

(Translation)

Conformed Copy

SECURITIES REPORT

(Report pursuant to Article 24, Paragraph 1
of the Securities and Exchange Law)

Financial Year (2006)

From: January 1, 2006
To: December 31, 2006

DaimlerChrysler AG
(0279)

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(Report pursuant to Article 24, Paragraph 1
of the Securities and Exchange Law)

Financial Year (2006)
From: January 1, 2006
To: December 31, 2006

To: Director of Kanto Local Finance Bureau

Date of Filing: May 11, 2007

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**Place at which Copy of the Present
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Notes:

1. Unless otherwise specified, in this report, the term "Company" means DaimlerChrysler AG, and "we," "us," "our," "DaimlerChrysler," the "DaimlerChrysler Group" or the "Group" refers to DaimlerChrysler AG and its consolidated subsidiaries, or any one or more of them, as the context may require. "Germany" means the Federal Republic of Germany.
2. In this Securities Report, unless otherwise noted, "Euro" refers to Euro. For the convenience of the Japanese reader, conversion into Japanese Yen has been made at the exchange rate of Euro 1.00 = ¥157.36 (the means of the Telegraphic Transfer Spot Selling and Buying Exchange Rates of The Bank of Tokyo-Mitsubishi UFJ, Ltd. on April 2, 2007).
3. Where figures in tables in this Securities Report have been rounded, the totals may not necessarily agree with the sum of the figures.
4. Unless otherwise indicated, "shares" in this document refer to ordinary registered shares of the Company.
5. This report contains forward looking statements that reflect our current views about future events. We use the words "anticipate," "assume," "believe," "estimate," "expect," "intend," "may," "plan," "project," "should" and similar expressions to identify forward looking statements. These statements are subject to many risks and uncertainties, including:
 - an economic downturn or slow economic growth, especially in Europe or North America;
 - changes in currency exchange rates and interest rates;
 - introduction of competing products and possible lack of acceptance of our products or services;
 - competitive pressures which may limit our ability to reduce sales incentives and raise prices;
 - price increases in fuel, raw materials, and precious metals;
 - disruption of production or delivery of new vehicles due to shortages of materials, labor strikes, or supplier insolvencies;
 - the business outlook for our Truck Group, which may experience a significant decline in demand as a result of accelerated purchases in 2006 made in advance of the effectiveness of new emission regulations;
 - the ability of the Chrysler Group to implement successfully its Recovery and Transformation Plan;
 - effective implementation of cost reduction and efficiency optimization programs, including our new management model;
 - the business outlook of our equity investee EADS, including the financial effects of delays in, and potentially lower volume of, future aircraft deliveries;
 - changes in laws, regulations and government policies, particularly those relating to vehicle emissions, fuel economy and safety, the resolution of pending governmental investigations and the outcome of pending or threatened future legal proceedings;
 - a decline in resale prices of used vehicles; and
 - other risks and uncertainties, some of which we describe under the heading "Risk Factors" in "III. Description of Business" herein and under the heading "Risk Factors" in "Item 3. Key Information" in the Group's most recent Form 20-F filed with the Securities and Exchange Commission, Washington, D.C. 20549.

If any of these risks and uncertainties materialize, or if the assumptions underlying any of our forward looking statements prove incorrect, then our actual results may be materially different from those we express or imply by such statements. We do not intend or assume any obligation to update these forward looking statements. Any forward looking statement speaks only as of the date on which it is made.

PART 1. COMPANY'S INFORMATION

I. Outline of the Legal and Other Systems of the Company's Country of Incorporation

1. Outline of the Corporate System, etc.

(1) Corporate System of the Federal Republic of Germany

(a) General

The laws of the Federal Republic of Germany provide for different types of commercial companies:

- General Partnership (Offene Handelsgesellschaft - "OHG"), governed by Sections 105-160 of the Commercial Code; all partners are fully and personally liable for the liabilities of the partnership.
- Limited Partnership (Kommanditgesellschaft - "KG"), governed by Sections 161- 177a of the Commercial Code; at least one partner is fully and personally liable (general partner) whereas the liability of the other (limited) partner(s) is limited to his/their capital contribution.
- GmbH & Co. KG, special type of a Limited Partnership in which a GmbH acts as general partner with full liability for the partnership. This type of company is basically governed by the provisions applicable to a Limited Partnership.
- Private Limited Liability Company (Gesellschaft mit beschränkter Haftung - "GmbH"), governed by the Private Limited Liability Company Act. A GmbH qualifies as an own legal entity. Only the assets of the company are liable to satisfy the claims of the creditors of the company; no personal liability is incurred on the part of the shareholders who have paid in their share of the equity capital. The GmbH has a fixed share capital of at least Euro 25,000 which is divided into shares. The shares, however, are transferable only by notarial deed.
- Joint Stock Corporation (Aktiengesellschaft - "AG"), governed by the Stock Corporation Act. Like a GmbH an AG qualifies as a legal entity. Only the assets of the corporation are liable to satisfy the claims of the creditors of the corporation; no personal liability is incurred on the part of the shareholders who have paid in their share of the equity capital. The corporation has a fixed share capital of a least Euro 50,000 which is divided into shares. Such shares can be transferred without notarization. In general, however, the Stock Corporation Act gives much less flexibility to the structure of the corporation than the Private Limited Liability Company Act does.

The legal framework governing the Company as a corporation is the Stock Corporation Act of September 6, 1965, as amended. The following provides a summary of the principal provisions of this Act, applicable to companies such as the Company.

A corporation is a legal entity. Creditors of this corporation have a claim against the assets of the corporation only.

(b) Establishment

The establishment of a corporation requires that one person or more persons (the "founders") subscribe to its share capital for a contribution equal to or greater than the par values of the respective shares acquired and that they "execute" the Articles of Incorporation of the corporation. These must include:

- name and domicile of the corporation,
- objects of the corporation,
- amount of the share capital,
- dismantlement of the capital stock in par value shares or in no par value shares, for par value shares the par value of the shares and the number of shares each par value, for non par value shares the number of no par value shares, and additionally, in case there are several types of shares, the type of the shares and the numbers of shares in each type,
- whether the shares are in registered or bearer form,
- number of members of the Board of Management or rules according to which this number is determined,
- provision for the public notices of the corporation.

The corporation must be recorded in the Commercial Register (Handelsregister), at the domicile of the corporation. The Articles of Incorporation of the corporation must also be submitted to the Commercial Register. The entry includes the following information:

- name and domicile,
- objects,
- amount of the share capital,
- date of the execution of the Articles of Incorporation,
- names of the members of the Board of Management and the extent of their authority to represent the corporation.

Amendments to the Articles of Incorporation become effective when they have been recorded in the Commercial Register.

(c) Share Capital

The capital of a corporation is subdivided into par value or no par value shares. It must be denominated in Euro and have a minimum total par value of Euro 50,000, with a minimum par value or a minimum portion of the share capital attributable to a non par value share of Euro 1 per share. No shares may be issued below par. Shares may enjoy different rights, in particular with regard to the distribution of profits and voting rights. All shares enjoying the same rights belong to one type.

The corporation may acquire own shares only under special circumstances, as set forth in Sections 71 and 71 a)-e) of the Stock Corporation Act. It is not entitled to any rights or benefits from own shares held.

The Board of Management may resolve to increase capital against payments in cash or in kind only after having been duly authorized to do so by the shareholders' meeting.

The shareholders must be given rights of pre-emption with respect to such new shares except as provided in §186 (3) - (5) of the Stock Corporation Act. The capital increase other than an increase by means of conditional capital becomes legally effective when it has been recorded in the Commercial Register.

The shareholders' meeting may create such conditional capital to secure conversion or option rights to be granted by the corporation. Such a capital increase becomes legally effective as and when the shares are issued.

(d) Shareholders' Meetings

An ordinary shareholders' meeting is to be held within the first 8 months of each financial year of the corporation. Other shareholders' meetings may also be held whenever this is required in the interest of the corporation.

Shareholders' meetings may be convened by the Board of Management or the Supervisory Board. Such a meeting shall also be called when the 20th part of holders of the share capital request the Board of Management in writing to do so. (The Articles of Incorporation may provide this right to the holders of a smaller percentage of the share capital). Notice of shareholders' meetings must be given in the electronic version of the Federal Gazette no later than thirty days before the date of the meeting or the day on which shareholders must give notice of their intention to attend, if the Articles of Incorporation of the corporation require such prior notice of shareholders. Aside from the time and place of the meeting, the notice must state the conditions (such as those just mentioned) for attending the meeting and the agenda including a proposal of the Board of Management and of the Supervisory Board (in certain cases, only of the latter) regarding each issue on which the meeting is to vote. Shareholders (provided they hold at least the 20th part of the share capital or Euro 500,000 of the share capital) may also place items on the agenda of the shareholders' meeting.

Especially Decisions in the following matters are reserved to shareholders' meetings:

- (1) appointment of shareholders' representatives on the Supervisory Board,
- (2) allocation of the distributable profit as shown in the balance sheet,
- (3) ratification of the acts of the members of the Board of Management and of the Supervisory Board,
- (4) election of the auditors,
- (5) amendments to the Articles of Incorporation,
- (6) capital increase and decrease,
- (7) dissolution of the corporation,
- (8) major restructuring, such as mergers and transformations.

The shareholders' meeting decides matters regarding the management of the corporation only upon request of the Board of Management.

At a shareholders' meeting each shareholder is entitled to receive from the Board of Management answers to his questions, to the extent that the information requested is necessary to enable him to assess objectively the business on the agenda, except as provided in §131 (3) of the Stock Corporation Act.

Voting rights of the par value shares are proportional to the par value, voting rights of the no par value shares are carried out to their numbers (one share – one vote). The voting right may be exercised in person or by a power of attorney. Whether such power has to be duly issued in writing or whether other means of issuance (e.g. e-mail) are possible is dependent on the

Articles of Incorporation.

As a rule the shareholders' meeting decides by a majority of the votes cast. For certain purposes, such as the amendment of the Articles of Incorporation, capital increases or decreases or the dissolution of the corporation, the Stock Corporation Act prescribes that a decision may be made only by a majority of no less than 75% of the capital represented at the meeting at the time the resolution is voted upon. The Articles of Incorporation may provide for higher or, in some cases, lower majorities.

The minutes of the meeting must be recorded by a notary public. The minutes with certain other documents must be submitted to the Commercial Register after the meeting without undue delay.

(e) Board of Management

The Board of Management consists of one or more natural persons. These are appointed by the Supervisory Board, each for a term of no more than 5 years. They may be reappointed or their terms extended, for further terms of up to 5 years each by resolution of the Supervisory Board. If the Board of Management consists of more than one person, the Supervisory Board may appoint a chairman of the Board of Management.

The Board of Management represents the corporation vis-a-vis third parties and in court. If the Board of Management consists of more than one person, the Articles of Incorporation may provide that individual members may represent the corporation severally or jointly, or together with another duly authorized officer of the corporation. The Board of Management or members of the Board who are empowered to do so may authorize one of themselves or individuals who are not members of the Board of Management to conduct certain business transactions or certain types of business. The competence of the Board of Management as a whole to represent the corporation cannot be limited.

Any change in the membership of the Board of Management or of the authorization of individual members to represent the corporation must be entered in the Commercial Register.

The Board of Management must conduct the business of the corporation under its own responsibility. It may determine its rules of procedure unless the Supervisory Board decides to provide these rules or is mandated by the Articles of Incorporation to do so.

The Board of Management must report to the Supervisory Board on the projected business policy, the profitability of the corporation, business development and the status of the corporation, transactions of considerable impact on the profitability or the liquidity of the corporation and all other matters of considerable significance to the corporation.

The Board of Management must implement the decisions of the shareholders' meeting, provided such implementation is within its competence.

The Supervisory Board determines the remuneration of the members of the Board of Management. These may receive a share of the profit of the corporation as remuneration for their services.

(f) Supervisory Board

The members of the Supervisory Board are elected by the shareholders at the General Meeting. In corporations having more than 500 or 2,000 employees in Germany, employees are also represented in the Supervisory Board, which then is composed of employee representatives to one third or to one half respectively. In corporations with more than 2000 employees, the Chairman of the Supervisory Board, who, for all practical purposes, is a representative of the shareholders, has the casting vote in the case of split resolutions. The representatives elected by the shareholders and the representatives of the employees are equally obliged to act in the company's best interest. The Supervisory Board of corporations which generally employ 20,000 persons or more must consist of 10 persons elected by the shareholders and 10 persons elected by the employees. Of the latter, seven must be employed by the corporation and three must be representatives of trade unions, who may be employees of the corporation.

Only natural persons may be members of the Supervisory Board of a corporation. Generally a member of the Board of Management of the relevant corporation, or a deputy member of the Board of Management or a person being otherwise authorized to represent the said corporation as a whole may not be member of the Supervisory Board of this corporation. Additionally a person who

- already serves on the Supervisory boards of 10 companies (1) which must have Supervisory Boards (2)
 - (1) The mandate as a Chairman of the Board reckons as a double mandate to the top of ten mandates.
 - (2) Membership in up to five Supervisory Boards of subsidiaries or of companies controlled by the corporation does not count for the purpose of this provision.
- is a member of the Board of Management (or equivalent body) of a company which is controlled by the relevant corporation
- is a member of the Board of Management (or equivalent body) of a company whose Supervisory Board includes a member of the Board of Management of the company

may not be a member of the Supervisory Board.

The Supervisory Board may, however, appoint one or more of its members for a period not exceeding one year to substitute members of the Board of Management who are lacking or unable to attend. The person so appointed may not serve on the Supervisory Board during the term of his appointment.

The 10 members of the Supervisory Board representing the shareholders are elected by a shareholders' meeting. The election of the representatives of the employees is governed by sections 9 through 24 of the Co-Determination Act ("CA", "Mitbestimmungsgesetz") with further details in 3 regulations issued under the CA on June 23, 1977. The election procedure is complicated and takes, in case of parent corporations of groups, at least 31 weeks.

The term of office of any member of the Supervisory Board may not exceed the period which ends with the shareholders' meeting which decided on the ratification of the acts of such member for the fourth financial year after the beginning of the term of office; the fiscal year in which such term of office commences shall not be taken into account, i.e. about 5 years.

Any changes in membership of the Supervisory Board must be filed with the Commercial Register.

The function of the Supervisory Board is to supervise and advise the management of the corporation. Its members may examine the books and the assets of the corporation or authorize individual members, or, with respect to specific tasks, suitable experts to do so. It must convene a shareholders' meeting when the interests of the corporation require it. It may not assume management functions. The Supervisory Board or the Articles of Incorporation must, however, stipulate that certain types of transaction may be made only with its consent.

The remuneration of members of the Supervisory Board may be determined by the Articles of Incorporation or by the shareholders' meeting. The remuneration may include a share of the annual profit of the corporation.

(g) Financial Statements

A corporation must keep orderly accounts of its transactions and its assets and liabilities in accordance with the requirements of the Commercial Code and the Stock Corporation Act. The Board of Management must prepare a balance sheet, statement of profit and loss and notes thereto (together: the "financial statements") as well as a management report for the preceding year within the first three months of the current financial year. The form and content of the financial statements are stipulated in provisions of the Commercial Code and the Stock Corporation Act.

According to the revised German Commercial Code companies are allowed to prepare and disclose their consolidated financial statements in accordance to US GAAP or International Financial Reporting Standards (IFRS).

The financial statements and the accounts on which they are based must be audited by an auditor or auditing company elected by the shareholders' meeting.

The external auditor is responsible for summarizing the audit findings in an auditor's opinion on the financial statements and consolidated financial statements. The auditor's opinion must contain a description of the object, type and scope of the audit, as well as an evaluation of the audit findings. If the external auditor does not have any objections regarding the financial statements, the auditor's opinion must state that the audit conducted by him in conformity with § 317 of the Commercial Code did not present any grounds for objections and that, according to the knowledge gained by the external auditor during the audit, in his professional judgment the financial statements and consolidated financial statements prepared by the company's management present a true and fair view of the assets, financial position and results of operations of the company or Group in accordance with generally accepted accounting principles in Germany.

The evaluation of the audit findings is to be carried out in a comprehensible and problem-oriented fashion in consideration of the fact that the financial statements are the responsibility of the company's management. Any risks which present a hazard for the continued existence of the company are to be individually disclosed.

The auditor's opinion must also state whether in the auditor's professional judgment the management report and consolidated management report presents a true and fair view of the condition of the company or group. Moreover, the auditor should also state whether the chances and risks associated with the future development of the company are adequately presented.

If objections are to be raised, the external auditor is required to issue a qualified auditor's opinion or a disclaimer. The disclaimer must be noted in the auditor statement. Qualified auditor's opinions and disclaimers must be supported by sufficient justification.

The external auditor is required to sign the auditor's opinion or disclaimer, stating the place and date of signing. The auditor's opinion or disclaimer is to be included as part of the external auditor's report.

The Board of Management must submit the financial statements and in case of a parent enterprise also the consolidated financial statements together with the above audit opinion or the financial statements with the disclaimer of opinion of the auditors, to the Supervisory Board, which in turn must examine these documents and report the results of its examination in writing to the shareholders' meeting. The Supervisory Board must comment on the auditor's report, state whether it raises any objections and whether it approves the financial statements of the company and of the group. If approved by the Supervisory Board, the financial statements of the company are final.

The Board of Management and the Supervisory Board may decide to request the shareholders' meeting to approve the financial statements but this is not usually done. In either case the financial statements are then submitted to the shareholders' meeting.

The legal representatives of companies must file with the operator of the electronic version of the Federal Gazette the financial statements without delay following their presentation to the shareholders, together with the opinion or disclaimer of opinion of the auditors, the management report, the report of the Supervisory Board, as well as the compliance declaration according to section 161 of the German Stock Corporation Act (Aktiengesetz). The legal representatives of companies have to publish the aforementioned documents in the electronic version of the Federal Gazette without undue delay.

(h) Allocation of distributable profit

The allocation of the distributable profit is determined by the shareholders' meeting. The shareholders have a claim to the distributable profit insofar as the shareholders' meeting does not allocate it otherwise, in accordance with the law and the Articles of Incorporation of the corporation. The allocation of the distributable profit must be published each year. Until the liquidation of the corporation, only distributable profit may be transferred to shareholders.

(i) Enterprise Contracts

Enterprise contracts are contracts under which a corporation agrees to be controlled by and/or to transfer all its profits and losses to another business organization, as well as certain other similar contracts. Such contracts may be entered into and amended only with the approval of the shareholders' meeting, by the majority prescribed by law and the Articles of Incorporation. Individual shareholders are entitled to receive upon request a copy of such a contract before and at the respective shareholders' meeting. The contract becomes effective when certain of its key provisions have been entered in the Commercial Register at the domicile of the corporation. The Commercial Register publishes the new entry.

(j) Amendment of the Articles of Incorporation

The Articles of Incorporation of a corporation may be amended only by a resolution of the shareholders' meeting. The law and the Articles of Incorporation prescribe the majority required to resolve each of various types of amendment. An amendment becomes effective when it has been entered in the Commercial Register at the domicile of the corporation.

(2) The Corporate System as Provided for in the Articles of Incorporation of the Company

The system under the Memorandum and Articles of Incorporation (Satzung) of the Company is as follows:

(a) Organization and Register

DaimlerChrysler AG is a stock corporation organized in the Federal Republic of Germany under the German Stock Corporation Act. It is registered in the Commercial Register maintained by the local court in Stuttgart, Germany, under the entry number „HRB 19360.“

(b) Corporate Governance

German stock corporations are principally governed by three separate bodies: the Annual General Meeting of shareholders, the Supervisory Board and the Board of Management. Their roles are defined by German law and by the corporation's Memorandum and Articles of Incorporation.

Several of the specific corporate governance provisions of DaimlerChrysler AG are summarized below, as well as in section V. Description of the Company, subsection 4 Directors and Officers under (c) Compensation of the Supervisory Board and Board of Management and subsection 5. Description of Corporate Governance under (1) Corporate Governance at DaimlerChrysler.

(c) Business Purposes

The Articles of Incorporation of DaimlerChrysler AG, effective since June 2006 and amended by the Annual Meeting of shareholders on April 4, 2007 state that its business purpose is to engage, directly or indirectly, in the business of development, production and sale of products and to render services, especially in the following lines of business:

- surface vehicles,
- maritime vehicles, aerospace vehicles and other products in the fields of transport, aerospace, and marine technology,
- engines and other propulsion systems,
- electronic equipment, machinery and systems,
- communication and information technology,
- financial services of all kinds, insurance brokerage, and
- management and development of real property.

The Articles authorize to take all actions that serve the attainment of the business purposes, except that DaimlerChrysler AG is not permitted to carry out directly banking and real property transactions that require a government license.

(d) Ordinary Shares

The capital stock of DaimlerChrysler AG consists solely of ordinary shares without par value (Stückaktien), which are issued in registered form. Record holders of the ordinary shares are registered in the share register (Aktienregister). Deutsche Bank AG acts as the transfer agent and registrar in Germany and various other countries and administers the share register on behalf of the company. The transfer agent and registrar in the United States is The Bank of

New York. Following is a summary of significant provisions under German law and the Articles of Incorporation relating to the ordinary shares:

- *Capital Increases.* The company may increase the share capital in consideration of cash or non-cash contributions, or by establishing authorized capital or conditional capital. Authorized capital provides the Board of Management with the flexibility to issue new shares during a period of up to five years, generally to preserve liquidity. Conditional capital allows the Board of Management to issue new shares for specified purposes, including employee stock option plans, mergers, and upon conversion of option bonds and convertible bonds. Authorized and conditional capital increases require an approval by 75% of the issued shares present at the shareholders' meeting at which the increase is proposed. The Articles of Incorporation of the company do not contain conditions regarding changes in the share capital that are more stringent than the law requires.
- *Redemption.* The share capital may be reduced by a resolution approved by 75% of the issued shares present at the shareholders' meeting.
- *Preemptive Rights.* The Articles of Incorporation provide that the preemptive right of shareholders to subscribe (Bezugsrecht) for any issue of additional shares in proportion to their shareholdings in the existing capital may be excluded under certain circumstances.
- *Liquidation.* If the company was to be liquidated, any liquidation proceeds remaining after all of the liabilities were paid would be distributed to the shareholders in proportion to their shareholdings.
- *No Limitation on Foreign Ownership.* Neither German law nor the Articles of Incorporation of the company limit the right of persons who are not citizens or residents of Germany to hold or vote ordinary shares of DaimlerChrysler AG.

(e) Dividends

The company declares and pays dividends on its ordinary shares once a year after approval by the Annual General Meeting of our shareholders. The Supervisory Board approves the unconsolidated financial statements (prepared in accordance with German GAAP) of the Group's parent company, DaimlerChrysler AG, proposed by the Board of Management for each fiscal year and both boards recommend a disposition of all unappropriated profits, including the amount of net profits to be distributed as a dividend, to the shareholders for approval at the meeting. Shareholders holding shares on the date of the Annual General Meeting are entitled to receive the dividend. The company pays dividends to shareholders in proportion to their percentage ownership of the outstanding capital stock. A shareholder's right to claim a dividend expires on the fourth anniversary of the end of the year in which the entitlement to the dividend arises.

The Articles of Incorporation, in accordance with the German Stock Corporation Act, authorize the Board of Management, with the approval of the Supervisory Board, to make an interim payment to shareholders with respect to the unappropriated profit of the prior financial year, if a preliminary closing of the financial statements for that year shows a profit. The interim payment may not exceed 50% of the amount of the foreseeable unappropriated profit, after deducting any amounts required to be added to the retained earnings. Furthermore, the interim payment may not exceed 50% of the previous fiscal year's unappropriated profit.

The Articles of Incorporation provide for issuing new shares from authorized and conditional capital previously approved by the shareholders. The Articles further provide that such new shares may be entitled to the entire per ordinary share annual dividend for the year in which

they are issued.

According to the Articles of Incorporation of the company, the Annual Meeting may, insofar as permitted by law, approve the distribution of non-cash dividends, in addition to the distribution of cash dividends.

(f) Voting Rights

Each of the ordinary shares represents one vote. German law does not permit cumulative voting. The Articles of Incorporation provide that resolutions are passed at shareholder meetings by a simple majority of votes cast, unless a higher vote is required by law. German law requires that the following matters, among others, be approved by the affirmative vote of 75% of the issued shares present at the shareholders' meeting at which the matter is proposed:

- changing the objects and purposes provision in the Articles of Incorporation;
- approving authorized and conditional capital increases;
- excluding preemptive rights of shareholders to subscribe for new shares;
- dissolving of the company;
- merging into, or consolidating with, another stock corporation;
- transferring all or virtually all of the company's assets; and
- changing the corporate form.

