

DAIMLER

Interim Report Q3 2011



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Cover photo:

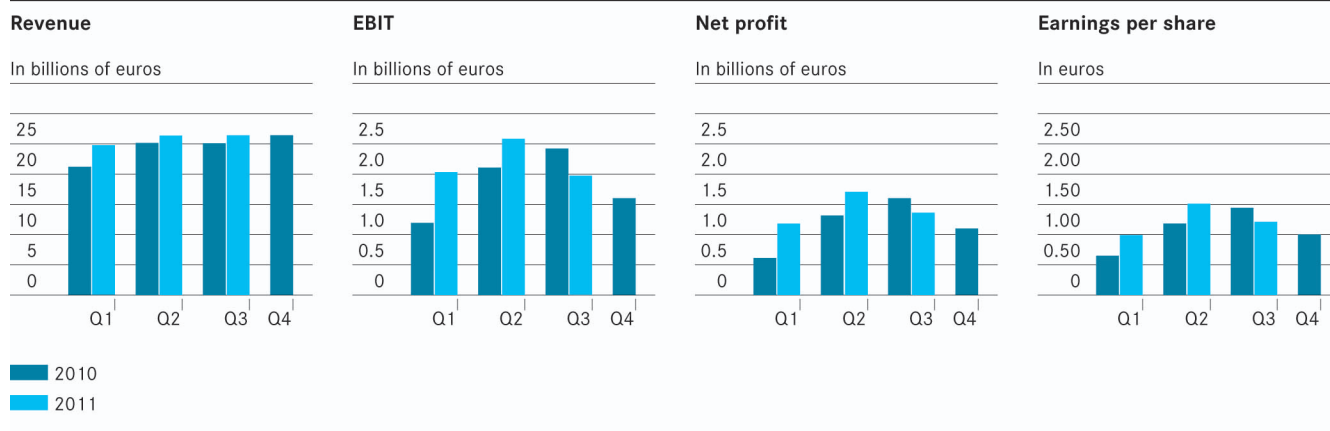
Much more agile and efficient than before, but offering the same comfort and space – the new B-Class from Mercedes-Benz is a multi-talent. The enhanced dynamism of the compact sports tourer is already obvious from its lower height and more upright sitting position. The second generation of the B-Class starts a new compact-class era at Mercedes-Benz in terms of both design and technology. The powertrains are completely new: four-cylinder gasoline and diesel engines with direct fuel injection and turbo-charging and with the option of a double-clutch automatic transmission. The driver is supported by a large number of assistance systems. The compact class will be gradually broadened over the next few years with an all-new successor to the A-Class, a coupe, a compact SUV and an additional new model.

Q3

Key Figures

Amounts in millions of euros	Q3 2011	Q3 2010	% change
Revenue	26,407	25,071	+5 ¹
Western Europe	9,608	9,545	+1
thereof Germany	5,049	4,950	+2
NAFTA	6,313	6,223	+1
thereof United States	5,242	5,358	-2
Asia	5,789	5,288	+9
thereof China	2,789	2,294	+22
Other markets	4,697	4,015	+17
Employees (September 30)	269,887	259,943	+4
Investment in property, plant and equipment	1,023	925	+11
Research and development expenditure	1,434	1,215	+18
thereof capitalized development costs	404	317	+27
Cash provided by operating activities	81	3,710	-98
EBIT	1,968	2,418	-19
Net profit	1,360	1,610	-16
Earnings per share (in €)	1.21	1.44	-16

¹ Adjusted for the effects of currency translation, increase in revenue of 8%



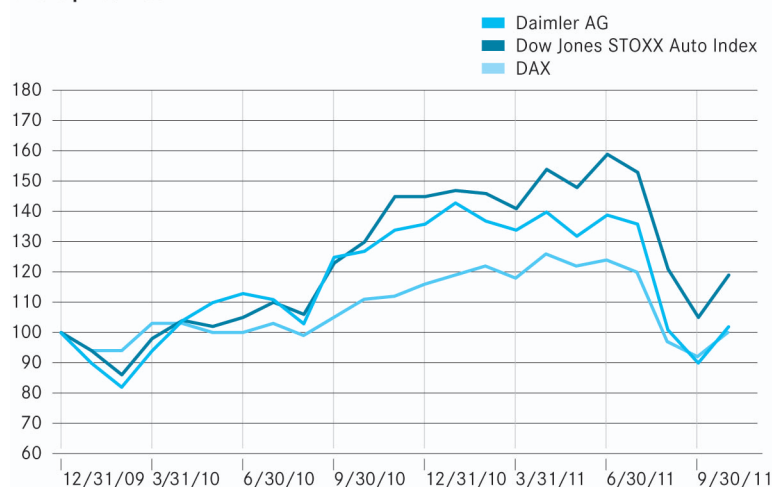
Q1-3

Key Figures

Amounts in millions of euros	Q1-3 2011	Q1-3 2010	% change
Revenue	77,474	71,365	+9 ¹
Western Europe	29,002	27,874	+4
thereof Germany	14,541	13,987	+4
NAFTA	18,451	17,465	+6
thereof United States	15,339	15,024	+2
Asia	16,542	14,467	+14
thereof China	8,449	6,590	+28
Other markets	13,479	11,559	+17
Employees (September 30)	269,887	259,943	+4
Investment in property, plant and equipment	2,777	2,306	+20
Research and development expenditure	4,013	3,585	+12
thereof capitalized development costs	1,086	1,039	+5
Cash provided by operating activities	417	8,309	-95
EBIT	6,580	5,712	+15
Net profit	4,244	3,534	+20
Earnings per share (in €)	3.71	3.29	+13

¹ Adjusted for the effects of currency translation, increase in revenue of 10%

Share price index



After a sideways movement of international stock exchanges in July, share prices generally fell at the beginning of August due to the gloomy economic outlook. The worsening financial crisis in Europe and the downgraded creditworthiness of the United States increased market fears of a renewed recession. Strong selling sentiment was faced with only a weak willingness to buy. Share prices fell significantly in this trading environment, especially of companies active in cyclical industries and in particular of auto-makers. Despite the announcement of strong unit sales in the summer months, Daimler's share price was quoted at €33.63 at close of trading on September 30. It thus fell by 35% in the third quarter, in line with the movement of the Dow Jones STOXX Auto Index (-34%). During the course of the year, Daimler's shares had fallen by 34% at the end of September. Supported by the positive development of the German stock market, Daimler's share price rose again in a very volatile environment during the first weeks of October.

Interim Management Report

Further growth in unit sales in all divisions

Third-quarter revenue significantly higher than last year at €26.4 billion

Group EBIT of €1,968 million (Q3 2010: €2,418 million)

Net profit of €1,360 million (Q3 2010: €1,610 million)

Significant growth in unit sales and revenue of significantly more than €100 billion anticipated for full-year 2011

Continued expectation that Group EBIT from ongoing business will very significantly exceed the level of 2010

Business development

World economy enters rough waters

Although the world economy expanded again in the third quarter of 2011, the general economic environment became significantly less stable. On the one hand, the global economy is likely to have profited from marked reductions in oil prices, and disturbances to international supply chains caused by the natural disaster in Japan should meanwhile have been largely overcome. But on the other hand, since August we have had substantial falls in share prices and an enormous increase in stock-market volatility, although companies worldwide reported good results for the second quarter. It is clear that the debate about increasing the debt ceiling in the United States and the worsening crisis of sovereign debt in the European currency zone have triggered a new crisis of confidence. In the European Monetary Union, the high debts of the peripheral countries and the related efforts to consolidate budgets are an increasing burden on economic developments. In total, Western Europe's economy probably expanded slightly in the third quarter, but the economic slowdown is affecting Germany more and more. Once again, the major growth impetus for the global economy came from the emerging markets, especially from Asia, where strong local demand was still able to offset the weakness of export markets outside the region. But growth rates have fallen also in the emerging economies since restocking and most of the state stimulus actions have come to an end. An additional factor is that many central banks in those markets have raised their interest rates in order to reduce inflationary pressure.

Global **automobile markets** continued their moderate growth in the third quarter, despite the worsening of economic conditions. Growth of the US market for cars and light trucks accelerated again somewhat and expanded by nearly 10% compared with the third quarter of last year. In Western Europe, however, there is little sign of any significant growth impetus. Overall, demand for cars was only slightly higher than the weak level of the prior-year period, although the German market recorded strong growth of more than 10%. The other volume markets of Western Europe remained fairly flat, with the exception of Italy, where demand fell significantly. Sales figures in Japan increased faster than originally expected following slumps in production and demand due to the natural disaster. Although unit sales of cars were nearly 20% lower than in the third quarter of 2010, the prior-year level was approached again this September for the first time during the past year. Demand for cars in the large emerging markets developed unevenly in the third quarter. While the Chinese market once again expanded at a high single-digit rate compared with the prior-year period, registrations of new cars in India decreased at a similar rate. Growth in Brazil slowed down significantly, so that car sales were only slightly higher than in the third quarter of last year.

Demand in Russia continued its strong growth with an increase in automobile sales of more than 25%.

Markets for **medium and heavy-duty trucks** generally developed positively. In the NAFTA region, the dynamic recovery continued with demand once again growing at a strong double-digit rate. Market growth remained in double digits also in Europe, although at lower rates than in the previous quarters. The Japanese truck market recovered significantly faster than expected following the substantial drop in demand in the spring, and was already larger than in the prior-year quarter. With the exception of the Chinese market, which once again was significantly smaller than in the prior-year quarter, demand for trucks in the emerging markets continued to grow.

Positive effects on demand for medium-sized and large **vans** came mainly from Europe in the third quarter. But markets for large vans grew significantly also in the NAFTA region and in Brazil and Argentina.

On the other hand, growth impetus for the worldwide **bus market** came mainly from Latin America. The ongoing good economic development in Brazil and Argentina brought further growth for bus manufacturers. The Western European market generally remained at a very low level.

Unit sales up by 11% in the third quarter

In the third quarter of 2011, Daimler sold 525,500 cars and commercial vehicles worldwide, surpassing the figure for the prior-year period by 11%.

Mercedes-Benz Cars continued its positive business development and set a new record with unit sales of 337,200 vehicles in the third quarter (Q3 2010: 317,500). The Mercedes-Benz brand also posted a new record for a third quarter, selling 315,400 units (Q3 2010: 294,400). In Western Europe, unit sales of 133,400 vehicles were close to the prior-year level despite the upcoming model changes of the B-Class and M-Class (Q3 2010: 135,400). We shipped 54,900 vehicles in the United States (Q3 2010: 55,100) and 56,000 vehicles were sold in China (Q3 2010: 39,200).

Daimler Trucks achieved strong growth in unit sales and substantially surpassed the prior-year level with 115,600 vehicles sold in the third quarter (Q3 2010: 94,800). Trucks Europe/Latin America increased its unit sales by 21% to 42,700 vehicles. In the segment of medium and heavy-duty trucks, Daimler Trucks is thus once again the market leader in Western Europe and Turkey. Trucks NAFTA was particularly successful with growth in unit sales of 63% to 33,200 vehicles. We continue to be number one in the overall segment of Classes 6-8 in the NAFTA region. Trucks Asia increased its unit sales by 2% to 39,800 vehicles.

Mercedes-Benz Vans posted substantial sales growth of 18% compared with the third quarter of last year to sell 63,500 units of the Sprinter, Vito/Viano and Vario models (Q3 2010: 53,700). Growth was particularly strong in Germany (+20%) and the United States (+97%). Demand was very high for the new generations of the Vito (+16%) and the Viano (+43%).

Worldwide sales by Daimler Buses increased slightly to 9,200 units (Q2 2010: 9,100), mainly because of the positive development of chassis sales in Latin America (excluding Mexico) (+4%) and growth in Asia (+11%). But unit sales were lower than in the prior-year period in Western Europe (-7%) and the NAFTA region (-13%). This was due to ongoing weak demand for complete buses in those regions.

