

Mercedes-benz advertising brief and strategy

[Business](#), [Marketing](#)



Annual Report 2011. Key Figures Daimler Group 2011 Amounts in millions of euros Revenue Western Europe thereof Germany NAFTA thereof United States Asia thereof China Other markets Employees (December 31) Investment in property, plant and equipment Research and development expenditure thereof capitalized Free cash flow of the industrial business EBIT Value added Net profit/loss Earnings/loss per share (in €) Total dividend Dividend per share (in €) 106, 540 39, 387 19, 753 26, 026 22, 222 22, 643 11, 093 18, 484 271, 370 4, 158 5, 634 1, 460 989 8, 755 3, 726 6, 029 5. 2 2, 346 2. 20 97, 761 38, 478 19, 281 23, 582 20, 216 19, 659 9, 094 16, 042 260, 100 3, 653 4, 849 1, 373 5, 432 7, 274 2, 773 4, 674 4. 28 1, 971 1. 85 78, 924 36, 458 18, 788 19, 380 16, 569 12, 435 4, 349 10, 651 256, 407 2, 423 4, 181 1, 285 2, 706 -1, 513 -4, 644 -2, 644 -2. 63 0 0. 00 2010 2009 11/10 % change +91 +2 +2 +10 +10 +15 +22 +15 +4 +14 +16 +6 -82 +20 +34 +29 +24 +19 +19 1 Adjusted for the effects of currency translation, increase in revenue of 10%. Divisions 011 Amounts in millions of euros Mercedes-Benz Cars EBIT Revenue Return on sales Investment in property, plant and equipment Research and development expenditure thereof capitalized Unit sales Employees (December 31) Daimler Trucks EBIT Revenue Return on sales Investment in property, plant and equipment Research and development expenditure thereof capitalized Unit sales Employees (December 31) Mercedes-Benz Vans EBIT Revenue Return on sales Investment in property, plant and equipment Research and development expenditure thereof capitalized Unit sales Employees (December 31) Daimler Buses EBIT Revenue Return on sales Investment in property, plant and equipment Research and development expenditure

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Innovation and Growth We invented the automobile - and now we are passionately shaping its future. As automotive pioneers, we see it as both motivation and a duty to continue our tradition with groundbreaking technologies and superior products. We do our very best for customers who expect the best, and we live and breathe a culture of operational excellence based on shared values. Our corporate history features numerous innovations and pioneering achievements; they are the foundation and ongoing inspiration for our claim to leadership in the automotive industry. At

the same time, our thoughts and actions are guided by the principle of sustainable mobility.

With tailored products, we intend to enter new markets and attract additional groups of customers. Our goal is to lead our industry in terms of unit sales, revenue and profitability – and to do so in all the businesses in which we are active. By means of profitable growth, we want to create lasting added value – for our shareholders, customers and employees, and for society in general. Dieter Zetsche Wolfgang Bernhard Christine HohmannDennhardt Wilfried Porth Andreas Renschler Bodo Uebber Thomas Weber Contents This Annual Report focuses on the innovative products and services with which we intend to utilize the growth opportunities offered worldwide while making a contribution to the mobility of the future.

More details are provided inside, especially on pages 28-69. General information on Daimler and on the year 2011 can be found in the first section of the report. The Group's financial position, liquidity and capital resources, and profitability are described and analyzed in the Management Report. Other sections provide information on our divisions, the topic of sustainability, corporate governance and the consolidated financial statements. 2 Annual Report 2011 | Contents 1 | To Our Shareholders (pages 4-27) 4 10 14 16 22 24 Important Events in 2011 Chairman's Letter The Board of Management Report of the Supervisory Board The Supervisory Board Daimler Shares | Sustainability (pages 144-155) 146 148 152 154 Sustainability at Daimler Innovation, Safety and theEnvironmentHuman Resources SocialResponsibility6 | Corporate Governance (pages 156-175) 2 | Innovation and Growth (pages 28-69) 30 36 40 46 52 58 62 66 Innovation on

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Benz Vans Daimler Buses Daimler Financial Services 3 1 | To Our
Shareholders | Important Events in 2011 Important Events Gottlieb Daimler
and Carl Benz invented the automobile in 1886. The year 2011 was therefore
marked by the commemoration of the 125th anniversary of the auto mobile,
which started on January 29 with the official celebrations at the Mercedes-

Benz Museum. They were followed by various public events, including several organized during the Automobile Summer in Stuttgart.

Our employees enthusiastically celebrated the anniversary at numerous parties in the production plants and sales-and-service centers. Following in the footsteps of Gottlieb Daimler and Carl Benz, we will reinvent the automobile again and again, thus shaping the future of mobility. And in jubilee year 2011, we created the right conditions for sustainable and profitable growth with a burst of new models and some important strategic decisions. 2011 Q1. 11 25th anniversary of the automobile. On January 29, 1886, Carl Benz changed the world. He applied to the Berlin Patent Office to register his “ vehicle with gas-engine propulsion” under patent number 37435.

Daimler starts jubilee year 2011 with official celebrations under the heading “ 125! Years Inventor of the Automobile. ” Daimler and Toray found a joint venture. Toray Industries, Inc. and Daimler plan to jointly produce and market automobile components made of carbon-fiber-reinforced plastics (CFRP). New C-Class coupe. The two-door has its world premiere at the Geneva Motor Show in early March 2011. It deliberately targets new customers as well as existing ones, and allows a particularly sporty entry into the coupe world of MercedesBenz. The new generation of the C-Class sedan and wagon and the new SLK roadster are also presented in Geneva. Presentation of the Concept A-CLASS in Shanghai.

At Auto Shanghai in April, Mercedes-Benz presents the Concept A-CLASS to give an impression of the upcoming new compact class. The proportions of the Concept A-CLASS communicate concentrated dynamism. The car's

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expressive lines and surfaces are a key feature of the new Mercedes-Benz design. Supervisory Board appoints Dr. Christine Hohmann-Dennhardt to the Board of Management. Dr. Hohmann-Dennhardt takes charge of the newly created Board of Management area of " Integrity and Legal Affairs. " She is responsible for the Legal Department, the Compliance Organization and Corporate Data Protection. New truck brand for the Indian market. In India, Daimler Trucks presents BharatBenz, its fifth truck brand.