(g) Shareholder Meetings

The Board of Management, the Supervisory Board, or shareholders owning in the aggregate at least 5% of the issued shares may call a meeting of shareholders. There is no minimum quorum requirement for shareholder meetings. At the Annual General Meeting DaimlerChrysler presents the financial statements, the consolidated financial statements, the management reports for DaimlerChrysler AG and the Group and the report of the Supervisory Board. Further the shareholders are asked to ratify the actions of the Board of Management and Supervisory Board during the prior year and to approve the disposition of unappropriated profit and the appointment of an independent auditor. The shareholders also elect their representatives to the Supervisory Board at the Annual General Meeting for terms of up to five years.

If a shareholder wants to participate and vote at any of the company's meetings, the shareholder must be registered in the share register on the meeting date and must also have notified the company no later than the third day before the meeting that he or she wishes to attend the meeting. Instead of voting in person at the meeting, shareholders may vote their shares by proxy after having conferred a power of attorney in advance of the meeting in a manner determined in detail by the Board of Management. The details, in particular the form and terms for conferring and revocation of powers of attorney, shall be announced together with the convention of the Annual Meeting. The company mails a meeting notice to the shareholders which includes a proxy card and an agenda describing the items to be voted on at the meeting. Amendments to the Articles of Incorporation and other items for the agenda may be proposed either by the Board of Management and/or the Supervisory Board, or by a shareholder or group of shareholders holding a minimum of either 5% of the issued shares or shares representing at least Euro 500,000 of the company's capital stock.

(h) Directors

Under German law, the Supervisory Board members and Board of Management members owe a duty of loyalty and care to the Company. They must exercise the standard of care of a prudent and diligent businessman and bear the burden of proving they did so if their actions are contested. Both boards must consider the company's interest, interests of the shareholders, the workers and, to some extent, the common interest. Those who violate their duties may be held jointly and severally liable for any resulting damages. The Board members are not liable to the Company if they acted pursuant to a lawful resolution of the shareholders meeting. The German Stock Corporation Act also provides that a Board member is not liable for breach of duty if the Board member makes a business decision that he or she reasonably believes is based on appropriate information and is in the company's interest. Supervisory Board or Board of Management members are not obligated to own shares of the corporation to qualify for the board membership. According to German law, the Supervisory Board or Board of Management members may not receive a loan from DaimlerChrysler AG unless approved by the Supervisory Board. Separate from the limitations on loans imposed by German law, the Sarbanes-Oxley Act, which was enacted in the United States in July 2002 and which is also applicable to foreign private issuers such as DaimlerChrysler AG, now prohibits almost all loans to directors and executive officers. This prohibition applies to members of the Supervisory Board and the Board of Management of DaimlerChrysler AG. German law stipulates that Supervisory Board and Board of Management members may not vote on a matter that concerns ratification of his or her own acts or discharges the Board member from liability or enforcement of a claim against the Board member by the Company. The compensation of the Supervisory Board members is fixed in the Articles of Incorporation. A change to the Articles requires the approval of the shareholders of DaimlerChrysler AG.

Board of Management

The Board of Management of DaimlerChrysler AG shall consist of not less than two members. The Supervisory Board shall appoint the members of the Board of Management in accordance with the provisions of the Stock Corporation Act and the Co-determination Act (Mitbestimmungsgesetz) and shall determine their number.

The Company is represented by two members of the Board of Management or one member of the Board of Management together with one holder of a special power of attorney (Prokura).

Supervisory Board

The Supervisory Board shall consist of twenty members, ten of whom shall be elected by the shareholders and ten by the employees. The appointment is for a period ending no later than at the close of the General Meeting which ratifies the member's actions for the fourth financial year following the commencement of their term of office, excluding the financial year in which that term begins. At the election, the General Meeting may determine a shorter period of office for the shareholders' representatives.

Any member of the Supervisory Board may retire from his office, even without cause, by giving four weeks' notice in writing to the Chairman of the Supervisory Board and the Board of Management. An amicable reduction of the notice period is admissible. If the Chairman or the Deputy Chairman retires before the expiration of their term of office, a successor shall promptly be elected.

According to the Articles of DaimlerChrysler AG no more than two former members of the

Board of Management of the corporation elected by the Annual General Meeting may be members of the Supervisory Board. Furthermore, the Annual General Meeting shall not elect any persons to the Supervisory Board who at the time of election hold executive positions or advisory roles in major competitors of the corporation or in major competitors of its subsidiaries, or, if they are also members of the Board of Management of a listed company, hold more than four other Supervisory Board mandates in listed companies outside the group in addition to the Supervisory Board mandate for the corporation.

The Supervisory Board may form from among its members committees entrusted with special tasks and powers. As far as the law permits, the Supervisory Board's powers regarding decisions may also be exercised by the committees of the Supervisory Board.

A quorum of the Supervisory Board shall be constituted when notices have been issued to all its members at their last known address and at least ten members of the Supervisory Board participate in passing the resolution. Abstentions from members of the Supervisory Board are included when determining whether there is a quorum. In justified exceptional cases, members of the Supervisory Board can, subject to the approval of the Chairman, take part in a meeting of the Supervisory Board or its committees via a telephone or video conference.

Members of the Supervisory Board who do not take part in the meeting nor in the manner described in the previous sentence may participate in a resolution of the Supervisory Board and its committees by submitting their vote in writing (or also by fax) to the person chairing the meeting, prior to the vote. This shall also apply to the additional casting vote of the Chairman.

If not all members of the Supervisory Board attend a meeting of the Supervisory Board and the absent members of the Supervisory Board do not submit their votes as described above, the passing of the resolution shall be postponed if at least two members of the Supervisory Board taking part in the meeting so request. In the event of postponement and if a special meeting of the Supervisory Board is not convened, the resolution shall be deferred to the next regular meeting. A minority request for postponement shall be disallowed for the second resolution.

If the Chairman of the Supervisory Board is present at the meeting, or if one of the attending members is in possession of his vote submitted in the manner described above, the aforementioned paragraph shall not apply when the number of shareholders' representatives on the Supervisory Board take part in the meeting or take part in the passing of a resolution by submitting their vote in the manner described above equals the number of employee representatives, or when an imbalance is offset by the voting abstention of certain Supervisory Board members.

The Chairman, or in his absence, the Deputy Chairman may also arrange for the voting on a resolution of the Supervisory Board to be carried out in writing, by fax or e-mail – or by a combination of these communication media – if no member of the Supervisory Board objects to this procedure within an appropriate period of time, to be decided by the Chairman. The Chairman shall determine the details of the procedure. This regulation also applies to resolutions in committees.

Resolutions shall be passed by a simple majority of votes cast unless other forms of majority are required by law. Abstentions shall not be counted in determining the outcome of the vote. In the event of an equality of votes, any member of the Supervisory Board may request that a second vote be conducted. The Chairman, or in his absence, the Deputy Chairman shall decide when the vote is to be repeated. If the second vote also results in an equality of votes, the Chairman of the Supervisory Board shall be given an additional casting vote.

This regulation also applies to resolutions in committees, provided that the Chairman of the Supervisory Board and his Deputy shall be replaced by the Chairman of the Committee or his Deputy, unless otherwise required by binding statutory provisions.

The members of the Supervisory Board maintain secrecy regarding confidential corporate information, especially company or business secrets, being disclosed to the members of the Supervisory Board in their service; this obligation continues beyond the end of their office as a member of the Supervisory Board. The members of the Supervisory Board are particularly obliged to maintain secrecy concerning confidential reports and confidential deliberations. On the termination of their mandate, all confidential documents must be returned to the Chairman of the Supervisory Board.

If, contrary to the aforementioned paragraph, a member of the Supervisory Board for a special reason intends to communicate information concerning, in particular, the content and events of Supervisory Board meetings and the content of Supervisory Board submissions and resolutions to a third party, (s)he must first inform the Chairman of the Supervisory Board of this in order to resolve any differences of opinion regarding the obligation to secrecy.

The members of the Supervisory Board shall ensure that any employee they involve similarly abide by the obligation to secrecy.

Members of the Supervisory Board shall be covered by insurance against pecuniary damage, taken out in the interest of the corporation for executive bodies and certain senior executives, insofar as such coverage exists. The insurance premiums shall be paid by the corporation.

(i) Change in Control

The articles do not contain any specific provisions that would have an effect of delaying, deferring or preventing a change in control or that would only apply in the context of a merger, acquisition or corporate restructuring involving the company or any of its subsidiaries. The German Takeover Act (Wertpapiererwerbs- und Übernahmegesetz) requires, among other things, that a bidder seeking control of a company with its corporate seat in Germany and traded on a European Union stock exchange must publish advance notice of a tender offer; submit a draft offer statement to the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) for review; and obtain certification from a qualified financial institution that adequate financing is in place to complete the offer. Once a bidder has acquired shares representing 30% of the voting power, it must make an offer for all remaining shares of the target. The Takeover Act requires the Board of Management of the target to refrain from taking any measures that may frustrate the success of the takeover offer. However, the target Board of Management is permitted to take any action which a prudent and diligent management of a company that is not the target of a takeover bid would also take. Moreover, the target Board of Management may search for other bidders and, with the prior approval of the Supervisory Board, may take other defensive measures, provided that both boards act within the parameters of their general authority under the German Stock Corporation Act. The Board of Management may also adopt specific defensive measures if the Supervisory Board has approved such measures and if the measures were specifically authorized by the shareholders no later than 18 months in advance of a takeover bid by resolution of 75% of the votes cast. The Takeover Act also provides that a company's Article of Incorporation may be amended to replace the above rules on prohibiting the frustration of tender offers with more restrictive rules. The Articles of DaimlerChrysler AG do not include any of these alternative rules.

(j) Disclosure of Shareholdings

The Articles do not require shareholders to disclose their shareholdings. The German Securities Trading Act (Wertpapierhandelsgesetz), however, requires holders of voting securities of a corporation whose shares are listed on a stock exchange to notify the corporation of the number of shares they hold if that number reaches, exceeds or falls below specified thresholds. These thresholds are 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of the corporation's outstanding voting rights. DaimlerChrysler is obliged to publish these notifications in a mandatory exchange newspaper of national circulation.

(k) Basis of Potential Claims

Claims against members of the Supervisory Board or Board of Management may be asserted on behalf of the company if the shareholders' meeting so resolves by simple majority. The claim must be brought within six months from the day of the annual meeting of shareholders. Admission of an action against the Supervisory Board and Board of Management members on behalf of the company may be claimed by shareholders holding in the aggregate at least 1% of the issued shares or shares representing at least Euro 100,000 of the capital stock. The competent court will allow the action to proceed if (i) the shareholders acquired their shares before any information was published from which they became aware of the alleged breach of duty or damage; (ii) the company failed to file a suit itself within a reasonable period of time after being asked to do so by the shareholders; (iii) facts exist, that justify the suspicion that the company has suffered damage by dishonesty or gross breach of the law or the articles; and (iv) there are no overriding interests of the company against the assertion of such damage claim.

(l) German Corporate Governance Code Declaration

DaimlerChrysler AG, like other publicly traded companies in Germany, is subject to the German Corporate Governance Code that recommends specific corporate governance practices. The Code was issued in 2002 by a government appointed commission, and amended most recently in June 2006. The German Stock Corporation Act requires a company's Supervisory Board and Board of Management to declare annually if the Code's recommendations have been and are being met by the company or, if not, which recommendations have not been or are not being applied. Shareholders must be given permanent access to such declaration. The Supervisory Board and Board of Management issued a statement declaring that DaimlerChrysler AG complies with the Corporate Governance Code, subject to the exceptions identified in the declaration. For shareholders and others who may wish to read the English translation of the declaration, the company has made it available on the website at www.daimlerchrysler.com/corpgov_e_161aktg.

For further information on corporate governance, please also read 5. Description of Corporate Governance under V. Description of the Company.

(m) Financial year and accounting

The financial year is the calendar year.

The Board of Management shall prepare the financial statements and the management report as well as the consolidated financial statements and the group management report for the previous financial year during the first three months of the financial year and shall submit them immediately to the Supervisory Board and to the auditors. The proposal to be made by the Board of Management at the Annual Meeting for the allocation of unappropriated profits

is to be submitted to the Supervisory Board with the financial statements and the management report.

(n) Announcements

Announcements of the company shall be published in the electronic version of the Federal Gazette (elektronischer Bundesanzeiger).

2. Foreign Exchange Control System

Under the Foreign Trade Act (Aussenwirtschaftsgesetz) as amended and the Foreign Trade Ordinance (Aussenwirtschaftsverordnung) as amended, restrictions can under certain circumstances be imposed on the purchase of shares of German corporations by non-residents. At the present time, however, the Federal Republic of Germany does not impose foreign exchange control restrictions on the acquisition or disposition by a non-resident of shares of a corporation domiciled in the Federal Republic of Germany, on remittances to non-residents of a) dividends or any other distribution on such shares or b) sales proceeds from such shares.

3. Tax Treatment

(a) German Tax Treatment

Dividends paid by DaimlerChrysler AG to a Japanese shareholder are subject to a withholding tax levied at source at an aggregate rate of 21.1% (consisting of a 20% income tax and a 1.1% surcharge). In accordance with the Tax Convention between Germany and Japan, the 21.1% aggregate German withholding tax on the dividends will be reduced to 15% upon application with the German tax authorities. A special application for such reduction has to be filed with the following German tax authority: Bundeszentralamt für Steuern, 53225 Bonn, Germany, to obtain the refund. The remaining withholding tax of 15% may be offset as a tax credit in Japan.

Capital gains realized by a Japanese resident from the sale of shares of Daimler Chrysler AG are not subject to German income tax.

German inheritance tax (Erbchaftsteuer) with respect to shares of Daimler Chrysler AG owned by a Japanese resident would only be due if the shares held by such Japanese resident amounted to 10 % or more of the share capital of DaimlerChrysler AG.

(b) Japanese Tax Treatment

Subject to compliance with and the limitations of the Income Tax Law, the Corporation Tax Law, the Inheritance Tax Law and other current and pertinent laws and regulations of Japan, credits may be claimed as offsets to taxes payable in Japan pursuant to the applicable tax convention by Japanese persons or Japanese corporations for German taxes to which the income (and estates, as to individuals) of such persons or corporations have been subjected as noted above. See also VIII. 2. (4) Tax Treatment of Dividends etc. in Japan, below.

4. Legal Opinion

The legal department of the Company has submitted a legal opinion of Dr. Peter Herz and Ms. Monika Saint-Paul of the legal department of Daimler Chrysler AG rendering, to the effect:

- (1) the Company is a corporation duly incorporated and validly existing under the laws of the Federal Republic of Germany; and
- (2) to the best of its knowledge and belief, the description of the laws of the Federal Republic of Germany contained in this Securities Report is true and correct and without fault.

II. Outline of the Company

1. Changes in Major Management Accounts, etc.

We have derived the selected consolidated financial data presented in the table below from our audited consolidated financial statements for the years ended December 31, 2006, 2005, 2004, 2003, and 2002. We prepared the consolidated financial statements included in this report (Consolidated Financial Statements) in accordance with generally accepted accounting principles in the United States of America which we refer to as U.S. GAAP. Our financial statements are denominated in euros, which is the currency of our home country, Germany.

You should read the table together with our Consolidated Financial Statements and the discussion in “III. Description of Business”.

DaimlerChrysler Group	Year ended December 31,					
(EUR in millions, except for ordinary share amounts)	2006	2005	2004	2003	2002	06 : 05 % change
<i>Income Statement data</i>						
Revenues	151,589	149,776	142,059	136,437	147,408	+1
Income before financial income	3,377	3,221	4,612	3,388	3,693	+5
Income (loss) from continuing operations and before cumulative effects of changes in accounting principles	3,231	2,851	2,466	(418)	5,175	+13
Basic earnings (loss) per share	3.16	2.80	2.43	(0.41)	5.13	+13
Diluted earnings (loss) per share	3.14	2.80	2.43	(0.41)	5.10	+12
Income from discontinued operations	—	—	—	14	82	—
Income on disposal of discontinued operations	—	—	—	882	—	—
Total income from discontinued operations including net gain on disposals	—	—	—	896	82	—
Basic earnings per share	—	—	—	0.88	0.08	—
Diluted earnings per share	—	—	—	0.88	0.08	—
Net income	3,227	2,846	2,466	448	5,098	+13
Basic earnings per share	3.16	2.80	2.43	0.44	5.06	+13
Diluted earnings per share	3.14	2.80	2.43	0.44	5.03	+12
Operating Profit	5,517	5,185	5,754	5,686	6,827	+6

DaimlerChrysler Group	Year ended December 31,					
(EUR in millions, except for ordinary share amounts)	2006	2005	2004	2003	2002	06 : 05 % change
<i>Balance Sheet data (end of period)</i>						
Total assets	190,022	201,632	182,872	178,450	187,527	-6
Short-term financial liabilities	34,615	36,483	33,306	28,255	30,499	-5
Long-term financial liabilities	43,903	44,449	42,964	47,056	48,325	-1
Capital stock	2,673	2,647	2,633	2,633	2,633	+1
Stockholders' equity	34,155	36,449	33,522	34,486	35,076	-6
<i>Other data</i>						
Employees (at year-end)	360,385	382,724	384,723	362,063	365,571	-6
Employees (average annual number)	365,753	386,465	379,019	370,684	370,677	-5
Research and development expenditure	5,331	5,649	5,658	5,571	5,942	-6
Investments in property, plant and equipment	5,938	6,580	6,386	6,614	7,145	-10
Cash provided by operating activities	14,016	12,353	11,060	13,826	15,909	+13
Total dividend	1,542	1,527	1,519	1,519	1,519	+1
Dividend per share (in EUR)	1.50	1.50	1.50	1.50	1.50	0
Weighted average number of shares Outstanding (basic)	1,022.1	1,014.7	1,012.8	1,012.7	1,008.3	+1
Weighted average number of shares Outstanding (diluted)	1,027.3	1,017.7	1,014.5	1,012.7	1,013.9	+1

2. Brief History of the Company

(a) Organization

The legal and commercial name of our company is DaimlerChrysler AG. It is a stock corporation organized under the laws of the Federal Republic of Germany and was incorporated on May 6, 1998. Our registered office is located at Mercedesstrasse 137, 70327 Stuttgart, Germany, telephone +49-711-17-0. Our agent for U.S. federal securities law purposes is DaimlerChrysler North America Holding Corporation, located at 1000 Chrysler Drive, Auburn Hills, Michigan 48326-2766.

(b) History

On May 7, 1998, Daimler-Benz Aktiengesellschaft and Chrysler Corporation entered into an agreement to combine their businesses. The stockholders of each company approved the agreement on September 18, 1998. Chrysler became a wholly owned subsidiary of DaimlerChrysler AG through a merger transaction completed on November 12, 1998. In the merger, Chrysler shareholders received ordinary shares of DaimlerChrysler AG. The combination also involved a contemporaneous exchange offer in which Daimler-Benz stockholders exchanged more than 98% of their Daimler-Benz ordinary shares for DaimlerChrysler AG ordinary shares. Daimler-Benz was then merged into DaimlerChrysler AG on December 21, 1998. Accordingly, DaimlerChrysler AG is the successor corporation to Daimler-Benz AG and comprises the respective businesses, stockholder groups, managements and other constituencies of Chrysler and Daimler-Benz.

(c) Subsequent events

Chrysler Group Recovery and Transformation Plan. On February 14, 2007, we announced the Recovery and Transformation Plan for the Chrysler Group, which aims to return the Chrysler Group to profitability by 2008 and redesign its business model. In connection with the announcement of the Recovery and Transformation Plan, we also announced that we were looking into further strategic options with regard to the Chrysler Group and that no option is being excluded in an effort to find the best solution for both the Chrysler Group and the Company. For additional information on the Recovery and Transformation Plan, see the discussion under the heading "Recovery and Transformation Plan" in "b) Chrysler Group" under "3. Contents of Business" in section "II. Outline of the Company".

3. Contents of Business

DaimlerChrysler AG is the ultimate parent company of the DaimlerChrysler Group. The Group develops, manufactures, distributes and sells a wide range of automotive products, mainly passenger cars, trucks, vans and buses. It also provides financial and other services relating to its automotive businesses. We report five business segments, which are:

- Mercedes Car Group
- Chrysler Group
- Truck Group
- Financial Services
- Van, Bus, Other

Van, Bus, Other comprises our van and bus businesses, various corporate functions, and all other businesses and investments in businesses not allocated to one of our reportable business segments.

In January 2006, we presented a new management model designed to improve our competitiveness and promote further profitable growth. The goal of the new model is to establish integrated processes and eliminate redundancies through the global integration of certain administrative functions. We expect the measures of the new management model to be fully implemented by 2008. For a discussion of the effects of the implementation of the new management model, please refer to “5. Description of Employees” in section “II. Outline of the Company” and to “7. Analysis of Financial Condition and Results of Operation” in section “III. Description of Business”.

As part of the new management model, we also changed the composition of some of our segments by reporting the van and bus businesses, which were previously included in our Commercial Vehicles segment, together with Other Activities. As a result of this change, our Commercial Vehicles segment was renamed the Truck Group and our Other Activities segment was renamed Van, Bus, Other. We have adjusted prior year amounts to reflect the change in segment composition.

We offer our automotive products and related financial services primarily in Western Europe and in the NAFTA region, which consists of the United States, Canada and Mexico. Approximately 33% of our 2006 revenues derive from sales in Western Europe and 42% from sales in the United States. With respect to Western Europe, we derive approximately 15% from sales in Germany and 18% from sales in other countries of Western Europe.

We have also taken significant steps towards increasing further our presence in the Asian markets. We acquired a majority interest in the Japanese truck manufacturer Mitsubishi Fuso Truck and Bus Corporation (MFTBC) and entered into joint ventures with Chinese partners relating to the production of passenger cars and vans in China. In December 2005, one of the joint ventures began to manufacture and distribute Mercedes-Benz E-Class and C-Class passenger cars. The production capacity of the joint venture is 20,000 units per year. The joint venture also continues to produce and sell passenger cars, such as the Jeep® Cherokee, the Jeep® Grand Cherokee, and the Chrysler 300C, under license agreements with our subsidiary DaimlerChrysler Corporation. We are also a party to a joint venture for the planned production and sale of Mercedes-Benz Vito/Viano and Sprinter vans. We expect production to begin in 2008 once the necessary business licenses have been obtained. The joint venture will have an output capacity of 40,000 units per year. In November 2006, we also agreed to acquire, through the purchase of newly issued shares, a 24% stake in Beiqi

Foton Motor Co. Ltd., a Chinese manufacturer of commercial vehicles, and to co-operate with Beiqi with respect to a wide range of truck products. This transaction is also subject to approval by Chinese authorities. In 2006, the Chrysler Group and Chery Automotive Co. signed a letter of intent to produce a small car for the Chrysler Group for sale in the North American, European and other select markets. On February 27, 2007, our Supervisory Board has approved the cooperation. The transaction, however, is still subject to approval by the Chinese authorities.

In line with our strategy of concentrating on our automotive business and related services, we disposed of several non-core business assets and expanded our core automotive activities over the past several years. For information on acquisitions and dispositions of businesses during the last three years, please refer to Notes 3 and 4 to our Consolidated Financial Statements.

Capital expenditures. Our aggregate capital expenditures for property, plant and equipment were EUR 5.9 billion in 2006 and EUR 6.6 billion in 2005. In 2006, the United States and Germany accounted for 42% and 34% of these capital expenditures, respectively. Expenditures for equipment on operating leases were EUR 24.5 billion in 2006 and EUR 20.2 billion in 2005. For additional information on our capital expenditures, please refer to "1. Outline of Capital Expenditures, etc." in "IV. Conditions of Facilities."

Seasonality. In general, our businesses are not affected by seasonality. To the extent that we do experience some seasonal fluctuations, they have mainly occurred in our Chrysler Group segment, primarily as a result of the changeover to new model year vehicles which typically occurs in the third quarter of the year. These fluctuations, however, have not been significant.

(a) Mercedes Car Group

The Mercedes Car Group designs, produces and sells Mercedes-Benz passenger cars, Maybach high-end luxury sedans and smart compact passenger cars. In 2006, the Mercedes Car Group contributed approximately 36% of our revenues.

In 2005, the Mercedes Car Group rolled out CORE (Cost down, Revenue up, Execution), a comprehensive program designed to increase earnings through sales improvements, reductions in fixed costs and costs of materials, quality improvements and improved efficiencies, and to restructure the smart business. With CORE we intend to improve our competitiveness and increase profitability with the goal of achieving a return on sales of 7% in 2007.

