the reconciliation of net profit to cash provided by operating activities primarily comprises deferred taxes and the Group's share in the profit/loss of companies accounted for using the equity method.

Cash used for financing activities. Cash used for financing activities includes cash flows from hedging the currency risks of financial liabilities. In 2010, cash used for financing activities included payments for the reduction of the outstanding finance lease liabilities of €75 million (2009: €71 million).

28. Legal proceedings

Various legal proceedings, claims and governmental investigations are pending against Daimler AG and its subsidiaries on a wide range of topics, including vehicle safety, emissions, fuel economy, financial services, dealer, supplier and other contractual relationships, intellectual property rights, product warranties, environmental matters, and shareholder matters. Some of these proceedings allege defects in various components in several different vehicle models or allege design defects relating to vehicle stability, pedal misapplication, brakes or crashworthiness. Some of these proceedings are filed as class action lawsuits that seek repair or replacement of the vehicles or compensation for their alleged reduction in value, while others seek recovery for damage to property, personal injuries or wrongful death. Adverse decisions in one or more of these proceedings could require us to pay substantial compensatory and punitive damages or undertake service actions, recall campaigns or other costly actions.

In mid-January 2011 the European Commission carried out anti-trust investigations of European commercial vehicle manufacturers, including Daimler AG. Daimler is taking the Commission's initial suspicion very seriously and is also – parallel to the Commission's investigations – carrying out its own extensive internal investigation to clarify the underlying circumstances. If antitrust infringements are discovered, the European Commission can impose considerable fines depending on the gravity of the infringement. In accordance with IAS 37.92 the Group does not provide further information on this anti-trust investigation and the associated risk for the Group, especially with regard to the measures taken in this context, in order not to impair the outcome of the proceeding.

On April 1, 2010, Daimler announced a settlement of the previously disclosed US Securities and Exchange Commission (SEC) and US Department of Justice (DOJ) investigations into possible violations by Daimler of the anti-bribery, record-keeping, and internal-controls provisions of the US Foreign Corrupt Practices Act (FCPA).

Pursuant to the settlement reached with the SEC, the SEC filed a civil complaint against Daimler AG in the US District Court for the District of Columbia (the Court). Without admitting or denying the allegations in the complaint, Daimler AG consented to the entry by the Court of a final judgment. Pursuant to the Court's judgment: (i) Daimler AG disgorged US$91.4 million in profits, (ii) Daimler AG is enjoined from violating the anti-bribery, record-keeping and internal-controls provisions of the FCPA, and (iii) the Honorable Louis J. Freeh is Daimler AG's post-settlement monitor for a three-year period.

Pursuant to the settlement reached with the DOJ, Daimler AG entered into a deferred-prosecution agreement with a two-year term under which the DOJ filed with the Court a two-count criminal information against Daimler AG charging it with: (i) conspiracy to violate the record-keeping provisions of the FCPA, and (ii) violating the record-keeping provisions of the FCPA. Herewith, Daimler AG agreed to pay a maximum criminal fine of US$93.6 million, to engage the Honorable Louis J. Freeh as post-settlement monitor for a three-year period, and to continue to implement a compliance and ethics program designed to prevent and detect violations of the FCPA and other applicable anti-corruption laws. In addition, a China-based subsidiary, Daimler North East Asia, Ltd. (DNEA), entered into a deferred-prosecution agreement with the same term with the DOJ under which the DOJ filed with the Court a two-count criminal information against DNEA.

In addition, a Russia-based subsidiary, Mercedes-Benz Russia S.R.O. (MB Russia), and a Germany-based subsidiary, Daimler Export and Trade Finance GmbH (ETF), each entered into plea agreements with the DOJ with a three-year probation period under which they pleaded guilty to: (i) conspiracy to violate the anti-bribery provisions of the FCPA, and (ii) violating the anti-bribery provisions of the FCPA. Under their respective plea agreements, the Court sentenced MB Russia to pay a criminal fine of US$27.36 million and sentenced ETF to pay a criminal fine of US$29.12 million. These amounts were deducted from the maximum fine Daimler AG agreed to pay (US$93.6 million).

As a result of the SEC and DOJ settlements, Daimler paid a total of US$185 million in fines and civil disgorgement. Daimler previously recognized sufficient provisions to cover these fines. In addition, Daimler has taken personnel and remedial actions to ensure that its conduct going forward complies with the FCPA and similar applicable laws, including establishing a company-wide compliance organization and evaluating and revising Daimler's governance policies and internal-control procedures.

The failure to comply with the terms and conditions of either the SEC or the DOJ settlement, including the terms of the deferred-prosecution agreements, could result in resumed prosecution and other regulatory sanctions.

Communications with and provision of documents to the offices of German public prosecutors regarding the matters that have been under investigation by the DOJ and SEC have taken place.

On August 17, 2009, the Official Committee of Unsecured Creditors of OldCarCo LLC (formerly Chrysler LLC) filed a lawsuit with the United States Bankruptcy Court, Southern District of New York, against Daimler AG, Daimler North America Corporation and others. The Committee has been substituted by the Liquidation Trust, which claims unspecified damages based on theories of constructive fraudulent transfer and other legal theories, alleging that the consideration received in certain transactions effected in connection with the investment by Cerberus in Chrysler LLC was not fair consideration. Daimler has submitted miscellaneous legal defense arguments and considers these claims and allegations of the Liquidation Trust to be without merit and will defend itself vigorously.

The Federal Republic of Germany initiated arbitration proceedings against Daimler Financial Services AG, Deutsche Telekom AG and Toll Collect GbR and submitted its statement of claims in August 2005. It seeks damages, contractual penalties and the transfer of intellectual property rights to Toll Collect GmbH. In particular, the Federal Republic of Germany is claiming

- lost revenue of €3.33 billion for the period September 1, 2003 through December 31, 2004 plus interest at 5% per annum over the respective base rate since submission of claims (amount as of November 21, 2010 at €1.4 billion),
- and contractual penalties of approximately €1.65 billion through July 31, 2005 plus interest at 5% per annum over the respective base rate since submission of claims (amount as of November 21, 2010 at €282 million),
- plus refinancing costs of €115 million.

Since, among other things, some of the contractual penalties are dependent on time and further claims for contractual penalties have been asserted by the Federal Republic of Germany, the amount claimed as contractual penalties may increase.

Defendants submitted their response to the statement of claims on June 30, 2006. The Federal Republic of Germany delivered its reply to the arbitrators on February 15, 2007, and the defendants delivered their rebuttal on October 1, 2007 (see also Note 29). The arbitrators held the first hearing on June 16 and 17, 2008. Additional briefs from the claimant and the defendants were filed since then. A hearing of witnesses and experts took place between December 6 and 14, 2010. Further written statements shall be submitted by the Parties until May 20, 2011. Daimler believes the claims are without merit and will continue to defend itself vigorously.

Litigation is subject to many uncertainties and Daimler cannot predict the outcome of individual matters with assurance. The Group establishes provisions in connection with pending or threatened litigation if a loss is probable and can be reasonably estimated. Since these provisions, which are reflected in the Group's consolidated financial statements, represent estimates, it is reasonably possible that the resolution of some of these matters could require us to make payments in excess of the amounts accrued in an amount or range of amounts that could not be reasonably estimated at December 31, 2010. It is also reasonably possible that the resolution of some of the matters for which provisions could not be made may require the Group to make payments in an amount or range of amounts that could not be reasonably estimated at December 31, 2010. Although the final resolution of any such matters could have a material effect on Daimler's operating results and cash flows for a particular reporting period, Daimler believes that it should not materially affect the Group's financial position.

29. Guarantees and other financial commitments

Guarantees. The following table shows the amounts of provisions and liabilities at December 31 which have been established by the Group in connection with its issued guarantees (excluding product warranties):

	Amount recognized as a liability At December 31,	
	2010	2009
In millions of euros		
Financial guarantees	**227**	183
Guarantees under buy-back commitments	**66**	66
Other guarantees	**106**	105
	399	354

Financial guarantees. Financial guarantees principally represent contractual arrangements that require the Group as the guarantor to make certain payments if guarantee holders fail to meet their financial obligations. The maximum potential obligation resulting from these guarantees amounted to €1,140 million at December 31, 2010 (December 31, 2009: €1,493 million). These amounts include guarantees, which the Group issued for the benefit of Chrysler in connection with the Chrysler transactions entered into in 2007 and 2009. These guarantees relate to Chrysler's pension obligations and certain other financial obligations of Chrysler. For a portion of these financial guarantees, Chrysler provided collateral to an escrow account. See Note 3 for the amounts and further information.

Guarantees under buy-back commitments. Guarantees under buy-back commitments represent arrangements whereby the Group guarantees specified trade-in or resale values for sold vehicles. Such guarantees provide the holder with the right to return purchased vehicles to the Group, the right being primarily contingent on the future purchase of vehicles or services. Residual value guarantees related to arrangements for which revenue recognition is precluded due to the Group's obligation to repurchase assets sold to unrelated guaranteed parties are not included in those amounts.

Other guarantees. Other guarantees principally comprise pledges or indemnifications related to the quality or timing of performance by third parties or participations in performance guarantees of consortiums. As of December 31, 2010, the best estimate for obligations under other guarantees for which no provisions had yet been recorded was €50 million (2009: €37 million).

In 2002, our subsidiary Daimler Financial Services AG, Deutsche Telekom AG and Compagnie Financière et Industrielle des Autoroutes S.A. (Cofiroute) entered into a consortium agreement in order to jointly develop, install, and operate under a contract with the Federal Republic of Germany (operating agreement) a system for the electronic collection of tolls for all commercial vehicles over 12 tons GVW using German highways. Daimler Financial Services AG and Deutsche Telekom AG each hold a 45% equity interest and Cofiroute holds the remaining 10% equity interest in both the consortium (Toll Collect GbR) and the joint venture company (Toll Collect GmbH) (together Toll Collect).

According to the operating agreement, the toll collection system had to be operational no later than August 31, 2003. After a delay of the launch date of the toll collection system, which resulted in a loss of revenue for Toll Collect and in payments of contractual penalties for delays, the toll collection system was introduced on January 1, 2005 with on-board units that allowed for slightly less than full technical performance in accordance with the technical specification (phase 1). On January 1, 2006, the toll collection system was installed and started to operate with full effectiveness as specified in the operating agreement (phase 2). On December 20, 2005, Toll Collect GmbH received a preliminary operating permit as specified in the operating agreement. Toll Collect GmbH expects to receive the final operating permit, and continues to operate the toll collection system under the preliminary operating permit in the interim.

Failure to perform various obligations under the operating agreement may result in penalties, additional revenue reductions and damage claims that could become significant over time. However, penalties and revenue reductions are capped at €150 million per year until the final operating permit has been issued and at €100 million per year following the issuance of the final operating permit. These cap amounts are subject to a 3% increase for every year of operation.