Daimler Financial Services' contract volume in the sales-financing and leasing business amounted to €65.8 billion at the end of the third quarter, which is 3% higher than at the end of 2010. Adjusted for exchange-rate effects, contract volume increased by 6%. New business of €8.6 billion was 18% higher than in the third quarter of last year.

The Daimler Group's third-quarter revenue increased significantly from €25.1 billion in 2010 to €26.4 billion this year. Adjusted for exchange-rate effects, revenue grew by 8%.

Profitability

EBIT by segment

In millions of euros	Q3 2011	Q3 2010	% change	Q1-3 2011	Q1-3 2010	% change
Mercedes-Benz Cars	1,108	1,299	-15	3,962	3,481	+14
Daimler Trucks	555	496	+12	1,454	929	+57
Mercedes-Benz Vans	200	122	+64	579	313	+85
Daimler Buses	25	11	+127	53	131	-60
Daimler Financial Services	337	317	+6	998	607	+64
Reconciliation	-257	173	.	-466	251	.
Daimler Group	1,968	2,418	-19	6,580	5,712	+15

The **Daimler Group** achieved EBIT of €1,968 million in the third quarter of 2011, which is less than in the prior-year period (Q3 2010: €2,418 million).

The development of earnings primarily reflects the higher vehicle shipments by all divisions. At Mercedes-Benz Cars, earnings were reduced by a changed model mix and by charges due to the upcoming model changes. Daimler Financial Services profited in particular from the lower cost of risk.

Group EBIT for the third quarter includes charges from the impairment of Daimler's investments in Renault and Kamaz of €110 million and €23 million, respectively. In the third quarter of last year, the adjustment of health-care and pension benefits at a US subsidiary, Daimler Trucks North America, resulted in a non-recurring gain of €183 million. An additional item affecting the prior-year period was the positive outcome of a legal dispute involving Daimler AG, which led to a non-recurring gain of €218 million.

The special items shown in the following table affected EBIT in the third quarters and the first nine months of the years 2011 and 2010:

Special factors affecting EBIT

In millions of euros	Q3 2011	Q3 2010	Q1-3 2011	Q1-3 2010
Daimler Trucks				
Impairment of investment in Kamaz	-23	-	-23	-
Natural disaster in Japan	-9	-	-47	-
Adjustment of health-care and pension benefits	-	183	-	183
Repositioning of Daimler Trucks North America	-	-13	-	-29
Repositioning of Mitsubishi Fuso Truck and Bus Corporation	-	8	-	-7
Daimler Financial Services				
Natural disaster in Japan	-	-	-29	-
Repositioning of business activities in Germany	-	-	-	-78
Sale of non-automotive assets	-	-	-	-20
Reconciliation				
Impairment of investment in Renault	-110	-	-110	-
Gain relating to a legal dispute	-	218	-	218
Sale of equity interest in Tata Motors	-	-	-	265

Mercedes-Benz Cars achieved EBIT of €1,108 million in the third quarter, despite a large number of factors with a negative impact on earnings (Q3 2010: €1,299 million). The division's return on sales was 8.0% (Q3 2010: 9.5%).

Record unit sales in the third quarter were offset in particular by a changed product mix, as well as by the impact of higher material costs, exchange-rate effects, upcoming model changes and increased research and development expenses. The high quality of our products led to lower warranty expenses.

Posting EBIT of €555 million, the **Daimler Trucks** division continued its successful course of business also in the third quarter (Q3 2010: €496 million). Its return on sales was 7.3% (Q3 2010: 7.7%).

The positive development of earnings is primarily due to substantial growth in unit sales compared with the prior-year period. Sales growth was particularly strong in the NAFTA region, Europe and Latin America. There were opposing, negative effects on third-quarter earnings from increased material costs, high advance expenditure for the current product offensive and the impairment of our investment in Kamaz.

Prior-year earnings were significantly boosted by a gain of €183 million resulting from the adjustment of health-care and pension benefits.

The **Mercedes-Benz Vans** division achieved EBIT of €200 million in the third quarter of 2011 (Q3 2010: €122 million). Its return on sales improved to 9.0%, compared with 6.4% in the same period of last year.

The main drivers of the positive earnings trend were the ongoing market recovery and significantly higher unit sales, especially in Germany and the United States. The excellent market reaction to the new generations of the Vito and Viano also made a significant contribution. Earnings were additionally boosted by better pricing. On the other hand, the division's EBIT was negatively affected by higher material costs.

The **Daimler Buses** division achieved EBIT of €25 million (Q3 2010: €11 million). Its return on sales therefore increased from 1.1% to 2.4%.

This positive earnings development was caused by the overall increase in unit sales, as well as by positive exchange-rate effects.

With EBIT of €337 million in the third quarter of 2011, **Daimler Financial Services** surpassed its earnings of €317 million in the prior-year period.

The improvement in earnings was mainly caused by lower provisions for risks and an increased contract volume. There were opposing, negative effects on earnings from higher expenses in connection with the repositioning of business activities in Germany.

The divisions' EBIT is reconciled to Group EBIT. This **reconciliation** primarily reflects our proportionate share of the results of our equity-method investment in EADS as well as other gains and losses at the corporate level.

Daimler's proportionate share of the profit of EADS in the third quarter of 2011 amounted to €15 million (Q3 2010: €3 million).

Items accounted for at the corporate level resulted in a total expense of €250 million (Q3 2010: income of €191 million), mainly reflecting the impairment of our investment in Renault by an amount of €110 million. Due to the sharp fall in the price of Renault's shares as of September 30, the investment had to be impaired to its fair value. The result for the prior-year quarter includes a gain of €218 million resulting from the positive outcome of a legal dispute in October 2010.

The reconciliation also includes a net expense of €22 million from the elimination of intra-Group transactions (Q3 2010: €21 million).

Net interest income for the third quarter of 2011 amounted to €7 million (Q3 2010: net interest expense of €121 million), and improved primarily due to positive effects from derivative hedging instruments.

The third-quarter **income-tax expense** of €615 million was €72 million lower than in the prior-year period; the slight decrease reflects the Group's lower pre-tax profit.

Net profit amounted to €1,360 million (Q3 2010: €1,610 million). In the third quarter of 2011, net profit of €74 million is attributable to **minority interest** (Q3 2010: €77 million). The amount of net profit attributable to the **shareholders of Daimler AG** is €1,286 million (Q3 2010: €1,533 million). Earnings per share amounted to €1.21 (Q3 2010: €1.44).

Cash flows

Condensed consolidated statement of cash flows

In millions of euros	Q1-3 2011	Q1-3 2010	11/10 change
Cash and cash equivalents at beginning of period	10,903	9,800	1,103
Cash provided by operating activities	417	8,309	-7,892
Cash used for investing activities	-4,411	-1,431	-2,980
Cash provided by/used for financing activities	2,957	-6,338	9,295
Effects of exchange-rate changes on cash and cash equivalents	-39	332	-371
Cash and cash equivalents at end of period	9,827	10,672	-845

Cash provided by operating activities amounted to €0.4 billion in the first nine months of 2011 (Q1-3 2010: €8.3 billion). The positive effect from the improvement in net profit was offset in particular by increased new business in leasing and sales financing and the development of inventories caused by unit sales and model changes. An additional factor is that significantly higher contributions were made to pension funds (€1.8 billion; Q1-Q3 2010: €0.1 billion). Compared with the first nine months of 2010, there were other effects reducing cash provided by operating activities from the payment of the performance-related bonus for the year 2010 as well as from higher income-tax payments (€2.0 billion; Q1-3 2010: €0.6 billion); the higher cash outflows for income taxes partially reflect payments of arrears for prior years in North America. The effects from higher trade receivables and payables caused by higher unit sales and production volumes nearly cancelled each other out compared with the prior-year period.

Cash used for investing activities in the first nine months of the year amounted to €4.4 billion (Q1-3 2010: €1.4 billion). The change compared with the prior year was primarily the result of acquisitions and sales of securities carried out in the context of liquidity management, which led to lower (net) cash inflows during the reporting period. In addition, the acquisition of shares in Tognum AG resulted in a total cash outflow of €0.7 billion. The prior-year period was affected by proceeds from the sale of Daimler's shares in Tata Motors (€0.3 billion). In addition, cash outflows for investments in property, plant and equipment and intangible assets increased by €0.5 billion to €4.0 billion.

Cash flows from financing activities resulted in a net cash inflow of €3.0 billion in the period under review. The cash inflows from new borrowings (net) offset the cash outflows for the payment of the dividend for the year 2010 (€2.0 billion). Furthermore, dividends of €0.2 billion were paid to holders of minority interests in subsidiaries. In the prior-year period, there was a net cash outflow of €6.3 billion, due almost solely to the repayment of financing liabilities (net).

Cash and cash equivalents decreased by €1.1 billion compared with December 31, 2010, after taking currency translation into account. Total liquidity, which also includes marketable debt securities, decreased by €1.3 billion to €11.7 billion.

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

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

Free cash flow of the industrial business

In millions of euros	Q1-3 2011	Q1-3 2010	11/10 change
Cash provided by operating activities	4,389	8,422	-4,033
Cash used for investing activities	-4,179	-1,773	-2,406
Change in marketable debt securities	-324	-1,316	992
Other adjustments	-47	-	-47
Free cash flow of the industrial business	-161	5,333	-5,494

The free cash flow decreased compared with the prior-year period by €5.5 billion to minus €0.2 billion.

The decrease was mainly caused by substantial contributions to the pension funds (€1.8 billion), the development of inventories and the payment of the performance-related bonus. In addition to the acquisition of shares in Tognum AG (€0.7 billion), there were other negative effects from the payment of the anniversary bonus (€0.1 billion), the increase in the capital of the Daimler and Benz Foundation (€0.1 billion) and higher investment in property, plant and equipment. Furthermore, the prior-year period had been affected by the proceeds from the sale of Daimler's shares in Tata Motors (€0.3 billion). There were positive effects in particular from increased profit contributions from the divisions and lower cash outflows for interest payments. The increased cash outflows for tax payments made to third parties were partially offset by intra-Group payments received by the industrial business from financial services companies in the context of the organic tax unity.

Net liquidity of the industrial business

In millions of euros	Sept. 30, 2011	Dec. 31, 2010	11/10 change
Cash and cash equivalents	8,811	9,535	-724
Marketable debt securities	864	1,258	-394
Liquidity	9,675	10,793	-1,118
Financing liabilities	928	1,358	-430
Market valuation and currency hedges for financing liabilities	-161	-213	52
Financing liabilities (nominal)	767	1,145	-378
Net liquidity	10,442	11,938	-1,496

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

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

The net liquidity of the industrial business amounted to €10.4 billion at September 30, 2011 (December 31, 2010: €11.9 billion).

The payment of the dividend for the year 2010 in an amount of €2.0 billion and the free cash flow were partially offset, in particular by intra-Group dividend payments of the financial services business.

Net debt at Group level, which primarily results from the refinancing of the leasing and sales financing business, increased by €5.2 billion compared with December 31, 2010, mainly due to the increased volume of new business in leasing and sales financing and the payment of the dividend for the year 2010. There were smaller, opposing effects from currency translation.

Net debt of the Daimler Group

In millions of euros	Sept. 30, 2011	Dec. 31, 2010	11/10 change
Cash and cash equivalents	9,827	10,903	-1,076
Marketable debt securities	1,901	2,096	-195
Liquidity	11,728	12,999	-1,271
Financing liabilities	-57,629	-53,682	-3,947
Market valuation and currency hedges for financing liabilities	-157	-213	56
Financing liabilities (nominal)	-57,786	-53,895	-3,891
Net debt	-46,058	-40,896	-5,162

Financial position

Condensed consolidated statement of financial position

In millions of euros	Sept. 30, 2011	Dec. 31, 2010	11/10 % change
Assets			
Intangible assets	8,005	7,504	+7
Property, plant and equipment	18,236	17,593	+4
Equipment on operating leases and receivables from financial services	62,643	60,955	+3
Investments accounted for using the equity method	4,833	3,960	+22
Inventories	17,186	14,544	+18
Trade receivables	7,963	7,192	+11
Cash and cash equivalents	9,827	10,903	-10
Marketable debt securities	1,901	2,096	-9
Other financial assets	5,499	5,441	+1
Other assets	5,651	5,642	+0
Total assets	141,744	135,830	+4
Equity and liabilities			
Equity	39,903	37,953	+5
Provisions	18,587	20,637	-10
Financing liabilities	57,629	53,682	+7
Trade payables	9,966	7,657	+30
Other financial liabilities	8,485	10,509	-19
Other liabilities	7,174	5,392	+33
Total equity and liabilities	141,744	135,830	+4

The Group's **balance sheet total** increased by €5.9 billion to €141.7 billion. Adjusted for the effects of currency translation, there was an increase of €8.2 billion. The financial services business accounts for €69.9 billion of the balance sheet total (December 31, 2010: €67.9 billion), equivalent to 49% of the Daimler Group's total assets (December 31, 2010: 50%).