BharatBenz is the basis for the launch of a new local truck generation, which is to be produced at the new plant in Chennai. Excellent first quarter of 2011. Daimler AG achieved earnings before interest and taxes (EBIT) of €2. 0 billion in the first quarter of the year (Q1 2010: €1. 2 billion). This very positive earnings development reflects the ongoing upward trend in nearly all divisions. 6 1 | To Our Shareholders | Important Events in 2011 Dividend of €1. 85 per share. At the Annual Meeting in Berlin, the Daimler shareholders vote to pay a dividend for the year 2010 of €1. 85 per share. The total dividend distribution thus amounts to approximately €2 billion. Daimler starts worldwide campaign: " fairplay. Live values. Create value. This campaign directs the attention of employees and executives to the issues of integrity and compliance. The goal is to develop a shared understanding among all Daimler employees of which behavior is right and which is wrong, as well as to promote a corporate culture of trusting cooperation. F-CELL World Drive reaches Stuttgart. After traveling more than 30, 000 kilometers around the globe, three MercedesBenz B-Class F-CELL cars with locally emission-free drive systems cross the finishing line in front of the Mercedes-Benz Museum in Stuttgart in due time. During the F-CELL

World Drive, Mercedes-Benz impressively demonstrates the qualities of its fuel-cell vehicles with regard to performance and reliability.

Presentation of new Actros. The heavy-duty Mercedes-Benz truck has been fundamentally redeveloped. The new Actros represents more than ten years of work, over 20 million test kilometers and more than €2 billion of investment in development and production technology. Strategic framework agreement with Chinese partner. Daimler AG and Beijing Automotive Industry Corporation (BAIC) sign a strategic framework agreement. A total of approximately €2 billion is to be invested in the joint venture Beijing Benz Automotive Co., Ltd. (BBAC). Record earnings in the second quarter. Daimler achieves one of its best ever quarterly results in the second quarter of 2011.

Group EBIT amounts to €2.6 billion. Q2. 11 7 Q3. 11 Joint venture between Daimler and Bosch. Daimler and Robert Bosch GmbH sign agreements on the establishment of a 50:50 joint venture for electric motors. The company will operate under the name of EM-motive GmbH and will develop and produce innovative electric motors for electric vehicles. Daimler Financial Services starts operations in India. The newly established subsidiary Daimler Financial Services India Pvt. Ltd. domiciled in Chennai offers customers and dealers a comprehensive range of financing and insurance products. Contract volume of more than US\$500 million is targeted by the year 2016.

Acquisition of Tognum successfully concluded. Daimler AG and Rolls-Royce Holdings plc secure approximately 99% of Tognum's shares. The combination of the three companies' strengths and market access will allow Tognum to become a first-class producer of engine systems. Numerous Mercedes-Benz world premieres at the Frankfurt Motor Show. The <https://assignbuster.com/mercedes-benz-advertising-brief-strategy/>

revolutionary F125! research car allows a glimpse of the emission-free luxury sedans of the not-too-distant future. There are also world premieres of the new B-Class, the Concept B-Class E-CELL PLUS and the SLS AMG roadster. In addition, Mercedes-Benz presents the new M-Class to the general public for the first time.

Presentation of “ Mercedes-Benz 2020” growth strategy. By the year 2020, we want to be the number one among the premium manufacturers - in terms of products, brand, profitability and unit sales. We will develop the production capacities required for our growth so that they are close to our customers and our markets. First truck from Daimler and Kamaz. Daimler Trucks and Russian truck producer Kamaz present the prototype of a jointly developed truck with Daimler components. Daimler and Kamaz will intensify their collaboration in the future, especially on truck cabs. First new Citaro delivered. Trade experts see a great future for the completely revised best-selling Mercedes-Benz city bus.

It sets benchmarks above all with its safety concept and its new design. Final approval for truck joint venture in China. The Chinese Ministry of Commerce grants final approval for Beijing Foton Daimler Automotive Co. , Ltd. (BFDA). Daimler will hold a 50% interest in the joint venture and can thus participate in the growth of the Chinese market for medium and heavy trucks. 8 1 | To Our Shareholders | Important Events in 2011 First Sprinter produced in China. In addition to the Vito and Viano models, which have been successfully produced and sold in China since 2010, the Mercedes-Benz Sprinter is now also rolling off the assembly lines at Fujian Daimler Automotive Co. Ltd. The Sprinter is the first premium product in the Chinese

market for large vans. Closer cooperation between Daimler and BAIC. Daimler and BAIC (Beijing Automotive Group Co. , Ltd.) agree to extend their wide-ranging strategic partnership. The letter of intent states that both companies will assess further possibilities for technological collaboration and for vehicles with alternative drive systems. Daimler plans sale of EADS shares. Daimler and the German government have agreed in principle that the KfW Bank Group will acquire 7. 5% of the shares in EADS from Daimler. The transaction is to take place in 2012. 50, 000 customers at car2go. ar2go, the world's first fully flexible car-rental service to operate on a per-minute basis, passes the milestone of one million rentals. At the same time, the 50, 000th car2go customer worldwide is registered at the Hamburg car2go shop. New Actros is “ Truck of the Year 2012. ” Truck journalists from 24 European countries elect the new Actros, the flagship of the Mercedes-Benz fleet of commercial vehicles, as the best truck of the year. With a total of eight titles, Mercedes-Benz is now the most successful brand in the competition for honors for technological progress. Presentation of heavy-duty Fuso truck with hybrid drive. Fuso presents its first heavy-duty truck with hybrid drive at the Tokyo Motor Show: the Super Great HEV.

The first test carried out under real-life conditions show that fuel consumption has been improved by up to 10% compared with conventional trucks with diesel engines. Q4. 11 9 25 years of the automobile and excellent financial results – 2011 stands for both at Daimler. And that pleases us all the more because we promised you a year ago that our jubilee year would be another successful year for your company. We kept our word with: – Group revenue of 106. 5 billion euros, – EBIT of 8. 8 billion euros, which is

well above the prior year, – and net profit of 6.0 billion euros. These aren't just very respectable results; they are among the best in our history. Our return on net assets of 19.9 percent was well above our target of eight percent. In short, we created value.