In connection with the CORE program, the Board of Management approved a headcount reduction initiative in September 2005 to reduce personnel levels at the Mercedes Car Group in Germany by 8,500 jobs. Approximately 9,300 employees had signed voluntary severance agreements or left the Mercedes Car Group through September 30, 2006. An additional 400 employees accepted a severance offer in the fourth quarter of 2006. For additional information on the CORE program's effect on our operating results, please refer to Note 5 to our Consolidated Financial Statements.

Products

Mercedes-Benz. In the majority of markets, Mercedes-Benz vehicles are built to order. The availability of individual models differs by geographic market. The Mercedes-Benz passenger car product range consists of the following classes:

- *the S-Class* – The S-Class is a line of full-size luxury sedans, which are available in a long and short wheel base version. In September 2005, we launched the all-new S-Class sedans and we completed the new S-Class sedan line-up in 2006 with the 4MATIC and AMG versions. The S-Class sedans are complemented by the CL, a top-of-the-line two-door coupe, and the SL, a two-door convertible. In September 2006, we launched an all-new version of the CL, and in March 2006, we launched a facelifted version of the SL. In January 2007, we introduced an AMG-version of the CL coupe. We also offer a high performance Mercedes-Benz sports car, the SLR, through McLaren Cars Ltd.
- *the E-Class* – The E-Class is a line of luxury sedans and station wagons. We launched facelifted versions of the E-Class sedans and station wagons in mid 2006. We also offer the CLS, a four-door coupe based on the E-Class platform. It is an innovative vehicle concept with a highly emotive design and leading-edge technology.
- *the C-Class* – The C-Class is a line of compact luxury sedans and station wagons. The C-Class sports coupe, the SLK (a two-seat roadster) and the CLK coupe and convertible complement the C-Class product family. We launched the new C-Class sedan in March 2007 and intend to introduce the new C-Class station wagon in the fall of 2007.
- *the A-/B-Class* – The A-Class is a front wheel drive compact and the B-Class is a front wheel drive 4-door Compact Sports Tourer (CST).
- *the M-/R-/GL-Class* – The M-Class is a line of sport utility vehicles with permanent all-wheel drive. The R-Class is a Grand Sports Tourer (GST) which is available in a long and short wheel base version. The GL-Class is a seven seat sport utility vehicle based on the M-Class which we launched in 2006.
- *the G-Class* – The G-Class is a four-wheel drive cross country vehicle that comes in a short and a long wheelbase version and as a convertible.

Maybach. The prestigious Maybach brand represents a line of exclusive high-end luxury sedans with unsurpassed luxury, comfort, and individuality. The Maybach is available in a long and a short wheel base version. We introduced a sportier version of the long wheel base sedan, the Maybach 62 S, at the beginning of 2007.

smart. The smart brand represents a micro compact car concept. We currently offer the smart fortwo and the fortwo cabrio. As part of the restructuring of the smart business we ceased production of the smart roadster in 2005 and of the smart forfour in 2006. In 2006, we integrated the smart business into our Mercedes-Benz organization. In March 2007, we launched the successors to the smart fortwo and fortwo cabrio models. For further information on the restructuring of the smart business, please refer to Note 5 to our Consolidated Financial Statements.

Competition

In Western Europe, our Mercedes-Benz passenger cars compete primarily with products of BMW (BMW, Rolls Royce), Volkswagen (Audi, Bentley, VW) and, depending on the market segment, Fiat (Lancia, Alfa Romeo, Ferrari, Maserati), Ford (Jaguar, Aston Martin, Land Rover, Volvo), General Motors (Opel, Saab, Vauxhall), Porsche, PSA (Peugeot/Citroen), Renault and Toyota (Lexus).

In the United States, our principal competitors include BMW (BMW, Rolls Royce), Ford (Jaguar, Aston Martin, Land Rover, Lincoln, Volvo), Honda (Acura), Nissan (Infiniti), Porsche, Toyota (Lexus), Volkswagen (Audi, Bentley, VW) and, depending on the market segment, Nissan, Toyota and certain models produced by General Motors (Cadillac, Saab).

Competitors of the Maybach are Rolls Royce and Bentley sedans.

Principal competitors of smart vehicles are certain models of Fiat, Ford, PSA (Peugeot / Citroen), Renault, Suzuki, Toyota (Daihatsu), BMW (Mini) and Volkswagen (Seat, Skoda, VW).

(b) Chrysler Group

Our Chrysler Group segment consists of DaimlerChrysler Motors Company LLC and its subsidiaries DaimlerChrysler Corporation, DaimlerChrysler Canada Inc., and DaimlerChrysler de Mexico S.A. de C.V., as well as other international automotive affiliates. These companies design, manufacture, assemble and sell cars and trucks under the brand names Chrysler, Jeep® and Dodge. The Chrysler Group segment contributed approximately 31% of our revenues in 2006.

Recovery and Transformation Plan

In response to poor operating results in 2006, shifting consumer preferences, and continuing intense competition in the U.S. automotive market, the Chrysler Group announced on February 14, 2007 several key measures to improve its financial performance and market position and redesign its business plan, including:

Manufacturing Capacity/Productivity

- Reduce assembly capacity by 400,000 units, including, the elimination of three shifts at various assembly facilities in 2007 and 2008, the idling of the Newark Assembly plant at the end of 2009, the reduction in related component, stamping and powertrain volumes, and the idling of a parts distribution center at the end of 2007.
- Reduce hourly employees by 11,000 over the next three years through a combination of special retirement and separation programs, as well as productivity.

Material and Fixed Cost Reductions

- Reduce material costs by up to EUR 1.15 billion (\$1.5 billion) by the end of 2009.
- Reduce salaried employees by 2,000 over the next two years through a combination of special retirement and separation programs.
- Evaluate the sale/outsourcing of non-core operations.
- Complete successful negotiations with the United Automobile, Aerospace, and Agricultural Implement Workers of America (UAW) in 2007.

Revenue Management

- Continue product offensive with 8 new and 5 refreshed products in 2007.
- Shift product mix to more fuel efficient vehicles and reduce fleet mix.
- Reduce and optimize the dealer network to improve dealer profitability.

Transformation

- Invest EUR 2.3 billion (\$3.0 billion) in new engine, transmission and axle programs to increase fuel economy and performance, and reduce complexity.
- Reduce the number of vehicle platforms to increase component and architecture sharing, and reduce complexity.
- Reduce reliance on NAFTA market by adding new non-NAFTA vehicle programs, leveraging third party alliances and purchasing from new low-cost sources.

With the implementation of these measures, the Chrysler Group expects to position itself for improved profitability and competitiveness in the world automotive markets. The Chrysler Group expects to record restructuring charges of up to EUR 1 billion (\$1.3 billion) in 2007 in connection with the implementation of these measures.

In addition, in the first quarter of 2007 the Chrysler Group plans to further reduce dealer inventories to align with market demand, which will result in a reduction in operating profit of approximately EUR 230 million (\$300 million). In connection with the announcement of the Recovery and Transformation Plan, we also announced that we were looking into further strategic options with regard to the Chrysler Group and that no option is being excluded in an effort to find the best solution for both the Chrysler Group and the Company.

Products

The Chrysler Group vehicles include full-size, mid-size and compact cars and standard and extended wheelbase minivans, full-size and mid-size pick-up trucks, sport utility vehicles, full-size vans and models in the sports tourer segment. The Chrysler Group also sells parts and accessories marketed under the MOPAR® brand name.

During 2006 and 2007, the Chrysler Group introduced or plans to introduce, among others, the following products:

2006 Calendar Year Introductions:

2007 Jeep® Grand Cherokee SRT8 – Full-Size Sport Utility Vehicle

2007 Dodge Caliber - Compact Car

2007 Jeep® Compass - Compact Sport Utility Vehicle

2007 Jeep® Wrangler Unlimited – Mid-Size Sport Utility Vehicle

2007 Chrysler Aspen – Full-Size Sport Utility Vehicle

2007 Dodge Nitro – Mid-Size Sport Utility Vehicle

2007 Jeep® Wrangler - Small Sport Utility Vehicle

2007 Dodge Ram 3500 Chassis Cab - Class 3 Large-Size Truck

2007 Chrysler Sebring Sedan – Mid-Size Sedan

2007 Jeep® Patriot - Compact Sport Utility Vehicle

2007 Calendar Year Introductions:

2008 Chrysler Sebring Convertible - Standard Specialty Car
2008 Dodge Avenger – Mid-Size Sedan
2008 Chrysler Town & Country / Dodge Grand Caravan – Minivan
2008 Dodge Ram 4500/5500 Chassis Cab – Class 4/Class 5 Large-Size Truck
2008 Dodge Sprinter – Full-Size Van
2008 Dodge Viper SRT10 – Specialty
2008 Caliber SRT4 – Compact Car
2008 Jeep® Liberty – Mid-Size Sport Utility Vehicle

Competition

In the NAFTA region, principal competitors of our Chrysler, Jeep® and Dodge vehicles are products of General Motors, Ford, Toyota, Honda and Nissan. Competition is likely to intensify as new products and capacity in NAFTA are added by Asian and European manufacturers.

(c) Truck Group

The Truck Group manufactures and sells trucks and specialty vehicles under the brand names Mercedes-Benz, Freightliner, Sterling, Western Star, Thomas Built Buses (TBB) and Mitsubishi Fuso. Our worldwide facilities provide us with a strong production and assembly network for commercial vehicles and core components. In 2006, the Truck Group contributed approximately 21% of our total revenues.

Products

Mercedes-Benz Trucks. Our European Mercedes-Benz truck lines consist of the Actros and the Axor in the heavy duty category, the Atego in the medium duty category, and the specialty vehicle Econic. Complementing our line-up is the Unimog, a four-wheel drive vehicle designed for special purpose applications. In addition, we manufacture heavy and medium duty trucks for local and export markets in Turkey and Brazil. Overall, our Mercedes-Benz trucks range from 6 metric tons (t) gross vehicle weight (GVW) to 41t GVW.

Freightliner Trucks, Sterling Trucks, Western Star Trucks, and Thomas Built Buses. Our U.S. subsidiary Freightliner manufactures trucks and buses (based on truck chassis) in Classes 5 through 8 (from 16,000 lbs. GVW to 160,000 lbs. GVW) and sells them under the Freightliner, Sterling, Western Star, and Thomas Built Buses brand names, primarily in the NAFTA region. Freightliner also manufactures chassis for trucks, buses, walk-in vans and motor homes in Classes 3 through 7 (from 10,000 lbs. GVW to 33,000 lbs. GVW). In 2007, Freightliner plans to launch trucks equipped with engines that meet new vehicle emission requirements in the U.S. and Canada. It will also introduce the successor of the Freightliner Premium Class and the Sterling Bullet in the NAFTA region.

Mitsubishi Fuso Trucks and Buses. Our Japanese subsidiary MFTBC offers a comprehensive truck and bus portfolio, primarily for the Japanese and other Asian markets. The line-up includes the Canter trucks (light duty), the Fighter trucks (medium duty), the Super Great trucks (heavy duty), certain bus models (Rosa and Aero) and specialty vehicles. MFTBC also sells trucks in Western Europe and the United States. In 2007, MFTBC plans to launch facelifted versions of the Fighter and Super Great trucks which will meet new 2007 Japanese emission regulations.

Competition

Competitors of our Truck Group vary in each geographic region. In Western Europe, our main competitors are MAN, Iveco, Volvo, Scania, DAF and Renault. In the NAFTA markets, our main competitors in the Class 5 through 8 truck categories are Navistar International, Paccar (Kenworth, Peterbilt), Volvo/Mack, General Motors and Ford. In Latin America, our main competitor is Volkswagen. In Japan and the South East Asian markets, our main competitors (including buses) are Hino, Isuzu and Nissan Diesel.

(d) Financial Services

Our financial services activities, which contributed approximately 11% of our revenues in 2006, consist almost exclusively of financing and leasing services supporting our automotive business.

The financial services we offer consist mainly of customized financing and leasing packages for our retail and wholesale customers in the automotive sector. We also provide financing to our dealers for property, plant and equipment purchases and vehicle inventory. In Germany, we operate a fully licensed bank, the DaimlerChrysler Bank. The DaimlerChrysler Bank offers financial services to our customers and employees in Germany. These include leasing and sales financing services, car savings plans as well as credit cards and demand deposit accounts. In addition, we offer insurance brokerage and fleet management services, including dealer property and casualty insurance.

In an effort to refocus our financing and leasing portfolios on the automotive sector, which is our core business, we disposed of several non-automotive financial assets in recent years. In 2005, we sold our equity interest in debis AirFinance B.V. (dAF) and our outstanding subordinated loans receivable and unsecured loans provided to dAF for EUR 0.3 billion in cash. Prior to the sale, we accounted for our investment in dAF using the equity method of accounting.

We also hold an ownership interest in Toll Collect. In September 2002, our subsidiary DaimlerChrysler Financial Services AG (formerly DaimlerChrysler Services AG), Deutsche Telekom AG and Compagnie Financière et Industrielle des Autoroutes S.A. (Cofiroute) contracted with the Federal Republic of Germany to develop, install and operate a system for electronic collection of tolls from all commercial vehicles over 12t GVW using German highways. Toll Collect GmbH, a German limited liability company in which we and Deutsche Telekom each hold a 45% interest and Cofiroute holds the remaining 10%, is the principal builder and operator of the system. We account for our equity interest in Toll Collect using the equity method of accounting. You can find additional information about Toll Collect in Note 3 to our Consolidated Financial Statements.

Competition

In the financial services area, our competitors include leasing and finance subsidiaries of banks and financial institutions. We also compete with the financial services businesses of other automobile manufacturers to the extent they do not limit their activities to their own automobile brands.

(e) Van, Bus, Other

The van and bus businesses included in this segment design, produce, and sell a wide range of vans and buses. The other businesses and investments comprising this segment include our equity investment in the European Aeronautic, Defence and Space Company EADS N.V. (EADS), our real estate and corporate research activities, our holding companies and our finance subsidiaries through which we finance the capital needs of our operating businesses in the capital markets. Until the first quarter of 2006, our off-highway business was also part of this segment.

In the context of the new management model, we merged the Corporate Research department and the development departments of the Mercedes Car Group; as a result, they are directly allocated to the Mercedes Car Group as of 2007.

In 2006, the Van, Bus, Other segment contributed approximately 9% of our revenues.

Vans and Buses

Vans. Worldwide, we currently offer three lines of Mercedes-Benz Vans between 1.9t and 7.5t GVW: the Sprinter, the Vito/Viano and the Vario. In the U.S. market we currently sell the Sprinter under the Freightliner and Dodge brand names. In 2006, we launched a new version of the Sprinter.

Buses. We are a full-line supplier in the worldwide bus and coach market. Our product portfolio includes city-buses, coaches, interurban buses, midi buses and bus chassis. We sell completely built-up buses under the Mercedes-Benz and Setra brands in Europe and under the Setra and Orion brand names in the United States and Canada. In addition to completely built-up buses, we produce and sell worldwide a wide range of bus chassis under the brand name Mercedes-Benz.

Other

EADS. EADS is a publicly traded company and a global supplier in the aerospace and defense sectors. It also provides related services. The EADS Group includes the aircraft manufacturer Airbus, the helicopter manufacturer Eurocopter and the joint venture Matra BAe Dynamics Aerospatiale SAS, a guided missile producer. In addition, EADS is a partner in the Eurofighter consortium and a prime contractor for the Ariane launcher. The company is also developing the A400M military transport aircraft and is the industrial partner for the European satellite navigation system Galileo. We account for our interest we hold in EADS using the equity method of accounting and we report our share of the operating results of EADS as part of the operating results of Van, Bus, Other.

In 2004 and 2006 we entered into transactions involving our EADS shares. The 2004 transactions are with respect to shares representing an approximate 3% interest in EADS and the 2006 transaction involved shares representing a 7.5% interest in EADS. In January 2007, we settled the 2006 transaction and upon transfer of this ownership interest received proceeds of EUR 2.0 billion. The 2004 transactions are eligible for settlement during 2007 and 2008. As of February 1, 2007 we legally owned 22.5% of EADS, however, our 2006 Consolidated Financial Statements reflect a 33% equity interest in EADS. In addition, on February 9, 2007, we entered into another transaction involving a further 7.5% interest in EADS. This 2007 transaction is eligible for settlement in 2010 and may be settled by delivery of the EADS shares or by cash payment. For further information on these transactions, please refer to Note 3 to our Consolidated Financial Statements.

During 2006, EADS announced that problems with the Airbus A380 program and resulting delivery delays, the decision to launch the industrial program for the new A350 XWB aircraft family and efficiency improvement programs to be implemented at EADS would negatively affect its current and future operating results.

Off-Highway. On December 27, 2005, as part of our ongoing strategy to focus on the core automotive business, we entered into a share sale and purchase agreement with the Swedish investor group EQT regarding the sale of a major portion of our Off-Highway business, including the MTU-Friedrichshafen GmbH Group and the Off-Highway activities of Detroit Diesel Corporation. The sale was consummated in the first quarter of 2006. The Off-Highway business focused on engine applications for rail and marine products, military and industrial vehicles as well as stationary industrial and commercial applications (e.g. electric power generators). For further information please refer to Note 4 to our Consolidated Financial Statements.

MMC. Following a corporate restructuring at Mitsubishi Motors Corporation (MMC) in 2004, our interest in the voting stock of MMC was diluted from 37.0% to 24.7% and we no longer had the ability to exercise significant influence over the operating and financial policies of MMC. As a result, we ceased to account for our investment in MMC using the equity method of accounting and classified our investment in MMC as an investment in marketable securities, accounted for at fair value. Subsequently, our equity interest was further diluted and, in November 2005, we sold our remaining 12.4% interest in MMC for EUR 970 million. Please refer to the discussion in Note 3 to our Consolidated Financial Statements for further information.

Competition

In Western Europe, our principal competitors in the van category are Fiat (Fiat, Iveco), Ford, Volkswagen and Renault. In the United States, competitors include Ford and General Motors (Chevrolet, GMC).

Our main competitor in the worldwide bus sector (over 8t GVW) is Volvo. In Western Europe, our other major competitors are Neoman (MAN, Neoplan), Scania and Irisbus (Irisbus, Heuliez Bus, Karosa). Our main competitors in South America are Volkswagen and Agrale, although Volvo and Scania also compete in that region.

4. Description of Related Companies

(a) Parent Company

The Company has no parent company.

(b) Significant Subsidiaries

The following table shows the significant subsidiaries DaimlerChrysler AG owned, directly or indirectly, as of December 31, 2006:

Name of the Company	Percentage owned (in %)	Equity (in mn of euros)	Net income (in mn of euros)	Relationship
DaimlerChrysler North America Holding Corporation, Auburn Hills, Michigan, a Delaware corporation ¹⁾	100.0	12,925	(303)	Holding company, business transactions
DaimlerChrysler North America Finance Corporation, Newark, Delaware, a Delaware corporation ²⁾	100.0	35,367	1,281	Business transactions
DaimlerChrysler Motors Company LLC, Auburn Hills, Michigan, a Delaware limited liability company ²⁾	100.0	15,066	490	Business transactions
DaimlerChrysler Corporation, Auburn Hills, Michigan, a Delaware corporation ³⁾	100.0	(7,825)	(2,515)	Business transactions
DaimlerChrysler Financial Services Americas LLC, Farmington Hills, Michigan, a Michigan limited liability company ⁴⁾	100.0	—	—	Business transactions
Freightliner LLC, Portland, Oregon, a Delaware limited liability company ¹⁾²⁾	100.0	1,189	481	Business transactions
smart gmbh, registered in Böblingen, Germany	100.0	76	—	Business transactions

1 Reflects the consolidated group financial statements

2 Included in the group financial statements of DaimlerChrysler North American Holding Corporation

3 Included in the group financial statements of DaimlerChrysler Motors Company

4 Included in the group financial statements of DaimlerChrysler Corporation

DaimlerChrysler AG owns 100% of DaimlerChrysler North America Holding Corporation and smart gmbh. DaimlerChrysler North America Holding Corporation owns 100% of DaimlerChrysler North America Finance Corporation, 100% of DaimlerChrysler Motors Company LLC and 100% of Freightliner LLC. DaimlerChrysler Motors Company LLC owns

100% of DaimlerChrysler Corporation. DaimlerChrysler Corporation owns 100% of DaimlerChrysler Financial Services Americas LLC.

In addition, DaimlerChrysler has a minority stake, but no material managing influence in EADS.

In total, DaimlerChrysler AG holds 815 investments, comprising 433 consolidated group companies, 222 non-consolidated group companies, 103 associated companies and group companies at equity, 56 associated companies and group companies at cost, and one other subsidiary that is explained under Note 37 to the consolidated financial statements. Details of these investments are shown in the “Statement of Investments in Affiliated, Associated and Related Companies according to sec. 313 HGB (German Commercial Code)” available at the Group’s website under www.daimlerchrysler.com, section “Investor Relations”, subsection “Reports”. At the same website also the “Schedule about the Investments in Subsidiaries (according to sec. 285 of the German Commercial Law)” of DaimlerChrysler AG is available.

5. Description of Employees

At December 31, 2006, we employed a workforce of 360,385 people worldwide, which represented a decrease of 6% from year-end 2005. The decrease in 2006 resulted primarily from the workforce reduction initiative at the Mercedes Car Group (employees who had voluntarily left the company), the worldwide administrative headcount reduction, the sale of the Off-Highway business and productivity improvements at Chrysler Group. The following table shows the number of our employees at December 31, 2006, 2005, and 2004, adjusted to reflect changes in segment composition:

	Employees at December 31,								
	2006			2005			2004		
	Total	Germany	U.S.	Total	Germany	U.S.	Total	Germany	U.S.
Mercedes Car Group ¹	99,343	87,272	4,012	104,345	91,556	4,472	105,857	93,679	3,409
Chrysler Group	80,735	25	62,334	83,130	8	63,749	84,375	2	65,169
Truck Group	83,237	27,617	20,339	84,254	27,217	20,357	82,446	26,941	19,702
Sales organization for automotive business	46,952	26,104	1,558	48,773	27,541	1,882	48,029	28,101	1,820
Financial Services	10,718	2,503	4,415	11,129	2,779	4,602	11,224	2,984	4,679
Van, Bus, Other ^{1,2}	39,400	23,096	2,134	51,093	32,959	2,418	52,792	33,447	3,340
DaimlerChrysler Group	360,385	166,617	94,792	382,724	182,060	97,480	384,723	185,154	98,119

1 As a result of organizational changes in 2006, certain employees of our corporate research department are now reported in the Mercedes Car Group segment. These employees were previously reported in the Van, Bus, Other segment.

2 In the first quarter of 2006 we disposed of our Off-Highway business. The number of total employees of the Van, Bus, Other segment in each of 2005 and 2004 includes 7,044 and 7,053 employees, respectively, related to the Off-Highway business.

On average, we had approximately 11,300 temporary employees in 2006.

Worldwide, DaimlerChrysler employees’ average period at the company was 14.6 years in

2006 (2005: 14.4 years). Our employees in Germany had been with us for an average of 17.1 years in 2006 (2005: 16.8 years). The average period for our employees in the United States was 13.8 years (2005: 13.5 years).

The average age of the Group's worldwide workforce was 41.6 years at the end of December 2006, compared to 41.3 years at December 2005.

Almost all our employees in Germany who are members of labor unions belong to the German metalworkers' union (Industriegewerkschaft Metall). We do not operate any of our facilities in Germany on a "closed shop" basis. In Germany, the regional association of companies within a particular industry and the unions covering that industry negotiate collective bargaining agreements for blue collar workers and for white collar employees below senior management level. We are a member of the associations of employers in the regions in which we operate. Even though the collective bargaining agreement is legally binding only for members of the negotiating parties, i.e., the member companies of the employers' associations and the employees who are union members, we extend the applicability of the agreement to all employees below senior management level by including a pertinent clause in our employment contracts.

On February 12, 2004, the regional association of employers and the representatives of the metalworkers' union concluded a collective bargaining agreement covering the period from March 1, 2004, through February 28, 2006. The agreement provides for staggered pay increases, the last of which provides for an aggregate 2.7% wage increase for all employees for the period March 1, 2005, through February 28, 2006. Of this increase employees received a portion as lump sum payments in March and October 2005. After deducting the lump sum payments and the amount held back to offset transition costs associated with reforming the collective framework agreement, the wage increase for that period was 2.0%.

In April 2006, the regional association of employers and the representatives of the metalworkers' union concluded a new collective bargaining agreement covering the period from June 1, 2006, through March 31, 2007. The agreement provides for 3.0% pay increases and an additional lump sum payment for all employees of EUR 310 for the period from March through May 2006. In June 2006, all employees received an additional lump sum payment of 18.4% of the monthly individual wage; this payment was provided for by a collective bargaining agreement associated with reforming the collective framework agreement in Germany. As of January 1, 2007, we implemented the new collective framework agreement for all employees below senior management level.