Current assets continue to account for 42% of the balance sheet total. The increase in inventories and receivables was offset by a reduction in cash and cash equivalents. Current liabilities account for 36% of the balance sheet total (December 31, 2010: 39%). The decrease reflects the lower financial liabilities and provisions, partially offset by higher trade payables.

Intangible assets of €8.0 billion were higher than the amount at December 31, 2010. The increase of €0.5 billion relates in particular to capitalized development expenses.

Property, plant and equipment increased by €0.6 billion to €18.2 billion, as investments were higher than depreciation. Investments of €2.8 billion were related to the sites in Germany as well as our plants in Hungary, Brazil, India and the United States.

Equipment on operating leases and receivables from financial services increased to €62.6 billion. Adjusted for exchange-rate effects, there was an increase of €3.0 billion due to the larger volume of new business. Those assets' proportion of the balance sheet total was 44% (December 31, 2010: 45%).

Investments accounted for using the equity method of €4.8 billion mainly comprise the carrying amounts of our investments in EADS and Kamaz, as well as our interest in Engine Holding GmbH, a joint venture between Daimler and Rolls-Royce. The increase of €0.9 billion includes €0.7 billion reflecting the acquisition by Engine Holding GmbH of shares in Tognum.

Inventories increased by €2.6 billion to €17.2 billion, equivalent to 12% (December 31, 2010: 11%) of total assets. The increase primarily reflects higher stocks of finished goods, partially caused by the market launch of the new B-Class and M-Class in the fourth quarter and the production start of the new Actros. Due to the higher production volumes, stocks of raw materials and manufacturing supplies and work in progress also increased.

Trade receivables increased by €0.8 billion to €8.0 billion.

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

Marketable debt securities were reduced compared with December 31, 2010 from €2.1 billion to €1.9 billion. Those assets include the debt instruments that are allocated to liquidity, most of which are publicly traded.

Other financial liabilities of €5.5 billion were slightly higher than at the end of 2010. They mainly comprise investments and derivative financial instruments, as well as loans and other receivables due from third parties.

Other assets of €5.7 billion (December 31, 2010: €5.6 billion) primarily consist of deferred tax assets and tax refund claims.

The Group's **equity** increased compared with December 31, 2010 by €2.0 billion to €39.9 billion. The increase of €2.4 billion after adjusting for currency effects primarily reflects the Group's net profit of €4.2 billion. There was an opposing effect from the payment of the dividend for the year 2010 of €2.0 billion.

The **equity ratio** was 28.2% for the Group (December 31, 2010: 26.5%) and 48.0% for the industrial business (December 31, 2010: 45.8%). The equity ratios at December 31, 2010 are adjusted for the dividend payment for the year 2010.

Provisions account for 13% of the balance sheet total. Most of them relate to warranty, personnel and pension obligations, and at €18.6 billion they were below the level of December 31, 2010 (€20.6 billion). The decrease mainly relates to provisions for pensions and similar obligations and reflects the substantial increase in contributions to the pension funds. Additionally, provisions for income taxes and provisions for personnel obligations decreased following the payment of the performance-related bonus.

Financing liabilities increased by €3.9 billion to €57.6 billion, primarily due to the growth of the financial services business. The increase of €4.8 billion after adjusting for currency effects is related to liabilities to financial institutions and from ABS transactions and commercial paper. There was an opposing effect from the lower volume of bonds.

Trade payables increased by €2.3 billion to €10.0 billion, primarily due to the higher production volumes.

Other financial liabilities decreased to €8.5 billion (December 31, 2010: €10.5 billion). They mainly consist of liabilities from residual-value guarantees and from wages and salaries, derivative financial instruments and accrued interest on financing liabilities. The decrease is partially accounted for by derivative financial instruments in connection with exchange-rate movements.

Other liabilities of €7.2 billion (December 31, 2010: €5.4 billion) primarily comprise deferred tax liabilities, tax liabilities and deferred income. The increase is mainly related to deferred taxes.

Workforce

At the end of the third quarter of 2011, Daimler employed 269,887 people worldwide (September 30, 2010: 259,943). Of that total, 167,948 were employed in Germany (Sept. 30, 2010: 164,589), 20,470 in the United States (Sept. 30, 2010: 17,981), 14,478 in Brazil (Sept. 30, 2010: 13,638) and 11,599 in Japan (Sept. 30, 2010: 12,954). At our consolidated companies in China, 2,003 people were employed at the end of the third quarter 2011 (Sept. 30, 2010: 1,510).

At the beginning of October 2011, the Board of Management and the General Employee Council of Daimler AG reached a general company agreement under the title of "Securing the Future at Daimler." This mainly extends until the end of 2016 the contents of the agreement "Securing the Future 2012," which has been in force since 2004. The new "Securing the Future at Daimler" takes effect on January 1, 2012.

Daimler and Rolls-Royce complete their takeover of Tognum

Daimler AG and Rolls-Royce Holdings plc have received all the relevant regulatory approvals for the takeover of Tognum AG. The public tender offer made by Engine Holding GmbH, in which Daimler and Rolls-Royce each hold 50%, was closed in September 2011. At the end of the third quarter, Engine Holding held approximately 98% of the shares in Tognum AG. Those Tognum shareholders who have not yet accepted the offer can tender their shares to Engine Holding for the offer price of €26 until November 10, 2011.

Final approval from the Chinese authorities for the joint venture between Daimler Trucks and Foton

In September 2011, the Chinese Trade Ministry granted its final approval to Beijing Foton Daimler Automotive Co., Ltd. to establish a truck joint venture. We will hold a 50% interest in the company, which will allow us to further strengthen and expand our position in the Chinese market.

Daimler will contribute its technological expertise to the joint venture, especially in the areas of diesel engines and exhaust systems. The two partners will use Auman, Foton's truck brand, as a platform to expand their business in China. The joint venture Beijing Foton Daimler Automotive will have an annual capacity of 160,000 trucks.

Events after the interim balance sheet date

Since the end of the third quarter of 2011, there have been no further occurrences that are of major significance for Daimler. The course of business in the first several weeks of the fourth quarter of 2011 confirms the statements made in the "Outlook" section of this Interim Report.

Risk report

Daimler's divisions are subject to a large number of risks which are inextricably linked with their entrepreneurial activities. With regard to the existing opportunities and risks, we refer to the statements made on pages 104 to 113 and on pages 117 to 118 of our Annual Report 2010, as well as to the notes on forward-looking statements at the end of this Interim Management Report.

At the beginning of the fourth quarter of 2011, economic risks are significantly higher than they were a few months ago, in particular with regard to the United States and the European Monetary Union. In the USA, there is a substantially increased possibility of a renewed slump as a result of ongoing high unemployment, weak consumption and too little investment. The primary risks in Japan consist of sluggish reconstruction and the burden of a strong currency. The European sovereign-debt crisis carries the risk of additional contagion effects. There is the further risk of an unstructured default by Greece, which would have grave consequences for the banking sector. This would also be connected with an extreme rise in the volatility of financial markets. The large emerging economies such as China have to perform a balancing act between the desired economic cooling-off and excessive monetary and fiscal countermeasures. Another threat for the world economy as a whole would be a massive and sustained loss of confidence among consumers and investors. On the other hand, risks on the raw-material side have decreased somewhat due to the global economic slowdown. We are not aware of any risks that might jeopardize the continued existence of the Group.

Outlook

Development of the world economy

At the beginning of the fourth quarter of 2011, the outlook for the world economy is distinctly less favorable than just a few months ago. Severe turbulence on financial markets is an indication that some investors anticipate a renewed economic slump. The longer investor and consumer uncertainty continues and the longer financial markets believe that politicians might not have a sustained solution for the problem of sovereign debt, the bigger the risk of a real economic downturn. This applies above all to the European Monetary Union and the United States. Meanwhile, key leading indicators such as business and consumer sentiment have fallen worldwide and are in some cases approaching recession levels again. The first signs of weakening are also apparent from volumes of worldwide trade. In the United States, economic growth is burdened by ongoing high unemployment, the continuation of an extremely weak real-estate market, and comparatively low levels of consumption. In the European Monetary Union, the economic situation is dominated by the sovereign-debt crisis. The probability of a substantial restructuring of Greece's debt has increased distinctly in recent weeks. Concern about possible contagion to other peripheral countries and to the banking sector is feeding uncertainty and volatility in the financial markets. The German economy will hardly grow in the fourth quarter. And for the euro zone as a whole, unfavorable developments in the last three months of the year could result in a decrease in economic output. The industrial countries will probably post only slight growth of approximately 1.5% for the full year. The outlook for the emerging economies continues to be more positive than for Western Europe, North America and Japan, due not least to their greater scope for fiscal and monetary policy. Although the economic dynamism of Asia, Latin America and Eastern Europe is decreasing, solid growth of approximately 6% is expected for 2011. So for the world economy as a whole, economic expansion of only about 3% is possible this year, which is distinctly lower than was projected at the beginning of the year.

Prospects for automotive markets

Despite the worsened economic situation, growth of worldwide automobile markets will continue this year, but at significantly lower rates than in 2010. From today's perspective, global **demand for cars** is likely to increase by nearly 5%. The US market will continue its recovery and will probably expand by approximately 10%. In Western Europe, however, demand is expected to decrease slightly, whereby the development of individual markets remains disparate. Significant market growth of about 10% is expected in Germany, while demand will decrease in the other core markets of Western Europe, in some cases significantly. Although the Japanese market will probably start to grow again distinctly in the fourth quarter, demand over the year as a whole will decrease by a double-digit percentage. The car markets of the large Asian emerging markets of China and India will continue to grow, but at significantly lower rates than the double-digit expansion of recent years. The Brazilian market is likely to grow only slightly compared with 2010, while demand for cars in Russia should increase by at least 25% thanks to state incentive schemes.

The worldwide **market for medium and heavy-duty trucks** is likely to grow only moderately this year due to the expected market weakening in China. Daimler's core markets in North America, Western Europe and Japan will recover strongly, however. In both the European market and the NAFTA region, we expect demand to grow by approximately 35%. Thanks to quicker than expected market stabilization, demand for trucks in Japan in the full year is likely to be higher than in 2010. With the exception of China, demand for trucks in the major emerging markets will be generally favorable this year. Total sales in Brazil should increase again by approximately 10%. The dynamic recovery of the Russian market should continue with significant growth in demand. The Indian truck market may well grow at a double-digit rate once again, while demand for trucks in China, the world's biggest market, is expected to decrease following the end of the state incentive program.

We anticipate a continuation of **van markets'** recovery and assume that the positive development will continue in all of the regions relevant to us. We expect growth of more than 10% in the market segments relevant to Daimler in both Europe and the United States.

We expect the European **bus markets** to remain stable at a low level. Weak demand for city buses is having a negative impact on sales in this region. While the total market volume in Western Europe is likely to contract slightly, we continue to anticipate growth in demand in Latin America due to purchases being brought forward.

Expectations for the Daimler Group and its divisions

On the basis of the divisions' planning, Daimler expects its **total unit sales** to increase significantly in the full year (2010: 1.9 million vehicles). We assume that unit sales in 2011 will be higher than in the prior year for all divisions.

