

MERCEDES-BENZ SOUTH AFRICA (PROPRIETARY) LIMITED

(Pretoria, Republic of South Africa)

unconditionally and irrevocably guaranteed by

DAIMLER AG

(Stuttgart, Federal Republic of Germany)

ZAR18,000,000,000

Domestic Medium Term Note Programme Supplement

On 30 June 2008, Mercedes-Benz South Africa (Proprietary) Limited (the "**Issuer**"), established its ZAR18,000,000,000 Domestic Medium Term Note Programme (the "**Programme**").

Under the Programme, the Issuer may from time to time issue notes (the "**Notes**"), denominated in South African Rand and further subject to all applicable laws and to the terms and conditions (the "**Terms and Conditions**") contained in the Programme Memorandum executed by the Issuer on 30 June 2008 (the "**Programme Memorandum**") and, in the case of Notes listed on the Interest Rate Market of the JSE Limited ("**JSE Interest Rate Market**") or its successor, or such other or further exchange as may be determined by the Issuer and the Relevant Dealer, the Terms and Conditions as well as the listing requirements of the JSE Interest Rate Market, or such other or further exchange. Any other terms and conditions not contained in the Terms and Conditions that are applicable to any Notes, replacing or modifying the Terms and Conditions, will be set forth in an applicable pricing supplement (the "**Applicable Pricing Supplement**").

Daimler AG (the "**Guarantor**") has irrevocably and unconditionally guaranteed to the holders of the Notes ("**Noteholders**") the due and punctual payment by the Issuer of all amounts owing by the Issuer in respect of the Notes arising under the Programme. The Guarantor has further undertaken not to provide any security upon its assets for other notes without, at the same time, having the Noteholders share equally and rateably in such security.

The Issuer wishes to supplement the Programme Memorandum. This supplement to the Programme Memorandum (the "**Supplement**") is published for the purposes of updating the Programme Memorandum by updating the Programme in various respects.

This Supplement is supplemental to, and should be read in conjunction with the Programme Memorandum. This Supplement is deemed to be incorporated in, and to form part of the Programme Memorandum.

Where any term is defined within the context of a particular clause or section in the Programme Memorandum, the term so defined, unless it is clear from the clause or section in question that the term so defined has limited application to the relevant clause or section, shall bear the meaning ascribed to it for all purposes in this Supplement, unless the context otherwise requires. Expressions defined in the Programme Memorandum shall bear the same meaning in this Supplement.

In the event of any conflict between the provisions or definitions of the Programme Memorandum and the provisions or definitions of this Supplement, the provisions or definitions, as the case may be, of this Supplement shall prevail. The remaining provisions of the Programme Memorandum, particularly the Terms and Conditions, shall apply subject to any amendments required by this Supplement.

Claims against the BESA Guarantee Fund Trust may only be made in respect of the trading of Notes listed on the JSE Interest Rate Market in accordance with the rules of the BESA Guarantee Fund Trust. The holders of Notes that are not listed on the JSE Interest Rate Market will have no recourse against the BESA Guarantee Fund Trust.

As at the date of this Supplement, the Notes to be issued under this Programme are not rated by any rating agency, however, the Issuer may at any time obtain a rating from a rating agency for any issue of Notes issued pursuant to the terms of the Programme, in which case such rating will be indicated in the Applicable Pricing Supplement. The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes listed on the JSE Interest Rate Market or such other exchange or exchanges as may be determined by the Issuer and the Relevant Dealer) a supplementary Programme Memorandum, if appropriate, will be made available, which will describe the effect of the agreement reached in relation to such Notes.

The Programme Memorandum and this Supplement will only apply to Notes issued under the Programme. The JSE Interest Rate Market does not regulate unlisted Notes.

Arranger, Debt Sponsor

Deutsche Bank AG, Johannesburg Branch

IMPORTANT NOTICE

Capitalised terms used in this section shall bear the same meanings as used in the Terms and Conditions and this Supplement, except to the extent that they are separately defined in this section or clearly inappropriate from the context.

Each of the Issuer and the Guarantor (with respect to itself) certify that to the best of its knowledge and belief there are no facts that have been omitted from this Programme Memorandum which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this Programme Memorandum contains all information required by Applicable Law and the JSE Listings Requirements. The Issuer and the Guarantor (with respect to itself) accepts full responsibility for the information contained in this Programme Memorandum, the Applicable Pricing Supplements and the annual financial report and any amendments to the annual financial report or any supplement from time to time, except as otherwise stated therein.

The Programme Memorandum and this Supplement is to be read and construed in conjunction with any other documents which are deemed to be incorporated herein by reference (see the section entitled “Documents Incorporated by Reference” in the Programme Memorandum) and, in relation to any Tranche of Notes, should be read and construed together with the Applicable Pricing Supplement.

The Debt Sponsor, Arranger, the Dealers or any of their respective affiliates, other professional advisers and the JSE Interest Rate Market named herein have not separately verified the information contained in the Programme Memorandum and herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Debt Sponsor, Arranger or the Dealers and any of their respective affiliates, the JSE Interest Rate Market and other professional advisers as to the accuracy or completeness of the information contained in the Programme Memorandum, this Supplement or any other information provided by the Issuer or the Guarantor. The Debt Sponsor, Arranger, the Dealers and their respective affiliates, the JSE Interest Rate Market and other professional advisers do not accept any liability in relation to the information contained in the Programme Memorandum, this Supplement or any other information provided by the Issuer or the Guarantor in connection with the Notes and the Programme.

No person has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with the Programme Memorandum, this Supplement or any other document entered into in relation to the Programme or any other information supplied by the Issuer in connection with the Programme and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, the Debt Sponsor, Arranger, the Dealers and any of their respective affiliates, the JSE Interest Rate Market or other professional advisers.

The Programme Memorandum, this Supplement or any other information supplied in connection with the Programme is not intended to provide a basis for any credit or other evaluation, nor should it be considered as a recommendation by the Issuer, the Guarantor, the Debt Sponsor, Arranger, any of the Dealers or other professional advisers that any recipient of the Programme Memorandum, this Supplement or any other information supplied in connection with the Programme should purchase any Notes.

Each person contemplating the purchase of any Notes should determine for itself the relevance of the information contained in the Programme Memorandum and this Supplement and should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Guarantor and its purchase of Notes should be based upon any such investigation as it deems necessary. The Programme Memorandum, this Supplement or any Applicable Pricing Supplement or any other information supplied in connection with the Programme does

not constitute an offer or invitation by or on behalf of the Issuer, the Guarantor or any of the Dealers to any person to subscribe for or to purchase any Notes.

The delivery of the Programme Memorandum, this Supplement or any Applicable Pricing Supplement, or the offering, sale or delivery of any Note shall not at any time imply that the information contained herein is correct at any time subsequent to the date hereof or that any other financial statements or other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arranger, the Dealers and other professional advisors expressly do not undertake to review the financial condition or affairs of the Issuer and the Guarantor during the life of the Programme. Investors should review, inter alia, the most recent financial statements, if any, of the Issuer and the Guarantor, when deciding whether or not to purchase any Notes.

*The Programme Memorandum, this Supplement or any Applicable Pricing Supplement does not constitute an offer to sell or the solicitation of an offer to buy or an invitation to subscribe for or purchase any Notes. The distribution of the Programme Memorandum, this Supplement and any Applicable Pricing Supplement and the issue, sale or offer of Notes may be restricted by law in certain jurisdictions. Persons into whose possession the Programme Memorandum, this Supplement or any Applicable Pricing Supplement or any Notes come are required by the Issuer, the Guarantor, the Debt Sponsor, the Arranger, the Dealers and other professional advisors to inform themselves about, and observe, any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of the Programme Memorandum, this Supplement or any Applicable Pricing Supplement and other offering material relating to the Notes, see the section entitled “**Subscription and Sale**”.*

None of the Issuer, the Guarantor, the Debt Sponsor, Arranger, any Dealers and other professional advisers represents that the Programme Memorandum and this Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Debt Sponsor, Arranger, the Dealers or other professional advisers which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of the Programme Memorandum, this Supplement nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Dealers have represented that all offers and sales by them will be made on the same terms.

The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the “Securities Act”) or any applicable State securities laws. Notes may not be offered, sold or delivered within the United States of America or to U.S. persons except in accordance with Regulation S under the Securities Act.

The price/yield, the amount and the allocation of Notes to be issued with this Programme will be determined by the Issuer and Dealers at the time of issue in accordance with the prevailing market conditions.

All references in this document to “Rands”, “ZAR”, “South African Rand”, “R” or “cent” refer to the currency of South Africa, to “U.S.\$” or “\$” to the currency of the United States of America and to “Euro” or “€” to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

In connection with the issue and distribution of any Tranche of Notes under the Programme, the Issuer or Dealer, if any, which is specified in the Applicable Pricing Supplement as the Stabilising Manager (or any person acting for the Stabilising Manager) may, if specified in that Applicable

Pricing Supplement and only if such stabilising is permitted by the rules of the exchange on which such Tranche of Notes will be listed, over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

To the extent that the Notes may be listed on the JSE Interest Rate Market, the JSE's approval of the listing of the Notes is not to be taken in any way as an indication of the merits of the Issuer and any Notes. The JSE Interest Market has not verified the accuracy and truth of the contents of the Programme..

The JSE takes no responsibility for the content of the Programme Memorandum, this Supplement, any Applicable Pricing Supplement and the annual financial reports of the Issuer and the Guarantor and any amendments or any supplements thereto from time to time. The JSE makes no representation as to the accuracy or completeness of any of the foregoing documents and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of the foregoing documents. The Issuer and the Guarantor (with respect to itself) accepts fully responsibility for the accuracy of the information contained in the foregoing documents, except as otherwise stated in the relevant foregoing documents.

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1. Notes:

All information set out in the sections of the Programme Memorandum dated 30 June 2008, shall apply as if specifically incorporated herein, save to the extent superseded hereby.