Beginning in June 2006, the Federal Republic of Germany began reducing monthly payments to Toll Collect GmbH by €8 million in partial set-off against amounts claimed in the arbitration proceeding referred to below. This offsetting may require the consortium members to provide additional operating funds to Toll Collect GmbH.

The operating agreement calls for the submission of all disputes related to the toll collection system to arbitration. The Federal Republic of Germany has initiated arbitration proceedings against Daimler Financial Services AG, Deutsche Telekom AG and the consortium. According to the statement of claims received in August 2005, the Federal Republic of Germany is seeking damages including contractual penalties and reimbursement of lost revenue that allegedly arose from delays in the operability of the toll collection system. See Note 27 for additional information.

Each of the consortium members (including Daimler Financial Services AG) has provided guarantees supporting the obligations of Toll Collect GmbH towards the Federal Republic of Germany relating to the completion and operation of the toll collection system, which are subject to specific triggering events. In addition, Daimler AG has guaranteed bank loans obtained by Toll Collect GmbH. The guarantees are described in detail below:

- *Guarantee of bank loans.* Daimler AG issued a guarantee to third parties up to a maximum amount of €105 million for bank loans which could be obtained by Toll Collect GmbH. This amount represents the Group's 50% share of Toll Collect GmbH's external financing guaranteed by its shareholders.

– *Equity maintenance undertaking.* The consortium members have the obligation to contribute, on a joint and several basis, additional funds to Toll Collect GmbH as may be necessary for Toll Collect GmbH to maintain a minimum equity (based on German Commercial Code accounting principles) of 15% of total assets (a so-called "equity maintenance undertaking"). This obligation will terminate on August 31, 2015, when the operating agreement expires, or earlier if the agreement is terminated. Such obligation may arise if Toll Collect GmbH is subject to revenue reductions caused by underperformance, if the Federal Republic of Germany is successful in claiming lost revenue against Toll Collect GmbH for any period the system was not fully operational, or if Toll Collect GmbH incurs penalties that may become payable under the above mentioned agreements. If such penalties, revenue reductions or other events reduce Toll Collect GmbH's equity to a level below the minimum equity percentage agreed upon, the consortium members are obligated to fund Toll Collect GmbH's operations to the extent necessary to reach the required minimum equity.

Cofiroute's risks and obligations are limited to €70 million. Daimler Financial Services AG and Deutsche Telekom AG are jointly obliged to indemnify Cofiroute for amounts exceeding this limitation.

While Daimler's maximum future obligation resulting from the guarantee of the bank loan can be determined (2010: €105 million), the Group is unable to reasonably estimate the amount or range of amounts of possible loss resulting from the financial guarantee in form of the equity maintenance undertaking due to the various uncertainties described above, although it could be material. Only the guarantee for the bank loan is included in the above disclosures for financial guarantees.

Obligations associated with product warranties are also not included in the above disclosures. See Note 23 for provisions relating to such obligations.

Other financial commitments. In connection with its production programs, Daimler has committed to purchase various volumes of parts and components over extended periods. The Group also has entered into service arrangements for the provision of future services. In addition, the Group has committed to purchase or invest in the construction and maintenance of production facilities. Amounts under the latter arrangements represent commitments to purchase plant or equipment in the future. As of December 31, 2010, total other financial commitments amounted to €7.4 billion (2009: €4.5 billion).

The Group has also entered into operating leases for property, plant and equipment. In 2010, Daimler recognized as expense rental payments of €491 million (2009: €513 million). Future minimum lease payments under long-term lease agreements are due as follows (nominal amounts):

	At December 31, 2010	2009
In millions of euros		
Maturity		
within one year	**297**	304
between one and three years	**504**	524
between four and five years	**396**	427
later than five years	**953**	1,117
	2,150	2,372

In addition, the Group issued loan commitments for a total of €1.9 billion and €1.6 billion as of December 31, 2010 and 2009, respectively. These loan commitments are unused as of those dates.

30. Financial instruments

Carrying amounts and fair values of financial instruments

The following table shows the carrying amounts and fair values of the Group's financial instruments. The fair value of a financial instrument is the price at which a party would accept the rights and/or obligations of that financial instrument from another independent party. Given the varying influencing factors, the reported fair values can only be viewed as indicators of the prices that may actually be achieved on the market.

	At December 31, 2010		At December 31, 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
In millions of euros				
Financial assets				
Receivables from financial services	41,030	41,107	38,478	38,510
Trade receivables	7,192	7,192	5,285	5,285
Cash and cash equivalents	10,903	10,903	9,800	9,800
Marketable debt securities				
Available-for-sale financial assets	2,096	2,096	6,342	6,342
Other financial assets				
Available-for-sale financial assets [1]	2,199	2,199	1,084	1,084
Financial assets recognized at fair value through profit or loss	731	731	1,218	1,218
Derivative financial instruments used in hedge accounting	816	816	1,074	1,074
Other receivables and assets	1,695	1,695	1,759	1,759
	66,662	66,739	65,040	65,072
Financial liabilities				
Financing liabilities	53,682	55,419	58,294	59,677
Trade payables	7,657	7,657	5,622	5,622
Other financial liabilities				
Financial liabilities recognized at fair value through profit or loss	1,150	1,150	675	675
Derivative financial instruments used in hedge accounting	858	858	208	208
Miscellaneous other financial liabilities	8,501	8,501	8,854	8,854
	71,848	73,585	73,653	75,036

1 Includes equity interests measured at cost of €714 million (2009: €699 million), whose fair value can not be determined with sufficient reliability.

The fair values of financial instruments were calculated on the basis of market information available on the balance sheet date. The following methods and premises were used:

Receivables from financial services. The fair values of receivables from financial services with variable interest rates are estimated to be equal to the respective carrying amounts since the interest rates agreed and those available on the market do not significantly differ. The fair values of receivables from financial services with fixed interest rates are determined on the basis of discounted expected future cash flows. The discounting is based on the current interest rates at which similar loans with identical terms could have been borrowed as of December 31, 2010 and December 31, 2009.

Trade receivables and cash and cash equivalents. Due to the short terms of these financial instruments, it is assumed that their fair values are equal to the carrying amounts.

Marketable debt securities and other financial assets.
Financial assets available for sale include:
- debt and equity instruments measured at fair value; these instruments were measured using quoted market prices at December 31. Otherwise, the fair value measurement of these debt and equity instruments is based on inputs that are either directly or indirectly observable on active markets.
- equity interests measured at cost; for these financial instruments fair values could not be determined because market prices or fair values are not available. These equity interests comprise investments in non-listed companies for which no objective evidence existed at the balance sheet date that these assets are impaired and whose fair values cannot be determined with sufficient reliability. It is assumed that the fair values approximate the carrying amounts.

Financial assets recognized at fair value through profit or loss include derivative financial instruments not used in hedge accounting. These financial instruments as well as *derivative financial instruments used in hedge accounting* comprise:
- derivative currency hedging contracts; the fair values of currency forwards and cross currency interest rate swaps are determined on the basis of the discounted estimated future cash flows using market interest rates appropriate to the remaining terms of the financial instruments. Currency options were measured using price quotations or option pricing models using market data.
- derivative interest rate hedging contracts; the fair values of interest rate hedging instruments (e.g. interest rate swaps, forward rate agreements) are calculated on the basis of the discounted estimated future cash flows using the market interest rates appropriate to the remaining terms of the financial instruments. Interest options were measured using price quotations or option pricing models using market data.
- derivative commodity hedging contracts; the fair values of commodity hedging contracts (e.g. commodity forwards) are determined on the basis of current reference prices in consideration of forward premiums and discounts.

Other receivables and assets are carried at amortized cost. Because of the predominant short maturities of these financial instruments in general, it is assumed that the fair values approximate the carrying amounts.

Financing liabilities. The fair values of bonds, loans and deposits in the direct banking business are calculated as the present values of the estimated future cash flows. Market interest rates for the appropriate terms are used for discounting. On account of the short terms of commercial papers it is assumed that the carrying amounts of these financial instruments approximate their fair values.

Trade payables. Due to the short maturities of these financial instruments, it is assumed that their fair values are equal to the carrying amounts.

Other financial liabilities. *Financial liabilities recognized at fair value through profit or loss* include derivative financial instruments not used in hedge accounting. For information regarding these financial instruments as well as derivative financial instruments used in hedge accounting see the notes above under marketable debt securities and other financial assets.

Miscellaneous other financial liabilities are carried at amortized cost. Because of the short maturities of these financial instruments in general, it is assumed that the fair values approximate the carrying amounts.

Financial assets and liabilities measured at fair value are classified into the following fair value hierarchy:

			At December 31, 2010				At December 31, 2009	
	Total	Level 1 [1]	Level 2 [2]	Level 3 [3]	Total	Level 1 [1]	Level 2 [2]	Level 3 [3]
In millions of euros								
Assets measured at fair value								
Financial assets available for sale	3,581	2,150	1,431	–	6,727	940	5,787	–
Financial assets recognized at fair value through profit or loss	731	–	731	–	1,218	–	1,218	–
Derivative financial instruments used in hedge accounting	816	–	816	–	1,074	–	1,074	–
	5,128	2,150	2,978	–	9,019	940	8,079	–
Liabilities measured at fair value								
Financial liabilities recognized at fair value through profit or loss	1,150	–	1,150	–	675	–	675	–
Derivative financial instruments used in hedge accounting	858	–	858	–	208	–	208	–
	2,008	–	2,008	–	883	–	883	–

1 Fair value measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
2 Fair value measurement based on inputs for the asset or liability that are observable on active markets either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3 Fair value measurement based on inputs for the asset or liability that are not observable market data.

The carrying amounts of financial instruments presented according to IAS 39 measurement categories are as follows:

	At December 31, 2010	2009
In millions of euros		
Assets		
Receivables from financial services [1]	**29,702**	26,787
Trade receivables	**7,192**	5,285
Other receivables and assets	**1,695**	1,759
Loans and receivables	**38,589**	33,831
Marketable debt securities	**2,096**	6,342
Other financial assets	**2,199**	1,084
Available-for-sale financial assets	**4,295**	7,426
Financial assets recognized at fair value through profit or loss [2]	**731**	1,218
Liabilities		
Trade payables	**7,657**	5,622
Financing liabilities [3]	**51,986**	56,567
Other financial liabilities [4]	**8,274**	8,671
Financial liabilities measured at cost	**67,917**	70,860
Financial liabilities recognized at fair value through profit or loss [2]	**1,150**	675

The table above does not include cash and cash equivalents or the carrying amounts of derivative financial instruments used in hedge accounting as these financial instruments are not assigned to an IAS 39 measurement category.

1 This does not include lease receivables of €11,328 million (2009: €11,691 million) as these are not assigned to an IAS 39 measurement category.
2 Financial instruments classified as held for trading purposes. These figures comprise financial instruments that are not used in hedge accounting.
3 This does not include liabilities from finance leases of €499 million (2009: €397 million) or liabilities from non-transference of assets of €1,197 million (2009: €1,330 million) as these are not assigned to an IAS 39 measurement category.
4 This does not include liabilities from financial guarantees of €227 million (2009: €183 million) as these are not assigned to an IAS 39 measurement category.