In view of the continuation of generally good market prospects combined with numerous model changes and new products, **Mercedes-Benz Cars** assumes that the Mercedes-Benz brand will further increase its unit sales to a new record in 2011. Thanks to our up-to-date and competitive model range, we will profit also in the year 2011 from strong demand for our numerous new models in the C-Class segment and from the continuing market success of our SUVs.

In September, we started deliveries of the new M-Class in the United States. The roadster version of the Mercedes-Benz SLS AMG will follow in the fourth quarter. And in November, we will launch the new B-Class – the first of five new models in the compact-car segment. On the engines side, we are introducing our particularly fuel-efficient four, six and eight-cylinder engines and the eco-start-stop technology in additional models. We thus have a broad range of vehicles combining high performance and excellent drivability with low fuel consumption, which appeal in particular to our fleet customers. On this basis, we will put highly economical and environmentally friendly cars on the roads, allowing us to further reduce the CO₂ emissions of our fleet. With the new generation of the C-Class, for example, the C 220 CDI is available with fuel consumption of just 4.4 liters per 100 kilometers and CO₂ emissions of 117 grams per kilometer.

For the smart brand, we anticipate unit sales at roughly the same level as in 2010 due to the full availability of the new generation of the smart fortwo.

Daimler Trucks expects to post significant growth in unit sales in full-year 2011. The need to catch up in both the European market and the NAFTA region is the main reason for the strong revival of demand compared with last year. Reconstruction activities in Japan following the natural disaster this March are boosting the demand for transport in that country. This is supporting the trend of sales returning to their levels of before the disaster.

The so-called RIC markets are growing dynamically, and Daimler Trucks is expanding its production capacities accordingly: In India, BharatBenz will open its truck plant in April 2012; in Russia, Daimler Trucks is broadening its cooperation with Kamaz; and in China, Beijing Foton Daimler Automotive Co., Ltd. (BFDA) has obtained final approval from the authorities for the joint venture between Daimler and Foton.

The order situation confirms our expectations for this year: Orders received for 107,200 units in the third quarter remained at a high level, and the order backlog is significantly larger than a year ago. We anticipate unit sales in the fourth quarter at a higher level than in the prior-year period.

Due to the ongoing market recovery, **Mercedes-Benz Vans** also expects to achieve growth in unit sales in its key markets in full-year 2011. In Western Europe, we will defend our leading market position for medium-sized and large vans and will participate in the market's growth. We expect to see significant increases in unit sales particularly in the United States and Eastern Europe. Furthermore, increased production capacities in Argentina will additionally boost our growth in Latin America.

Daimler Buses assumes it will sell more than 40,000 complete buses and bus chassis in the year 2011. There will be a structural shift away from complete buses and towards bus chassis.

Daimler Financial Services anticipates growth in its worldwide new business in full-year 2011. After adjusting for exchange-rate effects, contract volume should increase again in the fourth quarter. Daimler Financial Services expects a decrease in worldwide credit-risk costs in the full year.

We assume that the **Daimler Group** will achieve another **increase in revenue** to significantly more than €100 billion in the year 2011. This growth will probably be driven by all of the automotive divisions.

On the basis of current estimates, we continue to assume that the **Daimler Group** will post EBIT from the ongoing business in 2011 that will be very significantly higher than the level of 2010. The course of business so far this year shows that we continue to make good progress towards achieving our targeted rates of return on a sustained basis as of the year 2013. Those targets are based on the assumption of a stable global economic and political environment and intact automotive markets.

Due to the strong demand for our products, we assume that our worldwide **workforce** will expand compared with the end of 2010.

Forward-looking statements:

This document contains forward-looking statements that reflect our current views about future events. The words "anticipate," "assume," "believe," "estimate," "expect," "intend," "may," "plan," "project," "should" and similar expressions are used to identify forward-looking statements. These statements are subject to many risks and uncertainties, including an adverse development of global economic conditions, in particular a decline of demand in our most important markets; a deterioration of our funding possibilities on the credit and financial markets; events of force majeure including natural disasters, acts of terrorism, political unrest, industrial accidents and their effects on our sales, purchasing, production or financial services activities; changes in currency exchange rates; a shift in consumer preference towards smaller, lower margin vehicles; or a possible lack of acceptance of our products or services which limits our ability to achieve prices as well as to adequately utilize our production capacities; price increases in fuel or raw materials; disruption of production due to shortages of materials, labor strikes, or supplier insolvencies; a decline in resale prices of used vehicles; the effective implementation of cost-reduction and efficiency-optimization measures; the business outlook of companies in which we hold a significant equity interest, most notably 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 most recent 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.

Mercedes-Benz Cars

Unit sales once again at very high level of 337,200 vehicles (Q3 2010: 317,500)

C-Class sedan continues as market leader in its segment

Numerous new models presented at Frankfurt Motor Show

EBIT of €1,108 million (Q3 2010: €1,299 million)

In millions of euros	Q3 2011	Q3 2010	% change
EBIT	1,108	1,299	-15
Revenue	13,826	13,661	+1
Unit sales	337,163	317,496	+6
Production	334,084	317,120	+5
Employees (September 30)	98,268	95,953	+2

Unit sales	Q3 2011	Q3 2010	% change
Total	337,163	317,496	+6
Western Europe	149,683	153,505	-2
Germany	73,496	73,481	+0
United States	55,122	55,796	-1
China	59,270	40,748	+45
Other markets	73,088	67,447	+8

Growth in unit sales and revenue

The Mercedes-Benz Cars division continued its positive business development and increased its unit sales to a new record for a third quarter of 337,200 vehicles (Q3 2010: 317,500). The Mercedes-Benz brand also set a new third-quarter record with sales of 315,400 units (Q3 2010: 294,400). Revenue amounted to €13.8 billion and EBIT was €1,108 million (Q3 2010: €13.7 billion and €1,299 million respectively).

C-Class sedan successfully maintains market leadership

Despite the upcoming model change of the B-Class, sales of compact cars continued to increase slightly to 54,800 units in the third quarter (Q3 2010: 54,400). Due to the great market success of the new C-Class models, we increased our unit sales in that segment by another 22% to 106,200 vehicles (Q3 2010: 87,100). The C-Class sedan continues to be the market leader in its segment. We sold 78,200 E-Class models in the third quarter (Q3 2010: 81,700) and the new CLS continues as the best-selling model in its segment. 18,300 S-Class automobiles were sold (Q3 2010: 19,600). Unit sales in the SUV segment also reached a new record level with an increase of 12% to 57,900 vehicles (Q3 2010: 51,500).

In Western Europe, unit sales of 133,400 vehicles were close to the prior-year level despite the upcoming model changes of the B-Class and M-Class (Q3 2010: 135,400). Sales in Germany rose slightly to 67,000 units (Q3 2010: 66,600). We shipped 54,900 vehicles in the United States (Q3 2010: 55,100) and 56,000 vehicles were sold in China (Q3 2010: 39,200).

New B-Class: perfect use of space in a highly attractive form

Mercedes-Benz presented six world debuts at the Frankfurt Motor Show (IAA) in September. The main attraction at the trade fair was the first model of our new generation of compact cars: the new Mercedes-Benz B-Class. This new sports tourer is even more versatile than before, as well as more dynamic and efficient and also safer than its predecessor. The new B-Class also sets standards with four highly efficient engines, allowing it to offer superior driving pleasure while reducing fuel consumption to as low as 4.4 liters per 100 kilometers. In addition, the new model sets the benchmark in the compact-car segment with its comprehensive safety equipment, including the standard Collision Prevention Assist. And with the concept car, B-Class E-CELL PLUS, we presented the first Mercedes electric vehicle with a range extender. Other new models shown at this year's IAA were the new SLS AMG roadster and the SLK 250 CDI and SLK 55 AMG roadsters. Furthermore, with the F 125^r research car, Mercedes-Benz demonstrated how the use of fuel cells can allow completely emission-free individual mobility in the luxury segment in the long term.

Awards for Mercedes-Benz

Mercedes-Benz was rated as "very good" and was the test winner in the latest workshop test by the ADAC, Germany's biggest automobile club. Furthermore, TÜV Rheinland, a vehicle-inspection authority, conferred its Customer Satisfaction Award on Mercedes-Benz.

Top quality in production

The new B-Class went into production in Rastatt in September, and preparations are in full swing for the start of production in the sister plant in Kecskemét, Hungary. Our plants in Bremen and East London received quality awards from J. D. Power as the best car plants in Europe and Africa.

Q1-3

In millions of euros	Q1-3 2011	Q1-3 2010	% change
EBIT	3,962	3,481	+14
Revenue	42,333	39,274	+8
Unit sales	1,005,516	937,074	+7
Production	1,025,034	950,966	+8
Employees (September 30)	98,268	95,953	+2

Unit sales	Q1-3 2011	Q1-3 2010	% change
Total	1,005,516	937,074	+7
Western Europe	465,832	466,441	-0
Germany	212,071	209,232	+1
United States	167,925	163,259	+3
China	160,629	116,114	+38
Other markets	211,130	191,260	+10

Unit sales substantially higher than last year at 115,600 vehicles

New Actros goes into series production

The way is clear for joint venture between Daimler Trucks and Foton

EBIT of €555 million (Q3 2010: €496 million)

In millions of euros	Q3 2011	Q3 2010	% change
EBIT	555	496	+12
Revenue	7,619	6,433	+18
Unit sales	115,634	94,813	+22
Production	128,347	100,445	+28
Employees (September 30)	77,274	71,549	+8

Unit sales	Q3 2011	Q3 2010	% change
Total	115,634	94,813	+22
Western Europe	15,967	14,656	+9
Germany	8,372	8,262	+1
United States	27,645	15,847	+74
Latin America (excluding Mexico)	17,354	14,709	+18
Asia	35,127	34,135	+3
Other markets	19,541	15,466	+26

Ongoing high levels of unit sales, revenue and earnings

Daimler Trucks increased its unit sales by 22% to 115,600 vehicles in the third quarter. Revenue and EBIT rose to €7.6 billion and €555 million respectively (Q3 2010: €6.4 billion and €496 million).

Strong growth in unit sales by all operating units

Trucks Europe/Latin America increased its unit sales by 21% to 42,700 vehicles. This means that Mercedes-Benz Trucks is once again the market leader in Western Europe and Turkey in the segment of medium and heavy-duty trucks. Unit sales grew in Latin America by 16% and in Russia by 82%. In China, we were actually able to triple our unit sales compared with the prior-year quarter.

Trucks NAFTA was particularly successful, achieving growth in unit sales of 63% to 33,200 vehicles. In the NAFTA region, we continue to be the market leader in the total segment of Classes 6-8. This sales success reflects not only the strong demand for our heavy-duty EPA 10 compliant engines, but also our improved range of vocational trucks, i.e. vehicles fitted with special equipment for road works and construction sites.

Trucks Asia increased its unit sales by 2% to 39,800 vehicles. Strong demand for the new Canter led to growth in market share in Japan in the segment of light-duty trucks to 22.7% (Q3 2010: 22.1%). Furthermore, we are the market leader by a significant margin in this segment in Indonesia, with a share of 52.1% in the third quarter.

Strong appeal of Mercedes-Benz Trucks

The new Actros met with an enthusiastic reception both as a guest at the Frankfurt Motor Show (for cars) and in a practical demonstration with international trade journalists, before going

into series production at the Wörth plant on September 30. And the other products continue to be very highly rated: For example, the Atego BlueTec Hybrid was one of the "EcoGlobe" prizewinners. That truck is now part of the CharterWay range as the first hybrid truck available for rent.

Trucks NAFTA sets ambitious fuel-consumption target

For the first time, statutory fuel-consumption targets have been set for heavy-duty trucks in the United States. They apply to vehicles as of model year 2014 and will improve average fuel efficiency from 5.6 miles per gallon to 7.2 mpg (32.7 liters/100 km). In line with its goal of strategic leadership in fuel efficiency, Trucks NAFTA will improve the economy of its successful Cascadia model to 7.9 mpg (29.8 liters/100 km) by 2015.