AMENDMENTS TO THE PROGRAMME MEMORANDUM

- 1.1 All references in the Programme Memorandum to the Bond Exchange of South Africa Limited ("**BESA**") shall be replaced by the Interest Rate Market of the JSE Limited ("**JSE Interest Rate Market**").
- 1.2 The section entitled "*Risk Factors*" on pages 7 to 20 of this Supplement shall replace the section entitled "*Risk Factors*" on pages 13 to 18 of the Programme Memorandum in its entirety.
- 1.3 The section entitled "*Description of Daimler AG*" on pages 21 to 31 of this Supplement shall replace the section entitled "*Description of Daimler AG*" on pages 65 to 70 of the Programme Memorandum in its entirety.
- 1.4 The section entitled "*Description of Mercedes-Benz South Africa (Proprietary) Limited*" on pages 32 to 34 of this Supplement shall replace the section entitled "*Description of Mercedes-Benz South Africa (Proprietary) Limited*" on pages 71 to 73 of the Programme Memorandum in its entirety.
- 1.5 The section entitled "*Selling Restrictions*" on pages 35 to 37 of this Supplement shall replace the section entitled "*Selling Restrictions*" on pages 76 to 79 of the Programme Memorandum in its entirety.
- 1.6 The section entitled "*South African Taxation*" on pages 38 to 40 of this Supplement shall replace the section entitled "*South African Taxation*" on pages 80 and 81 of the Programme Memorandum in its entirety.
- 1.7 The section entitled "*South African Exchange Control*" on pages 41 to 42 of this Supplement shall replace the section entitled "*South African Exchange Control*" on pages 82 and 83 of the Programme Memorandum in its entirety.
- 1.8 The section entitled "*General Information*" on pages 43 to 44 of this Supplement shall replace the section entitled "*General Information*" on pages 84 and 85 of the Programme Memorandum in its entirety.
- 1.9 The section entitled "*Documents Incorporated by Reference*" on pages 45 to 49 of this Supplement shall replace the section entitled "*Documents Incorporated by Reference*" on page 86 of the Programme Memorandum in its entirety.

RISK FACTORS

Words used in this section entitled “Risk Factors” shall bear the same meanings as used in the Terms and Conditions and this Supplement, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context

The following is a disclosure of risk factors that are material to the Notes issued under the Programme in order to assess the market risk associated with these Notes and risk factors that may affect the Issuer's or the Guarantor's ability to fulfill its obligations under the Notes or in the case of DAG, the Guarantee. Prospective investors should consider these risk factors before deciding to purchase Notes issued under the Programme. In addition, prospective investors should be aware that the risks described may combine and thus intensify one another.

The Issuer believes that the risks described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes or the Guarantor to fulfill its obligations under the Guarantee may occur for other reasons which may not be considered significant risks by the Issuer or the Guarantor based on information currently available to it or which it currently may not be able to anticipate and none of the Issuer nor the Guarantor represents that the following statements are exhaustive.

Prospective investors should consider all information provided in this Supplement and should consult with their own professional advisers (including their financial, accounting, legal and tax advisers) prior to making any investment decision.

Risks relating to the Notes

Notes may not be a suitable investment for all investors

Each potential investor in Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Supplement or any applicable supplement hereto;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation and the investment(s) it is considering, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behavior of any relevant indices and financial markets; and

- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolio. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Liquidity Risk

The Programme provides that Notes may be listed on the JSE Interest Rate Market or on an alternative stock exchange or may not be listed at all. Regardless of whether the Notes are listed or not, there can be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will continue. The fact that the Notes may be listed does not necessarily lead to greater liquidity as compared to unlisted Notes. If the Notes are not listed on any stock exchange, pricing information for such Notes may, however, be more difficult to obtain which may affect the liquidity of the Notes adversely. In an illiquid market, an investor might not be able to sell his Notes at any time at fair market prices. The possibility to sell the Notes might additionally be restricted by country specific reasons.

Market Price Risk

The development of market prices of the Notes depends on various factors, such as changes of market interest rate levels, the policy of central banks, overall economic developments, inflation rates or the lack of or excess demand for the relevant type of Notes. The holder of Notes is therefore exposed to the risk of an unfavourable development of market prices of his Notes which materialises if the holder sells the Notes prior to the final maturity of such Notes. If the holder decides to hold the Notes until final maturity the Notes will be redeemed at the amount set out in the relevant Applicable Pricing Supplement.

Risk of early redemption

The Applicable Pricing Supplement will indicate whether the Issuer may have the right to call the Notes prior to maturity for reasons of taxation or at the option of the Issuer (optional call right) or whether the Notes will be subject to early redemption in case of the occurrence of an event specified in the Applicable Pricing Supplement (early redemption event). The Issuer will always have the right to redeem the Notes if the Issuer is required to make a gross-up payment.

An optional call right is likely to limit the market value of the relevant Notes. Prior to or during any period when the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed.

If the Issuer redeems the Notes prior to maturity or the Notes are subject to early redemption due to an early redemption event, a holder of such Notes is exposed to the risk that due to early redemption his investment may have a lower than expected yield.

Currency Risk/Dual Currency Notes

A holder of Notes denominated in a foreign currency and a holder of Dual Currency Notes are exposed to the risk of changes in currency exchange rates which may affect the yield of such Notes. Changes in currency exchange rates result from various factors such as macro-economic factors, speculative transactions and interventions by central banks.

A change in the value of any foreign currency against the Euro, for example, will result in a corresponding change in the Euro value of Notes denominated in a currency other than Euro and a corresponding change in the Euro value of interest and principal payments made in a currency other than in Euro in accordance with the terms of such Notes. If the underlying exchange rate falls and the value of the Euro correspondingly rises, the price of the Notes and the value of interest and principal payments made thereunder, expressed in Euro, falls correspondingly.

Fixed Rate Notes

A holder of a Fixed Rate Note is exposed to the risk that the price of such Note falls as a result of changes in the current interest rate on the capital markets (the "**Market Interest Rate**") for comparable debt securities of the same maturity. While the nominal interest rate of a Fixed Rate Note as specified in the Applicable Pricing Supplement is fixed during the life of such Note, the Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the price of a Fixed Rate Note also changes, but in the opposite direction. If the Market Interest Rate increases, the price of a Fixed Rate Note typically falls, until the yield of such Note is approximately equal to the Market Interest Rate. If the Market Interest Rate falls, the price of a Fixed Rate Note typically increases, until the yield of such Note is approximately equal to the Market Interest Rate. If the holder of a Fixed Rate Note holds such Note until maturity, changes in the market interest rate are without relevance to such holder as the Note will be redeemed at a specified redemption amount, usually the principal amount of such Note.

Floating Rate Notes

Floating Rate Notes tend to be volatile investments. A holder of a Floating Rate Note is exposed to the risk of fluctuating interest rate levels and, consequently, uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of Floating Rate Notes in advance. Neither the current nor the historical value of the relevant floating rate should be taken as an indication of the future performance of such floating rate during the term of any Floating Rate Notes.

Floating Rate Notes with a multiplier or other leverage factor

If Floating Rate Notes are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market value may be more volatile than those for Floating Rate Notes that do not include these features. If the amount of interest payable is determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the interest rates on interest payable will be increased. The effect of a cap is that the amount of interest will never rise above and beyond the predetermined cap, so that the holder will not be able to benefit from any actual favorable development beyond the cap. The yield could therefore be considerably lower than that of similar Floating Rate Notes without a cap.

Zero Coupon Notes

Zero Coupon Notes do not pay interest periodically but are typically issued at a discount from their nominal value. Instead of periodical interest payments, the difference between the redemption price and the issue price constitutes interest income until maturity and reflects the Market Interest Rate. A holder of Zero Coupon Notes is exposed to the risk that the price of such Notes falls as a result of changes in the Market Interest Rate. Prices of Zero Coupon Notes are more volatile than prices of Fixed Rate Notes and are likely to respond to a greater degree to Market Interest Rate changes than Fixed Rate Notes with a similar maturity.

Index-Linked Notes

Index-Linked Notes may either be issued as Indexed Interest Notes where payments of interest will be made by reference to a single index or other factors (including changes in the price(s) of securities and commodities or movements in exchange rates) and/or such formula as may be specified by the Issuer and the relevant Dealer(s) (as indicated in the Applicable Pricing Supplement) or as Indexed Redemption Amount Notes where payment of principal will be calculated by reference to a single index or other factors (including changes in the price(s) of securities and commodities or movements in exchange rates) and/or such formula as may be specified by the Issuer and the relevant Dealer (as indicated in the Applicable Pricing Supplement) or may be issued as a combination of Indexed Interest Notes and Indexed Redemption Amount Notes.

If the payment of interest is linked to a particular index, a holder of Indexed Interest Notes is exposed to the risk of fluctuating interest rate levels and uncertain interest income or may even receive no interest at all which may have the effect that the yield of an Indexed Linked Note is negative. If the payment of principal is linked to a particular index, a holder of Indexed Redemption Amount Notes is exposed to the risk that the repayment amount is uncertain and, depending on the calculation of the repayment amount, the yield of Indexed Redemption Amount Notes may even be negative and an investor may lose the value of his entire investment or parts of it. The more volatile the relevant index is, the greater is the uncertainty in respect of (in the case of Indexed Interest Notes) the interest income or (in the case of Indexed Redemption Amount Notes) the repayment amount. Uncertainty with respect to (in the case of Indexed Interest Notes) the interest income or (in the case of Indexed Redemption Amount Notes) the repayment amount make it impossible to determine the yield of Index-Linked Notes in advance.

Taxation

Potential purchasers of Notes should be aware that stamp duty and other taxes and/or charges may be levied in accordance with the laws and practices in the countries where the Notes are transferred and other relevant jurisdictions. In addition the summary set out under the section "*South Africa Taxation*" discusses only specific tax considerations, and they do not purport to be a comprehensive description of all tax considerations in any particular jurisdiction which may be relevant to a decision to purchase Notes. Potential purchasers of such Notes should note that the tax treatment of payments in respect of such Notes may be different (and in some cases significantly different) from that set out in such summary. Potential purchasers of Notes who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, potential purchasers should be aware that tax regulations and their application by the relevant taxation authorities may change from time to time. Accordingly, it is not possible to predict the precise tax treatment of the Notes which will apply at any given time.

General Risks in respect of Structured Notes

In general, an investment in Notes (the "**Structured Notes**") the premium and/or the interest on and/or the principal of which is determined by reference to one or more values of currencies, commodities, interest rates or other indices or formulae, either directly or inversely, may entail significant risks not associated with similar investments in conventional debt securities. Such risks include the risks that the holder of such Notes will receive no interest at all, or that the resulting interest rate will be less than that payable on conventional debt securities at the same time and/or that the holder of such Structured Notes could lose all or a substantial portion of the principal of his Notes. In addition, investors should be aware that the market price of such Structured Notes may be very volatile (depending on the volatility of the relevant currency, commodity, interest rate, index or formula). Neither the current nor the historical value of the relevant currencies, commodities, interest rates or other indices or formulae should be taken as an indication of the future performance of such currencies, commodities, interest rates or other indices or formulae during the term of such Notes.

Risk of potential conflicts of interest

In case of Notes linked to an underlying (e.g., including not limited to, an index, a currency, a commodity, single shares or a basket), the Issuer, the Guarantor, the Dealer(s) or any of their respective affiliates may from time to time engage in transactions relating to such underlying for their own accounts or for the accounts of third parties and may issue other financial products in respect of such underlying. Such activities could create conflicts of interest and may have a negative impact on the underlying value.

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions and may perform services for the Issuer and the Guarantor (if applicable) and its or their affiliates in the ordinary course of business.