On July 28, 2004, DaimlerChrysler AG and the works council of DaimlerChrysler AG agreed on a framework covering more than 160,000 employees in all German plants and the sales organization of DaimlerChrysler AG. The agreement aims to improve DaimlerChrysler AG's competitiveness, mainly by limiting future labor cost increases and increasing work flexibility. In return, DaimlerChrysler AG provides job guarantees to all employees below senior management level who were employed before July 28, 2004, until December 31, 2011.

At the end of September 2005, the Board of Management approved a package of measures to reduce personnel levels at the Mercedes Car Group in Germany by 8,500 jobs. These staff reductions were achieved by means of voluntary severance agreements.

In January 2006, we presented a new management model designed to improve our competitiveness and promote further profitable growth. The goal of the new model is to establish integrated processes and eliminate redundancies through the global integration of certain administrative functions. Under the new management model, DaimlerChrysler expects to reduce its worldwide administrative headcount by approximately 6,000 employees through voluntary termination and early retirement contracts, normal attrition, and, to a lesser

extent, involuntary terminations. By the end of January 2007, 2,000 employees had either signed severance agreements or left the company.

In the United States and Canada, most of the hourly employees and 24% of the salaried employees of the Chrysler Group are represented by unions. The UAW and the National Automobile, Aerospace, Transportation and General Workers Union of Canada (CAW) represent substantially all of these represented employees.

In September 2003, DaimlerChrysler Corporation and the UAW agreed on terms for a four-year collective bargaining agreement. The agreement covers more than 51,000 hourly and salaried workers in the United States. In addition to lump sum payments in 2003 and 2004, and annual base wage increases in 2005 and 2006, the agreement provides for increases in pension benefit rates, and changes in some health care, supplemental unemployment and other benefits. The agreement allows DaimlerChrysler Corporation to close or sell several specified facilities as an exception to a general limitation on its ability to close plants, reduce employment levels, or dispose of operations that constitute a UAW bargaining unit. It also provides flexibility in establishing job assignments and work rules in order to increase productivity in plants. Along with a national agreement, DaimlerChrysler Corporation also has local agreements with UAW bargaining units at each of our facilities.

Health care benefits for active and retired employees represent a significant cost to DaimlerChrysler Corporation and its U.S. competitors. After protracted negotiations, the UAW leadership advised us in September 2006 that it would not recommend health care cost sharing and reduction measures at DaimlerChrysler Corporation comparable to those approved by UAW members employed by the company's U.S. competitors. DaimlerChrysler Corporation has advised the UAW that this represents an unacceptable competitive disadvantage requiring immediate attention.

In September 2005, DaimlerChrysler Canada, Ltd. and the CAW agreed to a three-year collective bargaining agreement that covers approximately 10,000 workers in Canada. It provides, among other things, for modest wage, pension and benefit increases for employees and provides the company more flexibility in staff deployment in order to improve productivity in its plants.

III. Description of Business

1. Outline of Business Results, etc.

The following table provides an overview of the profit and loss account for the fiscal year 2006:

Consolidated Statements of Income (In millions of EUR, except per share amounts)	Year ended December 31,	
	2006	2005
Revenues	151,589	149,776
Cost of sales	(125,673)	(122,861)
Selling, general administrative and other expenses	(18,513)	(18,981)
Research and development	(5,331)	(5,649)
Other income	1,305	966
Goodwill impairment	—	(30)
Income before financial income	3,377	3,221
Financial income, net	616	217
Income before income taxes	3,993	3,438
Income tax (expense) benefit	(706)	(513)
Minority interests	(56)	(74)
Income before cumulative effects of changes in accounting principles	3,231	2,851
Cumulative effects of changes in accounting principles: transition adjustments resulting from adoption of SFAS 123R and FIN 47, net of taxes	(4)	(5)
Net income	3,227	2,846
Basic earnings per share		
Income before cumulative effects of changes in accounting principles	3.16	2.80
Cumulative effects of changes in accounting principles	—	—
Net income	3.16	2.80
Diluted earnings per share		
Income before cumulative effects of changes in accounting principles	3.14	2.80
Cumulative effects of changes in accounting principles	—	—
Net income	3.14	2.80

The accompanying notes are an integral part of these Consolidated Financial Statements. A detailed analysis of the business results is provided under the item “7. Analysis of Financial Condition and Results of Operation”.

2. Results of Productions, Orders Received and Sales

There is significant production overcapacity in the worldwide automotive industry which threatens continued profitability of many manufacturers. As part of our strategic planning and operations, we monitor our production capacity in relation to developing and anticipated industry changes and market conditions. As such conditions fluctuate, we adjust our capacity by opening, closing, selling, expanding, or downsizing production facilities, or by adding or eliminating work shifts.

For additional information on capacity adjustments at Chrysler Group, please refer to the discussion under the heading "Recovery and Transformation Plan" in "b) Chrysler Group" under "3. Contents of Business" in section "II. Outline of the Company".

For further information about the conditions of our production facilities, please also refer to "2. Conditions of Major Facilities" under "IV. Conditions of Facilities".

(a) Supplies and Raw Materials

We operate our worldwide procurement and supply activities through a single global procurement organization. We aim to maximize the efficiency of our supply networks by working not only with the first tier supplier but also with sub-suppliers, raw material suppliers, and transportation carriers.

In 2006, raw material prices continued to have an impact on the automotive industry as prices for most raw materials increased further from the high levels in 2005. The higher raw material prices increased our material costs in 2006. We were able to offset these increases through bundling, long-term agreements, and other cost reduction measures.

We manage our current and future supplies and raw material requirements and delivery needs on an ongoing basis in close cooperation with our suppliers and sub-suppliers. To avoid potential shortages or further price increases we enter into annual and long-term supply agreements with suppliers, and purchase raw materials or commodities on the spot market as needed.

Prices of precious metals, including platinum, palladium and rhodium, which we primarily use in catalytic converters, also continued to increase in 2006. We use derivative commodity instruments to hedge against the volatility of precious metals prices to the extent we deem appropriate. We also continue to research alternative materials and processes for use in catalytic converters and other components. In addition, we have established a corporate commodity risk management committee to provide enhanced control and oversight over our commodity price exposure.

Consistent with general industry practice, we may source certain parts or components from a single supplier. This practice carries the risk of potential production disruption if the supplier is unable to perform its obligations. We have provided, and in the future may be required to provide, different types of assistance to certain suppliers in order to avoid prolonged interruption in the supply of parts or components. This assistance could negatively impact our profitability. For further information on financially distressed suppliers, please refer to Note 31 to our Consolidated Financial Statements.

(b) Orders Received

The Mercedes Car Group, the Truck Group, and the Vans and Buses units produce vehicles to order in accordance with the specifications of their individual customers. We use all opportunities to flexibly adjust the production capacities of individual models to the changing levels of demand.

The Chrysler Group produces vehicles of the Chrysler, Jeep® and Dodge brands primarily on the basis of internal sales forecasts and orders from dealerships, and to a lesser extent on the basis of orders from end customers. Most end customers buy Chrysler, Jeep® and Dodge vehicles directly from dealers' inventories. The dealers monitor their inventories and order the numbers of vehicles they need from the Chrysler Group to cover local demand.

(c) Sales Results

The development of unit sales and revenues is discussed under the sub-items (b) to (d) of "7. Analysis of Financial Condition and Results of Operation" in III. Description of Business.

(d) Production Results

The following tables set forth the distribution of production volume by product segments since 2005:

Mercedes Car Group (production volume in units)	Year ended December 31,	
	2006	2005
Mercedes-Benz and Maybach	1,148,900	1,090,800
smart	82,100	124,100
Total	1,231,000	1,214,900

Chrysler Group (production volume in units)	Year ended December 31,	
	2006	2005
Passenger Cars	640,200	617,800
Chrysler	345,300	306,700
Dodge	294,900	311,100
Trucks	1,908,500	2,142,700
Chrysler	435,700	452,100
Dodge	905,200	1,055,900
Jeep®	563,100	625,100
Contract manufacturing*	4,500	9,600
Total	2,548,700	2,760,500

* Contract manufacturing represents units produced at Warren Assembly Plant for Mitsubishi Motors.

Truck Group (production volume in units)	Year ended December 31,	
	2006	2005
Trucks		
Trucks Europe / Latin America	144,200	146,900
Trucks Nafta	207,300	202,900
Mitsubishi Fuso Truck and Bus Corporation	178,700	189,500
Van, Bus, Other (production volume in units)		
	2006	2005
Vans		
Mercedes-Benz vans	252,800	248,800
Buses		
Buses and coaches	37,100	36,900
Others	8,300	9,600

3. Matters to be Dealt with

The material contracts, agreements and business developments are described under:

- “3. Contents of Business” in section “II. Outline of Business”, and
- “5. Material Contracts Relating to Business”,
- “6. Activities on Research and Development” and
- “7. Analysis of the Financial Condition and Results of Operation” all in section “III. Description of Business”.

Furthermore, the automotive industry is subject to extensive government regulation. Laws in various countries regulate the emission levels, fuel economy, noise, and safety of vehicles, as well as the levels of pollutants generated by the plants that produce them. These regulations often impose differing standards and substantial testing and certification requirements. The cost of complying with these varying regulations can be significant, and we expect to incur significant compliance costs in the future. We recognize, however, that leadership in environmental protection and safety is an increasingly important competitive factor in the marketplace.

For a full description of risk factors influencing the Groups business development, please refer to “4. Risk Factors” in this chapter and consider note 5 of the “Table of Contents” on page ii of this document.

Efficiency Enhancement Programs

Currently, the Group is implementing the new management model and is implementing efficiency enhancement programs in all its divisions, of which the Recovery and Transformation Plan at Chrysler Group was most recently announced. For further information, please refer to “b) Chrysler Group” under “3. Contents of Business” in section “II. Outline of the Company”.

4. Risk Factors

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

(a) Economic Risks

A decline in demand growth resulting, for example, from rising interest rates and fuel prices, could significantly adversely affect our businesses in our primary markets, the United States and Western Europe.

The U.S. economy increasingly requires significant capital inflow from non-U.S. investors to finance its large current account deficit. A pronounced decline in demand for U.S. dollar denominated investments could lead to a sharp depreciation of the U.S. dollar and force the United States to raise its key interest rates, which would likely reduce demand for vehicles. A drop in economic growth in Western Europe, on the other hand, could result not only from a structural weakness or decline in domestic demand in major European economies, but also from a decline in the U.S. economy, which would likely result in less demand for European goods and services in the U.S.

Sustained high energy prices could lead to declines in automotive sales if central banks try to limit inflationary pressure by substantially increasing interest rates. High fuel prices can also lead to a shift to smaller, lighter, more fuel-efficient cars, which generally provide a lower gross margin than larger vehicles, as well as to the deferral of purchases.

The occurrence of any of these events in our primary markets, or other events that threaten consumer and investor confidence (for example international disputes, political instability, terrorism, significant declines in stock or housing markets) may significantly adversely affect our future sales. Since a high proportion of our costs are fixed, even small declines in sales can significantly affect our operating results and cash flows.

An economic downturn in Asian economies could delay our plans for expansion in Asian markets and intensify competitive pressures.

A decline in Asian economies could not only negatively affect future business prospects of our subsidiary MFTBC and our Mercedes-Benz passenger car sales, but also our long-term strategic expansion plans for growth in Asian markets. An economic downturn in China, in particular, could delay our expansion in that increasingly important market and could also negatively impact the economies in the United States and Western Europe. Moreover, if economic conditions in Asia were to deteriorate, especially if coupled with depreciating Asian currencies, then Asian competitors with excess capacity might intensify their efforts to export vehicles to North America and Western Europe. This would not only intensify competition for market share, but also increase further the existing pressure on margins within the automotive industry.

Our results of operations and cash flows could be adversely affected by economic or political change.

We, in particular our Truck Group, our bus operating unit, and our Financial Services segment, have significant operations in several Latin American countries and in Turkey. Some of the countries in those regions may experience severe economic or political change, including currency fluctuations, which could adversely affect our investments as well as local demand in those and neighboring countries, thereby negatively affecting our cash flows and

results of operations.

Protectionist trade policies could negatively affect our business in certain markets.

Demand for motor vehicles could also be affected by the political and regulatory environment in the markets in which we operate. For example, a discord in international trade relations and the implementation of new tariff or non-tariff trade barriers could negatively affect our global sales and procurement activities as well as expansion plans in affected areas. The proliferation of bilateral free trade agreements between third party countries could negatively affect our position in those foreign markets, especially in Southeast Asia where Japan increasingly gains preferential market access.

(b) Industry and Business Risks

Overcapacity and intense competition in the automotive industry create pricing pressure and force further cost reductions.

Intense price competition and overcapacity in the automotive industry could force manufacturers of passenger cars and commercial vehicles to decrease production, reduce capacity or increase sales incentives. Our ability to improve or even maintain our profitability depends, among other things, on the successful implementation of cost reduction and efficiency optimization programs and the achievement of sustainable price reductions from suppliers. Our ability to achieve such price reductions from suppliers may be limited by a combination of factors including consolidation among automotive suppliers, the use of a single supplier for certain components, and increasing supplier insolvencies.

In addition, if we are unable to continue to provide competitive sales incentives, customers may elect to purchase competitors' products and our future profitability and cash flows may suffer. The revenues and operating results of the Chrysler Group are particularly sensitive to sales incentives because consumers in the U.S. and Canadian automotive markets have come to expect them. Sales incentives have become more common in West European markets as well. Sales incentives in the new vehicle business also influence the price level of used vehicles, which could adversely affect the profitability of our used vehicle sales and, indirectly, the profitability of our future new vehicle sales.

Our future profitability and cash flows will depend on the ability of the Chrysler Group to improve revenues and reduce costs further and otherwise successfully implement its Recovery and Transformation Plan.

The Chrysler Group's ability to increase sales in the NAFTA region could be limited in the short term if a shift in consumer demand toward smaller vehicles were to continue as a result of increased fuel prices or interest rates or other reasons, because trucks, sports utility vehicles and minivans comprise a significant portion of its current product portfolio. Historically, vehicles in those categories have generally been the most profitable. Further, the Chrysler Group faces increased pressure to reduce costs following the actions taken by its major U.S. competitors to restructure their North American automotive businesses through plant closures, workforce reductions and labor cost initiatives, including health care cost sharing on the part of union represented employees in the U.S. To date, the union has declined to support comparable reductions in labor costs for the Chrysler Group. Our ability to achieve cost reductions and operational flexibility through various measures such as facility closings, workforce reductions, scaled wages, and new work rules is limited under the collective bargaining agreement governing substantially all of the Chrysler Group's represented employees in the U.S. The agreement expires in September 2007. A prolonged

work stoppage could occur in connection with negotiating the terms of a new agreement that could significantly adversely affect our operating results and cash flows.

On February 14, 2007, the Chrysler Group announced its Recovery and Transformation Plan, the objective of which is to improve its financial performance and market position. The Chrysler Group's future profitability and cash flows depend on successful implementation of the plan. For additional information on the Recovery and Transformation Plan, see the discussion under the heading "Recovery and Transformation Plan" in section "II. Outline of the Company," subsection "3. Contents of Business," "b) Chrysler Group."

High commodities prices and increased pressure on our suppliers could negatively impact our profitability and cash flows.

Prices for raw materials that we use in our production process, such as steel, aluminum, petroleum based products and certain precious metals, continue to remain at historically high levels. Further price increases for raw materials may lead to higher component and production costs that could in turn negatively impact our future profitability and cash flows because we may not be able to pass all of those costs on to our customers or suppliers.

Additionally, the intense competition in the automotive industry is having a significant adverse effect on the financial position and business continuity of key suppliers, several of whom are in bankruptcy. We have provided, and in the future may provide, financial support to suppliers in order to avoid prolonged interruption in the supply of components, which could have a significant negative impact on our profitability and cash flows. For further information on financially distressed suppliers, please refer to Note 31 to our Consolidated Financial Statements.

Risks arising from our leasing and sales financing business may adversely affect our future operating results and cash flows.

The financial services we offer in connection with the sale of vehicles involve several risks, including higher refinancing costs, and the potential inability to recover our investments in leased vehicles and collect our sales financing receivables. If any of these risks materialize, our future operating results, financial condition and cash flows could be adversely affected. For instance, our ability to recover our investments in leased vehicles may deteriorate as a result of a decline in resale prices of used vehicles. Our exposure to this risk may become more significant as operating leases comprise an increasing portion of our portfolio. Our ability to collect our sales financing receivables could be negatively impacted by consumer and dealer insolvencies.

New vehicle sales incentives indirectly lower the resale prices of used vehicles. A decline in resale prices of used vehicles could in turn result in downward pressure on the carrying values of leased vehicles and negatively affect the collateral value of our sales financing and finance lease receivables.

Our future profitability will depend on the ability to offer competitive prices while maintaining a high level of product quality.

Product quality significantly influences the consumer's decision to purchase passenger cars and commercial vehicles. Reductions in our product quality could severely tarnish our image as a manufacturer and thereby negatively affect our future sales and, as a consequence, our future operating results and cash flows. Consumers, however, increasingly react more sensitively to pricing, which may result in continued or intensified pricing pressures which may limit our ability to pass price increases on to customers. Our attempts to reduce costs

along the automotive value chain may place additional cost and pricing pressure on suppliers, which can also negatively affect product quality.

Additionally, component parts or assembly defects could require us to undertake service actions and recall campaigns, or even to develop new technical solutions requiring regulatory certification prior to implementation. We may need to expend considerable resources for these remediation measures, resulting in higher accruals for new warranties issued and expenses in excess of accrued liabilities for product guarantees previously issued.

Our future success depends on our ability to offer innovative new products and meet consumer demand.

Meeting consumer demand with new vehicles developed over increasingly shorter product development cycle times is critical to the success of automobile manufacturers. Our ability to strengthen our position within our traditional product and market segments through research and development of innovative products and services while expanding into additional market segments with innovative new products will play an important role in determining our future success. A general shift in consumer preference towards smaller, lower margin vehicles could have a negative effect on our profitability. Such a shift could result from, among other things, increasing fuel prices and interest rates (each of which negatively affected the Chrysler Group's 2006 sales), government regulations and environmental concerns. Potential delays in bringing new vehicles to market, the inability to achieve defined efficiency targets without suffering from quality losses and a lack of market acceptance of our new models would adversely affect our financial condition, results of operations and cash flows.

We are subject to legal proceedings and environmental and other government regulations.

A negative outcome in one or more of our pending legal proceedings could adversely affect our future financial condition, results of operations and cash flows. Please refer to the discussion under the heading "Legal Risks" hereunder and Note 30 to the Consolidated Financial Statements.

The automotive industry is subject to extensive governmental regulations worldwide. Laws in various jurisdictions regulate occupant safety and the environmental impact of vehicles, including emission levels, fuel economy and noise, as well as the levels of pollutants generated by the plants that produce them. The cost of compliance with these regulations is significant, and we expect to incur higher compliance costs in the future. New legislation may subject us to additional expense in the future, which could be significant.

Risks arising from contingent obligations could affect us adversely.

We sometimes provide guarantees for third party liabilities, principally in connection with liabilities of our non-consolidated affiliated companies, and performance guarantees related to the contractual performance of joint ventures and non-incorporated companies. These liability and performance guarantees may expose us to financial risk. For example, as a result of the guarantees and other obligations DaimlerChrysler Financial Services undertook as one of the consortium members of Toll Collect, our future operating results and cash flows may be materially adversely affected by penalties, damage claims and losses associated with an underperformance of the system.

(c) Financial Risks

We are exposed to fluctuations in currency exchange rates and interest rates.

Our businesses, operations and reported financial results and cash flows are exposed to a variety of market risks, including the effects of changes in the exchange rates of the U.S. dollar, the British pound, the Japanese yen and other world currencies against the euro. In addition, in order to manage the liquidity and cash needs of our day-to-day operations, we hold a variety of interest rate sensitive assets and liabilities. We also hold a substantial volume of interest rate sensitive assets and liabilities in connection with our lease and sales financing business. Changes in currency exchange rates and interest rates may have substantial adverse effects on our operating results and cash flows. For example, if the euro retains its current strength for a prolonged period of time against selected world currencies, especially the U.S. dollar, or if it appreciates further, our operating results and cash flows could be adversely affected because a significant portion of our business, primarily in the case of the Mercedes Car Group, depends in part on export sales to the United States. For more information on how changes in exchange rates and interest rates may impact our operating results and cash flows, please refer to the discussion about Market Risks hereunder.

Downgrades of our long-term debt ratings may increase our cost of capital and may negatively affect our businesses.

Downgrades by rating agencies may increase our cost of capital and, as a result, could negatively affect our businesses, especially our leasing and sales financing business which is typically financed with a high proportion of debt.

For a more detailed description of our credit ratings, please refer to the discussion under the heading "Credit Ratings" in "(g) Discussion of Liquidity and Capital Resources" in section "III. Description of Business," subsection "7. Analysis of Financial Conditions and Results of Operations."

We depend on the issuance of term debt to manage liquidity, and declines in our operating performance may limit our ability to issue such debt.

To manage the liquidity of the Group, we depend on the issuance of term debt, principally in the U.S. and European capital markets. Declines in our operating performance and changes in demand for this type of debt instrument could increase our borrowing costs or otherwise limit our ability to fund operations, either of which would negatively affect our operating results and cash flows.

Any negative impact on EADS's profitability, for example resulting from delays or volume reductions in future deliveries of aircraft, is likely to affect us adversely.

We hold a significant equity interest in EADS, which we account for using the equity method. Any factors negatively affecting the profitability of EADS reduce the contribution to our profits, and may also negatively affect our cash flow and our ability to recover the full amount of our investment. For example, in 2006 EADS announced that problems with the Airbus A380 program and resulting delivery delays, the decision to launch the industrial program for the new A350 XWB aircraft family and efficiency improvement programs to be implemented at EADS would negatively affect its future operating results.

We may need to make significant cash contributions or increase accruals with respect to the funding of our pension and other post-retirement benefit plans. In addition, our total pension and other post-retirement benefit expense may increase.

We have significant pension and other post-retirement benefit obligations which are partially underfunded. The funded status of our off-balance sheet pension and other post-retirement benefit plans is subject to changes in actuarial and other related assumptions and to actual developments.

Even small changes in the assumptions which affect the benefit plan valuation, such as discount rates, rates for compensation increase, mortality rates, retirement rates, health care cost trend rates and other factors, may lead to significant increases in the value of the respective obligations, which would affect the reported funded status of our plans and, as a consequence, could negatively affect our total pension and other post-retirement benefit expense in the following years.

Actual developments, such as an unfavorable performance of capital markets — particularly with respect to equity securities — can result in lower actual returns on plan assets or in a significant decrease in the market value of plan assets at year end. This in turn would affect the reported funded status of our plans. In addition, a decrease in the rate of expected return on plan assets can result in higher pension and other post-retirement benefit expense in subsequent years.

An increase in the underfunded status of our pension and other post-retirement benefit plans could require us to increase accruals in future periods with a corresponding reduction in stockholders' equity and to make additional cash contributions to the plans.

Please refer to Note 24a to our Consolidated Financial Statements for additional information on pension and other post-retirement benefit accounting.

(d) Market Risks

The global nature of our businesses exposes us to market risks resulting from changes in foreign currency exchange rates and interest rates. Accordingly, changes in foreign currency exchange rates and interest rates may adversely affect our operating results and financial condition. Other than equity price risk resulting from investments accounted for under the equity method, which are not considered in this quantitative and qualitative analysis, we are only exposed to equity price risk to a minor extent. We seek to manage and control these market risks primarily through our regular operating and financing activities, but we also use derivative financial instruments when we deem it appropriate. We evaluate these market risks by monitoring changes in key economic indicators and market information on an ongoing basis.

In addition, we are exposed to commodity price risk associated with our business operations.

Any market sensitive instruments, including equity and interest bearing securities, that our pension and other post-retirement benefit plans hold are not included in this quantitative or qualitative analysis. Please refer to Note 24a to our Consolidated Financial Statements for additional information regarding our pension and other post-retirement benefit plans.

For a description of how we account for derivative financial instruments refer to Note 32 to our Consolidated Financial Statements.

As part of our risk management control systems we employ value-at-risk analyses as recommended by the Bank for International Settlements. In performing these analyses we

quantify our market risk exposure to changes in foreign currency exchange rates, interest rates and equity prices on a continuous basis by predicting the potential maximum loss (or worst loss) over a target time horizon within a given confidence interval. The value-at-risk calculations we employ:

- express potential losses in fair values;
- are based on the variance co-variance approach; and
- assume a 99% confidence level and a holding period of five days.