Worldwide success for the new Canter

During the third quarter, the production start of the extensively revised Canter was prepared at the plant in Tramagal, Portugal, to supply this model to the European market.

Expansion of activities in China and Russia

Following the granting of final approval by the Chinese authorities, Daimler can now acquire a 50% stake in Beijing Foton Daimler Automotive and participate in the growth of the Chinese market.

As a result of their close cooperation, which was extended in September with a memorandum of understanding relating to truck cabs, Daimler Trucks and Kamaz presented their first jointly developed truck in Russia.

Q1-3

In millions of euros	Q1-3 2011	Q1-3 2010	% change
EBIT	1,454	929	+57
Revenue	20,509	17,159	+20
Unit sales	296,352	249,167	+19
Production	314,371	258,622	+22
Employees (September 30)	77,274	71,549	+8

Unit sales	Q1-3 2011	Q1-3 2010	% change
Total	296,352	249,167	+19
Western Europe	43,208	35,808	+21
Germany	21,714	19,311	+12
United States	70,211	46,481	+51
Latin America (excluding Mexico)	44,662	41,931	+7
Asia	88,431	85,532	+3
Other markets	49,840	39,415	+26

Mercedes-Benz Vans

Unit sales significantly above prior-year level at 63,500 vehicles

Environmental prize for Mercedes-Benz Vito E-CELL

Plant in Argentina celebrates 60th anniversary

Strong rise in EBIT to €200 million (Q3 2010: €122 million)

In millions of euros	Q3 2011	Q3 2010	% change
EBIT	200	122	+64
Revenue	2,222	1,903	+17
Unit sales	63,518	53,727	+18
Production	64,256	55,919	+15
Employees (September 30)	14,837	14,884	-0

Significant increases in unit sales, revenue and EBIT

Unit sales by Mercedes-Benz Vans increased by 18% to 63,500 vehicles in the third quarter of 2011 (Q3 2010: 53,700). Revenue of €2.2 billion was also well above the prior-year level (Q3 2010: €1.9 billion). EBIT improved by 64% to €200 million.

Mercedes-Benz Vans achieves further growth in unit sales

Mercedes-Benz Vans profited also in the third quarter of 2011 from the ongoing dynamic market development for medium-sized and large vans and achieved substantial growth in unit sales of 18%. In Western Europe, the positive development of the previous quarters continued and unit sales grew by 13% to 40,100 vehicles. We achieved strong growth rates in Germany (+20%) and France (+31%). Demand for vans in Eastern Europe increased once again, and unit sales were 37% higher than in the third quarter of last year. Growth in unit sales was also very encouraging in the NAFTA region: In the third quarter of 2011, Mercedes-Benz Vans boosted its sales by 79% to 6,400 units. In Latin America (excluding Mexico), we sold 3,600 units, or 21% more than in the prior-year quarter.

Worldwide unit sales of the Sprinter increased by 15% to 40,400 units and 14,400 units of the Vito models were sold (+16%). The Viano is very popular with our customers; we achieved growth of 43% with this model with sales of 8,000 units. Furthermore, Mercedes-Benz Vans defended its market leadership in the segment of medium-sized and large vans in the European Union in the third quarter. In the segment of medium-sized vans, we achieved our highest market share in the past ten years of 18.7%.

Unit sales	Q3 2011	Q3 2010	% change
Total	63,518	53,727	+18
Western Europe	40,136	35,575	+13
Germany	18,362	15,285	+20
Eastern Europe	5,494	4,017	+37
United States	5,578	2,834	+97
Latin America (excluding Mexico)	3,613	2,987	+21
China	4,380	4,498	-3
Other markets	4,317	3,816	+13

Baden-Württemberg environmental prize for Mercedes-Benz Vito E-CELL

In July 2011, the Mercedes-Benz Vito E-CELL was awarded the “Baden-Württemberg Environmental Technology Prize 2011.” The jury was convinced of the qualities of the electric van in the category “Technology for emission reduction, processing and separation.” The Vito E-CELL is the world’s first battery-powered electric van with zero local emissions that is in series production.

Further investment in Argentina

Mercedes-Benz established its first plant outside Germany 60 years ago in Argentina. In September 2011, Mercedes-Benz Argentina celebrated this anniversary with 700 guests in Buenos Aires. Starting at the beginning of 2012, we will produce the Mercedes-Benz Sprinter in the version now available in Europe and the OM651 diesel engine at the plant “Centro Industrial Juan Manuel Fangio.” We will invest approximately €70 million in this context.

Mercedes-Benz presents luxury van at the Frankfurt Motor Show

At the International Motor Show in Frankfurt, we demonstrated what can be done in the modern premium van segment in the future: our Viano Vision Pearl show van. This vehicle combines generous space with an exclusive interior design, a new front design and special paintwork.

Q1-3

In millions of euros	Q1-3 2011	Q1-3 2010	% change
EBIT	579	313	+85
Revenue	6,442	5,577	+16
Unit sales	185,525	159,775	+16
Production	197,697	167,000	+18
Employees (September 30)	14,837	14,884	-0

Unit sales	Q1-3 2011	Q1-3 2010	% change
Total	185,525	159,775	+16
Western Europe	123,459	111,780	+10
Germany	52,571	44,009	+19
Eastern Europe	15,872	10,740	+48
United States	13,394	7,986	+68
Latin America (excluding Mexico)	9,399	8,928	+5
China	10,364	8,118	+28
Other markets	13,037	12,223	+7

Unit sales slightly above prior-year level at 9,200 buses and chassis (Q3 2010: 9,100)

Delivery of first fuel-cell buses with hybrid technology

Major order from Geneva for Mercedes-Benz Citaro articulated buses

EBIT substantially higher than prior-year period at €25 million (Q3 2010: €11 million)

In millions of euros	Q3 2011	Q3 2010	% change
EBIT	25	11	+127
Revenue	1,041	1,007	+3
Unit sales	9,202	9,074	+1
Production	10,805	10,537	+3
Employees (September 30)	17,201	17,086	+1

Unit sales	Q3 2011	Q3 2010	% change
Total	9,202	9,074	+1
Western Europe	1,531	1,638	-7
Germany	532	645	-18
NAFTA	988	1,131	-13
Latin America (excluding Mexico)	5,576	5,355	+4
Asia	406	367	+11
Other markets	701	583	+20

Unit sales, revenue and EBIT above prior-year levels

Daimler Buses increased its unit sales in the third quarter of 2011 to sell 9,200 buses and bus chassis (Q3 2010: 9,100). This was largely due to growth in sales of bus chassis. The division's revenue of €1,041 million was also higher than in the prior-year period (Q3 2010: €1,007 million). EBIT increased substantially to €25 million (+127%).

Positive development of unit sales in Latin America and Asia

In Western Europe, 1,500 buses and bus chassis of the Mercedes-Benz and Setra brands were sold in the third quarter (Q3 2010: 1,600). The positive development of coaches was offset by decreasing unit sales of city buses. Sales in Germany amounted to 500 units (Q3 2010: 600).

Sales of 1,000 units in the NAFTA region were lower than in the third quarter of last year (-13%). This was due to the slight shrinkage of the Mexican market.

In Latin America (excluding Mexico), Daimler Buses increased its unit sales by 4% to 5,600 bus chassis of the Mercedes-Benz brand. This positive development was primarily the result of the ongoing economic growth in the region as well as purchases brought forward because of the introduction of the Euro 5 emission limits in Brazil in the year 2012.

The first fuel-cell buses with hybrid drive now in everyday use in Hamburg

Hamburger Hochbahn AG, the Hamburg municipal transport authority, has purchased four new Mercedes-Benz Citaro FuelCELL-Hybrid buses in the context of a project supported by the German government, "NaBuZ demo" (Sustainable Bus System of the Future Demonstration). Those four buses are now in everyday use and three more are to follow next year.

The new Citaro FuelCELL-Hybrid features significant innovations, including further developed fuel cells designed to achieve greater durability of at least six years or 12,000 operating hours. In addition, the new Citaro FuelCELL-Hybrid can drive for several kilometers solely on battery power. The concept of the new FuelCELL bus is similar to that of the Mercedes-Benz BlueTec Hybrid-buses also on the road in Hamburg. With those buses, a diesel generator supplies the electrical energy. But with the new FuelCELL buses, the fuel cells generate the electricity for the drive motors with absolutely no emission of pollutants.

87 Mercedes-Benz Citaro articulated buses for Geneva

Daimler Buses received another major order in July 2011. The client is the Geneva municipal transport authority (Transports Publics Genevois). The 87 Mercedes-Benz articulated buses will be used on the 305-kilometer route network in the urban area of Geneva and its environs. The bus fleet of the Geneva transport authority already consists primarily of Mercedes Benz buses.

Q1-3

In millions of euros	Q1-3 2011	Q1-3 2010	% change
EBIT	53	131	-60
Revenue	3,038	3,223	-6
Unit sales	27,510	28,300	-3
Production	29,581	30,138	-2
Employees (September 30)	17,201	17,086	+1

Unit sales	Q1-3 2011	Q1-3 2010	% change
Total	27,510	28,300	-3
Western Europe	3,498	4,434	-21
Germany	1,230	1,544	-20
NAFTA	2,650	2,749	-4
Latin America (excluding Mexico)	18,088	17,976	+1
Asia	1,010	830	+22
Other markets	2,264	2,311	-2

Daimler Financial Services

Good business development in all regions

First usage-based auto insurance launched in Germany

Awards for dealer satisfaction in Germany and the United States

EBIT of €337 million (Q3 2010: €317 million)

In millions of euros	Q3 2011	Q3 2010	% change
EBIT	337	317	+6
Revenue	3,006	3,258	-8
New business	8,601	7,283	+18
Contract volume	65,767	61,144	+8
Employees (September 30)	6,938	6,683	+4

Good business development at Daimler Financial Services

Daimler Financial Services' contract volume in the sales-financing and leasing business amounted to €65.8 billion at the end of the third quarter of 2011, making it 3% higher than at the end of the year 2010. Adjusted for exchange-rate effects, contract volume increased by 6%. New business of €8.6 billion was 18% higher than in the third quarter of last year. EBIT amounted to €337 million (Q3 2010: €317 million).

The number of insurance policies brokered by Daimler Financial Services increased compared with the prior-year quarter by 19% to approximately 248,000. Strong growth continued in China, where the number of policies brokered increased to approximately 25,000.

Ongoing stable growth path in Europe

Contract volume continued to grow in the Europe region, expanding by 3% in the first nine months of the year to €30.0 billion. Growth was particularly dynamic in Romania (+82%) and Turkey (+23%).

The contract volume of Mercedes-Benz Bank in Germany increased compared with the end of 2010 by 3% to €16.6 billion. In the direct banking business, Mercedes-Benz Bank's total deposit volume remained at the year-end level of €10.9 billion.

Mercedes-Benz Bank launched another innovation during the third quarter: a usage-based truck insurance policy. For the first time, the insurance premium is related to use of the truck and the way it is driven. The data for the individual calculation of each premium is collected by the FleetBoard telematics system.

For the third time in succession, Mercedes-Benz Bank was ranked as the best provider of automotive financial services in Germany in the premium category of the annual survey carried out by "Autohaus."

New credit-card program in the United States

In the Americas region, contract volume increased compared with the end of 2010 by 4% to €26.9 billion. Adjusted for exchange-rate effects, it grew by 7%. The strongest growth was in Argentina (+23%) and the United States (+7%).

Mercedes-Benz Financial Services in the United States recently launched a joint credit-card program together with Mercedes-Benz USA and American Express. This enables Mercedes-Benz drivers and fans of the brand to choose from two tailored credit-card offers combining the Membership Rewards program of American Express with exclusive annual benefits from Mercedes-Benz.

In this year's J. D. Power survey of dealer satisfaction in the United States, Mercedes-Benz Financial Services took first place in all categories for the first time.