Recent U.S. tax legislation may impose withholding tax on certain payments made to the Issuer, which may, under certain circumstances, give rise to a right for the Issuer to redeem, or withhold on, the Notes

Recently enacted U.S. tax legislation may require a payor of either U.S. source interest, U.S. source dividends, or other U.S. source periodic income (and of proceeds from the sale of assets of a type that produce U.S. source interest or U.S. source dividends) to withhold 30 % from such payments made on or after January 1, 2013 to certain non-U.S. persons, such as the Issuer (a "**Non-U.S. Issuer**"). However, this new U.S. withholding tax (which may not be refundable) does not apply to an obligation outstanding on or prior to March 18, 2012 or if the Non-U.S. Issuer (and each foreign withholding agent (if any) in the chain of custody of payments made to the Issuer) meets certain reporting requirements regarding certain of its direct and indirect U.S. holders of Notes.

It is anticipated that a Non-U.S. Issuer will comply with the new reporting requirements and, thus, may be required, among other things, either to agree to withhold 30 % of "*pass-thru*" payments (defined below) made to any Recalcitrant Holders (defined below) or to instruct withholding agents to withhold on payments to it that are deemed to be allocable to such Recalcitrant Holders. A "**Recalcitrant Holder**" generally is a holder of debt or equity in a Non-U.S. Issuer (other than debt or equity interests which are regularly traded on an established securities market) that fails to comply with reasonable requests for information that will help enable the relevant Non-U.S. Issuer to comply with its reporting requirements, and "**pass-thru**" payments are payments made by a Non-U.S. Issuer that are deemed attributable to certain U.S. assets held by the Non-U.S. Issuer (even if such assets pay no or nominal interest).

Accordingly, the Non-US Issuer may either withhold on payments to its Recalcitrant Holders or elect to have withholding imposed on itself due to its Recalcitrant Holders. In the latter case, any such withholding imposed on a Non-U.S. Issuer will reduce the amount of cash available to pay all of its holders, and such withholding may be allocated disproportionately to a particular class of holders of Notes (including holders that have provided the Non-U.S. Issuer with all requested information). There will be no "gross up" (or any other additional amount) payable by way of compensation to the holders of Notes for any of these deducted amounts.

In addition, if a Non-U.S. Issuer is unable to comply with the new reporting requirements, which inability is attributable to a holder's non-compliance with the Issuer's requests for certification and identifying information, the Non-U.S. Issuer may, at its option, redeem some or all Notes, including Notes held by compliant holders at the Early Redemption Amount.

Risk Factors relating to the Issuer

The Issuer is a direct, wholly-owned subsidiary of the Guarantor. All Notes are wholly and unconditionally guaranteed by the Guarantor in respect of principal and interest payments. Accordingly, they are affected, in particular, by the same risk factors as those that affect the business and operations of the Guarantor and/or its consolidated subsidiaries..

Therefore, references in this section to DAG and/or its consolidated subsidiaries shall include reference to the Issuer.

Many factors could affect DAG's business, financial condition, cash flows and results of operations. DAG is subject to various risks resulting from changing economic, political, social, industry, business and financial conditions. The principal risks are described below.

Economic Risks

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

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

recessive phase. Another risk could be that after the countries of the euro zone, the financial markets might focus on other highly indebted countries.

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

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

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

The basic economic pattern for Japan is similar. Although the country's economic growth rate was relatively strong in 2010, it was already significantly less dynamic in the second half of the year. The appreciation of the yen was a particularly negative factor. If the yen stays at this high level or continues to climb, the Japanese economy will come under even more pressure. The enormous increase in the

national debt and the high level of unemployment by Japanese standards are sources of additional risk potential that should not be underestimated. A less favorable economic outlook in Japan would not only reduce the DAG's exports to that market, but would also worsen the earnings of DAG's subsidiaries there.

In addition, the threefold disaster in Japan with the earthquake, tsunami and reactor accident mean that there is a high degree of uncertainty in connection with ongoing developments in Japan. In all probability, the Japanese economy will return to recession in the first half of the year. Developments in the second half will depend on how the further consequences of the accident at the Japanese nuclear power plant turn out to be. DAG assumes that demand for cars will decrease significantly in Japan this year. Nonetheless, in DAG's current assessment, growth prospects for the worldwide automotive markets are still intact. In recent weeks, there have been growing numbers of reports of production losses in Japan and in some cases also in other countries due to the natural disaster and the reactor accident. Delays in the reconstruction of the infrastructure in Japan and bottlenecks in the availability of vehicle components could have a major impact on the production of commercial vehicles by DAG's subsidiary Mitsubishi Fuso Truck and Bus Corporation. The possible extent of worldwide production shortfalls and possible consequences for the global automotive markets and DAG in particular cannot yet be finally estimated.

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

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

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

The world economy could be negatively affected by a lasting deterioration in consumer and investor confidence and by sustained deflationary tendencies, but also by inflationary tendencies. Such developments could be triggered not only by financial market problems, but also by geopolitical and

military instability. That also includes the recent events in northern Africa and parts of the Middle East, which certainly have the potential to have implications far beyond the region. In addition to possible effects on raw-material prices, the transfer of political instability to other countries respectively regions would depress not only the regional outlook, but also the outlook for the global economy.

The rise in the price of oil represents a growing risk, which could have a growing negative impact on global demand for automobiles.

Industry and Business Risks

General market risks

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

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

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

Risks relating to the leasing and sales-financing business

DAG's financial services business primarily comprises the provision of financing and leasing for the Group's products. In particular, this business involves the risk that the prices realisable for used vehicles at the end of leasing contracts are below their book values (residual-value risk). Another inherent risk is that some of the receivables due in the financial services business might not be recoverable due to customer default (credit risk). Other risks connected with the leasing and sales-financing business are the possibilities of increased refinancing costs and of potential changes in interest rates. An adjustment of credit conditions for customers in the leasing and sales-financing business due to higher refinancing costs could reduce the new business and contract volume of the Daimler Financial Services division thus also reducing the unit sales of the automotive divisions. DAG counteracts residual-value and credit risks by means of appropriate market analyses and creditworthiness checks. Further information on credit risks of DAG and its consolidated subsidiaries is provided in the notes to the consolidated audited financial statements of DAG incorporated by reference.

Production and technology risks

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

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

Furthermore, deteriorating product quality can lead to higher warranty and goodwill costs for DAG.

Risks related to the legal and political framework

The legal and political framework has a considerable impact on DAG's future business success. Regulations concerning vehicles' emissions, fuel consumption and safety play a particularly important role. Complying with these varied and often diverging regulations all over the world requires strenuous efforts on the part of the automotive industry. DAG expects that it has to significantly increase its research and development spending in order to fulfil those requirements in the future. Many countries have already implemented stricter regulations to reduce vehicles' emissions and fuel consumption, or are about to do so, one example being European regulations on exhaust emissions and fuel consumption. For example, the key elements of the European Union's regulation on carbon dioxide, which was passed by the EU parliament at the end of 2008, call for a significant reduction in new cars' CO₂ emissions already as of 2012, and for phased improvements whereby the average emissions of manufacturers' entire fleets of new cars have to meet new limits by 2015. Non-compliance with those limits will lead to penalty payments for manufacturers. Similar legislation exists or has been proposed for cars in the United States, China, South Korea, Japan and Switzerland. In 2010, most of the new CO₂ legislation for light-duty commercial vehicles was passed in the European Union. The resulting targets constitute a long-term challenge in particular for Mercedes-Benz Vans. Efforts are also being made worldwide to regulate the CO₂ emissions of heavy commercial vehicles. As a result of customers' future purchase decisions, monetary sanctions cannot be completely ruled out in the United States. In addition to emission, consumption and safety regulations, traffic-policy restrictions for the reduction of traffic jams and pollution are becoming increasingly important in the cities and urban areas of the European Union and other regions of the world. Drastic provisions such as general vehicle-registration restrictions, for example in Beijing or Shanghai, can have a dampening effect on the development of unit sales, especially in the growth markets. DAG monitors these developments and attempts to anticipate foreseeable requirements and long-term targets during the phase of product development.

Procurement market risks

Procurement market risks arise for DAG from fluctuations in prices of raw materials. After falls in those prices at the end of 2008 and their subsequent recovery in 2009, they have now reached a very high level once again. This recovery of prices is highly dependent on economic recovery in the various economic

regions of the world. But the outlook for future price developments remains uncertain not least due to the increasing influence of institutional investors. This influence is apparent in the increased demand for raw-material investments and thus explains the high level of price volatility in the raw-material markets. In general, DAG's scope to pass on the increased cost of raw materials and purchased components in the form of price increases for DAG's vehicles is very limited because of intense pressure of competition in the international automobile markets. As a result of the financial market crisis, some of DAG's suppliers' refinancing possibilities have worsened significantly. This has necessitated individual or joint support actions by vehicle manufacturers to safeguard their own production and sales.

Information technology risks and unforeseeable events

Production and business processes could also be disturbed by unforeseeable events, such as natural disasters or terrorist attacks. Consumer confidence would be significantly affected and production could be interrupted by supply problems and intensified security measures at territorial borders. Information technology plays an important role in DAG's business processes. Storing and exchanging data in a timely, complete and correct manner and being able to utilise fully functioning IT applications are highly important for a global company such as DAG. Possible risks, the occurrence of which could result in the interruption of DAG's business processes due to the failure of IT systems or the loss or corruption of data, are therefore identified and evaluated over the entire life cycles of applications and IT systems.

Reputation

The general public is becoming increasingly aware of companies' behaviour in matters of ethics and sustainability. Compliance of corporate actions with applicable law and ethical principles is essential for the DAG and its consolidated subsidiaries. Furthermore, customers and capital markets critically observe how DAG reacts to the technological challenges of the future and the extent to which it succeeds in placing up-to-date and technologically leading products on the market. Dealing securely with sensitive data is also a precondition for conducting business relations with customers and suppliers in a trusting and fair environment.

Specific risks in the area of human resources

DAG's success is highly dependent on the expertise and commitment of its workforce. Competition for highly qualified staff and management is still very intense in the industry and the regions in which DAG operates. DAG's future success also depends on the extent to which it succeeds over the long term in recruiting, integrating and retaining executives, engineers and other specialists.

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

Risks relating to equity holdings and cooperations as well as other business risks

DAG bears in principle a proportionate share of the risks of its associated companies, of the European Aeronautic Defense and Space Company EADS N.V. (EADS) and joint ventures in growth markets for example. In order to make use of additional growth opportunities, particularly in the emerging markets, cooperation with partners in joint ventures and the associated risks are of increasing significance. The Group includes associated companies and joint ventures in the consolidated financial statements using the equity method of accounting; any factors with a negative impact on those companies' earnings have a proportionate negative impact on DAG's net results. Such factors can also mean that impairment losses have to be recognised on the carrying values of the equity interests or the amounts entered on the basis of the equity method. Furthermore, failures or delays in the development of joint ventures could negatively affect DAG's growth targets in important markets. The successful implementation of cooperations with

other companies is also of key importance to realise cost advantages and combat the competitive pressure in the automotive industry.