And of course, our success will also benefit you: The Board of Management and the Supervisory Board will propose an increase in the dividend to €2.20 per share at the Annual Meeting. Now what were the key developments in our divisions? At Mercedes-Benz Cars, we set three records in 2011. Never before have we had better unit sales, revenue or EBIT. This was chiefly accomplished on the strength of our Mercedes-Benz brand and its ongoing invigoration through innovative products. Whether the M- or B-Class, the C coupe or the SLS AMG roadster, our new models are all very popular. At the same time, in 2011 we defined our long-term growth strategy: “ Mercedes-Benz 2020. At its center is the extension of our ambition to lead: With the strongest brand and the best products, we aim to be number one in premium-segment unit sales as well – by the end of this decade at the latest. To that end, we need to achieve sustainable, profitable growth and expand our activities close to our growing customer base. 2011 was also a very good year for Daimler Trucks. Worldwide, we were able to increase unit sales and revenue by 20 percent, and EBIT by more than 40 percent. In June, we introduced the new Mercedes-Benz Actros, our most important heavy-duty truck of this decade. It was promptly voted “ Truck of the Year. ” In North America, we further strengthened our market leadership in the medium- and heavy-duty segment.

And with Fuso in Asia, we increased our unit sales despite the natural disaster in Japan. 10 1 | To Our Shareholders | Chairman's Letter " The jubilee year of the automobile was another successful year for Daimler. But we believe we can do even better. " 11 Mercedes-Benz Vans posted unit sales growth of about 18 percent – thanks primarily to the success of the new-generation Vito and Viano. Both models are now available in China, where we also started production of the Sprinter. At Daimler Buses, revenue and earnings decreased due to weaker market demand for complete buses. However, we clearly maintained the leading position in all our key markets.

Exceptionally good news also comes from Daimler Financial Services, where three new records were set in 2011: for new business, contract volume and earnings. In addition, we expanded our range of services with the new " Mobility Services" business unit. Here we are offering innovative service packages with a focus on sustainable mobility. All of this contributed to an excellent performance in 2011. It is all the more remarkable given that general economic risks increased in the second half of the year due to the crisis in the euro zone. In 2012, we will continue to face headwinds in our European markets. However, from today's perspective, we expect worldwide economic growth of around 2.5 percent. And global automotive demand is likely to grow even faster in the years ahead.

We intend to participate in this growth – and to an above-average extent. 2011 was a successful and important year. But we believe we can do significantly better in the medium and long term; that also applies to our share price. We strive to attain leadership in all our businesses. In doing so, we draw on the strengths of the Daimler Group: – as a full-line supplier of

premium cars, trucks, vans, buses and services; - with Mercedes-Benz as our core brand in all divisions; - and as an innovation and technology leader. The combination of these Daimler strengths produces potential that we intend to fully utilize in the coming years. Specifically, we have defined four strategic growth areas: - strengthening our core business in traditional markets, - conquering new growth markets, - extending our leadership in environmentally friendly technologies and in the field of safety, - and developing and implementing new mobility concepts. 12 1 | To Our Shareholders | Chairman's Letter In all of this, one thing remains clear: A company's success stands or falls with the skills and commitment of its workforce. The employees of your company are doing a great job; for that they deserve the thanks of the Board of Management. We will continue to systematically promote excellence in the future. One specific target is the development of first-class female and international talent. Integrity is another issue that is gaining importance - and not just at Daimler. What does that mean in a corporate context?

In brief, it means that "make a decent return" and "make returns decent" are two sides of the same coin. Integrity is more than just formal compliance with laws and regulations. It is an ethical attitude, a sort of "internal compass" that keeps us on the right path even in complex business situations. Many events of the past twelve months have confirmed once again that one of the most important "currencies" is trust - whether it's in business or politics, in public or private life. Ultimately, Daimler owes its sustained success to its trusted relationships with customers, business

partners, employees and neighbors - and of course with you, our shareholders.

We would like to sincerely thank you for your confidence in us. We will make every effort in 2012 to justify that confidence once again. Sincerely, Dieter Zetsche 13 The Board of Management Andreas Renschler | 53 Daimler Trucks Appointed until September 2013 Wolfgang Bernhard | 51 Manufacturing and Procurement Mercedes-Benz Cars & Mercedes-Benz Vans Appointed until February 2013 Christine Hohmann-Dennhardt | 61 Integrity and Legal Affairs Appointed until February 2014 Bodo Uebber | 52 Finance & Controlling, Daimler Financial Services Appointed until December 2014 Thomas Weber | 57 Group Research & Mercedes-Benz Cars Development Appointed until December 2013

Wilfried Porth | 53 Human Resources & Labor Relations Director Appointed until April 2017 Dieter Zetsche | 58 Chairman of the Board of Management, Head of Mercedes-Benz Cars Appointed until December 2013 14 15 Report of the Supervisory Board Dear Shareholders, the Supervisory Board dealt in detail with the operational and strategic development of the Daimler Group in seven meetings during the 2011 financial year. In the year 2011, the Supervisory Board performed its tasks as laid down by applicable law, the Articles of Incorporation and its rules of procedure, and continually advised and supervised the Board of Management with the management of the company.

Following careful reviews and consultations, the Supervisory Board passed resolutions on numerous business matters for which its consent was required, such as investment and personnel planning, capital changes at <https://assignbuster.com/mercedes-benz-advertising-brief-strategy/>

companies of the Group, investments and divestments, expansion of production capacities in existing cooperations, and the conclusion of contracts of particular importance for the Group. In addition, the Supervisory Board examined for example whether the risk report, the financial reporting and the annual financial statements were in conformance with requirements. The Board of Management also informed the Supervisory Board about a large number of transactions not requiring the Supervisory Board's consent and the two boards discussed those matters together, for example, the further development of strategic programs in the various divisions and the status of various cooperation projects.

The Supervisory Board discussed the information and evaluations that were material for its decisions and suggestions together with the Board of Management. The Supervisory Board meetings were regularly prepared in separate discussions of the members representing the employees and the members representing the shareholders with the members of the Board of Management. In each meeting of the Supervisory Board, there was a so-called executive session, in which the members of the Supervisory Board were able to discuss topics in the absence of the members of the Board of Management. No member of the Supervisory Board attended less than half of the meetings in the past financial year.