When we calculate the value-at-risk of our portfolio of financial instruments, we first compute the current fair value of these financial instruments. We then determine the impact of relevant market risk factors, such as foreign currency exchange rates or interest rates, on our portfolio value, which means we quantify the sensitivity of our portfolio to these factors. Based on expected volatilities and correlations of these market risk factors which we obtain from the RiskMetrics™ dataset, we compute potential changes of the portfolio value by applying the variance co-variance approach. The variance co-variance approach is a statistical method used to quantify the total impact of all relevant market risk factors on the portfolio value. Through these calculations, and by assuming a 99% confidence level and a holding period of five days, we obtain our value-at-risk. The 99% confidence level and the five-day holding period indicate that there is only a 1% historical statistical probability that the value-at-risk will be exceeded by losses within the next five days.

In accordance with the organizational standards of the international banking industry, we maintain our risk management control systems independent of our corporate treasury and with a separate reporting line. Please also refer to Note 32 to our Consolidated Financial Statements for additional information regarding our exposure to these market risks and the various activities and instruments we use to manage them.

Exchange Rate Risk

Transaction Risk and Currency Risk Management. The global nature of our businesses exposes our operations and reported financial results and cash flows to the risks arising from fluctuations in the exchange rates of the U.S. dollar, the British pound, the Japanese yen and other world currencies against the euro. Our businesses are exposed to transaction risk whenever we have revenues in a currency that is different from the currency in which we incur the costs of generating those revenues. Once we convert the revenues into the currency in which we incur the costs, the revenues may be inadequate to cover the costs if the value of the currency in which we generated the revenues declined in the interim relative to the currency in which we incurred the costs. This risk exposure primarily affects our Mercedes Car Group segment, which generates a significant portion of its revenues in foreign currencies and incurs manufacturing costs primarily in euros. Our Truck Group segment is also subject to transaction risk, but only to a minor degree because of its global production network. Our Chrysler Group segment generates almost all its revenues and incurs most of its costs in U.S. dollars. Therefore, the transaction risk of this segment is relatively low compared to that of the Mercedes Car Group segment. The van and bus businesses included in our Van, Bus, Other segment are also directly exposed to transaction risk, but, in comparison to the Mercedes Car Group and the Truck Group segment, to a minor degree. In addition, our Van, Bus, Other segment is indirectly exposed to transaction risks through its equity investment in EADS, which we account for using the equity method.

Cash inflows and outflows of the business segments are offset if they are denominated in the

same currency. This means that revenues generated in a particular currency balance out costs in the same currency, even if the revenues arise from a different transaction than that in which we incur the costs. As a result, only the unmatched amounts are subject to transaction risk. Our overall currency exposure is additionally reduced through the natural hedging potential arising from the mutual offsets of the Chrysler Group's euro exposure with the U.S. dollar exposure of our Mercedes Car Group and Truck Group segments and our van and bus businesses. To provide an additional natural hedge against any remaining transaction risk exposure, we attempt, where appropriate, to increase cash outflows in the same currencies in which we have a net excess inflow.

In order to mitigate the impact of currency exchange rate fluctuations, we continually assess our exposure to currency risks and we hedge a portion of those risks by using derivative financial instruments. We manage our currency exposure and the use of currency derivatives through our currency committee. Our currency committee consists of members of senior management from our corporate treasury department, our vehicle businesses and our risk controlling department. Our corporate treasury department assesses foreign currency exposures and carries out the currency committee's decisions concerning foreign currency hedging through transactions with international financial institutions. Our risk controlling department regularly informs our Board of Management of the corporate treasury department's actions.

The principal derivative financial instruments we use to cover foreign currency exposure are forward foreign exchange contracts and currency options. Our policy is to use a mixture of these instruments depending on our view of market conditions.

The following table shows the period-end, high, low and average value-at-risk figures for our 2006 and 2005 portfolio of derivative financial instruments used to hedge the underlying currency exposure. We have computed the average exposure based on an end-of-quarter basis. The offsetting transactions underlying our derivative financial instruments, predominantly forecasted transactions, are not included in the following value-at-risk presentation.

<u>Value-at-Risk</u>	2006				2005			
	<u>Period-End</u>	<u>High</u>	<u>Low</u>	<u>Average</u>	<u>Period-End</u>	<u>High</u>	<u>Low</u>	<u>Average</u>
Exchange Rate Risk	208	326	208	261	281	322	173	253

(EUR in millions)

The average value-at-risk of our derivative financial instruments used to hedge exchange rate risk in 2006 is comparable to that of 2005. The decrease in the period-end value-at-risk is primarily a result of lower exchange rate volatilities.

Effects of Currency Translation. Many of our subsidiaries are located outside the euro zone. Since our financial reporting currency is the euro, we translate the income statements of these subsidiaries into euros so that we can include their financial results in our Consolidated Financial Statements. Period-to-period changes in the average exchange rate for a particular country's currency may significantly affect the translation of, for example, revenues, operating profit and net income denominated in that currency into euros. Unlike the effect of exchange rate fluctuations on transaction exposure, the exchange rate translation risk does not affect local currency cash flows.

We have significant assets and liabilities outside the euro zone. These assets and liabilities are denominated in local currencies and reside primarily at our U.S. holding subsidiary, DaimlerChrysler North America Holding Corporation, and at our financial services companies. When we convert net asset values into euros, currency fluctuations result in period-to-period changes in those net asset values. Our equity position reflects these changes in net asset values,

and we continually assess and evaluate the long-term currency risk inherent in these investments. We generally do not hedge against this type of risk, except in specific circumstances.

Interest Rate Risk

We hold a variety of interest rate sensitive assets and liabilities to manage the liquidity and cash needs of our day-to-day operations. Additionally, a substantial volume of interest rate sensitive assets and liabilities relates to the leasing and sales financing business operated by our Financial Services segment. Our Financial Services companies enter into transactions with customers which primarily result in fixed-rate receivables. Our general policy is to match funding in terms of maturities and interest rates. For a limited portion of the receivables portfolio, however, the funding does not match in terms of maturities and interest rates. As a result, we are exposed to risks due to changes in interest rates.

We coordinate funding activities of the industrial business and the financial services business at Group level. We use interest rate derivative instruments, such as interest rate swaps, forward rate agreements, swaptions, caps and floors to achieve the desired interest rate maturities and asset/liability structures.

The following table shows the period-end, high, low and average value-at-risk figures for our 2006 and 2005 portfolio of interest rate sensitive financial instruments, including our leasing and sales financing business. We have computed the average exposure based on an end-of-quarter basis.

<u>Value-at-Risk</u>	2006			2005				
	<u>Period-End</u>	<u>High</u>	<u>Low</u>	<u>Average</u>	<u>Period-End</u>	<u>High</u>	<u>Low</u>	<u>Average</u>
	(EUR in millions)							
Interest Rate Risk	32	78	32	48	89	92	86	90

In 2006, the average and the period-end value-at-risk of our portfolio of interest rate sensitive financial instruments decreased, primarily as a result of lower interest rate volatilities and a reduction of risk positions.

Equity Price Risk

We hold investments in marketable equity securities and equity derivatives. According to international banking standards, we do not include investments in marketable equity securities which we classify as long term investments in our equity price risk assessment. Equity derivatives used to hedge the market price risk of investments accounted for using the equity method are also not included in this assessment. In 2006 we realized significant unrealized gains from the derivative transactions related to our equity investment in EADS. For further information in this regard, please refer to Note 3 to our Consolidated Financial Statements. Changes in the fair market value of these derivatives essentially offset changes in the fair market value of the underlying investment. The remaining equity price risk in 2006 and 2005 was not, and is not currently, material to us. Thus, we are not presenting the value-at-risk figures for our equity price risk. Please refer to Note 32 to our Consolidated Financial Statements for additional information about our financial instruments and their fair market values.

Commodity Price Risk

We are exposed to changes in prices of commodities, such as steel, used in the manufacturing of vehicle components. For further information about commodities, refer to the discussion under the heading “(a) Supplies and Raw Material” under “2. Results of Productions, Orders Received and Sales” in section “III. Description of Business.”

To a minor extent, we use derivative commodity instruments to reduce some of our commodity price risk, mainly our risk associated with the purchase of precious metals. The risk resulting from these derivative commodity instruments in 2006 and 2005 was not, and is currently not significant to us. Therefore, we are not presenting the value-at-risk figures for these derivative commodity instruments.

(e) Legal Risks

Various legal proceedings are pending against DaimlerChrysler or could develop in the future. In our view, most of these proceedings constitute ordinary, routine litigation that is incidental to our business. We accrue for litigation risk with respect to a matter if the resulting obligations are probable and can be reasonably estimated. It is possible, however, that due to the final resolutions of some of these pending lawsuits our accruals could prove to be insufficient and therefore substantial additional expenditures could arise. Although the final resolution of any such lawsuit could have a material effect on the Group’s earnings in any particular period, DaimlerChrysler believes that any resulting obligations are unlikely to have a sustained effect on the Group’s financial position and cash flow. Information about legal proceedings can be found in Note 30 of the Notes to the Consolidated Financial Statements.

5. Material Contracts Relating to Business

(a) Change of Control Clauses

DaimlerChrysler AG has concluded various material agreements that include clauses regulating the possible occurrence of a change of control given below. One of the issues involved is a number of non-utilized syndicated credit lines in a total amount of US \$12 billion, which the lenders are entitled to terminate if DaimlerChrysler AG becomes a subsidiary of another company or is controlled by one person or several persons acting jointly. Furthermore, DaimlerChrysler AG is a party in a joint venture for the development of fuel cell systems. This joint venture can be terminated by either of the contracting parties if the other party is subject to a change of control. A change of control is defined here as the right to give instructions to the Board of Management and to determine the company’s guiding principles, the possibility to elect the majority of the members of the Supervisory Board, or possession of at least 40% of the voting rights.

In addition, DaimlerChrysler AG is a party to an agreement concerning the intellectual property rights in connection with a joint venture for the development of a hybrid drive system, which in the case of a change of control of one of the partners involved, allows the other partners to terminate the agreement. A change of control as defined by this agreement refers to the beneficial ownership of the majority of the voting rights in the company, and with a stock-exchange listed company the beneficial ownership of at least 20% of the voting rights in the company if within 18 months after this limit is exceeded the majority of the members of the Supervisory Board representing the shareholders consists of persons who were proposed by the owner of the 20% of the voting rights; a change of control is also understood as a merger or amalgamation with another company, unless in the case of a stock-

exchange listed company after the merger the majority of the votes are held by the previous owners and no-one has beneficial ownership of more than 20% of the voting rights; a change of ownership is also understood as the transfer of all or nearly all of the assets.

Finally, DaimlerChrysler AG is a party to an agreement regulating the exercise of voting rights in EADS. In the case of a change of control, this agreement stipulates that DaimlerChrysler AG is obliged, if so requested by the French party to the agreement, to make all efforts to dispose of its shares in EADS under appropriate conditions to a third party that is not a competitor of EADS or of the French contracting party of DaimlerChrysler AG. In this case, the French party has the right of preemption under the same conditions as were offered by the third party. A change of control can also lead to the dissolution of the voting consortium. According to the EADS agreement, a change of control has taken place if a competitor of EADS or of the French contracting party either appoints so many members of the Supervisory Board of DaimlerChrysler AG that it can appoint the majority of the members of the Board of Management or holds an investment that enables it to control the day-to-day business of DaimlerChrysler AG.

(b) Other Issues

Except as described above, there are no other matters applicable than those described under:

- II. Outline of the Company – 2. Brief History of the Company – (c) Subsequent events;
- V. Description of the Company – 1. Description of Shares, etc. – (e) Related party transactions;
- or in the Consolidated Financial Statements and the Notes to the Consolidated Financial Statements (e.g. Note 3).

6. Activities on Research and Development

Strategic Approach and Organization

To be competitive in our principal markets and to secure technological leadership, it is essential for us to develop innovative products and production systems and to shorten lead times in research and development. Innovation is an important element of our overall corporate strategy, and our corporate research function plays a significant role in meeting this strategic goal together with our vehicle segments. In particular, a key challenge for sustainable mobility will be the further reduction of both conventional fossil fuel-based fuel consumption and exhaust emissions, especially carbon dioxide. We follow a three-step strategy to meet this challenge: first, further improvement of conventional combustion engine technology; second, development of hybrids as a bridging technology; and third, commercial development of fuel cell propulsion. Maintaining and securing our position among the leading companies in the area of alternative propulsion technologies is a cornerstone of our corporate strategy.

In addition to the corporate function for research and advanced engineering, we have development functions in each of our automotive businesses which are responsible for developing production vehicles.

Our corporate function for research and advanced engineering:

- is closely integrated with the development function of the Mercedes Car Group segment;
- approaches research and development systematically and comprehensively, and formulates a technological strategy for our Group as a whole in close cooperation with our operating units;
- performs research and advanced engineering tasks that cross divisional boundaries or require long lead times;
- works as a centralized forum for the exchange of new ideas and a think tank for the development of new technologies, materials and concepts;
- assists the product development teams of our operating units to apply new technologies in the design, development and testing of new products and production processes; and
- performs internal R&D audits to ensure the strategic alignment, quality, efficiency, and effectiveness of our programs.

On the corporate level, we conduct our research work in eleven laboratories which are assigned to three primary technical areas:

- *Body and Powertrain:* Combustion engines and powertrain; alternative energy and drive systems; vehicle concepts; human machine interaction; and materials and manufacturing technology.
- *Electronics and Mechatronics:* Cabin and powertrain electrics/electronics; assistance systems and chassis; product creation and information technology; software technology; reliability and diagnosis; and infotainment and telematics.
- *Cross Technology:* Interrelationship between society and technology.

Most of the facilities of our centralized research and advanced engineering function are located in Germany, but we also maintain several research centers in North America and Asia. These include a research and technology center in Palo Alto, California, a research center for information and communication technology in Bangalore, India, and a R&D collaboration with General Motors and BMW in Troy, Michigan, regarding hybrid powertrain systems. In addition, we participate in the international exchange of new ideas and concepts through co-operations and joint ventures with world renowned research institutes and exchange programs for scientists and employees.

Employees and Funding

As of December 31, 2006, our corporate research function had approximately 2,000 employees, compared to 2,600 employees in 2005. Together with the development departments of our automotive businesses, we employ a total of 25,200 scientists, engineers and technicians worldwide in our research, development and testing activities compared to 28,300 in 2005.

In 2006, we spent a total of EUR 5.3 billion on research and development, including research activities at the corporate level (2005: EUR 5.6 billion). Research and development costs represented 3.5% of our total revenues in 2006.

The most important projects at *the Mercedes Car Group* were the new generation of the E-Class, the new version of the CL-Class, and preparations for the model change for the C-Class in 2007. The successful conclusion of these projects and the more efficient application of the expertise available within the DaimlerChrysler Group led to slightly lower research and development expenditure of EUR 2.2 billion at the Mercedes Car Group. Nonetheless, due to the implementation of the module strategy and commonalization

concepts, we succeeded in accelerating the ongoing development of drive-system technologies and emission reductions.

The Chrysler Group's total research and development expenditure of EUR 1.6 billion was lower than in the prior year. The focus was on the development of the new minivan generation, which is to be launched in North America in 2007, as well as on hybrid vehicles: the Chrysler Group will launch a hybrid version of the Dodge Durango – its first hybrid model – in 2008.

The Truck Group spent EUR 1.0 billion on research and development. Its major projects included the successor models for the Mercedes-Benz Actros and Axor, for the Freightliner Premium Class and for the Mitsubishi Fuso Super Great. There was also expenditure for three new engine families for heavy, medium and light truck series. As of the year 2008, the new heavy-duty engines will gradually become available in trucks of the Freightliner, Sterling, Western Star, Mitsubishi Fuso and Mercedes-Benz brands.

Additional key areas of R&D activities at DaimlerChrysler were the further development of conventional drive-system technologies to make engines even cleaner and more fuel efficient. In order to reduce CO₂ emissions even further and to enable us to supply vehicles offering long-term sustainability, we are also working on lightweight components, alternative propulsion systems such as hybrid drive and fuel cells, and electronic systems for the improvement of vehicle safety.

We are party to various joint ventures, assembly contracts, or other arrangements that allow us to gain access to additional production capacity or utilize our plants more efficiently. In addition, we source components from suppliers. These entities may also provide research and development for us and those costs are often not charged directly to us, but instead are embedded into the cost we pay for parts once vehicle or component production has commenced.

7. Analysis of Financial Condition and Results of Operation

We report five business segments: Mercedes Car Group (see (b)), Chrysler Group (see (c)), Truck Group (see (d)), Financial Services (see (e)) and Van, Bus, Other (see (f)). Van, Bus, Other comprises our van and bus businesses, various corporate functions, and all other businesses and investments in businesses not allocated to one of our reportable business segments. In 2006, we changed the composition of some of our segments by reporting the van and bus businesses, which were previously included in our Commercial Vehicles segment, together with Other Activities. As a result of this change, our Commercial Vehicles segment was renamed the Truck Group and our Other Activities segment was renamed Van, Bus, Other. We have adjusted prior year amounts to reflect the change in segment composition.

Information about Operating Profit

We measure the performance of our operating segments primarily through “Operating Profit.” Our consolidated operating profit (loss) is the sum of the operating profits and losses of our segments, adjusted for consolidation and elimination entries. Please refer to Note 34 to our Consolidated Financial Statements for information about how we determine segment operating profit (loss).

Overview of Business Segment Revenues and Operating Profit (Loss)

You should read the following discussion in conjunction with Notes 1 and 34 to our Consolidated Financial Statements and the discussions under section “III. Description of Business,” “4. Risk Factors.”

The following table presents revenues and operating profit (loss) for each of our five business segments during the last two fiscal years.

	Year Ended December 31,			
	2006		2005	
	Revenues	Operating Profit (Loss)	Revenues	Operating Profit (Loss)
(EUR in million)				
Mercedes Car Group	54,579	2,415	50,015	(505)
Chrysler Group	47,116	(1,118)	50,118	1,534
Truck Group	31,988	2,020	30,368	1,606
Financial Services	17,154	1,714	15,439	1,468
Van, Bus, Other	13,439	913	14,835	1,091
Eliminations	(12,687)	(427)	(10,999)	(9)
Total	151,589	5,517	149,776	5,185

Acquisitions, dispositions and other changes in segment composition

In the following paragraphs, we describe the more significant acquisitions, dispositions, and other changes in segment composition that affected the year-to-year comparability of revenues and operating profit (loss) of our Truck Group, Financial Services and Van, Bus, Other segments. You can find additional information about these transactions in Notes 3 and 4 to the Consolidated Financial Statements.

Truck Group

MFTBC. In 2003 and 2004, we acquired from MMC equity interests of 43% and 22%, respectively, in MFTBC. As a result of the settlement regarding past quality issues at MFTBC, we received an additional 20% equity interest in MFTBC in 2005.

American LaFrance. In 2005, we sold the fire truck and rescue vehicles business of our U.S. subsidiary American LaFrance, to a U.S. investment company. As a result of the sale, Freightliner recorded asset impairment charges of EUR 0.1 billion in 2005 which negatively affected the operating profit of the Truck Group segment.

Financial Services

debis AirFinance. In 2005, we sold our equity interest in debis AirFinance B.V. (dAF) and our outstanding subordinated loans receivable and unsecured loans provided to dAF for a purchase price of EUR 0.3 billion in cash. Prior to the sale, we accounted for the investment in dAF using the equity method of accounting. In 2004, we recognized a EUR 0.2 billion impairment charge on the investment. The sale did not have a material impact on 2005 operating profit or net income.

Van, Bus, Other

Off-Highway. In December 2005, we agreed to sell substantially all of our Off-Highway business (with the exception of our minority holding in VM Motori S.P.A.) to the Swedish investor group EQT. In 2006, we consummated the transaction and received a net cash inflow of EUR 0.9 billion. The disposal of the Off-Highway business positively impacted our operating profit in 2006 by EUR 0.3 billion (which includes a gain on the sale of EUR 0.2 billion), of which EUR 248 million has been allocated to Van, Bus, Other and EUR 13 million has been allocated to our Truck Group segment. Revenues and operating results of Van, Bus, Other include the operations of our Off-Highway business for all periods presented through the end of February 2006.

MMC. In November 2005, we sold our remaining 12.4% interest in MMC for proceeds of EUR 1.0 billion. The sale resulted in an after-tax gain of EUR 0.5 billion (a pre-tax gain of EUR 0.7 billion minus taxes of EUR 0.2 billion).

The segment discussions in “3. Contents of Business” under section “II. Outline of the Company” describe in more detail the specific market factors which affected the operating results of our segments.

(a) DaimlerChrysler Group

We computed the percentages in the following discussion using exact euro amounts and numbers. Some of those percentages may, therefore, not reflect the ratio between the rounded amounts presented below.

Revenues

Our revenues increased 1% from EUR 149.8 billion in 2005 to EUR 151.6 billion in 2006 and were slightly negatively affected by currency effects. Following is a brief overview of year-to-year changes in revenues of our primary business segments.

Mercedes Car Group revenues increased 9% from EUR 50.0 billion in 2005 to EUR 54.6 billion in 2006. This increase was the result of higher unit sales of Mercedes-Benz vehicles and a favorable shift in model mix towards higher priced vehicles.

Chrysler Group revenues declined 6% from EUR 50.1 billion in 2005 to EUR 47.1 billion in 2006. Measured in U.S. dollars, the principal functional currency for the Chrysler Group, revenues were 5% lower than in 2005. This decrease in revenues is primarily the result of negative net pricing and lower factory unit sales in the United States.

Truck Group revenues increased from EUR 30.4 billion in 2005 to EUR 32.0 billion in 2006, a 5% improvement. This improvement is largely due to higher unit sales, improved product positioning, and a more favorable model mix.

Financial Services revenues increased 11% from EUR 15.4 billion in 2005 to EUR 17.2 billion in 2006, mainly reflecting the fact that operating lease contracts comprised a larger percentage of the total portfolio.

Van, Bus, Other revenues decreased from EUR 14.8 billion in 2005 to EUR 13.4 billion in 2006 reflecting primarily the disposition of our Off-Highway business.

Cost of sales

In 2006, cost of sales were EUR 125.7 billion compared to EUR 122.9 billion in 2005, a 2% increase. Cost of sales increased at a slightly higher rate than revenues, primarily as a result of revenue declines at the Chrysler Group. As a result, gross margin decreased from 18.0% in 2005 to 17.1% in 2006. In both years, cost of sales includes expenses incurred in connection with the restructuring of the smart business (2006: EUR 0.7 billion; 2005: EUR 0.8 billion) and the headcount reduction initiative at Mercedes Car Group (2006: EUR 0.2 billion; 2005: EUR 0.5 billion).

Selling expenses

Selling expenses declined 3% to EUR 11.6 billion compared to EUR 12.0 billion in 2005. Among other factors, this was caused by lower advertising expenditures at Chrysler Group, currency translation effects and the disposition of the Off-Highway business. In both years, selling expenses include expenses incurred in connection with the restructuring of the smart business (2006: EUR 0.2 billion; 2005: EUR 0.1 billion). The headcount reductions at the Mercedes Car Group had only a small impact on selling expenses in 2006, compared with a charge of EUR 0.1 billion in 2005. Selling expenses as a percentage of revenues were 7.7% in 2006 compared to 8.0% in 2005.

General administrative expenses

General administrative expenses was largely unchanged at EUR 6.2 billion in 2006 (EUR 6.1 billion in 2005). General administrative expenses as a percentage of revenues were 4.1% in both 2006 and 2005. General administrative expenses in 2006, however, include expenses related to the headcount reductions in administrative functions implemented as part of the new management model (EUR 0.3 billion).

Other expenses

Other expenses were EUR 0.7 billion in 2006 and EUR 0.9 billion in 2005. This decrease was primarily due to the fact that other expenses in 2005 included EUR 0.2 billion in connection with the restructuring of the smart business.

Research and development

Research and development expenses amounted to EUR 5.3 billion in 2006 compared to EUR 5.6 billion in 2005. The decrease was primarily due to reduced research and development costs associated with the smart brand, the disposal of the Off-Highway business and currency translation effects. Research and development expenses as a percentage of revenues were 3.5% in 2006 compared to 3.8% in 2005.

Other income

Other income was EUR 1.3 billion in 2006 and EUR 1.0 billion in 2005. In 2006 other income includes a significant portion of the gain associated with the disposition of the Off-Highway business, the sale of real estate, and insurance proceeds, which together amounted to EUR 0.5 billion. In 2005, other income included a gain of EUR 0.2 billion on the sale of Chrysler Group's Arizona Proving Grounds vehicle testing facility. You can find further details about the composition of other income in Note 6 to our Consolidated Financial Statements.

Financial income (loss), net

In 2006, we had net financial income of EUR 0.6 billion compared to EUR 0.2 billion in 2005. Financial income (loss), net, is comprised of "Income (loss) from investments, net," "Interest income (expense), net" and "Other financial income (loss), net."