DAG and its consolidated subsidiaries are also exposed to a number of risks because they have issued guarantees for and hold an equity interest in the system for recording and charging tolls for the use of highways in Germany by commercial vehicles of more than 12 metric tons gross vehicle weight. The operation of the electronic toll-collection system is the responsibility of the operator company, Toll Collect GmbH, in which a consolidated subsidiary of DAG holds a 45% stake and which is included in the consolidated financial statements using the equity method of accounting. In addition to the consolidated subsidiary's membership in the Toll Collect consortium and its equity interest in Toll Collect GmbH, risks also arise from guarantees that DAG and its consolidated subsidiaries issued supporting obligations of Toll Collect GmbH towards the Federal Republic of Germany concerning the completion and operation of the toll system. Claims could be made under these guarantees, if toll revenue is lost for technical reasons or if certain contractually defined parameters are not fulfilled, if claims are made by the Federal Republic of Germany, or if the final operating permit is not granted. Additional information on contingent obligations from guarantees granted and on the electronic toll collection system and the related risks of DAG and its consolidated subsidiaries is provided in the notes to the consolidated audited financial statements of DAG incorporated by reference..

Financial Risks

DAG is exposed to market risks from changes in foreign currency exchange rates, interest rates, commodity prices and equity prices. Market risks may adversely affect DAG's financial position, cash flows and profitability.

Exchange rate risks

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

Interest rate risks

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

Equity price risks

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

Commodity price risks

Associated with DAG's business operations, DAG is exposed to changes in the prices of commodities.

Liquidity risks

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

Risks from changes in credit ratings

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

Risks connected with pension benefit plans

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

Further information on financial market risks of DAG and its consolidated subsidiaries is provided in the notes to the consolidated audited financial statements of DAG incorporated by reference.

Legal Risks

Various legal proceedings and administrative proceedings are pending against DAG and its consolidated subsidiaries or could develop in the future. Most of those proceedings constitute ordinary, routine litigation that is incidental to DAG's business, some of which could also affect DAG's reputation. DAG recognises provisions for litigation risks if the resulting obligations are probable and can be reasonably estimated. It is possible, however, that due to the final resolution of some of those pending lawsuits, DAG's provisions could prove to be insufficient and therefore substantial additional expenditures could arise. This also applies to legal disputes for which DAG has seen no requirement to recognise a provision. Although the final result of any such lawsuit could have a material effect on DAG's earnings in any particular period, DAG believes that any resulting obligations are unlikely to have a sustained

effect on DAG's cash flows, financial position or profitability. Further information on legal proceedings can be found in the notes to the consolidated audited financial statements of DAG incorporated by reference.

Overall Risk

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

DESCRIPTION OF DAIMLER AG

1 INFORMATION ABOUT DAIMLER AG

Daimler AG ("**DAG**") is a stock corporation organised under the laws of the Federal Republic of Germany and registered at the commercial register of the Stuttgart district court under HRB 19360 with its executive offices at Mercedesstraße 137, 70327 Stuttgart, Federal Republic of Germany, telephone +49 (0)711-17-0. The legal name of DAG is Daimler AG. It was incorporated on May 6, 1998 under the name DaimlerChrysler AG. On October 19, 2007, following the transfer of a majority interest in Chrysler, it changed its corporate name from DaimlerChrysler AG into Daimler AG.

2 BUSINESS OVERVIEW

2.1 Organisational structure

DAG is the parent company within the Daimler Group.

2.2 General object of DAG

2.2.1 Pursuant to article 2 of DAG's articles of incorporation (Satzung; the "**Articles of Incorporation**") the general object of DAG is to engage, directly or indirectly, in the business of developing, producing and selling products and providing services, especially in the following lines of business -

2.2.1.1 land vehicles

2.2.1.2 watercraft, aircraft, spacecraft and other products in the fields of road transport, aerospace and marine technology,

2.2.1.3 engines and other propulsion systems,

2.2.1.4 electronic equipment, devices and systems,

2.2.1.5 communication and information technology,

2.2.1.6 financial services of all kinds, insurance brokerage, and

2.2.1.7 management and development of real property.

2.2.1.8 DAG may take all actions and measures which are incidental to the accomplishment of the company's purposes. DAG may set up domestic and foreign branches, offices and subsidiaries and may acquire interests in other companies. DAG may acquire and dispose of other companies, may place them under joint management and conclude intercompany agreements with them, or may limit itself to the management of its interests in such companies. DAG may place all or part of its business operations into subsidiaries, joint ventures or associated companies.

2.2.2 DAG may not engage directly in any financial services transactions or banking transactions or transactions with real property which are subject to licensing requirements.

2.3 **Principal Activities**

2.3.1 DAG is the parent company within the Daimler Group. The Daimler Group (or "**Daimler**"), which includes DAG and its consolidated subsidiaries, is one of the leading vehicle manufacturers, with a wide range of premium automobiles, trucks, vans and buses. The product portfolio is completed by a range of tailored automotive services.

2.3.2 In the year 2010, Daimler posted revenues of €97.8 billion (2009: €78.9 billion; 2008: 98.5 billion). The individual divisions contributed to this total in 2010 as follows: Mercedes-Benz Cars 53% (2009: 51%; 2008: 49%), Daimler Trucks 22% (2009: 21%; 2008: 27%), Mercedes-Benz Vans 8% (2009: 8%), Daimler Buses 5% (2009: 5%) and Daimler Financial Services 12% (2009: 15%; 2008: 9%). In 2008, Vans, Buses, Other accounted for 15% of revenues.

2.3.3 The products supplied by the Mercedes-Benz Cars division range from the high-quality small cars of the smart brand to the premium automobiles of the Mercedes-Benz brand and to the Maybach luxury sedans. The most important markets for Mercedes-Benz Cars in 2010 were Germany with 23% of unit sales (2009: 27%; 2008: 26%), the other markets of Western Europe with 27% of unit sales (2009: 30%; 2008: 31%), the United States with 17% of unit sales (2009: 19%; 2008: 20%) and China with 13% of unit sales (2009: 6%; 2008: 4%).

2.3.4 Daimler Trucks develops and produces vehicles in a global network under the brands Mercedes-Benz, Freightliner, Western Star and Fuso. Its product range includes light, medium and heavy-duty trucks for local and long-distance deliveries and construction sites, as well as special vehicles for municipal applications. The most important sales markets in 2010 were Asia with 34% of unit sales (2009: 33%; 2008: 35%), the NAFTA region with 22% of unit sales (2009: 24%; 2008: 17%), Latin America excluding Mexico with 16% of unit sales (2009: 14%; 2008: 12%) and Western Europe with 16% of unit sales (2009: 17%; 2008: 19%).

2.3.5 The Mercedes-Benz Vans division has production facilities at a total of seven locations in Germany, Spain, the United States, Argentina and Vietnam and, since April 2010, also in China in the context of a 50:50 joint venture, Fujian Daimler Automotive. The division's product range comprises the Vito/Viano, Sprinter and Vario van series in weight classes from 1.9 to 7.5 metric tons. The most important markets for its vans in 2010 were in Europe, with 77% (2009: 84%; 2008: 82%) of unit sales. The Sprinter is sold in the United States and Canada under the Freightliner brand and, since the beginning of 2010, also under the Mercedes-Benz brand.

2.3.6 The Daimler Buses division with its brands Mercedes-Benz, Setra and Orion is one of the leading manufacturers of buses and coaches above eight tons. The product range supplied by Daimler Buses comprises city and intercity buses, coaches and chassis. In 2010, 45% (2009: 50%; 2008: 48%) of the division's revenue was generated in Western Europe, 12% (2009: 16%; 2008: 15%) in the NAFTA markets and 27% (2009: 16%; 2008: 19%) in Latin America (excluding Mexico).

- 2.3.7 The Daimler Financial Services division supports the sales of the Daimler Group's automotive brands in almost 40 countries. Its product portfolio mainly comprises tailored financing and leasing packages for customers and dealers. It also provides services such as insurance, fleet management, investment products and credit cards.
- 2.3.8 Through a subsidiary, DAG holds a 22.5% equity interest in EADS, one of the leading companies in the aerospace and defense industries. In economic terms, DAG owns a 15% stake in EADS because a consortium of national and international investors owns a one-third interest in the subsidiary that holds the EADS shares. Through a subsidiary, DAG also holds a 28.4% equity interest in Tognum AG, one of the leading producers of off-highway engines (see also "**Trend Information**").

3 **Administrative, Management, and Supervisory Bodies, Names, Business Addresses and Functions**

3.1 **The Supervisory Board**

- 3.1.1 The principal function of the supervisory board of DAG (the "**Supervisory Board**") is to supervise the board of management of DAG (the "**Board of Management**"). The Supervisory Board is also responsible for appointing and removing members of the Board of Management. The Supervisory Board may not make management decisions. However, in accordance with the German Stock Corporation Act (Aktiengesetz; the "**Stock Corporation Act**"), DAG's Supervisory Board has determined that several matters which do not belong to the ordinary course of business and which are of fundamental importance require the approval of the Supervisory Board.

- 3.1.2 As at the date of this Supplement, members of the Supervisory Board are:

- [Dr. rer. pol. Manfred Bischoff](#), Chairman of the Supervisory Board of Daimler AG, Former Member of the Board of Management of the company
- [Erich Klemm *](#)), Chairman of the General Works Council, Daimler Group and Daimler AG; Deputy Chairman of the Supervisory Board of Daimler AG
- [Dr. Paul Achleitner](#), Member of the Board of Management of Allianz SE
- [Sari Baldauf](#), Former Executive Vice President and General Manager of the Networks Business Group of Nokia Corporation
- [Dr. Clemens Börsig](#), Chairman of the Supervisory Board of Deutsche Bank AG
- [Prof. Dr. Heinrich Flegel *](#)), Director Research Materials, Lightweight Design and Manufacturing, Daimler AG; Chairman of the Management Representative Committee
- [Dr. rer.nat. Jürgen Hambrecht](#), Chairman of the Board of Executive Directors of BASF SE
- [Petraea Heynike](#), Former Executive Vice President, member of the Executive Board of Nestlé SA, Vevey / Switzerland

- [Jörg Hofmann *](#), District Manager of German Metalworkers' Union Baden-Württemberg (IG Metall)
- [Dr. Thomas Klebe *](#), General Council of German Metalworkers' Union (IG Metall)
- [Gerard Kleisterlee](#), President and CEO of Royal Philips Electronics N.V.
- [Jürgen Langer *](#), Chairman of the Works Council of the Frankfurt/Offenbach Dealership
- [Ansgar Osseforth *](#), Member of the Works Council, Sindelfingen Plant; Manager Mercedes-Benz Research and Development
- [Valter Sanches *](#), Secretary of International Relations of Confederação Nacional dos Metalúrgicos/CUT
- [Stefan Schwaab *](#), Vice Chairman of the General Works Council Daimler AG; Vice Chairman of the Works Council Gaggenau Plant, Daimler AG
- [Jörg Spies *](#), Chairman of the Works Council, Headquarters, Daimler AG
- [Lloyd G. Trotter](#), Former Vice Chairman General Electric, President & CEO of the General Electric Group's Industrial Division, Managing Partner, Founder, GenNx360 Capital Partners
- [Dr. h. c. Bernhard Walter](#), Former Spokesman of the Board of Management of Dresdner Bank AG
- [Uwe Werner *](#), Chairman of the Works Council Bremen Plant, Daimler AG
- [Lynton R. Wilson](#), Chairman of the Board of CAE Inc.; Chancellor, McMaster University

(Employee representatives are marked *)

3.2 *The Board of Management*

3.2.1 The Board of Management, which acts under the principle of collective responsibility, manages the day-to-day-business in accordance with the Stock Corporation Act and DAG's Articles of Incorporation. The Board of Management is authorised to represent DAG and to enter into binding agreements with third parties on its behalf.