The Chairman of the Supervisory Board was regularly informed by the Chairman of the Board of Management about all significant operating developments as well as personnel changes and appointments. Daimler's business activities continued to develop very successfully during the year 2011. Unit sales and revenues increased in almost all the automotive

divisions, in some cases substantially. Earnings from ongoing operations were significantly higher than in 2010. The Mercedes-Benz Cars and Mercedes-Benz Vans divisions achieved their targeted rates of return already in the first half of 2011. The good business development generally continued in the second half of the year, although earnings were adversely affected by model changes, higher material costs and exchange-rates movements.

Daimler is currently making substantial investments, with support from the Supervisory Board, in new technologies, new markets and new products, in order to strengthen the Group's competitive position for the future. A question of relevance for the work of the Supervisory Board throughout the year 2011 related to the possibility to plan further developments and their stability. The general economic outlook, and in particular the situation in the financial markets, was marked by significant risks and uncertainties. An additional factor in the first half of the year was the hard-to-assess impact of the natural disaster in Japan. The Board of Management and the Supervisory Board also carefully monitored the economic situation in China, one of the Group's key markets.

In the euro zone, the high levels of state and public-sector debt became increasingly important as factors causing uncertainty and restricting growth. In general, the Supervisory Board assessed the development during 2011 in absolute terms as positive, and in view of the risk described above, was in agreement with the risk-aware approach of the Board of Management. The Supervisory Board dealt in detail with the development of Daimler's share price, and discussed at length with the Board of Management about its causes and proposals, as well as the expected impact on the share price of

strategic projects. 16 1 | To Our Shareholders | Report of the Supervisory Board Dr. Manfred Bischoff, Chairman of the Supervisory Board.

In addition to the usual key financial metrics, the Board of Management regularly informed the Supervisory Board about important topics such as: – the Group’s profitability, especially in terms of return on equity, and its liquidity situation, – the internal control and risk management system including compliance, – the cost of risk in the financial services business, – the development of commodity prices, especially of raw materials, and – the general economic situation in the main sales markets, in particular in view of developments in the financial markets. The Supervisory Board also dealt with safeguarding the Group’s long-term profitability, fundamental questions of corporate planning including financial, investment, sales and human resources planning, developments in the companies of the Group, revenue developments and the situation of the Group, as well as the ongoing implementation of measures to secure pioneering and sustainable mobility for the future.

The latter was dealt with also considering current and future requirements under the heading of “ digital life,” with special reference to the Group’s products and services. The Supervisory Board was occupied with these topics going beyond the operating business in close communication with the Board of Management and especially intensively in a two-day strategy workshop, which this year focused in particular on conditions and development opportunities in China in order to properly reflect the special importance of the Chinese market. Cooperation between the Supervisory Board and the

Board of Management. All the members of the Board of Management attended all the meetings of the Supervisory Board.

In the meetings, there was an intensive and open exchange of opinions and information concerning the position of the Group, business and financial developments, fundamental issues of corporate policy and strategy, and development opportunities in important growth markets. Any deviations from the planning were explained in detail to the Supervisory Board by the Board of Management. The members of the Supervisory Board regularly prepared for upcoming resolutions on transactions requiring Supervisory Board consent on the basis of documentation provided in advance by the Board of Management. They were supported by the relevant committees, and discussed the actions and transactions upon which decisions were to be taken with the Board of Management.

Furthermore, the Board of Management informed the Supervisory Board with the use of monthly reports and quarterly risk reports about the most important performance figures and risks and submitted the interim reports to the Supervisory Board. The Supervisory Board was kept fully informed of specific matters also between its meetings. As required in individual cases, following consultation with the Chairman of the Supervisory Board, the members were requested to pass resolutions in writing. In addition, the Chairman of the Board of Management informed the Chairman of the Supervisory Board in regular discussions about important developments and consulted with him on upcoming decisions. 17

Topics discussed at the Supervisory Board meetings in the year 2011. In January 2011, the Supervisory Board dealt with equity-capital changes at <https://assignbuster.com/mercedes-benz-advertising-brief-strategy/>

subsidiaries of Daimler North America Corporation. In a meeting in February 2011, the Supervisory Board appointed Dr. Christine Hohmann-Dennhardt, an ex-judge at Germany's Federal Constitutional Court, as a member of the Board of Management for the position of Integrity and Legal Affairs, which had been newly created by a resolution of September 2010. As of December 16, 2011, Bodo Uebber was reappointed as a member of the Board of Management with responsibility for Finance & Controlling and Daimler Financial Services.

In the presence of the external auditors, the preliminary key figures of the annual company and consolidated financial statements for 2010 and the dividend proposal to be made at the 2011 Annual Shareholders' Meeting were discussed in the same meeting. The preliminary key figures for the year 2010 were announced at the Annual Press Conference on February 16, 2011. In another meeting held in February 2011, the Supervisory Board dealt with the annual company financial statements, the annual consolidated financial statements and the combined management report for Daimler AG and the Daimler Group, each of which had been issued with an unqualified audit opinion by the external auditors, as well as the reports of the Audit Committee and the Supervisory Board, the corporate governance report and the remuneration report and the proposal on the distribution of distributable profit.

In preparation, the members of the Supervisory Board were provided with comprehensive documentation, some of it in draft form, including the Annual Report with the consolidated financial statements according to IFRS, the combined management report for Daimler AG and the Daimler Group, the

corporate governance report and the remuneration report, the annual company financial statements of Daimler AG, the audit report of KPMG for the annual company financial statements of Daimler AG, for the consolidated financial statements and for the combined management report, the proposal of the Board of Management on the distribution of distributable profit, and the drafts of the reports of the Supervisory Board and of the Audit Committee. The Audit Committee and the Supervisory Board dealt with those documents in detail and discussed them intensively in the presence of the external auditors, who reported on the results of their audit and were available to answer supplementary questions and to provide additional information.

Following the final results of the review by the Audit Committee and its own review, the Supervisory Board declared its agreement with the results of the audit by the external auditors, determined that no objections were to be raised, and approved the financial statements and the combined management report as presented by the Board of Management. The company financial statements of Daimler AG for the year 2010 were thereby adopted. The Supervisory Board also consented to the proposal made by the Board of Management on the distribution of distributable profit and approved the report of the Supervisory Board, the corporate governance report and the remuneration report in the current drafts.