Net gains or losses

The following table shows the net gains or losses of financial instruments included in the consolidated statement of income/loss (not including derivative financial instruments used in hedge accounting):

	2010	2009
In millions of euros		
Financial assets and liabilities recognized at fair value through profit or loss [1]	**-613**	-407
Financial assets available for sale	**353**	38
Loans and receivables	**-237**	-546
Financial liabilities measured at cost	**255**	-130

1 Financial instruments classified as held for trading purposes. These figures comprise financial instruments that are not used in hedge accounting.

Net gains and losses of financial assets and liabilities recognized at fair value through profit or loss include primarily gains and losses attributable to changes in fair value.

Net gains and losses on financial assets available for sale include realized income from these investments and gains or losses from sales transactions.

Net gains and losses on loans and receivables are mainly comprised of impairment losses and recoveries that are charged to cost of sales, selling expenses and other financial income/expense, net.

Net gains and losses on financial liabilities measured at cost mainly include gains and losses from the valuation of liabilities denominated in foreign currencies.

Total interest income and total interest expense

Total interest income and total interest expense for financial assets or financial liabilities that are not measured at fair value through profit or loss are structured as follows:

	2010	2009
In millions of euros		
Total interest income	2,881	2,983
Total interest expense	-2,322	-2,943

Please refer to Note 1 for qualitative descriptions of accounting for financial instruments (including derivative financial instruments).

Information on derivative financial instruments

Use of derivatives. The Group uses derivative financial instruments for hedging interest rate risks, currency risks and commodity price risks. For these purposes the Group mainly uses currency forward transactions, cross currency interest rate swaps, interest rate swaps, options and commodity forwards.

Fair values of hedging instruments. The table below shows the fair values of hedging instruments:

	At December 31, 2010	2009
In millions of euros		
Fair value hedges	240	425
Cash flow hedges	-282	441

Fair value hedges. The Group uses fair value hedges primarily for hedging interest rate risks.

The changes in fair value of these hedging instruments and the offsetting changes in the value of underlying transactions are as follows:

	2010	2009
In millions of euros		
Net losses from hedging instruments	-66	-31
Net gains from underlying transactions	67	53

These figures also include the portions of derivative financial instruments excluded from the hedge effectiveness test and the ineffective portions.

Cash flow hedges. The Group uses cash flow hedges for hedging currency risks, interest rate risks and commodity price risks.

Unrealized pre-tax gains and losses on the measurement of derivatives, which are recognized in equity without an effect on earnings, are as follows:

	2010	2009
In billions of euros		
Unrealized losses	1.0	.

Reclassifications of pre-tax gains/losses from equity to the statement of income/loss are as follows:

	2010	2009
In millions of euros		
Revenue	-265	707
Cost of sales	11	-63
Interest income	–	–
Interest expense	-37	-230
	-291	414

The unrealized gains and losses on the measurement as well as reclassifications from equity to income do not include gains and losses from derivatives of investments which are accounted for using the equity method (see Note 20 for further information).

The consolidated net loss for 2010 includes net gains (before income taxes) of €2 million (2009: net losses of €1 million) from the valuation of derivative financial instruments which were ineffective for hedging purposes.

In 2010, the discontinuation of cash flow hedges resulted in gains of €3 million (2009: €18 million).

The maturities of the interest rate hedges and cross currency interest rate hedges correspond with those of the underlying transactions. As of December 31, 2010, Daimler utilized derivative instruments with a maximum maturity of 44 months as hedges for currency risks arising from future transactions.

Nominal values of derivative financial instruments. The following table shows the nominal values of derivative financial instruments:

		December 31, 2010		December 31, 2009
	Nominal values	thereof Fair Value Hedges and Cash Flow Hedges	Nominal values	thereof Fair Value Hedges and Cash Flow Hedges
In millions of euros				
Hedging of currency risks from receivables/liabilities				
Forward exchange contracts	7,192	–	2,115	–
Cross currency interest rate swaps	9,475	1,950	14,154	923
Hedging of currency risks from forecasted transactions				
Forward exchange contracts and currency options	24,032	23,199	13,525	13,029
Hedging of interest rate risks from receivables/liabilities				
Interest rate swaps	21,312	17,430	20,500	18,424
Hedging of commodity price risks from forecasted transactions				
Forward commodity contracts	831	736	411	327
	62,842	43,315	50,705	32,703

Hedging transactions for which the effects from the mark-to-market valuation of the hedging instrument and the underlying transaction offset each other to a large extent in the consolidated statement of income/loss are predominantly not classified for hedge accounting treatment.

Explanations regarding the hedging of exchange rate risks, interest rate risks and commodity price risks can be found in Note 31 “Risk management” in the sub-item “Finance market risk.”

31. Risk management

General information on financial risk

As a result of its businesses and the global nature of operations, Daimler is exposed to market risks from changes in foreign currency exchange rates, interest rates and equity prices, while commodity price risks arise from procurement. In addition, the Group is exposed to credit risks mainly from its lease and financing activities and from trade receivables. With regard to the lease and financing activities credit risks arise from operating lease contracts, finance lease contracts and financing contracts. Furthermore, the Group is exposed to liquidity risks relating to its credit and market risks or a deterioration of its operating business or financial market disturbances. If these financial risks materialize, they could adversely affect Daimler's financial position, cash flows and profitability.

Daimler has established guidelines for risk controlling procedures and for the use of financial instruments, including a clear segregation of duties with regard to operating financial activities, settlement, accounting and the respective controlling. The guidelines upon which the Group's risk management processes are based are designed to identify and analyze these risks throughout the Group, to set appropriate risk limits and controls and to monitor the risks by means of reliable and up-to-date administrative and information systems. The guidelines and systems are regularly reviewed and adjusted to changes in markets and products.

The Group manages and monitors these risks primarily through its operating and financing activities and, if required, through the use of derivative financial instruments. Daimler does not use derivative financial instruments for purposes other than risk management. Without these derivative financial instruments, the Group would be exposed to higher financial risks (additional information on financial instruments and especially on the nominal values of the derivative financial instruments used is included in Note 30). Daimler regularly evaluates its financial risks with due consideration of changes in key economic indicators and up-to-date market information.

Any market sensitive instruments, including equity and debt securities, that the funds hold to finance pension and other post-employment benefit obligations are not included in this quantitative and qualitative analysis. Please refer to Note 22 for additional information regarding Daimler's pension plans and funds.

Credit risk

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. Credit risk encompasses both the direct risk of default and the risk of a deterioration of creditworthiness as well as concentration risks.

The maximum risk positions of financial assets which generally are subject to credit risk are equal to their carrying amounts and are shown in the following table:

	See also Note	Maximum risk position 2010	Maximum risk position 2009
In millions of euros			
Liquid assets		12,999	16,142
Receivables from financial services	14	41,030	38,478
Trade receivables	19	7,192	5,285
Derivative financial instruments used in hedge accounting (assets only)	16	816	1,074
Derivative financial instruments not used in hedge accounting (assets only)	16	731	1,218
Loan commitments	29	1,910	1,587
Other receivables and financial assets	16	1,695	1,759

Liquid assets. Liquid assets consist of cash and cash equivalents and marketable debt securities classified as available for sale. With the investment of liquid assets, the banks and issuers of securities are selected very carefully and diversified in accordance with a limit system. In connection with the financial market crisis, the limit system was adjusted and the Group reduced most of the limits. The limits and their utilizations are reassessed continuously. In this assessment Daimler also considers the credit risk assessment of its counterparties by the capital markets. In line with the Group's risk policy, most liquid assets are held in investments with an external rating of "A" or better.

Receivables from financial services. Daimler's financing and leasing activities are primarily focused on supporting the sale of the automotive products of the Group. As a consequence of these activities, the Group is exposed to credit risk, which is monitored and managed based on defined standards, guidelines and procedures. Daimler Financial Services manages its credit risk irrespective of whether it is related to an operating lease or a finance lease contract. For this reason, statements concerning the credit risk of Daimler Financial Services refer to the entire leasing business, unless specified otherwise.

The exposure to credit risk from financing and lease activities is monitored based on the portfolio subject to credit risk. The portfolio subject to credit risk is an internal control quantity that consists of receivables from financial services, the portion of the operating lease portfolio that is subject to credit risk and the volumes from dealer inventory financing. Receivables from financial services comprise claims arising from finance lease contracts and repayment claims from financing loans. The operating lease portfolio is reported under "equipment on operating leases" in the Group's consolidated financial statements.

In addition, the Daimler Financial Services segment is exposed to credit risk from irrevocable loan commitments to retailers and end customers. At December 31, 2010, irrevocable loan commitments of Daimler Financial Services amounted to €1,722 million, of which €1,436 million had a maturity of less than one year, €262 million had maturities between 2 and 3 years, and €24 million had maturities between 3 and 4 years. In 2009, irrevocable loan commitments of Daimler Financial Services amounted to €1,503 million, of which €651 million had a maturity of less than one year, and €852 million had maturities between 2 and 3 years.

The Daimler Financial Services segment has guidelines at a global as well as at a local level which set the framework for effective risk management. In particular, these rules deal with minimum requirements for all risk-relevant credit processes, the evaluation of customer quality, requests for collateral as well as the treatment of unsecured loans and non-performing claims. The limitation of concentration risks is implemented primarily by global limits, which refer to single customer exposures. As of December 31, 2010, exposure to the top 15 customers did not exceed 4.2% (2009: 4.5%) of the total portfolio.

With respect to its financing and lease activities, the Group takes collateral for customer transactions. The value of collateral generally depends on the amount of the financed assets. Usually, the financed vehicles serve as collateral, secured by certificate of ownership. Furthermore, Daimler Financial Services mitigates the credit risk from financing and lease activities, for example through advance payments from customers.

Scoring systems are applied for the assessment of the default risk of retail and small business customers. Corporate customers are evaluated using internal rating instruments and external credit bureau data if available.

The scoring and rating results as well as the availability of security and other risk mitigation instruments, such as pre-payments, guarantees and, to a lower extent, residual debt insurances, are essential elements for credit decisions.

Significant financing loans and finance leases to corporate customers are evaluated individually for impairment. An individual loan or finance lease is considered impaired when there is objective evidence that the Group will be unable to collect all amounts due as specified by the contractual terms. Examples of objective evidence that loans or finance lease receivables are impaired include the following factors: significant financial difficulty of the borrower, the probability that the borrower falls bankrupt or become delinquent or defaults on its installment payments, and restructured or renegotiated contracts to avoid delinquency.