Further growth in the Africa & Asia/Pacific region

Contract volume of €8.8 billion in the Africa & Asia/Pacific region was 2% higher than at the end of 2010. After adjusting for exchange-rate effects, contract volume increased by 7%. Growth was particularly strong in China (+41%) and South Korea (+15%).

Q1-3

In millions of euros	Q1-3 2011	Q1-3 2010	% change
EBIT	998	607	+64
Revenue	8,947	9,641	-7
New business	23,894	21,337	+12
Contract volume	65,767	61,144	+8
Employees (September 30)	6,938	6,683	+4

Unaudited Consolidated Statement of Income Q3

In millions of euros	Consolidated		Industrial Business (unaudited additional information)		Daimler Financial Services (unaudited additional information)	
	Q3 2011	Q3 2010	Q3 2011	Q3 2010	Q3 2011	Q3 2010
Revenue	26,407	25,071	23,401	21,813	3,006	3,258
Cost of sales	-20,259	-19,023	-17,814	-16,303	-2,445	-2,720
Gross profit	6,148	6,048	5,587	5,510	561	538
Selling expenses	-2,302	-2,108	-2,222	-2,031	-80	-77
General administrative expenses	-1,001	-826	-866	-697	-135	-129
Research and non-capitalized development costs	-1,030	-898	-1,030	-898	-	-
Other operating income	341	349	327	339	14	10
Other operating expense	-56	-61	-52	-39	-4	-22
Share of profit/loss from investments accounted for using the equity method, net	-4	8	8	10	-12	-2
Other financial expense	-128	-94	-121	-93	-7	-1
Earnings before interest and taxes (EBIT)¹	1,968	2,418	1,631	2,101	337	317
Interest income	269	230	269	230	-	-
Interest expense	-262	-351	-259	-348	-3	-3
Profit before income taxes	1,975	2,297	1,641	1,983	334	314
Income taxes	-615	-687	-483	-596	-132	-91
Net profit	1,360	1,610	1,158	1,387	202	223
Profit attributable to minority interest	-74	-77				
Profit attributable to shareholders of Daimler AG	1,286	1,533				
Earnings per share (in €)						
for profit attributable to shareholders of Daimler AG						
Basic	1.21	1.44				
Diluted	1.21	1.44				

1 EBIT includes expenses from the compounding of provisions and the effects of changes in discount rates (2011: €41 million; 2010: €92 million).

The accompanying notes are an integral part of these Unaudited Interim Consolidated Financial Statements.

Unaudited Consolidated Statement of Income Q1-3

In millions of euros	Consolidated		Industrial Business (unaudited additional information)		Daimler Financial Services (unaudited additional information)	
	Q1-3 2011	Q1-3 2010	Q1-3 2011	Q1-3 2010	Q1-3 2011	Q1-3 2010
Revenue	77,474	71,365	68,527	61,724	8,947	9,641
Cost of sales	-58,813	-54,851	-51,517	-46,502	-7,296	-8,349
Gross profit	18,661	16,514	17,010	15,222	1,651	1,292
Selling expenses	-6,914	-6,181	-6,677	-5,908	-237	-273
General administrative expenses	-2,838	-2,436	-2,452	-2,055	-386	-381
Research and non-capitalized development costs	-2,927	-2,546	-2,927	-2,546	-	-
Other operating income	936	668	894	639	42	29
Other operating expense	-251	-241	-223	-184	-28	-57
Share of profit/loss from investments accounted for using the equity method, net	80	-206	90	-204	-10	-2
Other financial income/expense, net	-167	140	-133	141	-34	-1
Earnings before interest and taxes (EBIT)¹	6,580	5,712	5,582	5,105	998	607
Interest income	701	632	701	631	-	1
Interest expense	-902	-1,171	-894	-1,162	-8	-9
Profit before income taxes	6,379	5,173	5,389	4,574	990	599
Income taxes	-2,135	-1,639	-1,761	-1,437	-374	-202
Net profit	4,244	3,534	3,628	3,137	616	397
Profit attributable to minority interest	-292	-86				
Profit attributable to shareholders of Daimler AG	3,952	3,448				
Earnings per share (in €) for profit attributable to shareholders of Daimler AG						
Basic	3.71	3.29				
Diluted	3.70	3.29				

1 EBIT includes expenses from the compounding of provisions and the effects of changes in discount rates (2011: €129 million; 2010: €196 million).

Unaudited Consolidated Statement of Comprehensive Income/Loss Q3

In millions of euros	Consolidated	
	Q3 2011	Q3 2010
Net profit	1,360	1,610
Unrealized gains/losses on currency translation adjustments	272	-891
Unrealized gains/losses on financial assets available for sale	-122	166
Unrealized gains/losses on derivative financial instruments	-452	800
Unrealized gains/losses on investments accounted for using the equity method	143	-726
Other comprehensive loss, net of taxes	-159	-651
Thereof income/loss attributable to minority interest	91	-270
Thereof loss attributable to shareholders of Daimler AG	-250	-381
Total comprehensive income	1,201	959
Thereof income/loss attributable to minority interest	165	-193
Thereof income attributable to shareholders of Daimler AG	1,036	1,152

Unaudited Consolidated Statement of Comprehensive Income/Loss Q1-3

In millions of euros	Consolidated	
	Q1-3 2011	Q1-3 2010
Net profit	4,244	3,534
Unrealized gains/losses on currency translation adjustments	-431	790
Unrealized losses on financial assets available for sale	-130	-272
Unrealized gains/losses on derivative financial instruments	18	-209
Unrealized gains/losses on investments accounted for using the equity method	453	-1,234
Other comprehensive loss, net of taxes	-90	-925
Thereof income/loss attributable to minority interest	169	-375
Thereof loss attributable to shareholders of Daimler AG	-259	-550
Total comprehensive income	4,154	2,609
Thereof income/loss attributable to minority interest	461	-289
Thereof income attributable to shareholders of Daimler AG	3,693	2,898

The accompanying notes are an integral part of these Unaudited Interim Consolidated Financial Statements.

Consolidated Statement of Financial Position

	Consolidated		Industrial Business (unaudited additional information)		Daimler Financial Services (unaudited additional information)	
	Sept. 30, 2011 (unaudited)	Dec. 31, 2010	Sept. 30, 2011	Dec. 31, 2010	Sept. 30, 2011	Dec. 31, 2010
In millions of euros						
Assets						
Intangible assets	8,005	7,504	7,948	7,450	57	54
Property, plant and equipment	18,236	17,593	18,189	17,544	47	49
Equipment on operating leases	21,249	19,925	9,873	9,611	11,376	10,314
Investments accounted for using the equity method	4,833	3,960	4,800	3,917	33	43
Receivables from financial services	22,940	22,864	-40	-45	22,980	22,909
Marketable debt securities	511	766	13	15	498	751
Other financial assets	3,081	3,194	1,728	2,015	1,353	1,179
Deferred tax assets	2,571	2,613	1,996	2,108	575	505
Other assets	389	408	172	214	217	194
Total non-current assets	81,815	78,827	44,679	42,829	37,136	35,998
Inventories	17,186	14,544	16,787	14,056	399	488
Trade receivables	7,963	7,192	7,651	6,964	312	228
Receivables from financial services	18,454	18,166	-50	-51	18,504	18,217
Cash and cash equivalents	9,827	10,903	8,811	9,535	1,016	1,368
Marketable debt securities	1,390	1,330	851	1,243	539	87
Other financial assets	2,418	2,247	-5,643	-5,282	8,061	7,529
Other assets	2,691	2,621	-1,253	-1,335	3,944	3,956
Total current assets	59,929	57,003	27,154	25,130	32,775	31,873
Total assets	141,744	135,830	71,833	67,959	69,911	67,871
Equity and liabilities						
Share capital	3,060	3,058				
Capital reserves	11,899	11,905				
Retained earnings	22,513	20,553				
Other reserves	605	864				
Treasury shares	-	-7				
Equity attributable to shareholders of Daimler AG	38,077	36,373				
Minority interest	1,826	1,580				
Total equity	39,903	37,953	34,472	33,088	5,431	4,865
Provisions for pensions and similar obligations	3,188	4,329	2,990	4,141	198	188
Provisions for income taxes	2,560	2,539	2,559	2,537	1	2
Provisions for other risks	5,703	5,548	5,562	5,367	141	181
Financing liabilities	33,581	27,861	7,873	3,480	25,708	24,381
Other financial liabilities	1,630	1,883	1,578	1,824	52	59
Deferred tax liabilities	1,874	675	-282	-1,813	2,156	2,488
Deferred income	1,970	1,824	1,596	1,481	374	343
Other liabilities	62	79	54	74	8	5
Total non-current liabilities	50,568	44,738	21,930	17,091	28,638	27,647
Trade payables	9,966	7,657	9,694	7,429	272	228
Provisions for income taxes	793	1,229	714	382	79	847
Provisions for other risks	6,343	6,992	6,013	6,711	330	281
Financing liabilities	24,048	25,821	-8,801	-4,838	32,849	30,659
Other financial liabilities	6,855	8,626	5,344	6,058	1,511	2,568
Deferred income	1,451	1,269	965	766	486	503
Other liabilities	1,817	1,545	1,502	1,272	315	273
Total current liabilities	51,273	53,139	15,431	17,780	35,842	35,359
Total equity and liabilities	141,744	135,830	71,833	67,959	69,911	67,871

The accompanying notes are an integral part of these Unaudited Interim Consolidated Financial Statements.

Unaudited Consolidated Statement of Changes in Equity

In millions of euros	Share capital	Capital reserve	Retained earnings	Currency translation adjustment	Financial assets available for sale	Derivative financial instruments	Other reserves Share of investments accounted for using the equity method	Treasury shares	Equity attributable to shareholders of Daimler AG	Minority interest	Total equity
Balance at January 1, 2010	3,045	11,864	16,163	-213	270	268	307	-1,443	30,261	1,566	31,827
Net profit	-	-	3,448	-	-	-	-	-	3,448	86	3,534
Unrealized gains/losses	-	-	-	765	-277	-300	-1,210	-	-1,022	-553	-1,575
Deferred taxes on unrealized gains/losses	-	-	-	-	5	91	376	-	472	178	650
Total comprehensive income/loss	-	-	3,448	765	-272	-209	-834	-	2,898	-289	2,609
Dividends	-	-	-	-	-	-	-	-	-	-85	-85
Share-based payment	-	2	-	-	-	-	-	-	2	-	2
Issue of new shares	2	25	-	-	-	-	-	-	27	-	27
Acquisition of treasury shares	-	-	-	-	-	-	-	-54	-54	-	-54
Issue and disposal of treasury shares	-	-110	-105	-	-	-	-	1,489	1,274	-	1,274
Other	-	1	-	-	-	-	-	-	1	-7	-6
Balance at September 30, 2010	3,047	11,782	19,506	552	-2	59	-527	-8	34,409	1,185	35,594
Balance at January 1, 2011	3,058	11,905	20,553	939	149	-216	-8	-7	36,373	1,580	37,953
Net profit	-	-	3,952	-	-	-	-	-	3,952	292	4,244
Unrealized gains/losses	-	-	-	-444	-135	28	411	-	-140	228	88
Deferred taxes on unrealized gains/losses	-	-	-	-	5	-10	-114	-	-119	-59	-178
Total comprehensive income/loss	-	-	3,952	-444	-130	18	297	-	3,693	461	4,154
Dividends	-	-	-1,971	-	-	-	-	-	-1,971	-205	-2,176
Share based payment	-	-4	-	-	-	-	-	-	-4	-	-4
Capital increase/ Issue of new shares	2	24	-	-	-	-	-	-	26	5	31
Acquisition of treasury shares	-	-	-	-	-	-	-	-28	-28	-	-28
Issue and disposal of treasury shares	-	-	-21	-	-	-	-	35	14	-	14
Other	-	-26	-	-	-	-	-	-	-26	-15	-41
Balance at September 30, 2011	3,060	11,899	22,513	495	19	-198	289	-	38,077	1,826	39,903

The accompanying notes are an integral part of these Unaudited Interim Consolidated Financial Statements.