Furthermore, the Supervisory Board approved its proposed decisions on the items of the agenda for the 2011 Annual Shareholders' Meeting. In addition, the Supervisory Board received information on the status of antitrust investigations of European manufacturers of commercial vehicles by the EU

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

Two Supervisory Board meetings were held in April. In the first of those two meetings, which was held straight after the Annual Shareholders' Meeting, the Supervisory Board elected Dr. Manfred Bischoff as the Chairman of the Supervisory Board - as previously announced in the election proposal made at the Annual Shareholders' Meeting. Pursuant to the rules of procedure of the Supervisory Board, its Chairman also chairs the Mediation, Nomination and Presidential Committees. To replace the departing Dr. Manfred Schneider, Dr. Jurgen Hambrecht was elected to the Mediation Committee and to the Presidential Committee. In the place of Dr. Manfred Schneider and Lynton R.

Wilson, Dr. Paul Achleitner and Sari Baldauf were elected to the Nomination Committee. In addition, due to the resolution by the Annual Shareholders' Meeting amending the Articles of Incorporation with regard to Supervisory Board remuneration, the Supervisory Board decided to amend the wording of the declaration of compliance accordingly, subject to the amended Articles of Incorporation being entered in the Commercial Register. In the declaration of compliance, the explanation of the lack of a performance-related component of remuneration includes an explanation of the remuneration paid to the Supervisory Board of Daimler AG. With the amendment of the Articles of Incorporation, the existing apportioning model was replaced with an additive

model, in order to better reflect the generally increased requirements in particular with consideration of additional activities of Supervisory Board members in committees. In the second meeting in April 2011, the Supervisory Board dealt with the course of business and results of the first quarter, as well as with a status report on the situation in Japan, which had been updated since previously being dealt with in March 2011, in particular the situation of the Japanese companies of the Group and the local employees after the earthquake, tsunami and reactor accident. In addition, the Supervisory Board granted its consent to the closure of Treasury units in Belgium and to a capital increase for the car joint venture in China, Beijing Benz Automotive Co. , Ltd.

In May, the Supervisory Board was informed about the stage of the Tognum transaction and the increase in the price offered. 18 1 | To Our Shareholders | Report of the Supervisory Board In addition to discussing the business development and results of the second quarter, in its meeting in July, the Supervisory Board granted its consent for capital contributions to the German pension plan, for the execution of equity-capital changes at the subsidiary Daimler Trucks North America, and for the expansion of production capacity for the truck joint venture with Foton, a Chinese truck producer. In the same meeting, the Supervisory Board also dealt with the new pension plan and the topics for the upcoming strategy workshop.

Furthermore, it reappointed Wilfried Porth as a member of the Board of Management with responsibility for Human Resources and as Labor Relations Director effective as of May 1, 2012. During the two-day strategy workshop in September, as every year, the Supervisory Board first of all received

information on the stage of implementation of the strategic goals set in previous years by the Board of Management for Daimler AG and the divisions. Against the backdrop of the current economic situation, the Supervisory Board discussed the stage of implementation of projects initiated by the individual divisions, the positioning of the Group and its divisions with regard to the competition, and the brand and product strategies.

Other key areas of the strategy workshops were: - growth opportunities in the various markets with a focus on China, - analyses of competitors, - status reports on the various cooperations, - the latest trends in customer behavior, also with regard to the future development of urban mobility and the use of modern media and social networks, - the overall technology and market strategy for safeguarding sustainable mobility, - the technological development of internal-combustion engines, - electric, hybrid and hydrogen drive systems, - specific requirements placed on such drive systems in important markets, in China for example, - management capacities and other human resources issues, especially in specific growth markets, and - other strategic topics. In December, the Supervisory Board dealt in detail on the basis of comprehensive documentation with the operational planning for the years 2012 and 2013. This included discussion of existing opportunities and risks and the Group's risk management. The Supervisory Board also decided on the financing limits for the year 2012 and dealt with a progress report on EADS and the planned sale of 7.5% of the shares in EADS to the KfW banking group.

Other matters discussed in the December meeting included corporate governance and Board of Management remuneration. Corporate governance. Although the German Corporate Governance Code was not amended in the period under review, the Supervisory Board was continually occupied with the standards of good corporate governance, including the green paper of the European Commission on that subject. An important precondition for effective cooperation in the Supervisory Board in the sense of good corporate governance, in addition to the members' prioritized specialist expertise, is their diversity to adequately reflect the Group's size and internationality in terms of nationality, gender, ethnic origin and experience.

In connection with future proposals on candidates for election to the Supervisory Board, the Supervisory Board of Daimler AG pays attention to internationality and balance, especially with regard to gender, and sees this as a contribution to strengthening Daimler's claim to leadership in the automotive industry. With the election of Petraea Heynike, the Supervisory Board has achieved a proportion of 20% female members representing the shareholders, which is at least to be maintained and if possible increased in the coming years. The members of the Supervisory Board of Daimler AG are obliged to disclose potential conflicts of interest to the entire Supervisory Board and not to participate in discussing or voting on topics which could lead to a conflict of interest. There were no indications of any such potential conflicts of interest in 2011.

In its meeting in April, the Supervisory Board decided on an amendment to its rules of procedure. The Code's suggestion that the maximum possible appointment period of five years should not be the rule with first-time

appointments to the Board of Management will be complied with in the future: First-time appointments - and only those - will generally be made for three years only. In its December meeting, the Supervisory Board updated and amended the wording of the rules of procedure of the Supervisory Board and its committees, and approved the declaration of compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG).

With the two exceptions explained in the declaration, all the recommendations of the Code have been complied with and continue to be complied with. 19 The Supervisory Board last arranged for an externally moderated efficiency review to be carried out during the year 2010, thus fulfilling the requirement to carry out a regular review of its efficiency in accordance with its own rules of procedure and the German Corporate Governance Code. The results of the efficiency review indicate very good cooperation within the Supervisory Board and with the Board of Management. There was no indication of any need for fundamental action or changes. However, some suggestions were made, which will be put into practice.

Corporate governance at Daimler is described in detail in the Corporate Governance Report on pages 169 ff and in the Remuneration Report on pages 161 ff of this Annual Report. Personnel changes in the Supervisory Board. After the end of the Annual Shareholders' Meeting held on April 13, 2011, a member representing the shareholders, Dr. Manfred Schneider, stepped down from the Supervisory Board of Daimler AG. As proposed by the Supervisory Board, Petraea Heynike was newly elected as a member of the

Supervisory Board representing the shareholders with effect as of the end of that Annual Shareholders' Meeting. Dr. Manfred Bischoff and Lynton R. Wilson, whose periods of office also ended at the end of the Annual Shareholders' Meeting, were reelected.