The vast majority of loans and finance lease receivables related to retail or small business customers are grouped into homogeneous pools and collectively assessed for impairment. Objective evidence that loans and finance lease receivables are impaired includes, for example, adverse changes in the payment status of borrowers included in the pool and an unfavorable change in the economic conditions affecting the portfolio with similar risk characteristics.

If single loans and lease receivables are identified to be individually impaired, procedures are initiated to take possession of the asset financed or leased or, alternatively, to renegotiate the impaired contract. Restructuring policies and practices are based on the indicators or criteria which, in the judgment of local management, indicate that repayment will probably continue and that the total proceeds expected to be derived from the renegotiated contract exceed the expected proceeds to be derived from repossession and remarketing. For the carrying amounts of the receivables relating to renegotiated loans that would otherwise be past due or impaired, please refer to Note 14.

Further details on receivables from financial services and the balance of the recorded impairments are also provided in Note 14.

Trade receivables. Trade receivables are mostly receivables from worldwide sales activities of vehicles and spare parts. The credit risk from trade receivables encompasses the default risk of customers, e.g. dealers and general distribution companies, other corporate and private customers. Daimler manages its credit risk from trade receivables on the basis of internal guidelines.

A significant part of the trade receivables from each country's domestic business is secured by various country-specific types of collateral. These types include, for instance, conditional sales, guarantees and sureties as well as mortgages and cash deposits. In addition, Group companies guard against credit risk via credit assessments.

For trade receivables from export business, Daimler also evaluates each general distribution company's creditworthiness by means of an internal rating process and its country risk. In this context, the year-end financial statements and other relevant information on the general distribution companies such as the payment history are used and assessed.

Depending on the creditworthiness of the general distribution companies, Daimler usually establishes credit limits and limits credit risks with the following types of collateral:
– credit insurances,
– first-class bank guarantees and
– letters of credit.

These procedures are defined in the export credit guideline, which has Group-wide validity.

Appropriate provisions are recognized for the risks inherent in trade receivables. For this purpose, all receivables are regularly reviewed and impairments are recognized if there is any objective indication of non-performance or other contractual violations. In general, material individual receivables and receivables whose realizability is jeopardized are assessed individually. Taking country-specific risks and any collateral into consideration, the other receivables are grouped by similarity of contract and tested for impairment collectively.

Further information on trade receivables and the status of impairments recognized is provided in Note 19.

Derivative financial instruments. The Group does not use derivative financial instruments for purposes other than risk management. Daimler manages the credit risk exposure in connection with derivative financial instruments through a limit system, which is based on the review of each counterparty's financial strength. This system limits and diversifies the credit risk. As a result, Daimler is exposed to credit risk only to a low extent with respect to its derivative financial instruments. According to the Group's risk policy, most derivatives are contracted with counterparties who have an external rating of "A" or better.

Other receivables and financial assets. With respect to other receivables and financial assets in 2009 and 2010, Daimler is exposed to credit risk only to a low extent.

Liquidity risk

Liquidity risk comprises the risk that a company cannot meet its financial obligations in full.

Daimler manages its liquidity by holding adequate volumes of liquid assets and maintaining syndicated credit facilities in addition to the cash inflows generated by its operating business. The liquid assets comprise cash and cash equivalents as well as debt instruments classified as held for sale. The Group can dispose of these liquid assets at short notice.

In general, Daimler makes use of a broad spectrum of financial instruments to cover its funding requirements. Depending on funding requirements and market conditions, Daimler issues commercial paper, bonds and financial instruments secured by receivables in various currencies. Credit lines are also used to cover financing requirements. In addition, customer deposits at Mercedes-Benz Bank have been used as a further source of refinancing. The funds raised are primarily used to finance the cash needs of the lease and financing business as well as working capital and capital expenditure requirements. According to internal guidelines, the refunding of the lease and financing business is generally carried out with matching maturities of cash flows.

At year-end 2010 liquidity amounted to €13.0 billion (2009: €16.1 billion). In light of the financial and economic crisis and the resulting risks, the Group deliberately increased its liquidity in 2009.

At year-end 2010 the Group had short-term and long-term credit lines totaling €24.0 billion, of which €9.4 billion was not utilized. These credit lines include a syndicated €7.0 billion credit facility of Daimler AG with 5 year tenor which was signed in October 2010. This syndicated facility serves as a back-up for commercial paper drawings and provides funds for general corporate purposes. At the end of 2010, this facility was unused.

From an operating point of view, the management of the Group's liquidity exposures is centralized by a daily cash pooling process. This process enables Daimler to manage its liquidity surplus and liquidity requirements according to the actual needs of the Group and each subsidiary. The Group's short-term and mid-term liquidity management takes into account the maturities of financial assets and financial liabilities and estimates of cash flows from the operating business.

Information on the Group's financing liabilities is also provided in Note 24 to the consolidated financial statements.

The following table provides an insight into how the liquidity situation of the Group is affected by the cash flows from financial liabilities and financial guarantees as of December 31, 2010.

Liquidity runoff [1]

	Total	2011	2012	2013	2014	2015	≥ 2016
In millions of euros							
Financing liabilities [2]	60,413	27,885	12,238	7,827	5,498	1,648	5,317
Derivative financial instruments [3]	2,631	1,627	693	195	109	4	3
Trade payables [4]	7,657	7,655	2	–	–	–	–
Other financial liabilities excluding derivatives	8,501	7,496	340	332	113	60	160
Irrevocable loan commitments of the Daimler Financial Services segment and of Daimler AG [5]	1,910	1,624	102	160	24	–	–
Financial guarantees [6]	1,140	1,140	–	–	–	–	–
Total	82,252	47,427	13,375	8,514	5,744	1,712	5,480

1 The values were calculated as follows:
(a) If the counterparty can request payment at different dates, the liability is included on the basis of the earliest date on which Daimler can be required to pay. The customer deposits of Mercedes-Benz Bank are considered in this analysis to mature within the first year.
(b) The cash flows of floating interest financial instruments are estimated on the basis of forward rates.
2 The stated cash flows of financing liabilities consist of their undiscounted principal and interest payments.
3 The undiscounted sum of the net cash outflows of the derivative financial instruments are shown for the respective year. For single time bands, this may also include negative cash flows from derivatives with an overall positive fair value.
4 The cash outflows of trade payables are undiscounted.
5 The maximum available amounts are stated.
6 The maximum potential obligations under the issued guarantees is stated. It is assumed that the guarantees are called within the first year.

Finance market risks

The global nature of its businesses exposes Daimler to significant market risks resulting from fluctuations in foreign currency exchange rates and interest rates. In addition, the Group is exposed to market risks in terms of commodity price risk associated with its business operations, which the Group hedges partially through derivative financial instruments. The Group is also exposed to equity price risk. If these market risks materialize, they will adversely affect the Group's financial position, cash flows and profitability.

Daimler manages market risks to minimize the impact of fluctuations in foreign exchange rates, interest rates and commodity prices on the results of the Group and its segments. The Group calculates its overall exposure to these market risks to provide the basis for hedging decisions, which include the selection of hedging instruments and the determination of hedging volumes and the corresponding periods. Decisions regarding the management of market risks resulting from fluctuations in foreign exchange rates, interest rates (asset-/liability management) and commodity prices are regularly made by the relevant Daimler risk management committees.

As part of its risk management system, Daimler employs value at risk analyses as recommended by the Bank for International Settlements. In performing these analyses, Daimler quantifies its market risk exposure to changes in foreign currency exchange rates and interest rates on a continuous basis by predicting the maximum loss over a target time horizon (holding period) and confidence level.

The value at risk calculations employed:
- express potential losses in fair values, and
- assume a 99% confidence level and a holding period of five days.

Daimler calculates the value at risk for exchange rate and interest rate risk according to the variance-covariance approach. The value at risk calculation method for commodity hedging instruments is based on the Monte Carlo simulation.

When calculating the value at risk by using the variance-covariance approach, Daimler first computes the current fair value of the Group's financial instruments portfolio. Then the sensitivity of the portfolio value to changes in the relevant market risk factors, such as particular foreign currency exchange rates or interest rates of specific maturities, is quantified. Based on expected volatilities and correlations of these market risk factors which are obtained from the RiskMetrics™ dataset, a statistical distribution of potential changes in the portfolio value at the end of the holding period is computed. The loss which is reached or exceeded with a probability of only 1% can be deduced from this calculation and represents the value at risk.

The Monte Carlo simulation uses random numbers to generate possible changes in market risk factors over the holding period. The changes in market risk factors indicate a possible change in the portfolio value. Running multiple repetitions of this simulation leads to a distribution of portfolio value changes.

The value at risk can be determined based on this distribution as the portfolio value loss which is reached or exceeded with a probability of 1%.

In accordance with the risk management standards of the international banking industry, Daimler maintains its financial controlling system independent of Corporate Treasury and with a separate reporting line.

Exchange rate risk. *Transaction risk and currency risk management.* The global nature of Daimler's businesses exposes cash flows and earnings to risks arising from fluctuations in exchange rates. These risks primarily relate to fluctuations between the US dollar and the euro.

In the operating vehicle businesses, the Group's exchange rate risk primarily arises when revenue is generated in a currency that is different from the currency in which the costs of generating the revenue are incurred (so-called transaction risk). When the revenue is converted into the currency in which the costs are incurred, it may be inadequate to cover the costs if the value of the currency in which the revenue is generated declined in the interim relative to the value of the currency in which the costs were incurred. This risk exposure primarily affects the Mercedes-Benz Cars segment, which generates a major portion of its revenue in foreign currencies and incurs manufacturing costs primarily in euros. The Daimler Trucks segment is also subject to transaction risk, but to a lesser extent because of its global production network. The Mercedes-Benz Vans and Daimler Buses segments are also directly exposed to transaction risk, but only to a minor degree compared to the Mercedes-Benz Cars and Daimler Trucks segments. In addition, through its proportionate share in the results of its equity investment in EADS, the Group is indirectly exposed to transaction risk.

Cash inflows and outflows of the business segments are offset if they are denominated in the same currency. This means that the exchange rate risk resulting from revenue generated in a particular currency can be offset by costs in the same currency, even if the revenue arises from a transaction independent of that in which the costs are incurred. As a result, only the net exposure is subject to transaction risk. In addition, natural hedging opportunities exist to the extent that currency exposures of the operating businesses of individual segments offset each other at Group level, thereby reducing overall currency exposure. These natural hedges eliminate the need for hedging to the extent of the matched exposures. To provide an additional natural hedge against any remaining transaction risk exposure, Daimler generally strives to increase cash outflows in the same currencies in which the Group has a net excess inflow.

In order to mitigate the impact of currency exchange rate fluctuations for the operating business (future transactions), Daimler continually assesses its exposure to exchange rate risks and hedges a portion of those risks by using derivative financial instruments. These hedging transactions mainly represent macro hedges. Daimler's Foreign Exchange Committee (FXCo) manages the Group's exchange rate risk and its hedging transactions through currency derivatives. The FXCo consists of the Chief Financial Officer, the head of the Investor Relations & Treasury, and the heads of the Controlling departments of the relevant segments as well as Corporate Controlling. The Corporate Treasury department assesses foreign currency exposures and carries out the FXCo's decisions concerning foreign currency hedging through transactions with international financial institutions. Risk Controlling regularly informs the Board of Management of the actions taken by Corporate Treasury based on the FXCo's decisions.