Income (loss) from investments, net. In 2006, income from investments, net, was EUR 0.4 billion compared to EUR 0.9 billion in 2005. Income from investments in 2005 includes a gain of EUR 0.7 billion realized on the sale of our remaining ownership interest in MMC. Among other factors, our proportionate share in the improved operating results of our equity investee Toll Collect and investment income following the sale of real estate had a positive effect on income from investments in 2006. Our proportionate share in the operating results of EADS was slightly lower than in the prior year. Additional expenses that EADS incurred in the fourth quarter of 2006 in connection with problems with the Airbus A380 program and resulting delivery delays, the decision to launch the industrial program for the new A350 XWB aircraft family and efficiency improvement programs to be implemented at EADS are not reflected in our 2006 operating results due to the three month time lag with which we include our proportionate share of EADS's results in our financial statements.

Interest income (expense), net. In 2006, net interest expense was EUR 0.3 billion compared to EUR 0.6 billion in 2005. The decline is primarily due to reduced unrealized losses resulting from the mark-to-market valuation of derivative financial instruments that do not qualify for hedge accounting treatment. Please refer to Note 7 to our Consolidated Financial Statements for additional information.

Other financial income (loss), net. In 2006, we recorded other financial income, net, of EUR 0.5 billion compared to a net loss of EUR 0.1 billion in 2005. This distinct improvement was mainly the result of derivative transactions entered into with respect to EADS shares. Please refer to Note 3 to our Consolidated Financial Statements for additional information on these transactions. The mark-to-market valuation of those derivatives resulted in a gain of EUR 0.5 billion in 2006, while 2005 was negatively impacted by a loss of EUR 0.2 billion which was partially offset by gains from the sale of other securities.

Income taxes

Income tax expense was EUR 0.7 billion in 2006 and EUR 0.5 billion in 2005. We computed income tax expense in 2006 based on pre-tax income of EUR 4.0 billion and in 2005 based on pre-tax income of EUR 3.4 billion. The effective tax rate was 17.7% in 2006 and 14.9% in 2005.

The relatively low 2006 and 2005 effective tax rates primarily reflect the composition of our earnings, which include non-taxable income included in our net periodic pension costs and other post-retirement benefit costs and largely tax-free income from our equity investee EADS.

In addition, our 2006 earnings include largely tax-free income from derivative transactions to hedge price risks of EADS shares. The tax-free income from these transactions was partially offset by tax expense of EUR 0.1 billion arising from valuation allowances on deferred tax assets at non-German companies.

In 2006, our subsidiary DaimlerChrysler Corporation also reached an agreement with the U.S. Internal Revenue Service regarding its claim for research and development credits for the tax years 2000 through 2002. We also reduced our income tax expense as a result of adjustments to certain deferred tax balances and income tax reserves, primarily related to prior years which were not considered material to any period presented. These tax benefits were largely offset by additional income tax expenses related to ongoing cross border transfer pricing audits. In total, an income tax benefit of EUR 0.2 billion was recorded in 2006.

In 2005, the effective tax rate was also positively affected by the largely tax-free income from the settlement agreement associated with our investment in MFTBC, the sale of our investment in MMC and the sale of other securities. The tax benefits of these transactions were partially offset by tax expense of EUR 0.1 billion arising from the repatriation of previously undistributed earnings from non-U.S. companies to our U.S. subsidiaries.

Please refer to Note 8 to our Consolidated Financial Statements for more information.

Net income

Net income was EUR 3.2 billion in 2006 compared to EUR 2.8 billion in 2005. Basic and diluted earnings per share in 2006 were EUR 3.16 and EUR 3.14, respectively, compared to basic and diluted earnings per share of EUR 2.80 each in 2005.

Consolidated Operating Profit (Loss)

In 2006, Group operating profit amounted to EUR 5.5 billion compared to EUR 5.2 billion in 2005. A substantial increase in earnings at the Mercedes Car Group and continued earnings increases at the Truck Group and Financial Services more than offset a significant loss at the Chrysler Group. Operating profit in 2006 was also negatively affected by less favorable currency hedging rates compared to 2005.

The table on page 50 shows the business segment contributions to Group operating profit. The segment discussions below describe in more detail the specific factors which affected the operating results of each segment.

(b) Mercedes Car Group

	Year ended December 31,			
	2006		2005	
	Revenues (EUR in mill.)	Unit Sales (units)	Revenues (EUR in mill.)	Unit Sales (units)
Western Europe	32,043	784,800	29,103	776,600
of which Germany	15,823	353,300	14,461	354,900
NAFTA region	12,324	271,800	12,043	253,500
of which United States	11,199	248,600	10,997	231,800
Asia	6,074	108,500	5,531	107,700
of which Japan	2,206	48,500	2,212	48,300
Other markets	4,138	86,700	3,338	79,000
World / Total	54,579	1,251,800	50,015	1,216,800

Revenues of our Mercedes Car Group segment went up 9% from EUR 50.0 billion in 2005 to EUR 54.6 billion in 2006, while total unit sales increased 3% from 1,216,800 to 1,251,800. The disproportionate development of revenues and unit sales is primarily the result of a favorable shift in model mix towards higher priced vehicles.

Unit sales of Mercedes-Benz passenger cars increased 5% from 1,092,500 in 2005 to 1,149,100 in 2006, whereas sales of smart vehicles declined 17% to 102,700 units compared to 124,300 units in 2005.

The increase in unit sales of Mercedes-Benz passenger cars was mainly driven by the S-Class (+51%) and the M/R/GL-Class (+91%). These significant increases in unit sales reflect the introduction of new models during 2005 and in 2006. Sales of A/B-Class vehicles increased 12%, while C-Class sales declined 17% as the sedan and station wagon models approached the end of their life cycles. E-Class sales decreased by 8%, primarily due to the fact that facelifted versions did not become available until mid-2006.

The 17% decline in smart unit sales was mainly due to the discontinuation of the slow selling smart forfour in 2006. Reduced production of smart fortwo models due to the changeover to successor models, as well as the approach of the end-of-lifecycle for these models, also contributed to this decline.

In Germany, Mercedes Car Group revenues were 9% higher than in 2005. Germany continues to be the most important market for our Mercedes Car Group segment with revenues of EUR 15.8 billion which represented 29% of the segment's worldwide revenues.

In the other Western European countries, Mercedes Car Group revenues increased 11% from EUR 14.6 billion in 2005 to EUR 16.2 billion in 2006.

In the United States, revenues amounted to EUR 11.2 billion in 2006, a slight increase of 2%. At EUR 2.2 billion, revenues in Japan remained on the same level as in 2005. In Asia (excluding Japan), revenues went up 17% compared to the previous year, reaching EUR 3.9 billion.

The Mercedes Car Group achieved an operating profit of EUR 2.4 billion in 2006, compared with an operating loss of EUR 0.5 billion in the prior year.

The substantial increase of the Mercedes Car Group's operating results is due in particular to efficiency improvements achieved as a result of the CORE program, higher overall unit sales of Mercedes-Benz passenger cars, and an improved model mix due to the launch of the new S-Class, the new M-Class and the GL-Class models. Operating profit in 2006 also includes income of EUR 0.1 billion from the reduction of a provision for early retirement obligations following the adoption of a new accounting standard (EITF 05-5) partially offset by adverse currency effects resulting from less favorable hedging rates than in the prior year. Our 2005 results also included income of EUR 0.1 billion from the release of a provision following a favorable verdict in a case involving EU competition rules.

Restructuring charges for the smart business and the headcount reduction under the CORE program significantly affected the results of both years. In 2006, the Mercedes Car Group incurred expenses of EUR 0.9 billion in connection with the discontinuation of the production of the smart forfour, while the realignment of the smart business model in 2005 resulted in charges of EUR 1.1 billion. Charges relating to staff reductions at Mercedes-Benz Passenger Cars in the context of the CORE program were EUR 0.3 billion in 2006 compared to EUR 0.6 billion in 2005.

(c) Chrysler Group

	Year ended December 31,			
	2006		2005	
	Revenues (EUR in mill.)	Unit Sales (units)	Revenues (EUR in mill.)	Unit Sales (units)
NAFTA region	41,503	2,440,300	45,439	2,637,800
of which United States	35,147	2,086,900	39,652	2,305,400
Western Europe	3,263	116,000	2,842	97,200
Other markets	2,350	98,400	1,837	78,000
World / Total	47,116	2,654,700	50,118	2,813,000

The Chrysler Group reported revenues of EUR 47.1 billion in 2006 compared with revenues of EUR 50.1 billion in 2005, a decrease of 6%. Measured in U.S. dollars, the principal functional currency for the Chrysler Group, revenues were 5% lower than in 2005. This decrease in revenues is primarily the result of negative net pricing and lower factory unit sales in the United States.

The Chrysler Group had worldwide factory unit sales of 2,654,700 units in 2006, compared

with 2,813,000 units in 2005, a decrease of 6%. In the NAFTA region, total factory unit sales were 2,440,300 units in 2006 compared with 2,637,800 units in 2005, a decrease of 7% resulting from a decline in factory unit sales in the United States. This decline reflects the adverse impact on the Chrysler Group of higher fuel prices, resulting in an unfavorable shift in consumer demand toward smaller, more fuel efficient vehicles, as well as the impact of higher interest rates. The decrease was primarily due to lower shipments of the Dodge and Chrysler minivans, the Dodge Ram, Durango and Dakota, the Chrysler Pacifica, as well as the Jeep® Grand Cherokee and Liberty. Lower shipments of those models were partially offset by shipments of new models, including the all-new Dodge Caliber and Nitro, and Jeep® Compass and Wrangler, as well as the Dodge Charger and Jeep® Commander which were introduced in 2005.

Factory unit sales outside the NAFTA region were 214,400 units in 2006 compared with 175,200 units in 2005, an increase of 22%. This increase was primarily the result of sales of the Dodge Caliber, which introduced the Dodge brand name in the international markets, as well as the continued popularity of the Chrysler 300C.

In 2006, the Chrysler Group had an operating loss of EUR 1.1 billion compared with an operating profit of EUR 1.5 billion in 2005. The deterioration in operating results was primarily the result of negative net pricing, unfavorable product and sales market mix (including an increase in fleet sales to 29.9% of total U.S. sales), and a decline in factory unit sales in the United States. These factors reflect the continuing difficult market environment in the United States marked by an overall decline in industry sales, a shift in consumer demand towards smaller, more fuel efficient vehicles due to higher fuel prices, as well as the impact of higher interest rates. These negative factors were partially offset by the successful launch of new models, most of which occurred in the second half of the year. Several of the new vehicles target this shift in consumer demand, resulting in a positive contribution to operating results in the fourth quarter of the year.

In addition, the financial support provided to supplier Collins & Aikman led to a charge of EUR 0.1 billion in 2006, as well as in 2005. The Chrysler Group's 2005 operating profit was positively impacted by a EUR 0.2 billion gain on the sale of the Arizona Proving Grounds vehicle testing facility as well as lower tooling amortization expense of EUR 0.1 billion. These positive effects were partially offset by a contractual penalty and asset impairment charges of EUR 0.1 billion primarily as a result of a decision to reduce contractual purchase volumes of the Chrysler Crossfire.

U.S. dealer inventory levels were 539,100 units, representing a 74 day supply, at December 31, 2006 compared with 598,200 units, representing an 85 day supply, at December 31, 2005.

The Chrysler Group's sales are principally in the NAFTA region automotive markets. Retail industry sales (including fleet sales) of new cars and trucks in the U.S. market were 17.1 million units in 2006, compared with 17.4 million units in 2005, a decrease of 2%.

Retail and fleet sales of cars for the Chrysler Group in the U.S. for 2006 decreased 3% compared to 2005 while the total car market in the U.S. increased by 1% compared to 2005. Retail and fleet sales of trucks for the Chrysler Group in the U.S. market for 2006 decreased 8% compared to 2005 while the total truck market in the U.S. decreased 5% compared to 2005. Overall, the decrease in retail and fleet sales and related market share is primarily a result of reduced retail and fleet sales of Dodge and Chrysler minivans, Dodge Ram, Dakota and Durango, as well as the Jeep® Grand Cherokee and Liberty, partially offset by the introduction of new products in 2006, as well as the increased sales of the Dodge Charger and the Jeep® Commander.

(d) **Truck Group**

	Year ended December 31,			
	2006		2005	
	Revenues (EUR in mill.)	Unit Sales (units)	Revenues (EUR in mill.)	Unit Sales (units)
Western Europe	9,806	106,400	8,495	102,400
of which Germany	5,644	59,600	4,842	57,100
NAFTA region	11,984	187,800	11,679	183,000
of which United States	10,166	163,700	9,915	159,000
Latin America (excl. Mexico)	1,746	39,700	1,618	39,200
of which Brazil	1,171	21,800	1,093	22,800
Asia (incl. Australia)	5,701	151,800	6,196	164,600
of which Japan	4,007	71,100	3,919	59,200
Other markets	2,751	51,300	2,379	40,300
World / Total	31,988	537,000	30,368	529,500

Our Truck Group segment increased revenues from EUR 30.4 billion in 2005 to EUR 32.0 billion in 2006, a 5% improvement. This increase was the result of continued strong demand in our core markets NAFTA, Western Europe and Japan. Worldwide unit sales of our Truck Group segment increased 1% from 529,500 units in 2005 to 537,000 units in 2006, in part due to accelerated purchases made in advance of changes in emission control regulations in various markets.

In Germany, the most important market for our Mercedes-Benz trucks, revenues increased 17% from EUR 4.8 billion in 2005 to EUR 5.6 billion in 2006, while unit sales increased by 4% to 59,600 vehicles. In the rest of Western Europe (excluding Germany), revenues increased 14% to EUR 4.2 billion in 2006 as overall unit sales increased 3% to 46,800 units, primarily due to higher sales of Mercedes-Benz trucks. The disproportionate development in unit sales and revenues in Germany and Western Europe (excluding Germany) reflects an increase in sales of trucks equipped with higher priced engines that meet the European Emission Standards EURO 4 and EURO 5. Unit sales in Germany represented 11%, and the remaining Western European market 9% of our total 2006 Truck Group vehicle sales.

In the NAFTA region, Truck Group revenues were EUR 12 billion, an increase of 3% compared to 2005. Total unit sales climbed 3% to 187,800 units. The increase in unit sales was mainly achieved in the Class 8 category. Unit sales in the United States represent 31% of our total 2006 Truck Group vehicle sales.

Our sales in Asia (including Australia) declined from 164,600 units in 2005 to 151,800 units in 2006 and revenues in that region decreased from EUR 6.2 billion in 2005 to EUR 5.7 billion in 2006. This decline was to a large degree the result of a discontinuation of gasoline subsidies and significant increases in interest rates in Indonesia. Unit sales in Japan, which in 2006 consist primarily of sales by MFTBC, reached 71,100 units compared to 59,200 units in 2005, a significant increase of 20%, which reflects accelerated purchases in advance of new emission regulations and renewed customer confidence in MFTBC's products after the resolution of past quality issues. Revenues in Japan increased 2%. The disproportionate development of unit sales and revenues in Japan was the result of currency translation effects reflecting the depreciation

of the Japanese yen against the euro and a shift in model mix towards lower priced vehicles. Unit sales in Asia represent 28% of our total 2006 Truck Group vehicle sales.

In Latin America, sales increased 1% from 39,200 units in 2005 to 39,700 units in 2006. Revenues increased by 8% to EUR 1.7 billion in 2006, primarily reflecting the appreciation of the Brazilian real against the euro.

In 2006, our Truck Group segment achieved an operating profit of EUR 2.0 billion, a 26% increase over the prior year (2005: EUR 1.6 billion). The increase in operating profit was primarily the result of efficiency improvements realized in the context of global efficiency and optimization program (the Global Excellence Program) as well as an improved product positioning and model mix. In addition, higher unit sales (+7,500 vehicles), which were in part the result of accelerated purchases brought forward in advance of stricter emission limits becoming effective in various markets, contributed to the increase in operating profit. As a result of these accelerated purchases, we expect our truck unit sales to decline significantly during 2007, particularly in the North American and Japanese markets.

The positive effects on our operating profit were partially offset by higher expenses for new vehicle projects and to meet future emission regulations. The 2006 operating profit of our Truck Group also includes income of EUR 0.1 billion from the reduction of a provision for early retirement obligations following the adoption of a new accounting standard (EITF 05-5).

Operating profit in 2005 included income of EUR 0.3 billion from the settlement reached with MMC relating to charges for quality actions and recall campaigns at MFTBC. In addition, we recognized an impairment charge of EUR 0.1 billion in 2005 relating to the sale of the fire truck and rescue vehicle business of our U.S. subsidiary American LaFrance.

(e) Financial Services

Revenues (EUR in million)	Year ended December 31,	
	2006	2005
Western Europe	6,289	6,127
of which Germany	4,480	4,394
NAFTA region	10,102	8,609
of which United States	8,387	7,177
Other markets	763	703
World / Total	17,154	15,439

Revenues of our Financial Services segment increased from EUR 15.4 billion in 2005 to EUR 17.2 billion in 2006, an 11% improvement. This increase was primarily due to the fact that operating lease contracts comprised a larger percentage of the total portfolio. For operating lease contracts we record higher revenues and cost of sales compared to financing and finance lease contracts.

Activities of our Financial Services segment in the NAFTA region contributed EUR 10.1 billion or 59% of total segment revenues in 2006, which is slightly above last year's level of 56%. Revenues generated in Germany were EUR 4.5 billion or 26% of total revenues in 2006 compared to EUR 4.4 billion or 28% of total revenues in 2005. Revenues derived from financial services activities in Western Europe (excluding Germany) amounted to EUR 1.8 billion or 11% of total revenues compared to EUR 1.7 billion or 11% in 2005.

In 2006, the Financial Services segment originated new leasing and finance contracts with a total value of EUR 53.0 billion compared to EUR 48.2 billion in 2005. Substantially all of this 10% increase in 2006 is due to the increased customer demand for operating leases. At December 31, 2006, our Financial Services segment managed a portfolio of leasing and finance contracts of EUR 113.3 billion, a 4% decrease compared to the portfolio of EUR 117.7 billion managed at December 31, 2005. Excluding foreign currency translation effects, the portfolio volume in 2006 was 5% above last year's level.

Operating profit of our Financial Services segment went up 17% from EUR 1.5 billion in 2005 to EUR 1.7 billion in 2006. The improvement is mainly due to higher business volume and ongoing efficiency improvements. These factors more than offset increased costs related to residual value risks and higher expenses resulting from higher interest rates.

Improved operating results at Toll Collect also contributed to the positive operating profit development of this segment.

(f) Van, Bus, Other

	Year ended December 31,			
	2006¹		2005¹	
	Revenues (EUR in mill.)	Unit Sales (units)	Revenues (EUR in mill.)	Unit Sales (units)
Vans ²	8,542	256,900	8,135	267,200
Buses	4,039	36,200	3,884	36,200
Other Products ³	—	11,900	—	12,200
DC Off-Highway	335	—	2,064	—
Real Estate and other business	778	—	786	—
Eliminations	(255)	—	(34)	—
World / Total	13,439	—	14,835	—

1 In 2006, we changed the composition of our Commercial Vehicles segment by reporting the van and bus operating units together with our Other Activities. As a result of this change, we renamed our Other Activities segment Van, Bus, Other. We have adjusted prior period amounts to reflect the change in segment composition.

2 Revenues and unit sales include sales of Sprinter vans to Chrysler Group for subsequent sale to dealers under the Freightliner and Dodge brand names.

3 This category reflects sales of Mitsubishi pickup trucks (L 200) assembled and sold by our subsidiary DaimlerChrysler South Africa and Mitsubishi Pajero vehicles sold by that subsidiary.

Revenues reported in Van, Bus, Other originated primarily from our van and bus operating businesses and our Off-Highway business, which we disposed of in February 2006. Revenues were EUR 13.4 billion in 2006 compared to EUR 14.8 billion in 2005. The revenue contributions associated with our Off-Highway business amounted to EUR 0.3 billion in 2006 compared to EUR 2.1 billion in 2005.

Although worldwide unit sales of our van business decreased 4% from 267,200 units in 2005 to 256,900 units in 2006, the van business increased revenues from EUR 8.1 billion in 2005 to EUR 8.5 billion in 2006, a 5% improvement. The decrease in unit sales was primarily caused by the model changeover to the new Sprinter van in 2006. The disproportionate development of

revenues and unit sales was largely due to the fact that the van business generated revenues from the production of a van for Volkswagen. These vans are not included in the unit sales of our van business.

The bus business increased revenues from EUR 3.9 billion in 2005 to EUR 4.0 billion in 2006, a 4% improvement, while worldwide unit sales of 36,200 units were on the previous year's level.

Van, Bus, Other recorded an operating profit of EUR 0.9 billion in 2006 compared to EUR 1.1 billion in 2005. The operating profit in 2006 includes the costs (EUR 0.4 billion) of implementing the new management model, all of which were allocated to Van, Bus, Other as they represent corporate level costs that are not allocated to our reportable segments. These charges were mainly incurred in connection with workforce reductions in the DaimlerChrysler Group's administrative functions. In addition, the sale of real estate contributed EUR 0.1 billion to the operating profit of Van, Bus, Other in 2006 while the consummation of the sales transaction involving our Off-Highway business positively affected 2006 operating profit by EUR 0.2 billion (including 2006 earnings attributable to the period prior to the sale). The operating profit of 2005 included a positive contribution from the operating results of the Off-Highway business of EUR 0.1 billion.

The van and bus businesses again achieved positive results. Operating profit of the van business, however, was negatively affected by reduced unit sales resulting from the model changeover, and costs related to the launch, of the new Sprinter van. The bus business was able to increase its operating profit as a result of improved product positioning in Latin America and efficiency improvements achieved through ongoing efficiency programs.

Our proportionate share in EADS's 2006 operating results was EUR 0.6 billion, which was below the prior year contribution of EUR 0.8 billion. EADS's 2006 operating results were negatively affected by costs and charges associated with delays in the delivery of the Airbus A380 and less favorable currency hedging rates than in 2005. Additional charges and expenses arising at EADS in the fourth quarter of 2006 in connection with problems with the Airbus A380 program and resulting delivery delays, the decision to launch the industrial program for the new A350 XWB aircraft family and efficiency improvement programs to be implemented at EADS are not reflected in the 2006 operating profit of Van, Bus, Other due to the three month time lag with which EADS's results are reflected in our results.

(g) Discussion of Liquidity and Capital Resources

In 2006 and 2005, our sources of cash came from operations, external borrowings, and sales of finance receivables in securitization transactions. We used these funds primarily to finance our working capital and capital expenditure requirements and the cash needs of our lease and sales financing business. We typically finance our lease and sales financing activities with a high proportion of debt and through the sale of finance receivables from our financial services business (securitization transactions).

We believe the funds available from these and other sources will be sufficient to satisfy our working capital needs and to service our debt in the foreseeable future. We also believe that our liquidity and capital resources give us adequate flexibility to manage our planned capital spending programs and are appropriate to address short-term changes in business conditions. Our capital needs depend primarily on the size and the timing of our capital expenditures and investments as set forth in our business plans. We expect to increase our capital expenditures in property, plant and equipment slightly in 2007 compared to 2006.

Liquidity refers to the liquid financial assets we have available to fund our business operations and pay for near term obligations. Liquid financial assets consist of cash and cash equivalents as well as short-term securities, such as money market investments. Some of these instruments subject us to market risks that we typically hedge with interest rate swaps, forward rate agreements, caps, floors, futures and options.

The following table shows our liquid financial assets as of the end of each of the last two years:

(EUR in billion)	Year ended December 31,	
	2006	2005
Cash and cash equivalents	7.1	7.7
Securities	6.0	4.9
Liquidity	13.1	12.6

Cash and cash equivalents include assets with an original maturity of three months or less (2006: EUR 7.0 billion; 2005: EUR 7.6 billion), and assets originally maturing after three months (2006: EUR 0.1 billion; 2005: EUR 0.1 billion).

We hold our cash and cash equivalents primarily in euros and U.S. dollars. As of December 31, 2006, U.S. dollar denominated liquid assets represented 45% and euro denominated liquid assets represented 47% of total liquid financial assets. Liquid financial assets as a whole were 6.9% of total assets compared to 6.3% at the end of 2005.

As a result of our global funding and investment policies, we are exposed to risks associated with fluctuations in foreign currency exchange rates and interest rates, which may adversely affect our businesses, operations and reported financial results and cash flows. We hedge these risks with derivative financial instruments, primarily interest rate swaps and cross currency interest rate swaps. For information about our market risk exposure, including risks associated with currency exchange rates and interest rates, and our related hedging activities, please refer to heading “(d) Market Risks” under “4. Risk Factors” in section “III. Description of Business.”