Unaudited Consolidated Statement of Cash Flows

In millions of euros	Consolidated		Industrial Business (unaudited additional information)		Daimler Financial Services (unaudited additional information)	
	Q1-3 2011	Q1-3 2010	Q1-3 2011	Q1-3 2010	Q1-3 2011	Q1-3 2010
Net profit adjusted for	4,244	3,534	3,628	3,137	616	397
Depreciation and amortization	2,698	2,495	2,683	2,473	15	22
Other non-cash expense and income	1,254	912	1,582	1,849	-328	-937
Gains on disposals of assets	-53	-347	-52	-348	-1	1
Change in operating assets and liabilities						
Inventories	-2,844	-1,056	-2,903	-1,153	59	97
Trade receivables	-890	-1,464	-792	-1,422	-98	-42
Trade payables	2,351	2,840	2,300	2,840	51	-
Receivables from financial services	-1,653	-85	381	10	-2,034	-95
Vehicles on operating leases	-1,521	-241	15	-174	-1,536	-67
Other operating assets and liabilities	-3,169	1,721	-2,453	1,210	-716	511
Cash provided by/used for operating activities	417	8,309	4,389	8,422	-3,972	-113
Additions to property, plant and equipment	-2,777	-2,306	-2,764	-2,298	-13	-8
Additions to intangible assets	-1,227	-1,185	-1,214	-1,180	-13	-5
Proceeds from disposals of property, plant and equipment and intangible assets	130	244	125	238	5	6
Investments in businesses	-834	-157	-834	-156	-	-1
Proceeds from disposals of businesses	174	350	174	343	-	7
Acquisition of marketable debt securities	-3,286	-9,811	-2,944	-9,811	-342	-
Proceeds from sales of marketable debt securities	3,406	11,587	3,268	11,127	138	460
Other	3	-153	10	-36	-7	-117
Cash provided by/used for investing activities	-4,411	-1,431	-4,179	-1,773	-232	342
Change in financing liabilities	5,118	-6,330	382	-3,807	4,736	-2,523
Dividend paid to shareholders of Daimler AG	-1,971	-	-1,971	-	-	-
Dividends paid to minority interest	-205	-85	-203	-84	-2	-1
Proceeds from issuance of share capital	59	131	59	131	-	-
Acquisition of treasury shares	-28	-54	-28	-54	-	-
Acquisition of minority interest in subsidiaries	-16	-	-16	-	-	-
Internal equity transactions	-	-	860	-177	-860	177
Cash provided by/used for financing activities	2,957	-6,338	-917	-3,991	3,874	-2,347
Effect of foreign exchange-rate changes on cash and cash equivalents	-39	332	-17	338	-22	-6
Net decrease in cash and cash equivalents	-1,076	872	-724	2,996	-352	-2,124
Cash and cash equivalents at the beginning of the period	10,903	9,800	9,535	6,735	1,368	3,065
Cash and cash equivalents at the end of the period	9,827	10,672	8,811	9,731	1,016	941

The accompanying notes are an integral part of these Unaudited Interim Consolidated Financial Statements.

Notes to the Unaudited Interim Consolidated Financial Statements

1. Presentation of the Interim Consolidated Financial Statements

General. These unaudited interim consolidated financial statements (interim financial statements) of Daimler AG and its subsidiaries (“Daimler” or “the Group”) have been prepared in accordance with Section 37x Subsection 3 of the German Securities Trading Act (WpHG) and International Accounting Standard (IAS) 34 Interim Financial Reporting. The interim financial statements comply with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Daimler AG is a stock corporation organized under the laws of the Federal Republic of Germany. Daimler AG 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 interim financial statements of the Daimler Group are presented in euros (€).

All significant intercompany accounts and transactions have been eliminated. In the opinion of the management, the interim financial statements reflect all adjustments (i.e. normal recurring adjustments) necessary for a fair presentation of the results of operations and the financial position of the Group. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for any future period or for the full fiscal year. The interim financial statements should be read in conjunction with the December 31, 2010 audited and published IFRS consolidated financial statements and notes thereto. The accounting policies applied by the Group in these interim financial statements are principally the same as those applied in the IFRS consolidated financial statements as at and for the year ended December 31, 2010.

Commercial practice with respect to certain products manufactured by Daimler necessitates that sales financing, including leasing alternatives, be made available to the Group’s customers.

Accordingly, the Group’s consolidated financial statements are also significantly influenced by the activities of its financial services business. To enhance readers’ understanding of the Group’s financial position, cash flows and operating results, the accompanying interim consolidated financial statements also present information with respect to the Group’s industrial business and its Daimler Financial Services business activities. Such information, however, is not required by IFRS and is not intended to, and does not represent the separate IFRS results of operations, cash flows and financial position of the Group’s industrial business or its Daimler Financial Services business activities. Eliminations of the effects of transactions between the industrial business and the Daimler Financial Services business have generally been allocated to the industrial business columns.

Preparation of interim consolidated financial statements in conformity with IFRS requires management to make estimates, assessments and assumptions 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. Actual amounts could differ from those estimates. Changes in the estimates, assessments and assumptions can have a material impact on the interim consolidated financial statements.

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.

In May 2011, the IASB issued three new standards that provide guidance with respect to accounting for investments of the reporting entity in other entities. IFRS 10 Consolidated Financial Statements establishes a single consolidation model based on control that applies to all entities irrespective of the type of controlled entity. IFRS 11 Joint Arrangements prescribes the accounting for a “joint arrangement,” which is defined as a contractual arrangement over which two or more parties have joint control. IFRS 10 and 11 shall be applied on a retrospective basis in financial statements for annual periods beginning on or after January 1, 2013. Earlier application is permitted. IFRS 12 Disclosure of Interests in Other Entities harmonizes and expands the disclosure requirements for interests in other entities by combining existing disclosure requirements from several standards in one comprehensive disclosure standard. IFRS 12 shall be applied on a prospective basis in financial statements for annual periods beginning on or after January 1, 2013. Earlier application is permitted. In May 2011, the IASB also published IFRS 13 Fair Value Measurement. The new standard replaces the fair value measurement rules contained in individual IFRSs and combines them in one standard for a single source of fair value measurement guidance. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

In June 2011, the IASB issued an amendment to IAS 19 Employee Benefits. The amendment removes the corridor method. Actuarial gains and losses have to be recognized immediately in other comprehensive income. In addition, expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amended standard generally has to be applied retrospectively with a few exceptions in financial statements for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

Daimler is in the process of determining the effects of all new standards on the Group’s consolidated financial statements.

2. Significant acquisitions and dispositions of interests in companies and other disposals of assets and liabilities

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.

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. In the nine months ended September 30, 2010, this transaction resulted in a cash inflow of €303 million and a gain before income taxes of €265 million. The gain is included in “other financial income/expense, net” in the consolidated statement of income and in the reconciliation from total segments’ EBIT to Group EBIT within segment reporting.

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 were sold in the nine months ended September 30, 2010. These transactions resulted in a cash inflow of €274 million and a pre-tax expense of €1 million in the nine months ended September 30, 2010. The remaining non-automotive assets presented as held for sale were reclassified to receivables from financial services in the third quarter of 2010, as the sale of these assets is now regarded as unlikely. In the nine months ended September 30, 2010, the measurement of these assets resulted in a pre-tax gain of €1 million.

Furthermore, additional non-automotive assets subject to finance leases which were previously shown under receivables from financial services and which were classified as held for sale in the first quarter of 2010 were sold by the end of the third quarter of 2010. These transactions resulted in cash inflows of €90 million and €167 million in the three- and nine-month periods ended September 30, 2010 and a pre-tax expense of €20 million for the nine months ended September 30, 2010 (including a pre-tax expense of €35 million from the measurement of these assets).

The results of the above-mentioned transactions are included in “cost of sales” in the consolidated statement of income. The expense is allocated to the Daimler Financial Services segment.

3. Revenue

Revenue at Group level consists of the following:

In millions of euros	Q3 2011	Q3 2010	Q1-3 2011	Q1-3 2010
Revenue from the sale of goods	23,321	21,771	68,413	61,846
Revenue from the rental and leasing business	2,273	2,420	6,638	7,018
Interest from the financial services business at Daimler Financial Services	726	777	2,155	2,203
Revenue from the provision of other services	87	103	268	298
	26,407	25,071	77,474	71,365

4. Functional costs

Optimization program at 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 by the end of 2012. Among other effects, this repositioning will result in streamlined structures and harmonized processes. Expenses recorded in the nine months ended September 30, 2010 in this regard amounted to €78 million and primarily relate to personnel measures. In the consolidated statement of income for the nine months ended September 30, 2010, these expenses are included in selling expenses (€49 million) and general administrative expenses (€29 million). In the three- and nine-month periods ended September 30, 2011, cash outflows of €4 million and €14 million resulted from this program.

5. Interest income and expense

Interest income and expense are comprised as follows:

In millions of euros	Q3 2011	Q3 2010	Q1-3 2011	Q1-3 2010
Interest income				
Expected return on pension and other post-employment benefit plan assets	159	154	474	462
Interest and similar income	110	76	227	170
	269	230	701	632
Interest expense				
Interest cost for pension and other post-employment benefit plans	-250	-251	-751	-753
Interest and similar expenses	-12	-100	-151	-418
	-262	-351	-902	-1,171

6. Intangible assets

Intangible assets are comprised as follows:

In millions of euros	Sept. 30, 2011	Dec. 31, 2010
Goodwill	711	729
Development costs	6,510	6,009
Other intangible assets	784	766
	8,005	7,504

7. Property, plant and equipment

Property, plant and equipment consist of the following:

In millions of euros	Sept. 30, 2011	Dec. 31, 2010
Land, leasehold improvements and buildings including buildings on land owned by others	6,557	6,399
Technical equipment and machinery	5,728	5,261
Other equipment, factory and office equipment	4,280	3,979
Advance payments relating to plant and equipment and construction in progress	1,671	1,954
	18,236	17,593

8. Equipment on operating leases

At September 30, 2011, the carrying amount of equipment on operating leases amounted to €21,249 million (December 31, 2010: €19,925 million). In the nine months ended September 30, 2011, additions and disposals amounted to €9,072 million and €5,104 million (2010: €8,455 million and €5,673 million) respectively. Depreciation for the nine months ended September 30, 2011 was €2,460 million (2010: €2,597 million). Other changes predominantly comprise the effects of currency translation.

9. Investments accounted for using the equity method

Key figures of investments accounted for using the equity method are as follows:

In millions of euros	EADS	Engine Holding ³	Tognum	BBAC	Kamaz	Others ¹	Total
September 30, 2011							
Equity interest (in %)	22.5	50.0	-	50.0	15.0	-	-
Equity investment	2,894	1,211	-	188	143	397	4,833
Equity result (Q3 2011) ²	15	-	11	-11	-20	1	-4
Equity result (Q1-3 2011) ²	86	-	21	9	-25	-11	80
December 31, 2010							
Equity interest (in %)	22.5	-	28.4	50.0	15.0	-	-
Equity investment	2,415	-	672	175	177	521	3,960
Equity result (Q3 2010) ²	3	-	-4	-2	1	10	8
Equity result (Q1-3 2010) ²	-261	-	-1	33	-1	24	-206

1 Also including joint ventures accounted for using the equity method.

2 Including investor-level adjustments.

3 Equity investment and equity results based on a preliminary allocation of acquisition cost (indirect 20.5% equity interest in Tognum shares) to the assets acquired.

EADS. 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 the nine months ended September 30, 2010. The Group's proportionate share in those expenses was €237 million.

Engine Holding/Tognum. Daimler AG and Rolls-Royce Holdings plc (Rolls-Royce) received all the relevant regulatory approvals for the acquisition of Tognum AG (Tognum) in the third quarter of 2011. The public tender offer by Engine Holding GmbH (Engine Holding) was concluded in September 2011. As of September 30, 2011, the assets of Engine Holding consist almost solely of an equity interest in Tognum of approximately 98%. Through our 50% equity interest in Engine Holding therefore, approximately 49% of Tognum's shares are to be allocated to Daimler. Before making the voluntary public tender offer for Tognum together with Rolls-Royce, Daimler held 28.4% of Tognum's shares. From an economic perspective, the Tognum shares already held were transferred to Engine Holding. With the granting of all regulatory approvals, Daimler indirectly acquired another 20.5% of Tognum's shares; in this context, Daimler had a cash outflow of €0.7 billion in the third quarter.