3.2.2 Current members of the Board of Management are -

- [Dr. Dieter Zetsche](#), Chairman of the Board of Management Daimler AG / Head of Mercedes-Benz Cars
- [Dr. Wolfgang Bernhard](#), Manufacturing and Procurement Mercedes-Benz Cars & Mercedes-Benz Vans
- [Dr. Christine Hohmann-Dennhardt](#), Integrity and Legal Affairs

- [Wilfried Porth](#), Human Resources & Labor Relations Director
- [Andreas Renschler](#), Daimler Trucks
- [Bodo Uebber](#), Finance & Controlling / Daimler Financial Services
- [Dr. Thomas Weber](#), Group Research & Mercedes-Benz Cars Development

3.2.3 The business address of the members of the Supervisory Board as well as the members of the Board of Management is that of DAG.

3.2.4 Under German law, DAG is not required to appoint a company secretary.

3.3 *Management and Supervisory Bodies Conflict of Interests*

As at the date of this Supplement, the above-mentioned members of the Supervisory Board and the Board of Management do not have potential conflicts of interests between any duties to Daimler and their private interests or their other duties.

4 STATUTORY AUDITORS

4.1 The independent auditors of DAG are, at present, KPMG AG Wirtschaftsprüfungsgesellschaft (“KPMG”), Theodor-Heuss-Straße 5, 70174 Stuttgart, Federal Republic of Germany. KPMG is a member of the German chamber of public accountants (Wirtschaftsprüferkammer), Rauchstraße 26, 10787 Berlin, Federal Republic of Germany.

4.2 KPMG has audited our consolidated financial statements as of and for the years ended December 31, 2010 and December 31, 2009.

5 MAJOR SHAREHOLDERS

DAG's capital stock consists of ordinary shares without par value (*Stückaktien*). The ordinary shares are issued in registered form. Under DAG's memorandum and articles of association (*Satzung*), each ordinary share represents one vote. Major shareholders do not have different voting rights.

5.1 The table below shows, as of 31 December 2010, holders of 5 % or more of DAG's ordinary shares (their percentage ownership) -

Identity of person or group	
Aabar Investments PJSC	9.0 %
Kuwait Investment Authority	6.9%

5.2 DAG has a broad shareholder base. Institutional investors held 61.9 % of the equity and private investors held 19.1 %. Around 65 % of the capital stock was in the hands of European investors and around 15 % was held by US investors.

6 RISK FACTORS

Many factors could affect DAG's financial condition, cash flows and results of operations. DAG is subject to various risks resulting from changing economic, political, social, industry, business and financial conditions, particularly in its primary markets, Europe and North America. The principal risks are described in the Section "*Risk Factors*".

7 TREND INFORMATION

- 7.1 Other than disclosed in the Programme Memorandum and this Supplement (including the unaudited interim consolidated financial statements which are incorporated by reference into the Programme Memorandum and this Supplement), there has been no material adverse change in the prospects of DAG since the date of its last consolidated audited annual financial statements as of December 31, 2010.

8 FINANCIAL INFORMATION CONCERNING DAIMLER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFIT AND LOSSES

8.1 Historical Financial Information

The published audited consolidated annual financial statements, and notes thereto, of Daimler for its three financial years prior to the date of any issue are incorporated by reference into the Programme Memorandum and this Supplement.

8.2 Legal and arbitration proceedings

In the 12 months preceding the date of this Supplement, Daimler has been involved in various legal proceedings which may have significant effects on Daimler's financial position or profitability.

Various legal proceedings, claims and governmental investigations are pending against Daimler on a wide range of topics, including vehicle safety, emissions, fuel economy, financial services, dealer, supplier and other contractual relationships, intellectual property rights, product warranties, environmental matters, and shareholder matters. Some of these proceedings allege defects in various components in several different vehicle models or allege design defects relating to vehicle stability, pedal misapplication, brakes or crashworthiness. Some of these proceedings are filed as class action lawsuits that seek repair or replacement of the vehicles or compensation for their alleged reduction in value, while others seek recovery for damage to property, personal injuries or wrongful death. Adverse decisions in one or more of these proceedings could require Daimler to pay substantial compensatory and punitive damages or undertake service actions, recall campaigns or other costly actions.

In mid-January 2011, the European Commission carried out antitrust investigations of European commercial vehicle manufacturers, including DAG. Daimler is taking the Commission's initial suspicion very serious and is also – parallel to the Commission's investigations – carrying out its own extensive internal investigation to clarify the underlying circumstances. If antitrust infringements are discovered, the European Commission can impose considerable fines depending on the gravity of the infringement. In accordance with IAS 37.92 Daimler does not provide further information on this anti-trust investigation and the associated

risk for Daimler, especially with regard to the measures taken in this context, in order not to impair the outcome of the proceeding.

8.3 On April 1, 2010, Daimler announced a settlement of the previously disclosed US Securities and Exchange Commission ("**SEC**") and US Department of Justice ("**DOJ**") investigations into possible violations by Daimler of the anti-bribery, record-keeping, and internal-controls provisions of the US Foreign Corrupt Practices Act ("**FCPA**"). Pursuant to the settlement reached with the SEC, the SEC filed a civil complaint against DAG in the US District Court for the District of Columbia (the "**Court**"). Without admitting or denying the allegations in the complaint, DAG consented to the entry by the Court of a final judgment. Pursuant to the Court's judgment: (i) DAG disgorged US \$91.4 million in profits, (ii) DAG is enjoined from violating the anti-bribery, record-keeping and internal-controls provisions of the FCPA, and (iii) the Honorable Louis J. Freeh is Daimler AG's post-settlement monitor for a three-year period.

Pursuant to the settlement reached with the DOJ, DAG entered into a deferred-prosecution agreement with a three-year term under which the DOJ filed with the Court a two-count criminal information against DAG charging it with: (i) conspiracy to violate the record-keeping provisions of the FCPA, and (ii) violating the record-keeping provisions of the FCPA. Herewith, DAG agreed to pay a maximum criminal fine of US \$93.6 million, to engage the Honorable Louis J. Freeh as post-settlement monitor for a two-year period, and to continue to implement a compliance and ethics program designed to prevent and detect violations of the FCPA and other applicable anti-corruption laws. In addition, a China-based subsidiary, Daimler North East Asia, Ltd. ("**DNEA**"), entered into a deferred-prosecution agreement with the same term with the DOJ under which the DOJ filed with the Court a two-count criminal information against DNEA.

In addition, a Russia-based subsidiary, Mercedes-Benz Russia S.R.O. ("**MB Russia**"), and a Germany-based subsidiary, Daimler Export and Trade Finance GmbH ("**ETF**"), each entered into plea agreements with the DOJ with a three-year probation period under which they pleaded guilty to: (i) conspiracy to violate the anti-bribery provisions of the FCPA, and (ii) violating the anti-bribery provisions of the FCPA. Under their respective plea agreements, the Court sentenced MB Russia to pay a criminal fine of US \$27.36 million and sentenced ETF to pay a criminal fine of US \$29.12 million. These amounts were deducted from the maximum fine DAG agreed to pay.

As a result of the SEC and DOJ settlements, Daimler paid a total of US \$185 million in fines and civil disgorgement. Daimler previously recognised sufficient provisions to cover these fines. In addition, Daimler has taken personnel and remedial actions to ensure that its conduct going forward complies with the FCPA and similar applicable laws, including establishing a company-wide compliance organization and evaluating and revising Daimler's governance policies and internal-control procedures.

Daimler's failure to comply with the terms and conditions of either the SEC or the DOJ settlement, including the terms of the deferred-prosecution agreements, could result in resumed prosecution and other regulatory sanctions.

Daimler has also had communications with and provided documents to the offices of German public prosecutor regarding the matters that have been under investigation by the DOJ and SEC

On August 17, 2009, the Official Committee of Unsecured Creditors of OldCarCo LLC (the "**Committee**") (formerly Chrysler LLC) filed a lawsuit with the United States Bankruptcy Court, Southern District of New York, against DAG, Daimler North America Corporation and others. The Committee has been substituted by the liquidation trust (the "**Liquidation Trust**"), which claims unspecified damages based on theories of constructive fraudulent transfer and other legal theories, alleging that the consideration received in certain transactions effected in connection with the investment by Cerberus in Chrysler LLC was not fair consideration. Daimler has submitted miscellaneous legal defense arguments and considers these claims and allegations of the Liquidation Trust to be without merit and will defend itself vigorously.

The Federal Republic of Germany initiated arbitration proceedings against Daimler Financial Services AG, Deutsche Telekom AG and Toll Collect GbR and submitted its statement of claims in August 2005. It seeks damages, contractual penalties and the transfer of intellectual property rights to Toll Collect GmbH. In particular, the Federal Republic of Germany is claiming

- lost revenue of €3.33 billion for the period September 1, 2003 through December 31, 2004 plus interest at 5 % per annum over the respective base rate since submission of claims (amount as of November 21, 2010 at €1.4 billion); and
- contractual penalties of approximately €1.65 billion through July 31, 2005 plus interest at 5 % per annum over the respective base rate since submission of claims (amount as of November 21, 2010 at €282 million);
- plus refinancing costs of €115 million.

Since, among other things, some of the contractual penalties are dependent on time and further claims for contractual penalties have been asserted by the Federal Republic of Germany, the amount claimed as contractual penalties may increase.

Defendants submitted their response to the statement of claims on June 30, 2006. The Federal Republic of Germany delivered its reply to the arbitrators on February 15, 2007, and the defendants delivered their rebuttal on October 1, 2007 (see also note 29 (entitled "**Guarantees and other financial commitments**") of the "*notes to the audited consolidated financial statements*" of DAG which are incorporated by reference into this Supplement). The arbitrators held the first hearing on June 16 and 17, 2008. Additional briefs from the claimant and the defendants were filed since then. A hearing of witnesses and experts took place between December 6 and 14, 2010. Further written statements have been submitted by the parties on May 20, 2011. Daimler believes the claims are without merit and will continue to defend itself vigorously.