Analysis of Cash Flow Statement

(EUR in billion)	Year ended December 31,	
	2006	2005
Net cash provided by operating activities	14.0	12.4
Net cash used for investing activities	(14.6)	(11.2)
Net cash provided by (used for) financing activities	0.5	(1.5)

Cash provided by operating activities was EUR 14.0 billion, EUR 1.6 billion above the prior year's level of EUR 12.4 billion. The following factors contributed to this increase:

- a continued shift from sales financing transactions to operating leases in our financial services business, which resulted in increased cash flow from operating activities because we recognize the entire operating lease payment in cash flow from operating activities, while we only recognize the interest portion of the sales financing payment in cash flow from operating activities, and recognize the balance in cash flow from investing activities;
- higher advance rental payments, which result from the shift towards operating leases in our financial services business;
- a decrease of inventories in 2006 (EUR 0.5 billion) compared to a prior period increase in 2005 (EUR -1.5 billion);
- inventory related receivables from financial services decreased in 2006 by EUR 0.2 billion, compared to an increase in 2005 of EUR 0.2 billion, primarily reflecting the increased sale of receivables related to retail activities in 2006 as compared to 2005; and
- lower contributions to our pension funds in 2006 (EUR 1.2 billion) than in 2005 (EUR 1.7 billion).

The positive factors described above were partially offset by:

- severance payments related to the headcount reduction actions at Mercedes Car Group were EUR 0.8 billion in 2006 compared to EUR 0.1 billion in 2005;
- cash outflows in connection with the realignment of the smart business model and the discontinuation of the smart forfour were EUR 0.8 billion in 2006 compared to cash outflows in connection with the realignment of the smart business of EUR 0.5 billion in 2005;
- higher income taxes paid in 2006 (EUR 1.5 billion) compared to 2005 (EUR 0.7 billion);
- and a smaller period-to-period increase of trade liabilities in 2006 compared to 2005.

Cash used for investing activities increased by EUR 3.4 billion to EUR 14.6 billion. The following factors contributed to this increase:

- spending (net of proceeds from disposals) for equipment on operating leases increased by EUR 3.2 billion to EUR 11.8 billion;
- a net cash outflow from the acquisition and sale of securities in the year 2006 of EUR 1.4 billion compared to a net cash inflow in 2005 of EUR 0.3 billion. The net cash inflow in 2005 was primarily the result of proceeds of EUR 1.0 billion from the sale of our remaining interest in MMC; and
- lower cash inflows from existing sales financing and finance lease contracts and an increase in new sales financing and finance lease contracts.

The following factors partially offset the increase in cash used for investing activities:

- a decrease in capital expenditures for property, plant and equipment from EUR 6.6 billion in 2005 to EUR 5.9 billion in 2006;
- higher proceeds from the disposal of businesses compared to 2005. Proceeds in 2006 included EUR 0.9 billion from the disposal of our Off-Highway activities while proceeds in 2005 were mainly comprised of EUR 0.3 billion from the sale of our interest in debis AirFinance; and
- higher proceeds from the sale of retail receivables from our sales financing and finance lease activities (EUR 4.1 billion additional proceeds compared to 2005).

Cash provided by financing activities was EUR 0.5 billion in 2006, compared to cash used for financing activities of EUR 1.5 billion in 2005. This change is mostly due to increased borrowings which more than offset the increase in repayments of financial liabilities, reflecting increased funding requirements as the result of higher cash used for investing activities in our financial services businesses.

Cash and cash equivalents with an original maturity of three months or less decreased by EUR 0.5 billion, primarily the result of negative currency translation effects. In 2005, cash and cash equivalents with an original maturity of three months or less increased by EUR 0.2 billion. Total liquidity, which also includes long-term investments and securities, increased from EUR 12.6 billion in 2005 to EUR 13.1 billion in 2006.

At December 31, 2006, our financial liabilities were EUR 78.5 billion of which EUR 34.6 billion are due within one year. This compares to financial liabilities of EUR 80.9 billion at the end of 2005, of which EUR 36.5 billion were due within one year. The 2006 decrease in financial liabilities resulted primarily from currency translation effects, primarily as a result of the depreciation of the U.S. dollar against the Euro. The extent to which we are able to use external financing in the future as a means of growing our industrial and financial services businesses will depend in large part on our credit ratings, which we discuss in more detail below.

We have investments in various leveraged lease transactions. Please refer to Note 17 to our Consolidated Financial Statements for further information. The U.S. Internal Revenue Service (IRS) has challenged the tax treatment of certain leveraged leases known as Lease In, Lease Out (LILOs) and Sale In, Lease Out (SILOs) transactions by various companies, including DaimlerChrysler, and we are currently in discussions with the IRS. Although we believe that our tax treatment is appropriate and in compliance with applicable tax law and regulations, the resolution of this matter could have a significant negative impact on our cash flows.

As described in section "II. Outline of the Company" in "3. Contents of Business" under the heading "(e) Van, Bus, Other", we entered into transactions involving our EADS shares in 2004, 2006 and 2007. For the cash proceeds received on the 2006 and 2007 transactions, please refer to Note 3 to our Consolidated Financial Statements.

Funding Policies

Our policy is to maintain a high degree of flexibility in our funding activities by using a broad variety of financial instruments. Depending on our cash needs and market conditions, we issue bonds, notes and commercial paper or execute securitization transactions in various currencies. In addition, we use credit facilities in our day-to-day financial management.

In accordance with the guidelines established by the Bank for International Settlements, we

separate our corporate treasury function organizationally, physically and in its technical systems from the administrative functions of settlement, financial accounting and controlling.

Financial Liabilities

We use a variety of short and long-term financial instruments, principally notes/bonds, commercial paper and borrowings from financial institutions. The following table presents the carrying values of the primary instruments as of December 31, 2006 and 2005:

Carrying values (EUR in billion)	Year ended December 31,	
	2006	2005
Notes and bonds	45.6	47.4
Commercial paper	7.8	9.1
Borrowings from financial institutions	16.8	17.5

As of December 31, 2006, the breakdown by currency of the financial liabilities presented in the table above was as follows: 56% in U.S. dollars, 17% in Euros, 8% in Canadian dollars, and 4% in British pounds and 4% in Japanese yen. In most cases, our subsidiaries borrow money in their functional currency. In 2006, the aggregate borrowing rate of these financial liabilities was 5.45%, and approximately 65% of these financial liabilities were at fixed rates.

Total financial liabilities recognized in our consolidated financial statements, which also include deposits from our direct banking business as well as liabilities from residual value guarantees and capital lease transactions, amounted to EUR 78.5 billion (2005: EUR 80.9 billion). Our total financial liabilities represented 41% of total stockholders' equity and liabilities in 2006 and 40% in 2005. Please refer to Note 25 to our Consolidated Financial Statements for information on the amounts, maturities, and interest rates of our financial liabilities.

On a stand alone basis, our financial services entities (excluding mobility management and other non-core activities of DaimlerChrysler Financial Services AG) had financial liabilities of EUR 73.5 billion in 2006 and EUR 76.8 billion in 2005. The liabilities incurred by our financial services entities closely correspond to the assets they finance, for example vehicles which are loan-financed or on lease. These assets totaled EUR 86.4 billion in 2006 and EUR 91.7 billion in 2005. Sales of receivables are a significant source of funding for us, principally in the United States. For further information about the transactions underlying the sales of receivables and the effects on our Consolidated Financial Statements refer to Note 33 to our Consolidated Financial Statements.

In the United States, DaimlerChrysler North America Holding Corporation has a U.S. \$25.0 billion debt securities shelf registration on file with the U.S. Securities and Exchange Commission, of which U.S. \$17.3 billion remained unused as of February 12, 2007.

In Canada, DaimlerChrysler Canada Finance Inc. has a CAD5.0 billion medium term note shelf registration on file with the Canadian securities authorities, of which CAD4.4 billion remained unused as of February 12, 2007.

In the Euro-Market we have a EUR 30 billion Euro-Medium Term Note Program, permitting DaimlerChrysler AG and several of its subsidiaries to issue notes and bonds. Of this program, EUR 6.4 billion remained unused as of February 12, 2007.

In 2006, the weighted average interest rate payable under our notes and bonds was 5.71%.

Credit Lines

At December 31, 2006 and 2005, we had short and long-term credit lines available of EUR 34.7 billion and EUR 35.4 billion, respectively, of which EUR 18.2 billion and EUR 17.9 billion were unused as of such dates. In 2006, the weighted average interest rate payable under our lines of credit was 4.88%. Our credit lines include three revolving credit facilities in the total amount of U.S. \$18 billion with a syndicate of international banks. These facilities are:

- a multi currency revolving credit facility which allows us (DaimlerChrysler AG) to borrow up to U.S. \$5 billion until December 2009, and U.S. \$4.9 billion for the period from December 2009 until December 2011, respectively,
- a U.S. dollar revolving credit facility which allows our wholly owned subsidiary DaimlerChrysler North America Holding Corporation to borrow up to U.S. \$6 billion until May 2007, and
- a multi currency revolving credit facility for working capital purposes which allows us (DaimlerChrysler AG) and several of our subsidiaries to borrow up to U.S. \$7 billion until May 2008.

A portion of these U.S. \$18 billion facilities serves as a back-up for commercial paper drawings.

Included in the borrowings from financial institutions were loans of approximately EUR 0.8 billion from the European Investment Bank (EIB), which contain a rating trigger. If any two or more of the three rating agencies Standard & Poor's Rating Services, Fitch Ratings and Moody's Investor Service assign a BBB/Baa2 rating to our senior unsecured long-term debt, or any one of these three rating agencies assigns a rating lower than BBB/Baa2 to our senior unsecured long-term debt, then EIB has the right to demand collateralization after consulting with us. For information about our current short-term and long-term debt ratings, see the discussion below under the heading "Credit Ratings."

To support our asset backed commercial paper program in North America, a group of financial institutions has provided contractually committed liquidity facilities aggregating U.S. \$6.3 billion which expire in August 2007, and are subject to annual renewal. These liquidity facilities can only be drawn upon by the special purpose entity to which our North American financial services companies may sell receivables under this program. As of December 31, 2006, none of the liquidity facilities have been utilized.

Commercial Paper Programs

We also rely on several commercial paper programs. In addition to commercial paper programs denominated in U.S. dollars, Canadian dollars, Mexican pesos and Australian dollars, we have a multi currency commercial paper program in the Euro-Market and an asset backed commercial paper program in the United States.

The multi currency commercial paper program and the asset backed commercial paper program are for maximum amounts of EUR 10 billion and U.S. \$6.3 billion, respectively, and, as of February 12, 2007, the unused portions under these programs were EUR 1.7 billion and U.S. \$4.4 billion, respectively.

In 2006, the weighted average interest rate payable under our commercial paper programs was 5.11%.

Credit Ratings

Standard & Poor's Rating Services (S&P), Moody's Investors Service, Inc. (Moody's), Fitch Ratings Ltd. (Fitch) and Dominion Bond Rating Service (Dominion Bond) rate our commercial paper (short-term) and our senior unsecured long-term debt (long-term). Our current ratings are as follows:

	S&P	Moody's	Fitch	Dominion Bond
Short-term debt	A-2	P-2	F2	R-1(low)
Long-term debt	BBB	Baa1	BBB+	BBB(high)

Debt ratings are an assessment by the rating agencies of the credit risk associated with our company and are based on information provided by us or other sources. Lower ratings generally result in higher borrowing costs and reduced access to capital markets. Debt ratings are not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal by the rating agencies at any time. As rating agencies may have different criteria in evaluating the risks associated with a company, you should evaluate each rating independently of other ratings.

S&P Ratings. During 2006, S&P kept its long-term rating of BBB and its short-term rating of A-2 unchanged. On August 4, 2006, S&P changed the outlook on the long-term rating from stable to positive. According to S&P, the outlook revision acknowledged the structural improvements at the Mercedes Car Group, which had successfully been tackling its quality problems, and the improvements at the so-far unprofitable smart brand. S&P considers that the Mercedes Car Group is on track to reach its announced operating profit target of 7% return on sales in 2007. But S&P also mentioned that the progress in this division was somewhat offset by the rapidly declining results at the Chrysler Group. On September 15, 2006, S&P revised its outlook back to stable. This outlook revision followed a reduced operating profit guidance for the Chrysler Group for the third quarter and full-year 2006, as well as a lowered operating profit guidance for the DaimlerChrysler Group for the year 2006. S&P stated that the outlook change reflected the unexpectedly severe decline in profitability at the Chrysler Group.

Moody's Ratings. On September 15, 2006, Moody's downgraded the long-term ratings of DaimlerChrysler AG and its subsidiaries from A3 to Baa1 and placed all long-term ratings under review for possible downgrade. The P-2 short-term ratings were affirmed. The downgrade followed DaimlerChrysler's announcement of the reduced forecast for the Chrysler Group's operating profit for the year 2006 and reflected (i) Moody's view that one of the key conditions set for an A3 rating — maintaining the turnaround at the Chrysler Group leading to an operating margin for this division of above 3% — will not be achieved in the near term; (ii) the negative impact on DaimlerChrysler's overall profitability and cash generation with the expectation of a negative industrial free cash flow (as defined by Moody's) in 2006. The decision to place the ratings under review for possible downgrade was

based on the expectation of further financial pressure resulting from (i) the ongoing weak market environment for the Chrysler Group which will probably continue to negatively affect DaimlerChrysler's financial profile; (ii) the effects of shifting consumer trends away from more profitable large SUVs and light trucks with which the Chrysler Group generates most of its revenues to more fuel efficient, less profitable smaller vehicles; (iii) the potential need for further structural measures to improve the Chrysler Group's operations. On February 14, 2007, following presentations of the preliminary earnings figures for the year 2006 and of the Recovery and Transformation Plan for the Chrysler Group, Moody's concluded its ratings review and confirmed its Baa1 rating. The outlook on the rating remained negative.

Fitch Ratings. During 2006, Fitch kept its long-term rating of BBB+ and its short-term rating of F2 unchanged. The outlook on the long-term rating remained stable.

Dominion Bond Ratings. During 2006, Dominion Bond also kept its long-term rating of A(low) and its short-term rating of R-1(low) unchanged. The outlook on the long-term rating remained negative. Citing the Chrysler Group's difficult competitive situation, Dominion Bond changed its long-term rating from A (low) to BBB (high) on February 14, 2007. It confirmed its short-term rating of R-1 (low).

Convertible bonds and notes with attached warrants

We may issue ordinary shares of our company or bonds convertible into our ordinary shares as another potential source of funding. Our Board of Management may issue up to EUR 500 million, in nominal amount, of new ordinary shares for cash until April 8, 2008, if our Supervisory Board approves the issuance.

The Board of Management, with the consent of the Supervisory Board, may also issue up to EUR 15 billion, in nominal amount, of convertible bonds and/or notes with attached warrants, with a term of up to 20 years, prior to April 5, 2010. The convertible bonds and/or notes with attached warrants may grant to the holders or creditors up to EUR 300 million, in nominal amount of capital stock, in option or conversion rights for newly issued DaimlerChrysler shares.

Contractual obligations and commercial commitments

The table below presents our on- and off-balance sheet contractual obligations as of December 31, 2006:

<u>Contractual Cash Obligations</u>	<u>Total</u>	<u>Payments due by period</u>			<u>More than 5 years</u>
		<u>Less than 1 year</u>	<u>1 — 3 years</u>	<u>3 — 5 years</u>	
		(EUR in millions)			
Long-Term Debt	54,726	13,045	24,391	9,977	7,313
Capital Lease Obligations	740	90	132	114	404
Operating Leases	3,683	688	1,163	670	1,162
Purchase and Investment Obligations	18,528	18,114	345	66	3
Other Long-Term Obligations	3,070	1,064	1,622	238	146
Total Contractual Obligations	80,747	33,001	27,653	11,065	9,028

Contractual obligations are obligations to make payments or transfer assets under existing contracts. "Long-Term Debt" represents future principal payments that we need to make to settle our financial liabilities with original maturities of more than one year. "Capital Lease Obligations" encompass the total minimum future lease payments for capital leases. "Operating Leases" represent the total minimum future lease payments for operating leases. "Purchase and Investment Obligations" are obligations arising from future purchases for, among other things, production materials or for future investments in property, plant and equipment. This line also includes our trade liabilities. The line "Other Long-Term Obligations" contains all our other contractual cash obligations that are not included in one of the other categories and do not include accrued liabilities. The contractual cash obligations do not reflect our pension benefit and other post-retirement benefit obligations. For the estimated future pension benefit payments and the estimated future other post-retirement benefit payments, please refer to Note 24a to our Consolidated Financial Statements.

Benefit Plan Obligations and Costs

The obligations and expenses recognized in our Consolidated Financial Statements for our employee benefit plans are not necessarily indicative of our future obligations and cash funding requirements. The reason is that we normally experience actual results that differ from the assumptions used in the actuarial determination of our benefit plan obligations and cost. Under U.S. GAAP we subsequently recognize the accumulated differences in our consolidated statements of income through amortization over future periods when certain conditions are met. Please refer to Note 24a to our Consolidated Financial Statements for further information regarding pension benefit and other post-retirement benefit obligations, the significant assumptions used, the sensitivity of those assumptions to our Consolidated Financial Statements prepared according to U.S. GAAP and information regarding future estimated contributions and payments.

Pension benefit obligations

Current funding and asset allocation. Plan assets, which are primarily held in trusts and invested to provide for current and future pension benefits, partially offset our projected pension benefit obligations. Plan assets consist of investments in equity securities, debt securities, alternative investments, real estate and other investments.

The funded status of our pension benefit obligations expresses the extent to which plan assets are available to satisfy our obligations. At December 31, 2006, our pension plans had an underfunded status of EUR 2.3 billion compared to an underfunded status of EUR 7.2 billion at December 31, 2005. The decrease of the underfunded status of our pension benefit plans in 2006 is mainly attributable to the achieved actual asset returns, the increase of the discount rates assumed for all significant plans in 2006 and total contributions to the plans of EUR 1.2 billion in 2006.

Further funding requirements. We do not expect to increase cash contributions to our pension plans substantially in the near term. For 2007, we intend to contribute EUR 0.9 billion in cash to our pension plans. Additional pension funding adversely affecting our liquidity could be required if actual returns on plan assets are substantially below expected returns over an extended period of time.

Other postretirement benefit obligations

Current funding and asset allocation. Plan assets invested to provide current and future plan benefits partially offset accumulated other post-retirement benefit obligations. Plan assets mainly consist of investments in equity securities and fixed income securities, real estate and alternative investments.

The funded status of our other post-retirement benefit obligations expresses the extent to which plan assets are available to satisfy our obligations. At December 31, 2006, our other post-retirement benefit obligations had an underfunded status of EUR 14.1 billion compared to an underfunded status of EUR 15.8 billion at December 31, 2005. The decrease of the underfunded status of our other post-retirement benefit obligations is mainly caused by currency translation effects.

Further funding requirements. We are not required by law or labor agreements to make contributions to our other post-retirement benefit plans.

IV. Conditions of Facilities

1. Outline of Capital Expenditures, etc.

DaimlerChrysler invested a total of EUR 5.9 billion in property, plant and equipment worldwide in 2006 (2005: EUR 6.6 billion). Expenditure for research and development totaled EUR 5.3 billion in 2006 (2005: EUR 5.6 billion).

The table below provides a break down for each division for both capital expenditures, and research and development expenses.

(EUR in millions)	Capital Expenditure		R&D Expenses	
	Year ended December 31,		Year ended December 31,	
	2006	2005	2006	2005
Mercedes Car Group	1,663	1,629	2,176	2,418
Chrysler Group	2,892	3,083	1,638	1,710
Truck Group	907	966	1,023	944
Financial Services	29	45	—	—
Van, Bus, Other	447	886	494	577
DaimlerChrysler Group	5,938	6,580	5,331	5,649

Mercedes Car Group. Investments in property, plant and equipment of EUR 1.7 billion at the Mercedes Car Group were slightly higher than in the prior year. The division's main capital expenditure was for production equipment for the new C-Class and the new smart fortwo. The Mercedes Car Group also invested in the expansion of the plant in Beijing, where the E-Class has been produced for the Asian market since September 2006.

Research and development activities of the Mercedes Car Group in 2006 primarily related to the development of new car models and new engines and transmissions, including the successor models of the C-Class, the successor models of the E-Class and the development of a new world diesel engine. Research and development work relating to alternative propulsion systems complemented the primary research and development activities in 2006.

Chrysler Group. The Chrysler Group invested EUR 2.9 billion (2005: EUR 3.1 billion) in property, plant and equipment to make its production processes more flexible and to continue its product offensive, as well as to upgrade powertrains and existing facilities. Also, the Chrysler Group made investments in its Mexican manufacturing operations to modernize and re-tool the facilities and to create new industrial parks for suppliers.

Research and development expenditures in 2006 were primarily for product development for vehicles launched in 2006 and for vehicles to be launched in future years. They also included development costs for improving the quality, cost and performance of existing products.

Truck Group. The focus of the Truck Group's capital expenditure in 2006 was on new technologies and safety concepts. The division impressively demonstrated its innovation and technology leadership with the Mercedes-Benz Safety Truck, which includes all available safety features. The Truck Group also invested in the new modular platform for heavy and medium trucks for the markets of Western Europe, NAFTA, Latin America and Japan.

Research and development expenditures in 2006 focused on new truck generations and new low emission engines, including the heavy duty engine platform.

Financial Services. The division's capital expenditures for fixed assets were largely related to the acquisition of data processing equipment, and additions to equipment under operating leases.

Van, Bus, Other. Capital expenditure at the Vans unit was higher than in the prior year as a result of production changes made in the Düsseldorf and Ludwigsfelde plants in connection with the launch of the new Sprinter. Capital expenditure at the Buses unit was somewhat lower than in 2005, the main areas being safety technology and alternative drive concepts. Long-term investment projects started in previous years were continued as planned.

Research and development activities in 2006 focused primarily on the new Sprinter and the development of engines that meet current and future emission regulations.

For further information on R&D expenses please refer to "6. Activities on Research and Development" in section "III. Description of Business".

2. Conditions of Major Facilities

We produce vehicles and related components at approximately 100 manufacturing facilities worldwide, of which 19 are located in Germany and 35 in the United States. Most of the remaining facilities are in Brazil, Canada, France, Japan, Mexico, South Africa, Spain and Turkey. We also have other properties, including office buildings, spare parts centers, retail outlets, research laboratories, test tracks and warehouses, mainly in Germany and in the United States. We own most of these facilities and we believe that our facilities, together with the arrangements described below, are adequate to meet our needs.