Through its equity interest in Engine Holding, Daimler will continue to exercise a significant influence on Tognum. In addition, Daimler has the option of selling the shares it holds in Engine Holding to Rolls-Royce.

Due to Engine Holding exceeding the threshold of 95% in the acquisition of shares in Tognum, German takeover law gives the remaining Tognum shareholders a put option at the offer price of €26 per share, which ends on November 10, 2011.

With the completion of the public tender offer, the management of the Daimler Trucks segment assumes the control of Daimler's equity interest in Engine Holding. Engine Holding has therefore been allocated to the Daimler Trucks segment as of September 30, 2011. As a result, our equity interest in Tognum and our proportionate share of Tognum's profit or loss, which previously were presented in the reconciliation from the segments to the Group, are now also allocated to the Daimler Trucks segment. The prior-year figures have been adjusted accordingly.

Kamaz. Based on the sharp decrease of the share price of Kamaz OAO (Kamaz) at the end of the third quarter 2011, a company valuation led to an impairment of the equity investment in Kamaz of €23 million. The charge is included in the EBIT of the Daimler Trucks segment.

10. Receivables from financial services

Receivables from financial services are comprised as follows:

In millions of euros	September 30, 2011			December 31, 2010		
	Current	Non-current	Total	Current	Non-current	Total
Receivables from						
Retail	12,485	21,471	33,956	12,436	21,363	33,799
Wholesale	6,322	1,213	7,535	6,131	1,091	7,222
Other	109	812	921	76	1,017	1,093
Gross carrying amount	18,916	23,496	42,412	18,643	23,471	42,114
Allowances for doubtful accounts	-462	-556	-1,018	-477	-607	-1,084
Carrying amount, net	18,454	22,940	41,394	18,166	22,864	41,030

11. Inventories

Inventories are comprised as follows:

In millions of euros	Sept. 30, 2011	Dec. 31, 2010
Raw materials and manufacturing supplies	2,003	1,509
Work in progress	2,455	2,002
Finished goods, parts and products held for resale	12,627	10,974
Advance payments to suppliers	101	59
	17,186	14,544

12. Equity

Treasury shares. In the nine months ended September 30, 2011, all of the remaining treasury stock held by the company as of December 31, 2010 (approximately 0.2 million shares in an amount of approximately €7 million) was used to fulfill obligations towards former AEG shareholders from the final judgment in the litigation ("Spruchverfahren") regarding the domination and profit and loss transfer agreement between the former Daimler-Benz AG and the former AEG AG.

Employee share purchase plan. In the nine months ended September 30, 2011, 0.6 million Daimler shares were purchased and reissued to employees in connection with an employee share purchase plan.

Dividend. The Annual Meeting held on April 13, 2011 authorized Daimler to distribute a dividend of €1,971 million (€1.85 per share) from the unappropriated earnings for 2010 of Daimler AG. The dividend was paid out on April 14, 2011.

13. Pensions and similar obligations

Net pension cost. The components of net pension cost from defined benefit plans for the three-month periods ended September 30, 2011 and 2010 are as follows:

In millions of euros	Q3 2011			Q3 2010		
	Total	German plans	Non-German plans	Total	German plans	Non-German plans
Current service cost	-88	-71	-17	-84	-65	-19
Interest cost	-211	-183	-28	-214	-184	-30
Expected return on plan assets	157	131	26	151	126	25
Amortization of net actuarial losses	-22	-19	-3	-19	-17	-2
Past service cost	-	-	-	-2	-	-2
Curtailments and settlements	-	-	-	22	-	22
	-164	-142	-22	-146	-140	-6

For the nine-month periods ended September 30, 2011 and 2010, the components of net pension cost from defined benefit plans are as follows:

In millions of euros	Total	Q1-3 2011		Total	Q1-3 2010	
		German plans	Non-German plans		German plans	Non-German plans
Current service cost	-263	-213	-50	-251	-197	-54
Interest cost	-632	-548	-84	-644	-552	-92
Expected return on plan assets	469	392	77	455	378	77
Amortization of net actuarial losses	-68	-58	-10	-59	-50	-9
Past service cost	-	-	-	-2	-	-2
Curtailements and settlements	-5	-	-5	14	-	14
	-499	-427	-72	-487	-421	-66

Contributions by the employers to plan assets. In the three- and nine-month periods ended September 30, 2011, contributions by Daimler to the Group's pension plans were €1,526 million and €1,748 million. The Group intends to contribute further cash to its German pension plan assets of up to €0.5 billion in the fourth quarter of 2011.

14. Provisions for other risks

Provisions for other risks are comprised as follows:

In millions of euros	September 30, 2011			December 31, 2010		
	Current	Non-current	Total	Current	Non-current	Total
Product warranties	2,629	2,915	5,544	2,783	2,857	5,640
Personnel and social costs	1,288	1,452	2,740	1,693	1,424	3,117
Other	2,426	1,336	3,762	2,516	1,267	3,783
	6,343	5,703	12,046	6,992	5,548	12,540

15. Financing liabilities

Financing liabilities are comprised as follows:

In millions of euros	September 30, 2011			December 31, 2010		
	Current	Non-current	Total	Current	Non-current	Total
Notes/bonds	5,942	19,260	25,202	10,322	15,801	26,123
Commercial paper	1,199	-	1,199	91	-	91
Liabilities to financial institutions	8,147	8,468	16,615	6,295	8,033	14,328
Deposits in the direct banking business	6,858	4,006	10,864	7,856	3,020	10,876
Liabilities from ABS transactions	1,227	1,384	2,611	595	519	1,114
Liabilities from finance leases	97	382	479	80	419	499
Loans and other financing liabilities	578	81	659	582	69	651
	24,048	33,581	57,629	25,821	27,861	53,682

16. Segment reporting

Segment information for the three-month periods ended September 30, 2011 and 2010 is as follows:

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total segments	Reconciliation	Daimler Group
Q3 2011								
Revenue	13,364	6,993	2,185	1,022	2,843	26,407	-	26,407
Intersegment revenue	462	626	37	19	163	1,307	-1,307	-
Total revenue	13,826	7,619	2,222	1,041	3,006	27,714	-1,307	26,407
Segment profit (EBIT)	1,108	555	200	25	337	2,225	-257	1,968
Thereof share of profit/loss from investments accounted for using the equity method	-12	2	2	-	-12	-20	16	-4
Q3 2010								
Revenue	13,208	5,912	1,876	990	3,085	25,071	-	25,071
Intersegment revenue	453	521	27	17	173	1,191	-1,191	-
Total revenue	13,661	6,433	1,903	1,007	3,258	26,262	-1,191	25,071
Segment profit (EBIT)	1,299	496	122	11	317	2,245	173	2,418
Thereof share of profit/loss from investments accounted for using the equity method	-1	8	-	-	-2	5	3	8

Segment information for the nine-month periods ended September 30, 2011 and 2010 is as follows:

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total segments	Reconciliation	Daimler Group
Q1-3 2011								
Revenue	40,935	18,891	6,200	3,003	8,445	77,474	-	77,474
Intersegment revenue	1,398	1,618	242	35	502	3,795	-3,795	-
Total revenue	42,333	20,509	6,442	3,038	8,947	81,269	-3,795	77,474
Segment profit (EBIT)	3,962	1,454	579	53	998	7,046	-466	6,580
Thereof share of profit/loss from investments accounted for using the equity method	-39	18	-4	-	-10	-35	115	80
Q1-3 2010								
Revenue	37,969	15,738	5,362	3,187	9,109	71,365	-	71,365
Intersegment revenue	1,305	1,421	215	36	532	3,509	-3,509	-
Total revenue	39,274	17,159	5,577	3,223	9,641	74,874	-3,509	71,365
Segment profit (EBIT)	3,481	929	313	131	607	5,461	251	5,712
Thereof share of profit/loss from investments accounted for using the equity method	34	27	-4	-	-2	55	-261	-206

Daimler Trucks. 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 €183 million in the third quarter of 2010.

Reconciliation. Reconciliation of the total segments' profit (EBIT) to profit before income taxes is as follows:

In millions of euros	Q3 2011	Q3 2010	Q1-3 2011	Q1-3 2010
Total segments' profit (EBIT)	2,225	2,245	7,046	5,461
Share of profit/loss from investments accounted for using the equity method ¹	16	3	115	-261
Other corporate items	-251	191	-534	490
Eliminations	-22	-21	-47	22
Group EBIT	1,968	2,418	6,580	5,712
Interest income	269	230	701	632
Interest expense	-262	-351	-902	-1,171
Profit before income taxes	1,975	2,297	6,379	5,173

¹ Mainly comprises the Group's proportionate shares in the results of EADS as well as the gain from the sale of the equity interest in DADC (€29 million in the nine months ended September 30, 2011)

The reconciliation includes corporate items for which headquarters is responsible. Transactions between the segments are eliminated in the context of consolidation and the eliminated amounts are included in the reconciliation.

In the third quarter of 2011 other corporate items mainly comprise an impairment of the equity interest in Renault SA (€110 million). In the nine months ended September 30, 2011, other corporate items additionally comprise an expense in connection with legal proceedings. In the third quarter of 2010, the corporate items mainly comprise a gain of €218 million related to the positive decision in a lawsuit against Daimler AG. The nine-month period ended September 30, 2010 included a gain of €265 million on the sale of Daimler's equity interest in Tata Motors.

17. 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:

In millions of euros	Q3 2011	Q3 2010	Sales of goods and services and other income		Purchases of goods and services and other expense			
			Q1-3 2011	Q1-3 2010	Q3 2011	Q3 2010	Q1-3 2011	Q1-3 2010
Associated companies	203	208	518	522	30	58	106	127
Joint ventures	960	627	2,262	1,550	127	83	322	222

In millions of euros	Receivables		Payables	
	Sept. 30, 2011	Dec. 31, 2010	Sept. 30, 2011	Dec. 31, 2010
Associated companies	191	218	43	55
Joint ventures	746	457	36	154

A large proportion of the sales and purchases of goods and services with associated companies results from business relations with Tognum AG (Tognum), which now is an equity investment of Engine Holding GmbH (Engine Holding). Tognum purchases engines, parts and services from the Group. Daimler AG and Rolls-Royce Holdings plc (Rolls-Royce) made a voluntary takeover offer for Tognum through Engine Holding, another related company, on April 6, 2011. With the complete granting of all regulatory approvals, the takeover was completed in September 2011. In this context, Daimler has committed to provide Engine Holding with additional cash up to a limit of €0.2 billion to support the contribution of the medium speed reciprocating engine business which trades under the Bergen brand name from Rolls-Royce into the Engine Holding. See Note 9 for further information on the takeover offer or on other transactions with Engine Holding.

In June 2011, Daimler closed the sale of its equity interest in DADC Luft- und Raumfahrt Beteiligungs AG (DADC) to EADS for €110 million in cash. DADC is a holding company, which primarily holds the shares in Dornier GmbH. This sale resulted in a gain of €29 million in the nine months ended September 30, 2011.

In connection with the Group's 45% equity interest in Toll Collect GmbH, Daimler has provided a number of guarantees for Toll Collect, which are not included in the table above (€105 million as of September 30, 2011 and as of December 31, 2010).

The transactions with joint ventures predominantly relate to the business relationship with Beijing Benz Automotive Co., Ltd. (BBAC). BBAC assembles and distributes Mercedes-Benz vehicles for the Group in China.

Further significant 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, the Group has had substantial business relations with the Chinese joint venture Fujian Daimler Automotive Co. Ltd. (FJDA). FJDA produces and distributes vans under the brand name Mercedes-Benz in China.

See Note 13 for information on contributions to pension plan assets.

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