Litigation is subject to many uncertainties and Daimler cannot predict the outcome of individual matters with assurance. Daimler establishes provisions in connection with pending or threatened litigation if a loss is probable and can be reasonably estimated. Since these provisions, which are reflected in the Group's consolidated financial statements, represent estimates, it is reasonably possible that the resolution of some of these matters could require Daimler to make payments in excess of the amounts accrued in an amount or range of amounts that could not be reasonably estimated at December 31, 2010. It is also reasonably possible that the resolution of some of the matters for which provisions could not be made may require the Group to make payments in an amount or range of amounts that could not be reasonably

estimated at December 31, 2010. Although the final resolution of any such matters could have a material effect on Daimler's operating results and cash flows for a particular reporting period, Daimler believes that it should not materially affect the Daimler's financial position

9 MATERIAL CONTRACTS

- 9.1 In May 2007, DaimlerChrysler AG, DaimlerChrysler North America Finance Corporation, DaimlerChrysler Holding Corporation and a subsidiary of the private-equity firm Cerberus Capital Management L.P. ("**Cerberus**") entered into a contribution agreement pursuant to which a majority interest in the Chrysler Group and the related Chrysler financial services business in the NAFTA region (the "**Chrysler Activities**") was acquired by a subsidiary of Cerberus. The agreement provided for Cerberus to make a capital contribution of €5.2 billion (US \$7.2 billion) in return for an 80.1 % equity interest in Chrysler Holding LLC, a newly established holding company for the Chrysler Activities. DAG retained a 19.9 % non-controlling equity interest in Chrysler Holding LLC. The transaction closed on August 3, 2007.
- 9.2 In connection with the Cerberus transaction, DAG's subsidiary DaimlerChrysler North America Finance Corporation agreed pursuant to the Second Lien Term Loan Agreement, dated as of August 3, 2007, among Carco Intermediate Holdco II, LLC, Chrysler LLC, the several banks and other financial institutions or entities from time to time party thereto, JP Morgan Chase Bank, N.A., as administrative agent and the other agents party thereto, to provide a second lien loan of up to US \$1.5 billion. This loan was drawn in 2008.
- 9.3 In June 2009, based on a binding term sheet signed in April 2009, DAG entered into a redemption agreement regarding its remaining 19.9 % non-controlling equity interest in Chrysler Holding LLC. As a result of the redemption, Daimler no longer holds any equity interest in Chrysler Holding LLC or its subsidiaries and all its representatives resigned from the boards of Chrysler Holding LLC and its subsidiaries. The binding term sheet also provided for a settlement agreement, which was signed later in June 2009, covering among others things the forgiveness of the Group's receivables, including accrued interest, in connection with a subordinated loan and the above-mentioned second lien loan and the release of certain claims previously made by Cerberus against Daimler. In addition, pursuant to the settlement agreement, Daimler's US \$1 billion guarantee of Chrysler pension plans, provided to the U.S. Pension Benefit Guaranty Corporation in 2007 in connection with the Cerberus transaction, was cancelled, and Daimler paid US \$200 million into the Chrysler pension plans in June 2009, agreed to make further payments of US \$200 million in each of 2010 and 2011 and provided a replacement guarantee of US \$200 million which will remain in place until August 2012. The nominal amounts of the forgiven receivables, which were fully impaired at December 31, 2008, were US \$0.4 billion and US \$1.5 billion, respectively. However, the forgiveness of the US \$1.5 billion second lien loan by Daimler was subject to the condition that the official committee of unsecured creditors of Chrysler, formed as part of Chrysler's bankruptcy proceedings, would not commence litigation against Daimler. In the third quarter of 2009, the committee filed a complaint with the bankruptcy court which is primarily related to transactions undertaken in connection with the acquisition by Cerberus of its majority interest in Chrysler in 2007. As a consequence, the forgiveness of the US \$1.5 billion second lien loan did not become effective.
- 9.4 In March 2009, DAG, Aabar Investments PJSC ("**Aabar**") of Abu Dhabi and Semare Beteiligungsverwaltungs GmbH, an indirect wholly-owned subsidiary of Aabar, entered into an

Investment Agreement pursuant to which Semare agreed to subscribe to 96,408,000 newly issued ordinary shares, no par value, of DAG at an issue price of €20.27 per share or €1,954,190,160 in the aggregate. Following the closing of the transaction on March 24, 2009, Aabar reported that it and some of its affiliates beneficially held 9.4 % of the outstanding ordinary shares of DAG.

- 9.5 Concurrently with Aabar's investment in DAG, DAG and International Petroleum Investment Company ("**IPIC**"), an entity owned by the government of the Emirate of Abu Dhabi which in turn controls the majority of the board of directors of Aabar, identified areas of future strategic cooperation, including projects relating to electric automobiles with a particular focus on projects aiming at the reduction of CO₂ emissions, projects with respect to the development and/or production of innovative compound materials to be used in automobiles, and possible joint investment proposals relating to each. In addition, IPIC and Abu Dhabi acknowledged the special importance of DAG's willingness to support corporate and social responsibility projects in Abu Dhabi.
- 9.6 In April 2010, DAG, Renault S.A., Nissan Motor Co. Ltd. and Renault-Nissan B.V., a joint venture company of Renault S.A. and Nissan Motor Co. Ltd., entered into a master cooperation agreement (the "**Master Cooperation Agreement**"). This Agreement provides for a strategic cooperation comprising, inter alia, joint projects relating to the development and manufacturing of small two- and four-seat passenger vehicles, the joint development and production of fuel-efficient diesel and gasoline engines, the sharing of existing diesel and gasoline engines, and a collaboration in the light commercial vehicle sector. In addition, the parties agreed to explore a possible expansion of their strategic cooperation into other areas of the automotive sector. Pursuant to the Master Cooperation Agreement, the parties have further established cross-shareholdings among them which are intended to underscore and promote the strategic cooperation. In that regard, DAG received approximately 3.1 % of the equity of each of Renault S.A. and Nissan Motor Co. Ltd. and, in return, Renault S.A. received approximately 3.1 % of the equity of DAG plus a cash payment in the amount of €90,102,604. The cash payment represents a compensation for the difference in market value between the Renault S.A. and Nissan Motor Co. Ltd. shares received by Daimler and the DAG shares received by Renault S.A. Renault S.A. transferred a portion of the DAG shares it received to Nissan Motor Co. Ltd., resulting in a holding of approximately 1.55 % in the equity of DAG for each of them. Pursuant to the Master Cooperation Agreement, DAG must not, for a period of five years, sell or transfer the Nissan and Renault shares, subject to certain exemptions. Each of Renault S.A. and Nissan Motor Co. Ltd. have entered into identical commitments with respect to the DAG shares received pursuant to the Master Cooperation Agreement. Each party also agreed not to enter into a cooperation agreement with a competitor in the automotive sector (other than with respect to the trucks, buses or financial services segments if the cooperation only has a regional focus) for a period of five years if such cooperation has a scope similar to the strategic cooperation between the parties and if the conclusion of such an agreement is accompanied by the transfer or issuance of more than 10 % of the respective party's voting rights to that competitor.
- 9.7 On March 9, 2011, DAG and Rolls-Royce Group plc ("**Rolls-Royce**") announced their intention to launch a public tender offer for 100% of the share capital of Tognum AG ("**Tognum**"). Tognum is a supplier of engines, propulsion systems and components for marine, energy, defense, and other industrial applications. On April 6, 2011, DAG and Rolls-Royce offered Tognum shareholders €24 per share in cash, representing a total consideration of

approximately €3.2 billion. DAG already holds a 28.4% stake in Tognum, which are tendered into the takeover offer at the offer price. The public tender offer has been carried out by Engine Holding GmbH, Stuttgart, a 50:50 joint venture company formed by DAG and a subsidiary of Rolls-Royce. Rolls-Royce will contribute its medium speed reciprocating engine business, which trades under the Bergen brand name, to this new joint venture company.

DESCRIPTION OF MERCEDES-BENZ SOUTH AFRICA (PROPRIETARY) LIMITED

1 PERSONS RESPONSIBLE

1.1 Mercedes-Benz South Africa (Proprietary) Limited ("**MBSA**") accepts full responsibility for the information contained in this section "*Description of Mercedes-Benz South Africa (Proprietary) Limited*". MBSA declares that, having taken all reasonable care to ensure that such is the case, the information contained in this description is to the best of its knowledge in accordance with the facts and contains no omission likely to affect its import.

2 RISK FACTORS

2.1 The operations of MBSA involve certain risks typically associated with the business MBSA engages in. A description of such risks is set out in the section "*Risk Factors*". MBSA is a direct, wholly-owned subsidiary and an integral part of Daimler AG ("**DAG**"). Consequently, the risks associated with MBSA are similar to the risks associated with DAG.

3 HISTORY AND DEVELOPMENT OF THE ISSUER

3.1 Legal and Commercial name

MBSA was originally incorporated under the laws of South Africa as United Car and Diesel Distributors (Proprietary) Limited. On 1 February 1977, MBSA was renamed UCDD (Proprietary) Limited. On 5 April 1984, MBSA changed its name to Mercedes-Benz of South Africa (Proprietary) Limited and on 19 March 1999, MBSA was renamed DaimlerChrysler South Africa (Proprietary) Limited.

Following the transfer of a majority interest in Chrysler LLC, Daimler AG changed its name from DaimlerChrysler AG to Daimler AG. Consequently, DaimlerChrysler South Africa (Proprietary) Limited was renamed Mercedes-Benz South Africa (Proprietary) Limited on 28 November 2007.

3.2 Place of Registration and Registration number

The address of MBSA's registered office and principal place of business is R576/M10 West, Zwartkop, Pretoria, 0002 and the telephone number is +27 12 677 1500.
The registration number of MBSA is 1962/000271/07.

3.3 Date of incorporation

MBSA was originally incorporated on 31 January 1962.

3.4 Solvency

There are no events to the date of this Supplement which are material to the extent that they impact on MBSA's solvency.

4 BUSINESS OVERVIEW

The principal purpose of MBSA is to carry on the business of the manufacturing, distribution and sale of motor vehicles of all kinds and components, spare parts and accessories therefor and to provide financial services and fleet management. MBSA represents one of the largest German investors in South Africa and plays an important role amongst the worldwide network of manufacturing plants within the Daimler Group. Currently MBSA manufactures Mercedes-Benz passenger cars (C-Class sedan) and assembles Mercedes-Benz trucks and buses, as well as FUSO and Freightliner trucks. MBSA sells a wide range of Mercedes-Benz passenger cars, commercial vehicles and buses, Freightliner, FUSO and Western Star trucks, Mercedes-Benz Financial Services South Africa (Proprietary) Limited ("**MBFS**"), a wholly owned subsidiary of MBSA, provides financial services supporting the sale of Daimler Group products. debis Fleet Management (Proprietary) Limited, a 65% subsidiary of MBFS, provides full maintenance and leasing solutions to the South African market. MBSA holds the following market share in the local passenger car and commercial vehicle market:

	31 December 2010	31 December 2009	31 December 2008
	Percent (%)		
Passenger Vehicles	9.1	9.8	8.9
Light Commercial Vehicles	1.8	2.7	4.2
Medium and Heavy Commercial Vehicles	28.1	27.5	26.4

5 ORGANISATIONAL STRUCTURE

5.1 Ownership description and Major Shareholders

MBSA is a wholly owned subsidiary of DAG.