The election proposal of the Supervisory Board to the Annual Shareholders' Meeting was based on a recommendation made by the Nomination Committee and a corresponding resolution by the members of the Supervisory Board representing the shareholders. Personnel changes in the Board of Management. In a meeting in February 2011, as mentioned above, the Supervisory Board appointed Dr. Christine Hohmann-Dennhardt, an ex-judge at the German Federal Constitutional Court, as a member of the Board of Management for the position of Integrity and Legal Affairs, which was newly created by resolution of September 2010, for a period of three years as of February 16, 2011. Bodo Uebber was reappointed as a member of the Board of Management responsible for Finance & Controlling and Daimler Financial Services for a further three years as of December 16, 2011.

In the Supervisory Board meeting in July 2011, in line with the new regulation on periods of service for reappointments, Wilfried Porth was reappointed for another five years as a member of the Board of Management responsible for Human Resources and as Labor Relations Director as of May 1, 2012. Audit of the 2011 financial statements. The financial statements of Daimler AG and the combined management report for the Company and the Group for 2011 were duly audited by KPMG AG, Wirtschaftsprüfungsgesellschaft, Berlin, and were given an unqualified audit opinion. The same applies to the

consolidated financial statements for 2011 prepared according to IFRS, which were supplemented with additional notes.

In the presence of the auditors in a meeting in early February 2012, the Supervisory Board discussed the preliminary key figures of the annual company and consolidated financial statements for 2011 and the dividend proposal to be made at the 2012 Annual Shareholders' Meeting. The preliminary key figures for the year 2011 were announced at the Annual Press Conference on February 9, 2012. In another meeting in late February 2012, the Supervisory Board dealt with the annual company financial statements, the annual consolidated financial statements and the combined management report for Daimler AG and the Daimler Group, each of which had been issued with an unqualified audit opinion by the external auditors, as well as the reports of the Audit Committee and the Supervisory Board, the corporate Report on the work of the committees. The Presidential Committee convened four times in 2011.

It dealt primarily with corporate governance topics and questions of remuneration, as well as personnel matters of the Board of Management. As in previous years, compliance targets constituted part of the individual target agreements of the members of the Board of Management. The Audit Committee met seven times in 2011. Details of those meetings are provided in a separate report of this committee (see page 158 ff). The Nomination Committee convened twice in 2011. Among other matters, it prepared a recommendation for the Supervisory Board's proposal on a candidate for election to the Supervisory Board of Daimler AG representing the shareholders.

The proposal gave due consideration to stipulations regarding the structure, orientation and qualification profile of the members of the Supervisory Board representing the shareholders and to corporate governance requirements. As in previous years, the Mediation Committee, a body required by the provisions of the German Codetermination Act (MitbestG), had no occasion to take any action in 2011. The chairmen of the committees informed the members of the Supervisory Board about the activities of the committees and their decisions, in each case in the Supervisory Board meeting following such decisions. 20 1 | To Our Shareholders | Report of the Supervisory Board governance report and the remuneration report, and the proposal on the distribution of distributable profit.

In preparation, the members of the Supervisory Board were provided with comprehensive documentation, some of it in draft form, including the Annual Report with the consolidated financial statements according to IFRS, the combined management report for Daimler AG and the Daimler Group, the corporate governance report and the remuneration report, the annual company financial statements of Daimler AG, the audit report of KPMG for the annual company financial statements of Daimler AG, for the consolidated financial statements and for the combined management report, the proposal of the Board of Management on the distribution of distributable profit, and the drafts of the reports of the Supervisory Board and of the Audit Committee. The Audit Committee and the Supervisory Board dealt with those documents in detail and discussed them intensively in the presence of the external auditors, who reported on the results of their audit and were

available to answer supplementary questions and to provide additional information.

Following the final results of the review by the Audit Committee and its own review, the Supervisory Board declared its agreement with the results of the audit by the external auditors, determined that no objections were to be raised, and approved the financial statements and the combined management report as presented by the Board of Management. The company financial statements of Daimler AG for the year 2011 were thereby adopted. The Supervisory Board also consented to the proposal made by the Board of Management on the distribution of distributable profit and approved the report of the Supervisory Board, the corporate governance report and the remuneration report in their current drafts.

Furthermore, the Supervisory Board approved its proposed decisions on the items of the agenda for the 2012 Annual Shareholders' Meeting. Appreciation. The Supervisory Board thanks all of the employees and the management of the Daimler Group for their personal contributions to the successful year 2011. Special thanks are due to a longstanding member of the Supervisory Board, Dr. Manfred Schneider, who stepped down in April after many years of close involvement and exceptional personal commitment to the Group. Stuttgart, February 2012 The Supervisory Board Dr. Manfred Bischoff Chairman 21 The Supervisory Board Dr. Manfred Bischoff Munich Chairman of the Supervisory Board of Daimler AG Other supervisory board memberships/directorships: Fraport AG Royal KPN N. V.

SMS GmbH - Chairman UniCredit S. p. A. Voith GmbH - Chairman Erich Klemm* Sindelfingen Chairman of the General Works Council, Daimler Group
<https://assignbuster.com/mercedes-benz-advertising-brief-strategy/>

and Daimler AG; Deputy Chairman of the Supervisory Board of Daimler AG
Dr. Paul Achleitner Munich Member of the Board of Management of Allianz SE
Other supervisory board memberships/directorships: Bayer AG RWE AG
Allianz Investment Management SE – Chairman Allianz Global Investors AG
Sari Baldauf Helsinki Former Executive Vice President and General Manager
of the Networks Business Group of Nokia Corporation Other supervisory
board memberships/directorships: Hewlett-Packard Company F-Secure
Corporation Fortum OYj - Chairwoman Dr.