The Group's targeted hedge ratios for forecasted operating cash flows in foreign currency are indicated by a reference model. On the one hand, the hedging horizon is naturally limited by uncertainty related to cash flows that lie far in the future, and, on the other hand, it may be limited by the fact that appropriate currency contracts are not available. This reference model aims to protect the Group from unfavorable movements in exchange rates while preserving some flexibility to participate simultaneously in favorable developments. Based on this reference model and depending on the market outlook, the FXCo determines the hedging horizon, which usually varies from one to three years, as well as the average hedge ratios. Reflecting the character of the underlying risks, the hedge ratios decrease with increasing maturities. At year-end 2010, the centralized foreign exchange management showed an unhedged position in the automotive business for the underlying forecasted cash flows in US dollars in calendar year 2011 of 28%. The corresponding figure at year-end 2009 for calendar year 2010 was 30%. The lower unhedged position compared to last year contributes to a lower exposure of cash flows to currency risk with respect to the US dollar.

The hedged position of the operating vehicle businesses is determined by the amount of derivative currency contracts held. The derivative financial instruments used to cover foreign currency exposure are primarily forward foreign exchange contracts and currency options. Daimler's guidelines call for a mixture of these instruments depending on the view of market conditions. Value at risk is used to measure the exchange rate risk inherent in these derivative financial instruments.

The following table shows the period-end, high, low and average value at risk figures for the 2010 and 2009 portfolio of the derivative financial instruments, which were entered into primarily in connection with the operative vehicle businesses. The average exposure has been computed on an end-of-quarter basis. The offsetting transactions underlying the derivative financial instruments are not included in the following value at risk presentation.

				2010				2009
	Period-end	High	Low	Average	Period-end	High	Low	Average
In millions of euros								
Exchange rate risk (from derivative financial instruments)	**558**	**590**	**346**	**507**	177	692	165	337

The increase of the vehicle sales forecasts in the course of 2010 led to an increase of the foreign currency hedge volume in the operative vehicle businesses. Because the stated foreign currency value at risk refers to the portfolio of the derivative foreign currency hedging contracts, the pronounced increase of the value at risk in 2010 is mainly attributable to the increase of the hedge volume.

The Group's investments in liquid assets generally do not result in currency risk, as this is governed by internal guidelines. Transaction risks arising from payables in foreign currencies that result from the Group's refinancing on money and capital markets are generally hedged against currency risks at the time of refinancing in accordance with Daimler's internal guidelines. The Group uses appropriate derivative financial instruments (e.g. cross currency interest rate swaps) to hedge against currency risk.

Since currency risks arising from the Group's refinancing in foreign currencies and the respective hedging transactions principally offset each other these financial instruments are not included in the above presented value at risk calculation.

Effects of currency translation. For purposes of Daimler's consolidated financial statements, the income and expenses and the assets and liabilities of subsidiaries located outside the euro zone are converted into euros. Therefore, period-to-period changes in average exchange rates may cause translation effects that have a significant impact on, for example, revenue, segment results (earnings before interest and taxes – EBIT) and net profit or loss of the Group. Unlike exchange rate transaction risk, exchange rate translation risk does not necessarily affect future cash flows. The Group's equity position reflects changes in book values due to exchange rates. Daimler does not hedge against exchange rate translation risk.

Interest rate risk. Daimler uses a variety of interest rate sensitive financial instruments to manage the liquidity and cash needs of its day-to-day operations. A substantial volume of interest rate sensitive assets and liabilities results from the leasing and sales financing business operated by the Daimler Financial Services segment. The Daimler Financial Services companies enter into transactions with customers that primarily result in fixed-rate receivables. Daimler's general policy is to match funding in terms of maturities and interest rates, where economically feasible. However, for a limited portion of the receivables portfolio in selected and developed markets, the Group does not match funding in terms of maturities in order to take advantage of market opportunities. As a result, Daimler is exposed to risks due to changes in interest rates. In this regard, the Group does not create liquidity risks.

An asset/liability committee consisting of members of the Daimler Financial Services segment, the Corporate Treasury department and the Corporate Controlling department manages the interest rate risk relating to Daimler's leasing and financing activities by setting targets for the interest rate risk position. The Treasury Risk Management department and the local Daimler Financial Services companies are jointly responsible for achieving these targets. As a separate function, the Daimler Financial Services Risk Management department monitors target achievement on a monthly basis. In order to achieve the targeted interest rate risk positions in terms of maturities and interest rate fixing periods, Daimler generally uses derivative financial instruments, such as interest rate swaps, forward rate agreements, swaptions and caps and floors. Daimler assesses its interest rate risk position by comparing assets and liabilities for corresponding maturities, including the impact of the relevant derivative financial instruments. The interest rate risk hedges represent primarily micro hedges.

Derivative financial instruments are also used in conjunction with the refinancing related to the industrial business. Daimler coordinates the funding activities of the industrial and financial services businesses at the Group level.

The following table shows the period-end, high, low and average value at risk figures for the 2010 and 2009 portfolio of interest rate sensitive financial instruments and derivative financial instruments of the Group, including the derivative financial instruments of the leasing and sales financing business. In this respect, the table shows the interest rate risk regarding the unhedged position of interest rate sensitive financial instruments. The average values have been computed on an end-of-quarter basis.

				2010				2009
	Period-end	High	Low	Average	Period-end	High	Low	Average
In millions of euros								
Interest rate risk	49	52	33	45	49	49	33	41

The value at risk of the interest rate sensitive financial instruments in 2010 is almost unchanged in comparison to 2009.

Commodity price risk. Daimler is exposed to the risk of changes in raw material prices in connection with procuring raw materials and manufacturing supplies used in production. Some of the raw material price risk, primarily relating to forecasted procuring of certain metals, is mitigated with the use of derivative financial instruments. These hedges represent macro hedges.

For precious metals, central commodity management shows an unhedged position of 26% of the forecasted commodity purchases at year-end for calendar year 2011. The corresponding figure at year-end 2009 was 27% for calendar year 2010.

The following table shows the period-end, high, low and average value at risk figures for the 2010 and 2009 portfolio of derivative financial instruments used to hedge raw material price risk. The average exposure has been computed on an end-of-quarter basis. The offsetting transactions underlying the derivative financial instruments are not included in the following value at risk presentation.

				2010				2009
	Period-end	High	Low	Average	Period-end	High	Low	Average
In millions of euros								
Commodity price risk (from derivative financial instruments)	52	52	27	38	24	35	21	27

The increase of the vehicle sales forecasts in the course of 2010 led to an increase of the commodity hedge volume. Because the stated commodity value at risk refers to the portfolio of the derivative commodity hedging contracts, the increase of the value at risk in 2010 is primarily attributable to the increase of the hedge volume. In addition, the increased commodity prices and commodity price volatilities contributed to the increase of the commodity value at risk in 2010.

Equity price risk. Daimler holds investments in marketable equity securities. In line with international banking standards, the Group does not include these investments which it classifies as long-term investments in its equity price risk assessment.

32. Segment reporting

Reportable segments. The reportable segments of the Group are Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans, Daimler Buses and Daimler Financial Services. The segments are largely organized and managed separately according to nature of products and services provided, brands, distribution channels and profile of customers.

The vehicle segments develop and manufacture passenger cars and off-road vehicles, trucks, vans and buses. Mercedes-Benz Cars sells its passenger cars and off-road vehicles under the brand names Mercedes-Benz, smart and Maybach. Daimler Trucks distributes its trucks under the brand names Mercedes-Benz, Freightliner, Western Star and Fuso. The vans of the Mercedes-Benz Vans segment are primarily sold under the brand name Mercedes-Benz. Daimler Buses sells completely built-up buses under the brand names Mercedes-Benz, Setra and Orion. In addition, Daimler Buses produces and sells bus chassis. The vehicle segments also sell related spare parts and accessories.

The Daimler Financial Services segment supports the sales of the Group's vehicle segments worldwide. Its product portfolio mainly comprises tailored financing and leasing packages for customers and dealers. The segment also provides services such as insurance, fleet management, investment products and credit cards.

Management reporting and controlling systems. The Group's management reporting and controlling systems principally use accounting policies that are the same as those described in Note 1 in the summary of significant accounting policies under IFRS.

The Group measures the performance of its operating segments through a measure of segment profit or loss which is referred to as "EBIT" in our management and reporting system.

EBIT is the measure of segment profit/loss used in segment reporting and comprises gross profit, selling and general administrative expenses, research and non-capitalized development costs, other operating income and expense, and our share of profit/loss from investments accounted for using the equity method, net, as well as other financial income/expense, net.

Intersegment revenue is generally recorded at values that approximate third-party selling prices.

Segment assets principally comprise all assets. The industrial business segments' assets exclude income tax assets, assets from defined pension benefit plans and other post-employment benefit plans and certain financial assets (including liquidity).

Segment liabilities principally comprise all liabilities. The industrial business segments' liabilities exclude income tax liabilities, liabilities from defined pension benefit plans and other post-employment benefit plans and certain financial liabilities (including financing liabilities).

Pursuant to risk sharing agreements between Daimler Financial Services and the respective vehicle segments the residual value risks associated with the Group's operating leases and its finance lease receivables are primarily borne by the vehicle segments that manufactured the leased equipment. The terms of the risk sharing arrangement vary by segment and geographic region.

Non-current assets comprise of intangible assets, property, plant and equipment and equipment on operating leases.

Capital expenditures for property, plant and equipment and intangible assets reflect the cash effective additions to these property, plant and equipment and intangible assets as far as they do not relate to capitalized borrowing costs or goodwill and finance leases.

The effects of certain legal proceedings are excluded from the operative results and liabilities of the segments, if such items are not indicative of the segments' performance, since their related results of operations may be distorted by the amount and the irregular nature of such events. This may also be the case for items that refer to more than on reportable segment.

With respect to information about geographical regions, revenue is allocated to countries based on the location of the customer; non-current assets are disclosed according to the physical location of these assets.