5.2 Dependency

MBSA is dependent upon DAG in that DAG issues a guarantee for any issue of notes for which MBSA acts as Issuer under the Programme.

6 TREND INFORMATION

Since 31 December 2010 until the date of this Supplement, there have been no events subsequent to the Balance Sheet date that the directors believe would have a major impact on the financial statements of MBSA.

7 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

7.1 Directors

Current members of the board of directors of MBSA (the "**Board of Directors**") are:

- J E Schrempp, Chairman of the Board of Directors;

- C A Carolus; and
- N Moola.

7.2 **Management Board**

Current members of the board of management of MBSA (the “**Board of Management**”) are:

Executive Directors

- Dr Martin Zimmermann, Chief Executive Officer;
- J F Evertse;
- B E Schwendtke; and
- N Mangcu.

Non-executive Directors

- Dr W Bernhard;
- RA Howard;
- F Lindenberg; and
- M Luehrs.

Company Secretary

R Soobramoney, whose office is situated at R576/M10 West, Zwartkop, Pretoria, 0002.

7.3 **Conflicts of Interest**

As at the date of this Supplement, the abovementioned members of the Board of Directors do not have potential conflicts of interest between any duties to MBSA and their private interests or any other duties.

8 **MATERIAL CONTRACTS**

There are no material contracts that are not entered into in the ordinary course of MBSA’s business, which could result in any group member being under an obligation or entitlement that is material to MBSA’s ability to meet its obligation to Noteholders in respect of the Notes being issued.

SELLING RESTRICTION

1 Republic of South Africa

The Issuer and each Dealer have represented and agreed that they will not solicit any offers for subscription for the Notes in contravention of any applicable law and/or any regulation of the Republic of South Africa.

2 United States of America

The Notes and Guarantee have not been and will not be registered under the United States Securities Act, 1933, as amended, (the "**Securities Act**") and may not be offered or sold within the United States of America (the "**United States**") or to, or for the account of or benefit of, US persons except in certain transactions exempt from the registration requirements of the Securities Act.

Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Issuer and each Dealer agrees that it will not solicit offers for the subscription for, or deliver, any Notes within the United States or to, or for the account or benefit of, US persons, except in certain transactions exempt from the registration requirements of the Securities Act.

3 United Kingdom

Each Dealer appointed for an issue of Notes will be required to represent, warrant and agree (and each other Purchaser will be required to represent and agree) that:

- (a) *Notes with maturities of less than one year*: in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;
- (b) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

4 European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted

and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of the Notes which are the subject of the offering contemplated by the Programme Memorandum, supplemented hereby as completed by the Applicable Pricing Supplement in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including that Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) *Approved prospectus*: if the Applicable Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Applicable Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Applicable Pricing Supplement, as applicable;
- (b) *Authorised institutions*: at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) *Significant enterprises*: at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than € 43,000,000 and (3) an annual net turnover of more than € 50,000,000, all as shown in its last annual or consolidated accounts;
- (d) *Fewer than 100 offerees*: at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (e) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive or pursuant to any applicable national law of any Relevant Member State,

provided that no such offer of the Notes referred to in (b) to (e) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

5 **General**

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will not, directly or indirectly, purchase, offer, sell or deliver any Notes or distribute or publish any offering circular, information memorandum, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except

under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all purchases, offers, sales and deliveries of Notes by it will be made on the same terms.

Without prejudice to the generality of the above paragraph, each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will obtain any consent, approval or permission which is, to the best of its knowledge and belief, required for the offer, purchase, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such offers, purchases, sales or deliveries and it will, to the best of its knowledge and belief, comply with all such laws and regulations.

With regard to each Tranche, the relevant Dealer(s) will be required to comply with such other additional restrictions as shall be set out in the Applicable Pricing Supplement.

SOUTH AFRICAN TAXATION

The information contained below is intended to be a general guide to the relevant tax laws of South Africa as at the date of this Supplement and is not intended as comprehensive advice and does not purport to describe all of the considerations that may be relevant to a prospective purchaser of Notes. Prospective purchasers of Notes should consult their own professional advisers in regard to the purchase of Notes and the tax implications thereof. Accordingly, the Issuer makes no representation and gives no warranty or undertaking, express or implied, and accepts no responsibility for the accuracy or completeness of the information contained in this paragraph. The information contained below sets out guidelines on the current position regarding South African taxation for taxpayers who hold the Notes as capital assets. Traders in these Notes should consult their own advisers.

Words used in this section entitled "South African Taxation" shall bear the same meanings as used in the Terms and Conditions and this Supplement, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

For purposes of this section, a "Resident" means a person who or which is a "resident" as defined in section 1 of the Income Tax Act, 1962, as amended (the "Income Tax Act") and "Taxes" means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by, or on behalf of South Africa, whether in terms of the Income Tax Act or in terms of any other legislation.

1 Securities Transfer Tax

In terms of the Securities Transfer Tax Act, 2007, no securities transfer tax is payable on the issue or on the transfer of the Notes on the basis that the Notes will not comprise a "security" as defined in section 1 of the Securities Transfer Tax Act, 2007.

2 Income Tax

In South Africa, tax is imposed on Residents in respect of their worldwide income, irrespective of where the income is earned. Non-Residents are taxed in South Africa on income from a South African source and on capital gains from the disposal of immovable property situated in South Africa or assets attributable to permanent establishments in South Africa.

2.1 Residence

In the case of a natural person, South African tax residence is determined by being ordinarily resident in South Africa or meeting the physical presence test. A natural person who was not at any time during the year of assessment in question ordinarily resident in South Africa (in other words, did not regard South Africa as his/her permanent home or fixed place of residence) may nonetheless, in the absence of a double taxation agreement between South Africa and the foreign jurisdiction in question, be a Resident for tax purposes if his/her physical presence in South Africa meets the physical presence test. If such person was physically present in South Africa for more than 91 days in the current tax year and in each of the preceding 5 tax years, and for a period exceeding 915 days in aggregate during the 5 preceding tax years, he/she is deemed to be a resident, from the first day of the tax year in which all the requirements are met.

A person (other than a natural person) is a Resident if it is incorporated, established or formed in South Africa or has its place of effective management in South Africa.

The amount of interest to be included in income, the position of non-residents and the capital

gains tax consequences are considered below.

2.2 Interest

Any interest in respect of the Notes is deemed to be from a South African source.

Any interest in respect of the Notes will be liable to South African income tax, subject to exemptions that may apply to non-residents (see below).

2.3 Treatment of discount or premium on original issue of Notes

Any discount or premium to the nominal value at which a Note is issued or acquired is treated as part of the interest on the Note for tax purposes. The Noteholder will be deemed to have accrued such interest, on a day-to-day basis until the Noteholder disposes of the Note or until maturity of the Note, whichever occurs first. The day-to-day basis is determined by calculating the yield to maturity and applying it to the capital balance involved for the relevant tax period, unless an election has been made to treat the Note on another basis.

2.4 Gains and losses on redemption or transfer of the Notes

If the Note is transferred or redeemed prior to the Note reaching its maturity date, any adjusted gain or loss arising on transfer or redemption will be included in, or deducted from, the income of a Noteholder who holds the Note for trading purposes. However, a Noteholder who holds the Note as a fixed or capital investment will not have the adjusted gain or loss included in his or her income for tax purposes, but will rather be taxed in terms of the capital gains tax rules (see below).

2.5 Exemption for certain non-Residents

In terms of current South African legislation, any person who is not a Resident will generally be exempt from any taxes on any interest income received or accrued in respect of the Notes unless that person:

- has during the relevant year of assessment carried on business in South Africa through a permanent establishment; or
- is a natural person who was physically present in South Africa for a period or periods exceeding 183 days in aggregate during the year of assessment in question.

New legislation dealing, *inter alia*, with the tax treatment of non-resident Noteholders is currently being reviewed. In terms of the proposed new legislation, insofar as the Notes are listed on a local exchange, non-resident Noteholders will qualify for an interest exemption. Where applicable, relief may be provided in terms of a double tax treaty.

3 **Capital Gains Tax**

Any subsequent disposal of the Notes by a Noteholder who is resident in South Africa prior to their redemption may be subject to Capital Gains Tax, where applicable.

Capital gains are taxable at normal tax rates, but in the case of a natural person only 25% of the gain is taxable, and in the case of companies and trusts, 50% of the capital gain is taxable.

Noteholders who are not tax resident in South Africa will generally not be subject to capital gains tax (if any) on the disposal of Notes unless the Notes are assets of a trading permanent establishment of such non-resident located in South Africa.

4 **Withholding Tax**

Under current taxation law in South Africa, all payments made under the notes to resident and non-resident Noteholders will be made free of withholding or deduction for or on account of any taxes, duties, assessments or governmental charges. From 1 January 2013, withholding tax on interest in respect of certain debt instruments (which could include any Notes issued from the Programme) may be applicable to certain persons, who are regarded as non-resident for tax purposes in South Africa. Certain exemptions may or may not be applicable in this regard.

SOUTH AFRICAN EXCHANGE CONTROL

The information below is not intended as advice and it does not purport to describe all of the considerations that may be relevant to a prospective purchaser of, or subscriber for, Notes. Prospective subscribers for Notes that are non-South African residents or emigrants from the Common Monetary Area are urged to seek further professional advice in regard to the purchase of, or subscription, for Notes.

Words used in this section entitled “South African Exchange Control” shall bear the same meanings as used in the Terms and Conditions and this Supplement, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Emigrant Blocked Rand

Emigrant Blocked Rands may be used for the subscription for or purchase of Notes. Any amounts payable by the Issuer in respect of the Notes subscribed for or purchased with Emigrant Blocked Rands may not, in terms of the Exchange Control Regulations, be remitted out of South Africa or paid into any non-South African bank account. The Authorised Dealer under whose physical control an Emigrant's blocked South African assets are held, may allow the remittance to such a person of current income earned in the Republic from the date of redesignation as an emigrant under certain circumstances.

Emigrants from the Common Monetary Area

In terms of the Exchange Control Regulations, Emigrants from the Common Monetary Area may not invest in the Notes unless prior specific approval is sought and obtained from the South African Reserve Bank via the Authorised Dealer concerned.