Clemens Borsig Frankfurt am Main Chairman of the Supervisory Board of
Deutsche Bank AG Other supervisory board memberships/directorships:
Linde AG Bayer AG Emerson Electric Co. Prof. Dr. Heinrich Flegel* Stuttgart
Director Research Materials, Lightweight Design and Manufacturing, Daimler
AG; Chairman of the Management Representative Committee, Daimler Group
Dr. Jurgen Hambrecht Ludwigshafen Former Chairman of the Board of
Executive Directors of BASF SE Other supervisory board
memberships/directorships: Deutsche Lufthansa AG Fuchs Petrolub AG –
Chairman Trumpf GmbH + Co. KG Petraea Heynike Vevey Former Executive
Vice President of the Executive Board of Nestle S. A. since April 13, 2011)
Other supervisory board memberships/directorships: Schulich School of
Business Jorg Hofmann* Stuttgart German Metalworkers' Union (IG Metall),
District Manager, Baden-Wurttemberg Other supervisory board
memberships/directorships: Robert Bosch GmbH Heidelberger
Druckmaschinen AG Dr. Thomas Klebe* Frankfurt am Main General Counsel
of the German Metalworkers' Union (IG Metall) Other supervisory board
memberships/directorships: Daimler Luft- und Raumfahrt Holding AG

ThyssenKrupp Materials International GmbH Gerard Kleisterlee Amsterdam
Former President and CEO of Royal Philips Electronics N. V. Other supervisory
board memberships/directorships: Vodafone Group Plc. - Chairman De
Nederlandsche Bank N. V. Royal Dutch Shell Plc. Dell Inc.

Jurgen Langer* Frankfurt am Main Chairman of the Works Council of the
Frankfurt/Offenbach Dealership, Daimler AG 22 1 | To Our Shareholders | The
Supervisory Board Ansgar Osseforth* Sindelfingen Manager Mercedes-Benz
Research and Development; Member of the Works Council, Sindelfingen
Plant, Daimler AG until November 30, 2011 Valter Sanches* Sao Paulo
Secretary of International Relations of Confederacao Nacional dos
Metalurgicos/CUT Stefan Schwaab* Gaggenau Vice Chairman of the General
Works Council, Daimler Group and Daimler AG; Vice Chairman of the Works
Council, Gaggenau Plant, Daimler AG Jorg Spies* Stuttgart Chairman of the
Works Council, Headquarters, Daimler AG Lloyd G.

Trotter Plainville Former Vice Chairman General Electric; President & CEO of
the General Electric Group's Industrial Division; Managing Partner, Founder,
GenNx360 Capital Partners Other supervisory board
memberships/directorships: PepsiCo Inc. Textron Inc. syncreon Holdings Ltd.
syncreon. US Holdings Inc. syncreon. US Inc. Dr. h. c. Bernhard Walter
Frankfurt am Main Former Spokesman of the Board of Management of
Dresdner Bank AG Other supervisory board memberships/directorships:
Bilfinger Berger SE - Chairman Deutsche Telekom AG Henkel AG & Co. KGaA
Uwe Werner* Bremen Chairman of the Works Council, Bremen Plant, Daimler
AG Lynton R. Wilson Toronto Chairman of the Board of CAE Inc. ; Chancellor
of McMaster University Retired from the Supervisory Board: Dr. Manfred

Schneider Leverkusen Chairman of the Supervisory Board of Bayer AG (retired on April 13, 2011)

Committees of the Supervisory Board: Committee pursuant to Section 27 Subsection 3 of the German Codetermination Act (MitbestG) Dr. Manfred Bischoff – Chairman Erich Klemm* Dr. Jurgen Hambrecht Dr. Thomas Klebe* Presidential Committee Dr. Manfred Bischoff – Chairman Erich Klemm* Dr. Jurgen Hambrecht Dr. Thomas Klebe* Audit Committee Dr. h. c. Bernhard Walter – Chairman Erich Klemm* Dr. Clemens Borsig Stefan Schwaab* Nomination Committee Dr. Manfred Bischoff – Chairman Dr. Paul Achleitner Sari Baldauf * Representative of the employees 23 Daimler Shares The spread of the sovereign-debt crisis and growing uncertainty about ongoing economic developments caused high volatility in the capital markets. Daimler’s share price fell significantly during the year 2011.

In view of a repeated increase in net profit, the Board of Management and the Supervisory Board propose a higher dividend of €2. 20 per share (prior year: €1. 85). 1. 01 Development of Daimler’s share price and major indices

End of 2011	End of 2010	11/10 % change
-33	-15	-17
+6	-17	-24

Daimler’s share price (in euros) DAX 30 Dow Jones Euro STOXX 50 Dow Jones Industrial Average Nikkei Dow Jones STOXX Auto Index 33. 92 5, 898 2, 317 12, 218 8, 455 259 50. 73 6, 914 2, 793 11, 578 10, 229 341 Turbulent year on global stock markets. Stock markets continued their very volatile and disparate development in 2011. Against the backdrop of positive economic developments and encouraging company results, the upward trend of the previous year at first continued at the beginning of 2011.

A number of negative factors such as the worsening debt crisis in the euro zone, the violent conflicts in North Africa and the Middle East, the natural disaster in Japan and growing fears of inflation then led to sharp falls in share prices in March. However, following good quarterly results of companies in Europe and the United States, stock markets recovered quickly and reached their peaks for the year in May. After moving sideways for several months, share prices generally declined at the beginning of August due to the weaker economic outlook. The exacerbating financial crisis in Europe and the downgrading of the United States' creditworthiness raised market fears of a renewed recession during the autumn.

As a result, the markets remained very volatile. The index of the most important stocks in the euro zone, the Dow Jones Euro STOXX 50, fell significantly, especially in the second half of 2011, and lost 17% over the full year. Germany's main index, the DAX, lost 15%. In the United States, the Dow Jones climbed by 6% over the year. The Nikkei index in Japan closed 2011 down 17% compared with a year earlier. Volatile development of Daimler's share price in 2011. Automotive stocks made a positive start to the year 2011. Our share profited at the beginning of the year from good unit sales in December and the encouraging data from the US truck market.

Daimler's share price peaked for the year at €58.46 on January 18. This was followed by a phase of consolidation. Growing uncertainty had a disproportionately strong impact on the price of cyclical stocks such as Daimler's. Nonetheless, our share price remained at the level it had reached at the end of 2010 until the end of July, despite negative factors such as the debt crisis in Europe, the natural disaster in Japan and the conflicts in North

Africa and the Middle East. Share prices then fell significantly in August. This phase saw strong selling but only a weak propensity to buy. In that trading environment, economically sensitive automotive stocks suffered sharp losses.