Segment information as of and for the years ended December 31, 2010 and 2009:

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total Segments	Reconciliation	Consolidated
2010								
Revenue	51,721	21,961	7,517	4,487	12,075	97,761	–	97,761
Intersegment revenue	1,705	2,063	295	71	713	4,847	-4,847	–
Total revenue	53,426	24,024	7,812	4,558	12,788	102,608	-4,847	97,761
Segment profit/loss (EBIT)	4,656	1,323	451	215	831	7,476	-202	7,274
Thereof share of profit/loss from investments accounted for using the equity method	80	32	-5	–	-7	100	-248	-148
Segment assets	36,206	17,342	4,555	3,118	67,871	129,092	6,738	135,830
Thereof investments accounted for using the equity method	311	374	63	7	43	798	3,162	3,960
Segment liabilities	25,833	9,799	3,432	2,055	63,006	104,125	-6,248	97,877
Additions to non-current assets	8,246	2,294	685	351	5,618	17,194	-190	17,004
Thereof capital expenditures for intangible assets	1,021	445	54	36	7	1,563	-8	1,555
Thereof capital expenditures for property, plant and equipment	2,457	1,003	91	95	12	3,658	-5	3,653
Depreciation and amortization of non-current assets	3,014	1,018	449	145	2,039	6,665	103	6,768
Thereof amortization of intangible assets	658	129	74	10	16	887	–	887
Thereof depreciation of property, plant and equipment	1,586	602	207	68	13	2,476	1	2,477

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total Segments	Reconciliation	Consolidated
2009								
Revenue	40,205	16,633	6,002	4,173	11,366	78,379	545	78,924
Intersegment revenue	1,113	1,727	213	65	630	3,748	-3,748	–
Total revenue	41,318	18,360	6,215	4,238	11,996	82,127	-3,203	78,924
Segment profit/loss (EBIT)	-500	-1,001	26	183	9	-1,283	-230	-1,513
Thereof share of profit/loss from investments accounted for using the equity method	-3	-4	-13	–	7	-13	85	72
Segment assets	32,452	14,317	4,585	2,806	65,059	119,219	9,602	128,821
Thereof investments accounted for using the equity method	101	220	60	2	54	437	3,858	4,295
Segment liabilities	21,978	8,020	3,109	1,728	60,389	95,224	1,770	96,994
Additions to non-current assets	8,263	1,518	574	318	4,527	15,200	-560	14,640
Thereof capital expenditures for intangible assets	967	427	9	10	7	1,420	2	1,422
Thereof capital expenditures for property, plant and equipment	1,618	597	113	78	14	2,420	3	2,423
Depreciation and amortization of non-current assets	2,732	1,045	476	132	2,571	6,956	-242	6,714
Thereof amortization of intangible assets	597	129	74	11	19	830	-2	828
Thereof depreciation of property, plant and equipment	1,511	619	229	59	14	2,432	4	2,436

Mercedes-Benz Cars. In 2009, as a result of the agreement with McLaren Group Ltd. to change the form of cooperation, the Group incurred a pre-tax expense of €87 million (see also Note 35). Also in 2009, a risk sharing agreement between Daimler and its independent dealers in connection with residual values was modified, which resulted in a non-cash effective pre-tax expense of €79 million.

Daimler Trucks. In 2010, as a result of the adjustment of defined health care and pension benefits at our subsidiary Daimler Trucks North America (DTNA), the Group recorded a non-cash effective pre-tax gain of €160 million which is included in the segment’s EBIT.

In addition, in 2010 and 2009, pre-tax expenses of €37 million and €95 million, respectively, associated with the decision to optimize and reposition the business operations of DTNA are included in the segment’s EBIT. Of the 2009 amount, €68 million relate to non-cash charges. Also in 2010 and 2009, the major realignment of the business operations of Mitsubishi Fuso Truck and Bus Corporation (MFTBC) led to pre-tax charges of €3 million and €245 million, respectively. From these amounts, €13 million and €50 million relate to non-cash charges, respectively. For further information on these optimization programs, see also Note 5.

Daimler Financial Services. In 2010, the Board of Management decided to restructure the business activities of Daimler Financial Services AG and Mercedes-Benz Bank AG in Germany by the end of 2012. In this regard pre-tax expenses of €82 million resulted in 2010, of which €76 million were non-cash effective (see also Note 5).

In 2010 and 2009, pre-tax expenses of €9 million and €100 million, respectively, resulted from the sale and the valuation of non-automotive assets held for sale (see also Note 3).

Reconciliations. Reconciliations of the total segment amounts to respective items included in financial statements are as follows:

	2010	2009
In millions of euros		
Total segments' profit/loss (EBIT)	7,476	-1,283
Share of profit/loss from investments accounted for using the equity method [1]	-248	85
Other corporate items	17	-483
Eliminations	29	168
Group EBIT	7,274	-1,513
Interest income	825	1,136
Interest expense	-1,471	-1,921
Profit/loss before income taxes	6,628	-2,298
Total segments' assets	129,092	119,219
Investments accounted for using the equity method [1]	3,162	3,858
Income tax assets [2]	2,605	2,536
Unallocated financial assets (including liquidity) and assets from defined benefit plans [2]	11,777	13,346
Other corporate items and eliminations	-10,806	-10,138
Group assets	135,830	128,821
Total segments' liabilities	104,125	95,224
Income tax liabilities [2]	1,887	950
Unallocated financial liabilities and liabilities from defined benefit plans [2]	3,488	10,709
Other corporate items and eliminations	-11,623	-9,889
Group liabilities	97,877	96,994

1 Includes mainly the Group's proportionate shares in the investments and results of EADS and Tognum. For further information see Note 13.
2 Industrial business

The reconciliation includes corporate items for which headquarters are responsible. Transactions between the segments are eliminated in the context of consolidation and the eliminated amounts are included in the reconciliation.

Within the reconciliation to Group EBIT, the line item "Other corporate items" in 2010 includes a pre-tax income of €218 million related to the positive outcome of a legal dispute involving Daimler AG and a pre-tax gain of €265 million on the sale of Daimler's equity interest in Tata Motors. Due to the very good development of earnings in 2010 and in view of the 125th anniversary of the invention of the automobile in 2011, the Board of Management committed in December 2010 to pay out a anniversary bonus in an amount of approximately €125 million to all persons employed by the Group, the individual amounts depending on each employee's period of service. The Group also committed to increase the capital of the Daimler and Benz Foundation from €37 million to €125 million. These expenses, as well as additional expenses in connection with legal proceedings, are also included in this line item. In 2009, other corporate items reflect Chrysler-related expenses totaling €294 million.

Revenue and non-current assets by region. Revenue from external customers is as follows:

	Germany	Western Europe [1]	United States	Other American countries	Asia	Other countries	Consolidated
In millions of euros							
2010	19,281	19,197	20,216	9,112	19,659	10,296	97,761
2009	18,788	17,670	16,569	6,159	12,435	7,303	78,924

1 Excluding Germany.

The split of non-current assets by region is as follows:

	2010	2009
In millions of euros		
Germany	24,985	23,452
USA	10,154	8,937
Other countries	9,883	8,861
	45,022	41,250

33. Capital management

"Net assets" and "value added" represent the basis for capital management at Daimler. The assets and liabilities of the segments in accordance with IFRS provide the basis for the determination of net assets at Group level. The industrial segments are accountable for the operational net assets; all assets, liabilities and provisions which they are responsible for in day-to-day operations are therefore allocated to them. Performance measurement at Daimler Financial Services is on an equity basis, in line with the usual practice in the banking business. Net assets at Group level additionally include assets and liabilities from income taxes as well as other corporate items and eliminations. The average annual net assets are calculated from the average quarterly net assets.

The average quarterly net assets are calculated as an average of the net assets at the beginning and the end of the quarter and are as follows:

	2010	2009
In millions of euros		
Mercedes-Benz Cars	10,146	11,373
Daimler Trucks	6,863	6,720
Mercedes-Benz Vans	1,228	1,728
Daimler Buses	1,200	1,221
Daimler Financial Services [1]	5,156	4,671
Net assets of the segments	24,593	25,713
Investments accounted for using the equity method [2]	3,119	3,591
Assets and liabilities from income taxes [3]	1,278	2,944
Other corporate items and eliminations [3]	348	-470
Net assets Daimler Group	29,338	31,778

1 Equity
2 Unless allocated to segments
3 Industrial business

The cost of capital of the Group's average net assets is reflected in "value added." Value added shows to which extent the Group achieves or exceeds the minimum return requirements of the shareholders and creditors, thus creating additional value. The required rate of return on net assets, and thus the cost of capital, are derived from the minimum rates of return that investors expect on their invested capital. The Group's cost of capital comprises the cost of equity as well as the costs of debt and pension obligations of the industrial business; in addition, the expected returns on liquidity and on the plan assets of the pension funds of the industrial business are considered with the opposite sign. In the reporting period, the cost of capital used for our internal capital management amounted to 8% after taxes.

The objective of capital management is the optimization of the cost of capital, which is achieved on the one hand by the management of the net assets which are in the operational responsibility of the segments. In addition, taking into account legal regulations, Daimler strives to optimize the capital structure and, consequently, the cost of capital under cost and risk aspects.

34. Earnings/loss per share

The computation of basic and diluted earnings/loss per share for net profit/loss attributable to shareholders of Daimler AG is as follows:

	2010	2009
In millions of euros		
Profit/loss attributable to shareholders of Daimler AG	4,498	-2,640
Diluting effects in net profit/loss	–	–
Profit/loss attributable to shareholders of Daimler AG – diluted	4,498	-2,640
In millions of shares		
Weighted average number of shares outstanding – basic	1,050.8	1,003.8
Dilutive effect of stock options	0.7	–
Weighted average number of shares outstanding – diluted	1,051.5	1,003.8

The computations of diluted earnings/loss per share for 2010 and 2009, do not include stock options for the acquisition of 9.3 million and 22.4 million Daimler ordinary shares, respectively, that were issued in connection with the stock option plan, because the options' underlying exercise prices were higher than the average market prices of Daimler ordinary shares in those periods.

35. Related party relationships

Associated companies and joint ventures. Most of the goods and services supplied within the ordinary course of business between the Group and related parties comprise transactions with associated companies and joint ventures and are included in the following table:

	Sales of goods and services and other income		Purchases of goods and services and other expense		Receivables At December 31,		Payables At December 31,	
	2010	2009	2010	2009	2010	2009	2010	2009
In millions of euros								
Associated companies	797	990	163	1,132	218	155	55	28
Joint ventures	2,251	1,242	342	140	457	236	154	188

A large proportion of the sales and purchases of goods and services with associated companies result from business relations with Tognum AG.

In connection with the Group's 45% equity interest in Toll Collect, Daimler has provided guarantees supporting the obligations of Toll Collect GmbH which are not included in the table above (see Note 29 for further information).

In 2009, income and expenses resulting from transactions with Chrysler that occurred before the redemption of the remaining 19.9% equity interest in Chrysler Holding LLC (Chrysler Holding) on June 3, 2009 are included in the above table in the line "Associated companies." Therein included is a gain before income taxes of €0.1 billion in connection with the legal transfer of Chrysler's international sales activities to Chrysler in the first quarter of 2009. In addition, the Group has agreed to pay US$600 million in total to Chrysler's pension plans in connection with the redemption of the 19.9% equity interest in Chrysler Holding (see Note 3); the respective expenses resulting from this agreement are also included in the above table. Due to the redemption of the equity interest in Chrysler Holding, receivables and payables at December 31, 2009 did not have to be reported.