Provided that the Exchange Control approval, mentioned above, has been obtained, the following shall apply:

- (a) In the event that a Beneficial Interest in Notes is held by an Emigrant from the Common Monetary Area through the Central Depository and its relevant Settlement Agents, the securities account of such Emigrant will be designated as an “*emigrant*” blocked account.
- (b) Any Individual Certificates issued to Noteholders in respect of Notes in materialised form will be restrictively endorsed “non-resident”. Such restrictively endorsed Individual Certificates shall be deposited with the Authorised Dealer controlling such Emigrant’s blocked assets.
- (c) Any payments of principal due to an Emigrant Noteholder in respect of Notes will be deposited into such Emigrant’s Blocked Rand account with the Authorised Dealer controlling such Emigrant blocked assets. These amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Exchange Control Regulations.
- (d) Any payments of interest due to an Emigrant Noteholder in respect of Notes will be deposited into such Emigrant’s Non-resident Rand account with the Authorised Dealer controlling such Emigrant blocked assets. Such amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Exchange Control Regulations.

Non-residents of the Common Monetary Area

In terms of the Exchange Control Regulations, Non-residents of the Common Monetary Area may not invest in the Notes unless prior specific approval is sought and obtained from the South African Reserve Bank via the Authorised Dealer concerned.

Provided that the exchange control approval, mentioned above, has been obtained, the following shall apply:

- (a) Any Individual Certificates issued to Noteholders who are not resident in the Common Monetary Area will be endorsed “non-resident”.
- (b) In the event that a Beneficial Interest in Notes is held by a Non-resident of the Common Monetary Area through the Central Depository and its relevant Settlement Agents, the securities account of such Noteholder will be designated as a “non-resident” account.

It will be incumbent on any such Non-resident to instruct the Non-resident’s nominated Authorised Dealer as to how any funds due to such Non-resident in respect of Notes are to be dealt with. Such funds may, in terms of the Exchange Control Regulations, be remitted abroad only if the relevant Notes are acquired with foreign currency introduced into South Africa or with Rand from a Non-resident account and provided that the relevant Individual Certificates or securities account, as the case may be, is designated “non-resident”.

For the purposes of these paragraphs:

"Authorised Dealer" means, in relation to any transaction in respect of foreign exchange, a person authorised by the Treasury to deal in foreign exchange.

"Common Monetary Area" means South Africa, Lesotho, Namibia and Swaziland.

"Emigrant" means a South African resident who is leaving or has left the Republic to take up permanent residence in any country outside the Common Monetary Area.

"Emigrant Blocked Account" means the account of an emigrant from the Common Monetary Area. to which exchange control restrictions have been applied.

"Emigrant Blocked Rand" means funds which may not be remitted out of South Africa. These funds are held in an Emigrant Blocked Account and controlled by an Authorised Dealer in terms of the Exchange Control Regulations.

"Non-Resident" means a person (i.e. a natural person or legal entity) whose normal place of residence, domicile or registration is outside the Common Monetary Area.

GENERAL INFORMATION

Words used in this section entitled “General Information” shall bear the same meanings as used in the Terms and Conditions and this Supplement, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Listing

This Supplement has been approved by the JSE. Notes to be issued under the Programme will be listed on the JSE or such other or further exchanges as may be agreed between the Issuer and the Relevant Dealer(s). Unlisted Notes may be issued under the Programme.

Clearing Systems

The Notes have been accepted for clearance through the CSD, which forms part of the JSE clearing system that is managed by Strate Limited and may be accepted for clearance through any additional clearing system as may be agreed between the JSE, the Issuer and the Relevant Dealer(s).

Authorisation

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of South Africa have been given for the establishment of the Programme and the issue of Notes and for the Issuer and the Guarantor to undertake and perform its obligations under the Programme Agreement and the Notes.

Documents Available

So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available for inspection during normal office hours at the registered office of the Issuer as set out at the end of this Supplement:

- (a) the Agency Agreement dated 30 June 2008 between the Issuer, the Paying Agent and the Issuing Agent;
- (b) all amendments and further supplements to the Programme Memorandum prepared by the Issuer from time to time in accordance with the terms of the Programme Agreement;
- (c) in respect of any issue of Notes under the Programme, the consolidated audited annual financial statements, and notes thereto, of the Issuer and the Guarantor for its three financial years prior to the date of such issue;
- (d) the Guarantee executed by the Guarantor in favour of the Noteholders; and
- (e) the Applicable Pricing Supplement relating to any Tranche of Notes issued under the Programme.

Settlement Agents

As at the date of this Supplement, the JSE-recognised Settlement Agents are ABSA Bank Limited, FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited and the South African Reserve Bank. Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, société anonyme, (Clearstream Luxembourg) (“**Clearstream**”) may settle offshore transfers in the Notes through their appointed Settlement Agents.

Settlement, Transfer and Clearing

Notes will be issued, cleared and transferred in accordance with the procedures and rules set out by the JSE and the CSD. Notes will be settled through JSE-recognised Settlement Agents who will comply with the electronic settlement procedures. The CSD's Nominee will be the registered holder of a Global Certificate and will maintain securities accounts for the Participants who, in turn, will maintain securities accounts for investors in the Notes.

The Participants will be responsible for the settlement of scrip and payment transfers through the CSD and the South African Reserve Bank. Individual Certificates will only be issued to Noteholders in terms of the procedures set out in Condition 15 (*Certificates*). Transfer of Notes shall be undertaken in accordance with the rules of the CSD as well as the Terms and Conditions, save for the transfer of Individual Certificates which shall take place in accordance with the procedures set out in Condition 17 (*Transfer of Notes*). The CSD, its nominee, and any individual Noteholder of Individual Certificate(s) shall be the registered holders of Notes.

The Participants and the Transfer Agent shall not be required to recognise any notice of any trust nor recognise the right of any other person other than the beneficial holder of Notes.

No transfer of Notes will be made in the Register unless the prescribed transfer form and the Individual Certificate (if any) has been properly lodged with the Transfer Agent.

Material Change

Save as disclosed in the Programme Memorandum and this Supplement, there has been no material change in the financial or trading position of the Issuer or the Guarantor since the date of the Issuer and Guarantor's latest audited financial statements.

Litigation

Save as disclosed herein, neither the Issuer nor the Guarantor has been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had a significant effect on the financial position of the Issuer, the Guarantor or its respective consolidated subsidiaries.

Auditors

KPMG Incorporated, Registered Accountants and Auditors, Chartered Accounts (SA) have acted as the auditors of the financial statements of the Issuer for the financial years ended 31 December 2008, 2009 and 2010 and, in respect of those years, issued an unqualified audit report.

DOCUMENTS INCORPORATED BY REFERENCE
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Words used in this section entitled “Documents Incorporated By Reference” shall bear the same meanings as used in the Terms and Conditions and this Supplement, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The following documents shall be deemed to be incorporated in, and to form part of, the Programme Memorandum and this Supplement:

- (a) the Agency Agreement dated 30 June 2008 between the Issuer, the Guarantor, the Paying Agent and the Issuing Agent;
- (b) all amendments and supplements to the Programme Memorandum prepared by the Issuer from time to time in accordance with the terms of the Programme Agreement;
- (c) the Guarantee executed by the Guarantor in favour of the Noteholders;
- (d) in respect of any issue of Notes under the Programme, the audited financial statements, and notes thereto, of the Issuer for its three financial years prior to the date of such issue;
- (e) in respect of any issue of Notes under the Programme, the consolidated audited annual financial statements, and notes thereto, of the Guarantor for its three financial years prior to the date of such issue;
- (f) all information pertaining to the Issuer which is relevant to the Programme, and/or the Programme Memorandum which is electronically submitted by the Stock Exchange News Service (“SENS”) established by the JSE Limited, to SENS subscribers, if required; and
- (g) the Applicable Pricing Supplement relating to any Tranche of Notes issued under the Programme,

save that any statement contained in the Programme Memorandum, this Supplement or in any of the documents incorporated by reference in and forming part of the Programme Memorandum and this Supplement shall be deemed to be modified or superseded for the purpose of this Supplement to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

The Issuer will provide at the registered office of the Issuer as set out at the end of the Programme Memorandum and this Supplement, without charge, to any person, upon request of such person, a copy of any or all of the documents which are incorporated herein by reference, unless such documents have been modified or superseded. The Programme Memorandum, this Supplement and any Applicable Pricing Supplement will be available on the JSE Limited's website, www.jse.co.za, and the Issuer's website, www.mercedes-benzsa.co.za. The consolidated audited annual financial statements and unaudited interim financial statements of the Guarantor will also be available at the following website, www.daimler.com.

The Issuer has undertaken, in connection with the listing of the Notes on the JSE Interest Rate Market or on such other exchange or further exchange or exchanges as may be selected by the Issuer, that for so long as any Note remains outstanding and listed on such exchange or exchanges, in the event of an adverse change in the condition (financial or otherwise) of the Issuer which is material in the context of the Notes issued by it under the Programme or any event occurs subsequent to the date of this Supplement which affects any matter contained in the Programme Memorandum or this Supplement the inclusion of which would (in the reasonable opinion of the Debt Sponsor and the Dealers) be material and be reasonably required by the Noteholders, the Issuer will prepare or procure the

preparation of an amendment or a further supplement to the Programme Memorandum or, as the case may be, publish a new Programme Memorandum.

SIGNED at _____ this _____ day of _____ 2011.

For and on behalf of

MERCEDES-BENZ SOUTH AFRICA (PROPRIETARY) LIMITED

Name:

Capacity:

Name:

Capacity:

ISSUER

Mercedes-Benz South Africa (Proprietary) Limited

(Registration Number 1962/000271/07)

Wierda Road

Zwartkop

Pretoria, 0157

South Africa

Contact: Mr Bernd Schwendtke

GUARANTOR

Daimler AG

(Registration Number HRB 19360)

Registered Office:

Mercedesstrasse 137

D-70546 Stuttgart

Federal Republic of Germany

Contact: Mr Peter Zirwes, FI / C

PAYING AGENT

Absa Capital, a division of Absa Bank Limited

(Registration Number 1986/004794/06)

1st Floor

15 Alice Lane

Sandton, 2196

South Africa

Contact: Ms Merlene Pillay

ISSUING AGENT

Computershare Investor Services (Proprietary) Limited

(Registration Number 2004/003647/07)

70 Marshall Street

Johannesburg, 2001

South Africa

Contact: Ms Janine Johnson

ARRANGER, DEBT SPONSOR

Deutsche Bank AG, Johannesburg Branch

(Registration Number 1998/003298/10)

3 Exchange Square

87 Maude Street

Sandton, 2196

South Africa

Contact: Mr Lelo Rantloane

LEGAL ADVISERS TO THE ISSUER, DEBT SPONSOR, ARRANGER AND DEALERS

Cliffe Dekker Hofmeyr Incorporated

(Registration Number 2008/018923/21)

1 Protea Place

Sandton, 2196

South Africa

Contact: Mr Deon Govender/ Ms Nathisha Maharaj

AUDITORS TO THE ISSUER

KPMG Incorporated

(Registration Number 1999/21543/21)

85 Empire Road

Parktown, 2193

South Africa

Contact: Mr John Martin/ Ms Elsa Dematos