Although good unit sales were reported during the summer break, investors - especially in the United States - remained very risk averse and reduced the proportion of what they regarded as risky 1. 02 In euros Net profit Key figures per share 2011 2010 11/10 % change +24 +24 +19 +9 -33 +7 -4 5. 32 5. 31 2. 20 38. 77 33. 92 58. 46 29. 16 4. 28 4. 28 1. 85 35. 62 50. 73 54. 87 30. 35 Net profit (diluted) Dividend Equity (December 31) Xetra share price at year end 1 Highest 1 Lowest 1 1 Closing prices 24 1 | To Our Shareholders | Daimler Shares European stocks in their portfolios. But, benefiting from the positive development of the German stock market and the publication of good third-quarter results in line with market expectations, Daimler's share price climbed again significantly in October within a very volatile environment.

The repeated increase in uncertainty about a resolution of the euro crisis caused the stock markets and automotive stocks to fall again temporarily in November. During this phase, the price of Daimler's shares reached its low for the year of €29. 16 on November 23. After a brief recovery, our share price remained flat in December and closed the year at a price of €33. 92 on December 30. ? 1. 01 Our share thus fell by 33% over the full year, which is a weaker performance than the Dow Jones STOXX Auto Index (-24%) and the DAX (-15%). Daimler's market capitalization at the end of 2011 was €36. 2 billion. In the first several weeks of the year 2012, Daimler's share price

climbed significantly. Dividend of €2. 20. ? 1. 2 The Board of Management and the Supervisory Board will propose to the Annual Shareholders' Meeting to be held on April 4, 2012 that in view of the good business development the dividend should be increased from €1. 85 to €2. 20 per share. The total dividend payout will thus amount to €2, 346 million (prior year: €1, 971 million). Broad shareholder structure. ? 1. 07 Daimler continues to have a broad shareholder base of approximately 1. 0 million shareholders. The number of shareholders remained stable compared with 2010, so there was no continuation of the trend of falling shareholder numbers that occurred in previous years. There was a steadily growing demand for our shares from private investors during the second half of 2011, mainly in Germany. Kuwait Investment Authority holds 6. 9% of Daimler's shares and the Renault-Nissan Alliance holds 3. 1%.

Aabar Investments PJS, Abu Dhabi (Aabar), notified us in October 2011 that its Daimler voting rights had fallen below the notification threshold of 5% and amounted to 4. 99998% at that time. This was caused by a slight increase in Daimler's share capital due to the exercise of stock options. In February 2012, Aabar notified us that the number of Daimler shares it physically owned had decreased to approximately 32. 7 million, equivalent to a shareholding of 3. 07%. In connection with the respective shareholding notifications, Aabar also informed us that it has the right to redelivery of the difference between the approximately 32. 7 million shares it physically owns and the 96. 4 million shares it originally acquired. In connection with its shareholding, Aabar entered into a series of financing transactions.

As of 1 February 2012, the new rules pursuant to the German Securities Trading Act (WpHG) require separate incremental disclosures of certain elements of these transactions, which lead to double-counting with respect to parts of Aabar's total shareholding. Together with shares lent to third parties in connection with financing transactions for which Aabar has a right of redelivery, Aabar still holds 9.04%. BlackRock Inc., New York, informed us in August 2011 that it had exceeded the 5% notification threshold as defined by Germany's Securities Trading Act (WpHG) and that its Daimler voting rights amounted to 5.7% as of August 11, 2011. Capital Research and Management Company of Los Angeles, which notified us in May 2010 that it held 3.1% of our shares, is still above the 3% notification threshold stipulated by the WpHG.

The treasury shares held by Daimler at the end of 2010 (approximately 0.2 million shares worth about €7 million) were used during the year under review to satisfy the claims of former AEG shareholders from arbitration proceedings. In total, institutional investors hold 67% of our share capital and private investors hold 20%. Approximately 69% of our equity are in the hands of European investors and approximately 19% are held by US investors.

1.08 1.03 In euros 65 60 55 50 45 40 35 30 25 20 Daimler share price (high/low), 2011 1/11 2/11 3/11 4/11 5/11 6/11 7/11 8/11 9/11 10/11 11/11 12/11 1.04 140 130 120 110 100 90 80 70 60 50 Share price index 2/31/10 2/28/11 4/29/11 6/30/11 8/31/11 10/31/11 12/31/11 Daimler AG Dow Jones STOXX Auto Index DAX 25 1.05 Key figures End of 2011 End of 2010 11/10 % change Share capital (in millions of euros) Number of shares (in millions) thereof treasury shares Market capitalization (in

billions))of euros) Number of shareholders (in millions) Weighting in share index DAX 30 Dow Jones Euro STOXX 50 Long-term credit ratings Standard & Poor's Moody's Fitch DBRS 3, 060 1, 066. 3 0 36. 2 1. 0 3, 058 1, 065. 6 0. 2 54. 0 1. 0 +0 +0 -100 -33 0 The weighting of Daimler shares in major indices decreased during 2011 due to the negative development of our share price.

In the German DAX 30 index, our stock was ranked in seventh position with a weighting of 5. 93% at the end of the year (end of 2010: 7. 51%). ? 1. 05 In the Dow Jones Euro STOXX 50, Daimler shares were represented with a weighting of 2. 26% (end of 2010: 2. 88%). Daimler shares are listed in Frankfurt and Stuttgart. Stock-exchange trading in Germany in the year 2011 amounted to 1, 728 million shares (2010: 1, 492 million). In addition, Daimler shares are increasingly traded on multilateral trading platforms and in the over-thecounter market. Substantially increased participation in employee share program. In March 2011, eligible members of the workforce were once again able to acquire employee shares.

A price incentive that was granted for the first time and bonus shares helped to increase the number of participants to 32, 200 employees, who acquired a total of 610, 300 shares (2010: 19, 400 employees acquired 350, 700 shares). Annual Shareholders' Meeting approves management's proposals with large majorities. Our Annual Shareholders' Meeting held on April 13, 2011 at the Berlin International Congress Center (ICC) was attended by approximately 5, 100 shareholders (2010: 4, 700). With 43. 3% of the share capital represented at the Annual Meeting, shareholder representation (attendance plus absentee votes) was higher than in the prior year (40. 3%).

In the voting on the items of the agenda, the shareholders adopted the recommendations of the management with large majorities.

The shareholders