Furthermore, in November 2009, in connection with the re-alignment of the Group's Formula 1 activities, Daimler agreed with McLaren Group Ltd. (McLaren), at that time one of Daimler's associated companies, to change the form of cooperation. In two steps, McLaren will buy-back the 40% equity interest in McLaren owned by the Daimler Group; in November 2009, McLaren already took over a 28.6% interest from Daimler. The remaining stake will be acquired by McLaren at a fixed price by the end of 2011. As of December 31, 2009, the carrying amount of the Group's remaining investment in McLaren amounted to €26 million. In the context of the transaction, the Group has consented to compensate for its existing obligations, for example to support McLaren's research and development activities until the end of 2011, with a lump sum payment. In addition, the Group committed to continue supplying McLaren with Formula 1 engines until the end of 2012. The agreement between Daimler and McLaren Automotive Ltd., a wholly owned subsidiary of McLaren Group Ltd., relating to the production of the Mercedes McLaren SLR sports car was terminated at the end of 2009. As a result of disposing of its equity interest, the Daimler Group no longer has a significant influence on McLaren's business operations. For this reason, in November 2009, the Group ceased to account for its equity interest in McLaren using the equity method of accounting. Income and expenses resulting from transactions with McLaren that occurred before that date are included in the above table. As a result of the agreement with McLaren, the Group recorded expenses of €87 million in 2009 that were allocated to the Mercedes-Benz Cars segment and are not reflected in the above table.

At the end of 2009, based on contractual arrangements, the Group agreed with Kamaz OAO, another associated company, to establish two joint ventures. The purpose of the joint ventures is the distribution and, with respect to some truck lines, the assembly of Mercedes-Benz and Fuso trucks and the sale of Mercedes-Benz and Setra buses in Russia. These two joint ventures started large parts of their business activities in 2010. In addition, at the end of 2010, Daimler signed a memorandum of understanding with Kamaz to produce axles in a joint venture in Russia.

The transactions with joint ventures predominantly comprise the business relationship with Beijing Benz Automotive Co., Ltd. (BBAC). BBAC assembles and distributes Mercedes-Benz vehicles for the Group in China.

Further major parts of sales and purchases of goods and services relate to joint ventures in Austria and Taiwan. These joint ventures distribute cars and spare parts of the Group. Since the middle of 2010 substantial business relations relate to the Chinese joint venture Fujian Daimler Automotive Co. Ltd. (FJDA). FJDA produces and distributes vans under the brand name Mercedes-Benz in China.

Board members. Throughout the world, the Group has business relationships with numerous entities that are customers and/or suppliers of the Group. Those customers and/or suppliers include companies that have a connection with some of the members of the Supervisory Board or of the Board of Management of Daimler AG or its subsidiaries.

Board of Management and Supervisory Board members may also purchase goods and services from Daimler AG or its subsidiaries as customers. When such business relationships exist transactions are concluded on the basis of customary market conditions.

From time to time, companies of the Daimler Group purchase goods and services (primarily advertising) from and sell or lease vehicles or provide financial services to companies of the Lagardère Group in the ordinary course of business. Arnaud Lagardère, who became a member of the Supervisory Board of Daimler AG in April 2005 and left the board on April 14, 2010, is the general partner and Chief Executive Officer of Lagardère SCA, a publicly traded company and the ultimate parent company of the Lagardère Group.

For information on the remuneration of board members, see Note 36.

Shareholders. The Group distributes vehicles in Turkey through a dealership which also holds a minority interest in one of the Group's subsidiaries. In addition, the Group has business relationships with vehicle importers in certain other countries that also hold minority interests in Group companies. Revenue generated by these transactions amounted to €0.3 billion in 2010 (2009: €0.2 billion). Related to these transactions, the Group incurred expenses of €22 million in 2010 (2009: €27 million), resulting primarily from the depreciation of purchased vehicles.

Contributions to plan assets. In 2010 and 2009, the Group made contributions of €345 million (2009: €602 million) to its external funds to cover pension and other post employment benefits. For further information, see Note 22.

36. Remuneration of the members of the Board of Management and the Supervisory Board

Remuneration granted to the members of the Board of Management and the Supervisory Board affecting net profit/loss for the period ended December 31 was as follows:

	2010	2009
In millions of euros		
Remuneration granted to the members of the Board of Management		
Fixed remuneration	4.8	4.8
Short-term variable remuneration	13.5	1.8
Variable remuneration with a long-term incentive effect	13.5	4.5
Post-employment benefits (service cost)	1.9	1.7
Termination benefits	–	–
	33.7	12.8
Remuneration granted to the members of the Supervisory Board	2.7	2.6
	36.4	15.4

Expenses for variable remuneration with long-term incentive effect, shown in the table above, result from the ongoing measurement at fair value at each balance sheet date of all rights granted and not yet forfeited under the Performance Phantom Share Plans (PPSP). In addition, the measurement at fair value of the stock options granted in 2004 is included. In 2010, the active members of the Board of Management were granted 250,221 (2009: 270,068) million phantom shares in connection with the PPSP; the fair value of these phantom shares at the grant date was €7.5 million (2009: €5.2 million). According to Section 314 Subsection 1 Number 6a of the German Commercial Code (HGB) the overall remuneration granted to the members of the Board of Management, excluding service cost resulting from entitlements to post-employment benefits, amounted to €25.8 million (2009: €11.8 million). For additional information on share-based payment of the members of the Board of Management see Note 21.

Except for the remuneration paid to the members of the Supervisory Board representing the employees in accordance with their contracts of employment, the members of the Supervisory Board are solely granted short-term benefits. No remuneration was paid for services provided personally beyond the board and committee activities, in particular for advisory or agency services in 2010 and 2009.

No advances or loans were made to members of the Board of Management or members of the Supervisory Board of Daimler AG.

The payments made in 2010 to former members of the Board of Management of Daimler AG and their survivors amounted to €17.5 million (2009: €16.1 million). The pension provisions for former members of the Board of Management and their survivors amounted to €197.1 million as of December 31, 2010 (2009: €192.8 million).

Information regarding the remuneration of the members of the Board of Management and of the Supervisory Board is disclosed on an individual basis in the Remuneration Report, which is part of the Management Report (see page 152 f.).

37. Principal accountant fees

The principal accountant fees for services of KPMG consist of the following:

	2010	2009
In millions of euros		
Annual audit	30	26
thereof domestic	14	12
Other attestation services	13	20
thereof domestic	9	13
Tax consultation services	.	.
thereof domestic	.	.
Other services	1	1
thereof domestic	1	.
	44	47

In 2010 €17 million (2009: €14 million) related to fees for annual audits and €9 million (2009: €14 million) related to fees for other attestation services paid to KPMG AG Wirtschaftsprüfungsgesellschaft and its affiliated companies (which together form KPMG Europe LLP). The annual audit fees are for the audit of the consolidated financial statements and the individual financial statements both of Daimler AG and of all subsidiaries included in the Group's consolidated financial statements. Fees for other attestation services concern in particular the review of the interim IFRS financial statements. This item also includes audits of the internal-control system as well as project-related audits performed in the context of the introduction of IT systems and other voluntary audits.

38. Additional information

Information on investments. The statement of investments of Daimler AG according to Section 313 Subsection 2 of the German Commercial Code (HGB) is made available on Daimler's website at
http://www.daimler.com/ir/results2010.
Several consolidated companies of Daimler AG qualify for Section 264 Subsection 3 and Section 264b of the German Commercial Code (HGB), and the consolidated financial statements of Daimler AG therefore release these subsidiaries from the requirements to disclose their annual financial statements or from the requirement to prepare a management report or notes to the financial statements. The respective companies are indicated in the statement of investments.

German Corporate Governance Code. The Board of Management and the Supervisory Board of Daimler AG have issued a declaration pursuant to Section 161 of the German Stock Corporation Act and have made it permanent available to their shareholders on Daimler's website at
http://www.daimler.com/company/organization-and-management/corporate-governance/declaration.

Third-party companies. At December 31, 2010, the Group was a shareholder of the following companies that meet the criteria of a significant third-party company as defined by the German Corporate Governance Code:

Name of the company	Renault SA [2]	Nissan Motor Company Ltd. [3]
Headquarters of the company	Boulogne-Billancourt, France	Tokyo, Japan
Equity interest in % [1]	3.1	3.1
Total equity in millions of euros	22,757	28,579
Net profit in millions of euros	3,490	323

1 As of December 31, 2010.
2 Based in IFRS consolidated financial statements for the year ended December 31, 2010.
3 Based on national consolidated financial statements for the year ended March 31, 2010.

Ten Year Summary [1]

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Amounts in millions of euros										
From the statements of income										
Revenue	150,422	147,408	136,437	142,059	95,209	99,222	101,569	98,469	78,924	97,761
Personnel expenses [2]	25,095	24,163	24,287	24,216	24,650	23,574	20,256	15,066	13,928	16,454
Research and development expenditure	5,848	5,942	5,571	5,658	3,928	3,733	4,148	4,442	4,181	4,849
thereof capitalized	–	–	–	–	591	715	990	1,387	1,285	1,373
Operating profit (loss)/EBIT	-1,346	6,827	5,686	5,754	2,873	4,992	8,710	2,730	-1,513	7,274
Operating margin	-0.9%	4.6%	4.2%	4.1%	3.0%	5.0%	8.6%	2.8%	-1.9%	7.4%
Income (loss) before income taxes and extraordinary items	-1,703	6,439	596	3,535	2,426	4,902	9,181	2,795	-2,298	6,628
Net operating income/ Net operating profit (loss)	332	6,116	1,467	3,165	4,834	4,032	4,123	1,370	-2,102	5,120
as % of net assets (RONA)	0.5%	9.4%	2.5%	5.7%	10.0%	8.3%	10.5%	4.4%	-6.6%	17.5%
Net income (loss)/Net profit (loss)	-593	5,098	448	2,466	4,215	3,783	3,985	1,414	-2,644	4,674
Net income (loss) per share (€)/ Net profit (loss) per share (€)	-0.59	5.06	0.44	2.43	4.09	3.66	3.83	1.41	-2.63	4.28
Diluted net income (loss) per share (€)/ Diluted net profit (loss) per share (€)	-0.59	5.03	0.44	2.43	4.08	3.64	3.80	1.40	-2.63	4.28
Total dividend	1,003	1,519	1,519	1,519	1,527	1,542	1,928	556	0	1,971
Dividend per share (€)	1.00	1.50	1.50	1.50	1.50	1.50	2.00	0.60	0.00	1.85

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
From the balance sheets										
Property, plant and equipment	41,180	36,285	32,933	34,017	35,295	32,747	14,650	16,087	15,965	17,593
Leased equipment	36,002	28,243	24,385	26,711	34,236	36,949	19,638	18,672	18,532	19,925
Other non-current assets	–	–	–	–	76,200	67,507	39,686	42,077	40,044	41,309
Inventories	16,754	15,642	14,948	16,805	19,699	18,396	14,086	16,805	12,845	14,544
Liquid assets	14,536	12,439	14,296	11,666	8,063	8,409	15,631	6,912	9,800	10,903
Other current assets	–	–	–	–	54,519	53,626	31,403	31,672	31,635	31,556
Total assets	207,616	187,527	178,450	182,872	228,012	217,634	135,094	132,225	128,821	135,830
Shareholders' equity	38,928	35,076	34,486	33,522	35,957	37,346	38,230	32,730	31,827	37,953
thereof share capital	2,609	2,633	2,633	2,633	2,647	2,673	2,766	2,768	3,045	3,058
Equity ratio Group	18.3%	17.9%	18.5%	17.5%	15.1%	16.5%	26.9%	24.3%	24.7%	26.5%
Equity ratio industrial business	25.7%	24.9%	26.1%	25.2%	23.7%	27.1%	43.7%	42.7%	42.6%	45.8%
Non-current liabilities	–	–	–	–	96,823	90,452	47,998	47,313	49,456	44,738
Current liabilities	–	–	–	–	95,232	89,836	48,866	52,182	47,538	53,139
Net liquidity industrial business	-4,768	380	1,774	2,193	8,016	9,861	12,912	3,106	7,285	11,938
Net assets (average)	66,094	65,128	59,572	55,885	48,313	48,584	39,187	31,466	31,778	29,338

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Amounts in millions of euros										
From the statements of cash flows [2]										
Investments in property, plant and equipment	8,896	7,145	6,614	6,386	6,480	5,874	4,247	3,559	2,423	**3,653**
Depreciation and amortization	–	–	–	–	7,363	7,169	4,146	3,023	3,264	**3,364**
Cash provided by (used for) operating activities	15,944	15,909	13,826	11,060	11,032	14,337	7,146	-786	10,961	**8,544**
investing activities	-13,287	-10,839	-13,608	-16,682	-10,237	-15,857	26,479	-4,812	-8,950	**-313**
financing activities	1,859	-5,490	2,518	2,549	-1,284	2,396	-25,204	-2,915	1,057	**-7,551**
Free cash flow of the industrial business	-1,392	7,271	3,877	1,757	2,423	2,679	7,637	-3,915	2,706	**5,432**
From the stock exchanges										
Share price at year-end Frankfurt (€)	48.35	29.35	37.00	35.26	43.14	46.80	66.50	26.70	37.23	**50.73**
New York (US $)	41.67	30.65	46.22	48.05	51.03	61.41	95.63	38.28	53.30	**–**
Average shares outstanding (in millions)	1,003.2	1,008.3	1,012.7	1,012.8	1,014.7	1,022.1	1,037.8	957.7	1,003.8	**1,050.8**
Average diluted shares outstanding (in millions)	1,003.2	1,013.9	1,012.7	1,014.5	1,017.7	1,027.3	1,047.3	959.9	1,003.8	**1,051.5**
Ratings										
Credit rating, long-term										
Standard & Poor’s	BBB+	BBB+	BBB	BBB	BBB	BBB	BBB+	A-	BBB+	**BBB+**
Moody’s	A3	A3	A3	A3	A3	Baa1	A3	A3	A3	**A3**
Fitch	–	–	BBB+	BBB+	BBB+	BBB+	A-	A-	BBB+	**BBB+**
DBRS	–	–	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)	**A (low)**
Average annual number of employees	379,544	370,677	370,684	379,019	296,109	277,771	271,704	274,330	258,628	**258,120**

1 For the years 2001 through 2004, figures according to US GAAP, since 2005 according to IFRS.
2 Until August 3, 2007, including Chrysler.

Glossary

BlueEFFICIENCY. Efficiency packages for saving fuel. They include various measures taken inside engines, bodywork weight savings, tires with low roll resistance, aerodynamic optimizations, the ECO start-stop function etc. In this way, fuel consumption can be reduced by more than 20%.

BLUETEC. A combination of inner-engine measures to reduce emissions and the treatment of exhaust gases. It improves diesel engines' efficiency for cars and commercial vehicles by optimizing their combustion, and reduces their emissions with SCR catalysts.

BRIC. This abbreviation stands for the four countries of Brazil, Russia, India and China.

Code of Ethics. The Daimler Code of Ethics applies to the members of the Board of Management and senior executives who have special responsibility for the contents of financial reporting. The regulations contained in the Code are designed to prevent misconduct and to ensure ethical behavior and the correct disclosure of information on the Group.

Compliance. By the term compliance, we understand adherence to all laws, rules, regulations and voluntary commitments that are relevant for our business, as well as the related internal policies and guidelines of the Daimler Group.

Consolidated Group. The consolidated Group is the total of all those companies that are included in the consolidated financial statements.

Corporate governance. The term corporate governance applies to the proper management and supervision of a company. The structure of corporate governance at Daimler AG is determined by Germany's Stock Corporation Act (AktG), Codetermination Act (MitbestG) and capital-market legislation.

Cost of capital. The cost of capital is the product of the average amount of capital employed and the cost-of-capital rate. The cost-of-capital rate is derived from the investors' required rate of return (see pages 77 ff).

CSR – corporate social responsibility. A collective term for the social responsibility assumed by companies, including economical, ecological and social aspects.

EBIT. Earnings before interest and taxes are the measure of operating profit before taxes (see pages 74 ff).

Equity method. Accounting and valuation method for shareholdings in associated companies and joint ventures, as well as subsidiaries that are not fully consolidated.

Fair value. The amount for which an asset or liability could be exchanged in an arm's length transaction between knowledgeable and willing parties who are independent of each other.

Goodwill. Goodwill represents the excess of the cost of an acquired business over the fair values assigned to the separately identifiable assets acquired and liabilities assumed.

Hybrid drive. Hybrid drive systems combine combustion engines with electric motors, which can be operated separately or together depending on the type of vehicle and driving situation.

IFRS – International Financial Reporting Standards. The IFRS are a set of standards and interpretations for companies' external accounting and financial reporting developed by an independent private-sector committee, the International Accounting Standards Board (IASB).

Integrity Code. Our Integrity Code has been in use since 1999 and was revised and expanded in 2003. It sets out a binding framework for the actions of all our employees worldwide.

Lithium-ion batteries. They are at the heart of future electric drive systems. Compared to conventional batteries, lithium-ion batteries are considerably smaller and characterized by significantly higher power density, short charging times and long lives.

Net assets. Net assets represent the capital employed by the Group and the industrial divisions. The relevant capital basis for Daimler Financial Services is equity capital (see pages 77 ff).

NEDC – New European Driving Cycle. A measuring method used in Europe for the objective assessment of vehicles' fuel consumption.

Net operating profit. Net operating profit is the relevant parameter for measuring the Group's operating performance after taxes.

Rating. An assessment of a company's creditworthiness issued by rating agencies.

ROE – return on equity. The profitability of Daimler Financial Services is measured by return on equity (ROE). ROE is defined as a quotient of EBIT and shareholders' equity.

ROS – return on sales. The profitability of the industrial divisions is measured by return on sales (ROS). ROS is defined as a quotient of EBIT and revenue.

Sustainability. Sustainability means using natural resources in such a way that they continue to be available to fulfill the needs of future generations. In the view of the Daimler Group, sustainable business operations have to give due consideration to economic, ecological and social aspects.

Value at risk. This measures the potential future loss (related to market value) for a given portfolio in a certain period and for which there is a certain probability that it will not be exceeded.

Value added. Value added indicates the extent to which operating profit exceeds the cost of capital. When value added is positive, return on net assets is higher than the cost of capital (see pages 77 ff).

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Information on the Internet. Special information on our shares and earnings development can be found in the "Investor Relations" section of our website. It includes the Group's annual and interim reports and the company financial statements of Daimler AG. You can also find topical reports, presentations, an overview of various key figures, information on our share price, and other services.

www.daimler.com/investors

Publications for our shareholders:
- Annual Report (German, English)
- Interim Reports for the 1st, 2nd and 3rd quarters (German, English)
- Sustainability Report (German, English)
- Brochure: The Road to Emission-free Mobility (German, English)
- Brochure: Milestones in Vehicle Safety. The Vision of Accident-free Driving (German, English)

www.daimler.com/ir/reports
www.daimler.com/downloads/en

The financial statements of Daimler AG were prepared in accordance with German accounting principles, and the consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). Both sets of financial statements were audited by KPMG AG Wirtschaftsprüfungsgesellschaft and an unqualified audit opinion was rendered thereon. These financial statements will be filed with the operator of the electronic version of the German Federal Gazette and published in the electronic version of the German Federal Gazette.

The aforementioned publications can be requested from: Daimler AG, Investor Relations, HPC 0324, 70546 Stuttgart, Germany.

The documents can also be ordered by phone or fax using the following number: +49 711 17 92287.

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Daimler Worldwide

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Sales Organization Automotive Businesses	Daimler Financial Services
Europe						
Production locations	10	7	4	7	–	–
Sales outlets	–	–	–	–	3,900	38
Revenue in millions of euros	25,486	7,953	6,292	2,421	–	5,318
Employees	87,136	30,617	13,149	14,566	40,339	4,199
NAFTA						
Production locations	1	14	1	3	–	–
Sales outlets	–	–	–	–	1,424	5
Revenue in millions of euros	10,645	6,166	457	540	–	6,026
Employees	3,028	15,749	85	1,346	3,193	1,236
Latin America (excluding Mexico)						
Production locations	1	1	1	2	–	–
Sales outlets	–	–	–	–	601	5
Revenue in millions of euros	614	3,740	364	1,208	–	320
Employees	874	11,434	1,323	1,222	81	292
Africa						
Production locations	1	1	–	1	–	–
Sales outlets	–	–	–	–	314	1
Revenue in millions of euros	1,727	894	171	175	–	467
Employees	4,710	1,050	–	–	–	300
Asia						
Production locations	4	5	1	2	–	–
Sales outlets	–	–	–	–	1,480	9
Revenue in millions of euros	13,964	4,757	386	130	–	444
Employees	533	12,856	–	–	3,602	559
Australia/Oceania						
Production locations	–	–	–	–	–	–
Sales outlets	–	–	–	–	285	2
Revenue in millions of euros	994	507	143	83	–	213
Employees	–	–	–	–	1,084	156

Note: Unconsolidated revenue of each division (segment revenue).

Financial Calendar 2011

Annual Press Conference
February 16, 2011

Analysts' and Investors' Conference Call
February 16, 2011

Presentation of the Annual Report 2010
March 2, 2011

Annual Meeting
April 13, 2011
10:00 a.m. CEST | 4:00 a.m. EST
Messe Berlin

Interim Report Q1 2011
April 29, 2011

Interim Report Q2 2011
July 27, 2011

Interim Report Q3 2011
October 27, 2011

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