The tables below show as an abstract some major locations of each automotive division and the contents of business of each location. As far as available, we show the number of employees working at such location and the share of employees attributable to the division under which the location is stated:

Mercedes Car Group

Location	Contents of operations	Number of Employees	
		From division	On site
Sindelfingen, Germany	C-Class Saloon, Sports Coupé, E-Class Saloon, E-Class Estate, CLS-Class, S-Class Saloon, CL-Class, Maybach	26,536 ¹	36,436 ²
Untertürkheim, Germany	Engines, axles, gearboxes, components	18,012	23,977 ²
Bremen, Germany	C-Class Saloon, C-Class Estate, CLK-Class Coupé and Cabriolet, SLK-Class, SL-Class	11,555 ³	13,542
Berlin, Germany	Gasoline and diesel engines, components and parts	3,047	3,209

Hamburg, Germany	Axles and components	2,342 ³	2,625
Rastatt, Germany	A-Class and B-Class	6,033	6,272
Tuscaloosa, Alabama, USA	M-, R-, GL-Class	4,012	4,012
East London, South Africa	C-Class Saloon	2,825	2,825
Juiz de Fora, Brazil	C-Class Saloon	1,025	1,025
Hambach, France	smart fortwo	893	893

1 incl. chassis parts production of Hamburg and Bremen plants

2 incl. Research & Development

3 excl. chassis parts production

Chrysler Group

Location	Contents of operations	Number of Employees	
		From division	On site
Belvidere, Illinois, USA	Dodge Caliber, Jeep® Compass/Patriot, Stamping Factory	n/a	n/a
Brampton, Canada	Chrysler 300 Sedan, Dodge Magnum, Dodge Charger, Stampings	n/a	n/a
Detroit, Michigan, USA	Jeep® Grand Cherokee, Jeep® Commander, Dodge Viper, Axles, Engines	n/a	n/a
Fenton, Missouri, USA	Chrysler Town & Country minivans, Dodge Ram pickup trucks, Dodge Caravan/Grand Caravan	n/a	n/a
Kenosha, Wisconsin, USA	Engines	n/a	n/a
Kokomo, Indiana, USA	Transmissions, Aluminum Casting, Transaxle-Cases	n/a	n/a
Newark, Delaware, USA	Dodge Durango, Chrysler Aspen	n/a	n/a

Salttillo, Mexico	Dodge Ram, Quad Cab & Mega Cab, Engines, Stampings, Sub-Assemblies	n/a	n/a
Sterling Heights, Michigan, USA	Dodge Stratus, Dodge Avenger, Chrysler Sebring Coupe & Cabriolet, Stampings, Sub-Assemblies	n/a	n/a
Toledo, Ohio, USA	Jeep® Liberty/Wrangler, Dodge Nitro, Transmission Components, Torque Converters, Steering Columns	n/a	n/a
Toluca, Mexiko	Chrysler PT Cruiser and Convertible, Stampings, Sub-Assemblies	n/a	n/a
Toronto, Canada	Aluminium Castings, Pistons, Engines, Transmission Parts	n/a	n/a
Trenton, Michigan, USA	Engines	n/a	n/a
Twinsburg, Ohio, USA	Sub-Assemblies, Stampings	n/a	n/a
Valencia, Venezuela	Jeep® Cherokee/Grand Cherokee, Dodge Caliber, Mercedes-Benz Trucks	n/a	n/a
Warren, Michigan, USA	Dodge Ram and Dakota, Mitsubishi Raider, Stampings, Sub-Assemblies	n/a	n/a
Windsor, Canada	Dodge Caravan/Grand Caravan, Chrysler Town & Country minivans and Pacifica	n/a	n/a

Truck Group

Location	Contents of operations	Number of Employees	
		From division	On site
Mannheim, Germany	Production of commercial vehicle and industrial engines, foundry	4,986	5,060
Wörth, Germany	Truck assembly including driver's cab production; chassis and assembly plant for Unimog	9,888	10,013
Gaggenau, Germany	Production of gearboxes and planetary hub axles, converter production, cutting and forming technology as well as a Consolidation Center (Logistics)	6,403	6,439
Kassel, Germany	Production of driven and non-driven axles and propeller shafts for commercial vehicles; trailer axles and components for Mercedes-Benz passenger cars	2,870	2,893

Bus operations

Location	Contents of operations	Number of Employees
		On site
Mannheim, Germany	body-in-white assembly, cataphoretic dip priming: city/interurban buses and touring coaches; assembly: low-floor city and interurban buses	3,428
Ulm / Neu-Ulm, Germany	painting and assembly: city/interurban buses and touring coaches	3,782
Dortmund, Germany	production of Mercedes-Benz minibuses	173

Van operations

Location	Contents of operations	Number of Employees	
		From Vans	On site
Düsseldorf, Germany	Chassis and assembly plant for vans	6,672	6,735
Ludwigsfelde, Germany	Nutzfahrzeuge Ludwigsfelde GmbH: chassis and assembly plant for vans	2,548	2,548

The total amount of indebtedness secured by mortgages and other security interests on our principal facilities was EUR 1.5 billion at the end of 2006. These mortgages and security interests primarily affect our Potsdamer Platz real estate holdings, which consist of several commercial real estate properties in Berlin, Germany.

Our property, plant and equipment includes buildings, technical equipment, and other equipment capitalized under capital lease agreements. For more details please refer to Note 13 to our Consolidated Financial Statements.

We are party to various joint ventures, assembly contracts, and other arrangements that allow us to gain access to additional production capacity or utilize our plants more efficiently. For example, some of our vehicles are assembled at third party facilities in Austria, China, Taiwan, and Germany, and we have entered into agreements with MMC and Volkswagen to assemble some of their vehicle models at certain of our plants. We also participate in a joint venture with Hyundai Motor Company and MMC that manufactures engines in the United States.

There is significant production overcapacity in the worldwide automotive industry which threatens continued profitability of many manufacturers. As part of our strategic planning and operations, we monitor our production capacity in relation to developing and anticipated industry changes and market conditions. As such conditions fluctuate, we adjust our capacity by opening, closing, selling, expanding, or downsizing production facilities, or by adding or eliminating work shifts. Please refer to the discussion under the heading “Recovery and Transformation Plan” in “(b) Chrysler Group” under “3. Contents of Business” in section “II. Outline of the Company” for additional information on capacity adjustments at Chrysler Group.

3. Plans for Installation and Removal of Facilities

During the planning period of 2007 through 2009, DaimlerChrysler expects to invest a total of EUR 17.5 billion in property, plant and equipment. Rising capital expenditure at the Mercedes Car Group will be offset by decreasing investment budgets at the Chrysler Group, the Truck Group and the Vans unit.

Investments in property, plant and equipment (EUR in billion)	Period	
	2006	2007-2009
Mercedes Car Group	1.7	7.2
Chrysler Group	2.9	6.8
Truck Group	0.9	2.7
Financial Services	0.03	0.04
Van, Bus, Other	0.4	0.8
DaimlerChrysler Group	5.9	17.5

Mercedes Car Group. At the Mercedes Car Group, the focus of investment will be on advance expenditure for new vehicles such as the E-Class successor model and the new sport-utility vehicle based on the C-Class.

Chrysler Group. The key area of investment at the Chrysler Group will be for the ongoing modernization of its plants and the continuation of the product offensive. The flexibilization of production and standardization of vehicle architectures on model changeovers, that has meanwhile been achieved has already led to substantial savings. Therefore it will be possible to reduce the Chrysler Group's investment budget during the planning period.

For additional information please also refer to the discussion under the heading "Recovery and Transformation Plan" in "(b) Chrysler Group" under "3. Contents of Business" in section "II. Outline of the Company".

Truck Group. At the Truck Group, the focus is on capital expenditure in connection with the new modular platform for heavy and medium trucks and a new family of engines for trucks.

Van, Bus, Other. Since the launch of the new Sprinter has largely completed the Vans unit's phase of model renewal, capital expenditure at Vans will be significantly reduced during the planning period, while at Buses there will be increased investment in plant modernization and the European sales organization.

V. Description of the Company

1. Description of Shares, Etc.

(a) Total Number of Shares, Etc.

(i) Total Number of Shares

Authorized number of Shares:	1,634,474,140
Issued and outstanding Shares: (as of December 31, 2006)	1,028,163,751
Shares not yet issued:	606,310,389
	192,307,692 (authorized capital I)
	192,307,692 (authorized capital II)
	10,000,000 (authorized capital III)
	115,384,615 (conditional capital I)
	80,660,440 (conditional capital II)
	15,649,950 (residually conditional capital III)

Authorized Capital I: The Board of Management is authorized to increase the capital stock of the corporation through April 8, 2008 by a total of EUR 500,000,000.00, in one lump sum or by separate partial increases at different times, upon the approval of the Supervisory Board, by issuing new, no par value registered shares in exchange for cash contributions.

Authorized Capital II: The Board of Management is authorized to increase the capital stock of the corporation through April 8, 2008 by a total of EUR 500,000,000.00, in one lump sum or by separate partial increases at different times, upon the approval of the Supervisory Board, by issuing new, no par value registered shares in exchange for non-cash contributions.

Authorized Capital III: The Board of Management is authorized to increase the capital stock of the corporation through April 8, 2008 by a total of EUR 26,000,000.00, in one lump sum or by separate partial increases at different times, upon the approval of the Supervisory Board, by issuing new, no par value registered shares in exchange for cash or non-cash contributions in order to issue the new shares to employees of DaimlerChrysler AG and its subsidiaries. The shares to be issued to employees of DaimlerChrysler AG and its subsidiaries may also be procured as part of securities lending, and the new shares may be used to fulfill the obligations arising from this securities lending.

Conditional Capital I: The capital stock of the corporation shall be conditionally increased by an amount not to exceed EUR 300,000,000.00. The conditional capital increase shall be undertaken only to the extent that

- a) the holders or creditors of conversion rights or option certificates attached to the convertible bonds and notes with warrants to be issued by DaimlerChrysler AG or its majority owned direct or indirect subsidiaries up to April 5, 2010, in accordance with the enabling resolution of the Annual Meeting of the Shareholders on April 6, 2005, actually exercise their conversion or option rights or
- b) the holders or creditors of the convertible bonds to be issued by DaimlerChrysler AG or its majority-owned direct or indirect subsidiaries up to April 5, 2010 in accordance with the enabling resolution of the Annual Meeting of the Shareholders on April 6, 2005 fulfill their conversion obligation.

Conditional Capital II: The capital stock of the corporation shall be conditionally increased by an amount not to exceed EUR 209,717,144.00 through the issuance of up to 80,660,440 no par value registered shares. The conditional capital increase shall be undertaken only to the extent that the holders of option rights, issued by DaimlerChrysler AG in the period up to April 18, 2005, in conformity with the resolution passed at the Annual Meeting held on April 19, 2000, actually exercise their options and the corporation does not grant any of its own shares in fulfillment of the options.

Residually Conditional Capital III: The capital stock shall be conditionally increased by EUR 40,689,870.00, allocated into up to 15,649,950 no par value registered shares with a proportionate amount of the capital stock of EUR 2.60 allotted to each share. This conditional capital increase shall be undertaken only to the extent that the holders of the convertible bonds attached to the 5.9 %-DM-convertible bonds of 1996/2006, to the 5.3 %-DM-convertible bonds of 1997/2007, and to the 4.4 %-DM-convertible bonds of 1998/2008, issued by Daimler-Benz Aktiengesellschaft upon the authorization of the Annual Meeting of May 22, 1996, in conjunction with the supplementary authorization of the Annual Meeting held on May 28, 1997, have conversion rights and exercise their conversion rights after the effective date of the merger with Daimler-Benz Aktiengesellschaft.

For further details on the before mentioned authorized and conditional capital, please refer to section II. Capital Stock and Shares, paragraph 3 of the Company's Articles and Memorandum of Incorporation.

(ii) Issued and outstanding shares

Kind:	registered ordinary shares, no par value
Number of shares:	1,028,163,751
Stock Exchanges on which the Shares are listed or Securities Dealers Associations with which the Securities are registered:	The principal trading markets for our ordinary shares are the Frankfurt Stock Exchange and the New York Stock Exchange. In addition, our ordinary shares are listed in Germany on the Stuttgart Stock Exchange.

In 2006, the company delisted its ordinary shares voluntarily from the Bourse de Paris (Euronext), SWX Swiss Exchange, Philadelphia Stock Exchange, The Chicago Stock Exchange, Incorporated, NYSE Arca (formerly known as the Pacific Exchange, Inc.), Tokyo Stock Exchange, Inc., Berlin-Bremen Stock Exchange (Berliner Börse AG), Duesseldorf Stock Exchange (Börse Düsseldorf AG), Stock Exchanges Hamburg and Hanover (BÖAG Börsen AG), Munich Stock Exchange (Bayerische Börse Aktiengesellschaft).

Reference:	N/A
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(b) Changes in the Number of Issued and Outstanding Shares and Share Capital

<u>Date or time</u>	<u>Increase in share capital</u>	<u>Total share capital after the increase/change in EUR</u> <u>(ten thousand Yen)</u>	<u>Remarks</u>
Balance as of Dec. 31, 2001	1,003,271,998 shares	2,608,507,194.80 (41,047,469)	End of fiscal 2001
Fiscal 2002	EUR 24,763,466.00 9,524,410 shares	2,633,270,660.80 (41,437,147)	Conversion of convertible bonds 5 3/4% (Mandatory shares of 1997/2002)
Fiscal 2002	EUR 130.00 50 shares	2,633,270,790.80 (41,437,149)	Exercise 4 1/8% Notes of 1996/2003 with warrants
Fiscal 2002	EUR 18,291.00 7,035 shares	2,633,289,081.80 (41,437,437)	Stock Option Plan 1996/2006
Balance as of Dec. 31, 2002	1,012,803,493 shares	2,633,289,081.80 (41,437,437)	End of fiscal 2002
Fiscal 2003	EUR 53,814.80 20,698 shares	2,633,342,896.60 (41,438,284)	Exercise 4 1/8% Notes of 1996/2003 with warrants
Balance as of Dec. 31, 2003	1,012,824,191 shares	2,633,342,896.60 (41,438,284)	End of fiscal 2003
Fiscal 2004	—	—	—
Balance as of Dec. 31, 2004	1,012,824,191 shares	2,633,342,896.60 (41,438,284)	End of fiscal 2004
Fiscal 2005	EUR 13,906,113.00 5,348,505 shares	2,647,249,009.60 (41,657,110)	Exercise of stock options
Balance as of Dec. 31, 2005	1,018,172,696 shares	2,647,249,009.60 (41,657,110)	End of fiscal 2005
Fiscal 2006	EUR 25,976,743.00 9,991,055 shares	2,673,225,752.60 (42,065,880)	Exercise of stock options
Balance as of Dec. 31, 2006	1,028,163,751 shares	2,673,225,752.60 (42,065,880)	End of fiscal 2006

(c) Distribution of Share by Holders

As of December 31, 2006, we had approximately 1.3 million stockholders. Approximately 220,000 were U.S. holders, of which approximately 60,000 were record holders. Based on our share register, U.S. holders held approximately 17% of our ordinary shares as of that date.

As of December 31, 2006, the current members of our Supervisory Board and our Board of Management, as a group, owned 210,638 of our ordinary shares (0.02% of all outstanding shares) and had the right to acquire 3,534,800 ordinary shares pursuant to options granted under the plans described below.

In 2000, we instituted a shareholder approved stock option plan for Board of Management members and other levels of management. We granted options under this plan in 2000, 2001, 2002, 2003 and 2004. Our predecessor, Daimler-Benz AG, instituted a shareholder approved stock option plan for management board members and other senior executives in 1996. For a description of these stock option plans and further details, such as the exercise prices, please refer to Note 23 to our Consolidated Financial Statements.

As part of our value based management approach, we support employee stock ownership. We offer the opportunity to purchase DaimlerChrysler AG ordinary shares to employees of our subsidiaries in Germany, Austria, France, Italy, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom. In 2006, each eligible employee of our companies in Germany had the right to acquire up to 90 shares with a maximum aggregate discount of EUR 135 plus one bonus share. In total, employees of our German companies acquired approximately 667,500 shares in 2006. The programs established for employees in other European countries are comparable to the German program except for changes resulting from different national legal requirements. Under the programs offered outside of Germany, employees acquired a total of approximately 23,000 shares in 2006.

The tables below provide a breakdown of the shareholder structure by both the type of shareholder and the major regions as of December 31, 2006:

	December 31, 2006
By type of shareholder	
Kuwait Investment Authority	7.1%
Institutional investors	72.4%
Retail investors	20.5%

	December 31, 2006
By region	
Germany	43.6%
Europe excl. Germany	30.9%
USA	17.2%
Rest of the world	8.3%

Please refer to Notes 1, 22 and 23 to our Consolidated Financial Statements for additional information.

(d) Major shareholders

Our capital stock consists of ordinary shares without par value (Stückaktien). Our ordinary shares are issued in registered form. Under our memorandum and articles of incorporation (Satzung), each ordinary share represents one vote. Major shareholders do not have different voting rights. Under the German Securities Trading Act (Wertpapierhandelsgesetz), shareholders of a listed German company must notify the company of the level of their holding whenever it reaches, exceeds, or falls below specified thresholds. These thresholds are 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of a company's outstanding voting rights.

The table below shows, as of December 31, 2006, the strategic shareholders, the number of ordinary shares they hold, and their percentage ownership:

Identity of the Person or Group	Shares owned	Percent
Kuwait Investment Authority as agent for the Government of the State of Kuwait	73,169,320	7.1%

Changes after the end of Fiscal Year 2006

On March 23, 2007, Deutsche Bank AG informed us that it directly holds 4,34% of the voting rights in DaimlerChrysler AG. In addition Deutsche Bank AG notified us that 0,02% of the voting rights in DaimlerChrysler AG are assigned to Deutsche Bank AG pursuant to Article 22 Section 1 Sentence 1 No. 1 of the German Securities Trading Act.

On April 12, 2007, WestLB AG of Düsseldorf, a German bank, has informed us that on April 4, 2007, the volume of DaimlerChrysler shares that it held for trading purposes exceeded the thresholds of 3%, 5% and 10% of the voting rights in DaimlerChrysler AG and that it held an equity interest of 14.006%. In addition, WestLB AG informed us that these were purely financial transactions, which were completely hedged with futures, and that the number of DaimlerChrysler shares held by WestLB is to be reduced again to well below 3% of the capital stock in the foreseeable future.

On April 19, 2007, WestLB AG, notified us that as of April 18, 2007, the voting rights in DaimlerChrysler AG held by WestLB AG fell below the threshold participation interest of 10%, 5% and 3%, and that their share in the aforementioned voting rights now amounts to 0%.

(e) Related party transactions

We purchase materials, supplies and services from numerous suppliers throughout the world in the ordinary course of our business. These suppliers include companies in which we hold an ownership interest and companies that are affiliated with certain members of our Supervisory Board and our Board of Management.

We have provided several guarantees for the benefit of Toll Collect, a joint venture in which we hold a 45% equity interest. For additional information on these guarantees, please refer to Note 3 to our Consolidated Financial Statements. Mr. Walter, a member of our Supervisory Board, is also a member of the supervisory board of Deutsche Telekom AG, one of the other investors in Toll Collect.

We incurred expenses of approximately \$762,000 in 2006 for advertising and related marketing activities with Black Enterprise magazine. Earl G. Graves, a member of our Supervisory Board, is the chairman, chief executive officer and sole stockholder of the magazine's ultimate parent company.

Dr. Mark Wössner, a member of our Supervisory Board, received payments for premises leased to our wholly owned subsidiary, Westfalia Van Conversion GmbH, amounting to EUR 1 million in 2006.

We engage in commercial transactions with our equity investee EADS. We do not consider these transactions to be material to us either individually or in the aggregate. Mr. Bischoff and Mr. Lagardère are both members of our Supervisory Board, and are also co-chairmen of the board of directors of EADS.

From time to time, DaimlerChrysler Group companies may purchase goods and services (primarily advertising) from, and sell or lease vehicles or provide financial services to, Lagardère Group companies in the ordinary course. Arnaud Lagardère, who became a member of our Supervisory Board in April 2005, is the general partner and chief executive officer of Lagardère SCA, a publicly traded company and the ultimate parent company of the Lagardère Group.

DaimlerChrysler Canada Inc. paid CAD 800,000 to a subsidiary of Mosaic Sales Solutions Holding Company for field marketing services. The chief executive officer of that company, Tony LaSorda, is the brother of Thomas LaSorda, a member of our Board of Management who assumed responsibility for the Chrysler Group in September 2005.

2. Dividend Policy

According to our Articles of Incorporation, the company declares and pays dividends on its ordinary shares once a year after approval by the Annual General Meeting of our shareholders.

We generally pay dividends each year and expect to continue to do so in the near future. We may not, however, pay dividends in the future at rates we have paid in previous years. Our payment of future dividends will depend upon our earnings, our financial condition, including our cash needs, our future earnings prospects and other factors.

On April 4, 2007, the annual meeting resolved to distribute the unappropriated profit of EUR1,542 million for the 2006 financial year, representing a dividend of EUR1.50 per share.

3. Trends in Stock Prices

(a) Yearly High and Low Share Prices for Each Business Period during the Most Recent Five (5) - Year Period

The following are the highest and lowest prices of the shares of the Company traded on the Frankfurt Stock Exchange during the periods shown:

Year	Price per Share	
	<u>High</u>	<u>Low</u>
	(Euro(Yen))	
2002	55.44 (8,724.0384)	28.16 (4,431.2576)
2003	37.58 (5,913.5888)	23.71 (3,731.0056)
2004	39.41 (6,201.5576)	31.63 (4,977.2968)
2005	45.65 (7,183.4840)	30.20 (4,752.2720)
2006	50.09 (7,882.1624)	37.01 (5,823.8936)

The following are the highest and lowest prices of the shares of the Company traded on the Tokyo Stock Exchange during the periods shown:

Year	Price per Share	
	<u>High</u>	<u>Low</u>
	(Yen)	
2002	7,010	3,530
2003	5,900	3,260
2004	6,000	3,900
2005	6,980	4,200
2006 ¹	7,400	5,180

¹ Until the delisting of the Company's ordinary registered shares from the Tokyo Stock Exchange on July 28, 2006.

(b) Monthly High and Low Share Prices for Each of the Most Recent Six (6) Months in This Business Year

The following are the highest and lowest prices of the shares of the Company traded on the Frankfurt Stock Exchange during the periods shown:

<u>Month/Year</u>	Price per Share	
	<u>High</u>	<u>Low</u>
	(Euro(Yen))	
July 2006	40.46 (6,366.7856)	37.07 (5,833.3352)
August 2006	41.41 (6,516.2776)	39.19 (6,166.9384)
September 2006	41.49 (6,528.8664)	38.82 (6,108.7152)
October 2006	44.70 (7,033.9920)	39.19 (6,166.9384)
November 2006	48.41 (7,617.7976)	43.84 (6,898.6624)
December 2006	46.95 (7,388.0520)	43.41 (6,830.9976)

The following are the highest and lowest prices of the shares of the Company traded on the Tokyo Stock Exchange during the periods shown and until their delisting on July 28, 2006:

<u>Year/Month</u>	Price per Share	
	<u>High</u>	<u>Low</u>
	(Yen)	
February 2006	7,400	6,470
March 2006	7,000	6,020
April 2006	7,000	6,500
May 2006	6,110	5,180
June 2006	6,410	5,230
July 2006	5,690	5,360

4. Directors and Officers

In accordance with the German Stock Corporation Act (Aktiengesetz), we have a two-tier board structure with a Supervisory Board (Aufsichtsrat) and a Board of Management (Vorstand). The two boards are separate and no individual may simultaneously serve as a member of both boards.

The Supervisory Board supervises and advises our Board of Management and appoints and removes its members. Although it may not make management decisions, our Supervisory Board has determined categories of transactions which require its approval.

The Board of Management, which acts under the principle of collective responsibility, manages our day-to-day business. It is authorized to represent us (DaimlerChrysler AG) and to enter into binding agreements with third parties on our behalf.

(a) The Supervisory Board

As required by the German Stock Corporation Act (Aktiengesetz), the German Co-determination Act (Mitbestimmungsgesetz) and our articles of incorporation, our Supervisory Board consists of twenty members. Ten members are elected by our shareholders at the annual general meeting of shareholders and ten members are elected by our employees. Any member of our Supervisory Board elected by our shareholders may be removed by a majority of the votes cast at a general meeting of shareholders. Any member of our Supervisory Board elected by our employees may be removed by three quarters of the votes cast by the electoral delegates representing the employees.

The Supervisory Board elects a chairman and a deputy chairman from among its members. Unless the shareholder and employee representatives on the board agree on candidates for chairman and deputy chairman, the representatives of the shareholders have the right to elect the chairman and the representatives of the employees have the right to elect the deputy chairman.

At least half of the total number of members of the Supervisory Board, in our case at least ten, must be present or participate in decision making to constitute a quorum. Unless otherwise provided for by law, the Supervisory Board passes resolutions by a simple majority of the votes cast. In the event of a deadlock, it has to hold another vote and, in the case of a second deadlock, the chairman of the Supervisory Board casts the deciding vote. A member of the Supervisory Board is under a duty to disclose any material interest the member has in proposals, arrangements or contracts between us and third parties. Under German corporate law, the maximum permissible term of office for members of a Supervisory Board is five years. If appointed for the maximum permissible term, a member's term expires at the end of the annual general shareholders' meeting after the fourth fiscal year following the year in which the Supervisory Board member was elected. Supervisory Board members may be re-elected and are not subject to a compulsory retirement age. Our rules of procedure for the Supervisory Board, however, provide that future candidates under consideration for membership on our Supervisory Board should generally not reach the age of 70 before their prospective term of office would expire.

The following table shows the members of our Supervisory Board as of December 31, 2006. Employee representatives are identified by an asterisk.

Name (Birthday)	Position/ Responsibility at the Company	Brief Resume (Date of first appointment as Supervisory Board member)
Dr. Manfred BISCHOFF (04/22/1942)	—	Chairman of the Board, EADS N.V. (04/12/2006)
Prof. Dr. Heinrich FLEGEL* (10/13/1948)	—	Director Research Materials and Manufacturing, DaimlerChrysler AG; Chairman of the Management Representative Committee, DaimlerChrysler Group (04/09/2003)
Ron GETTEL- FINGER* (08/01/1944)	—	President of the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) (08/28/2006)
Earl G. GRAVES (01/09/1935)	—	Publisher, Black Enterprise Magazine; Managing Director, Black Enterprise/Greenwich Street Corporate Growth Partners (04/12/2001)
Hilmar KOPPER (03/13/1935)	Chairman of the Supervisory Board	Chairman of the Supervisory Board of DaimlerChrysler AG (05/18/1999)
Dr. Thomas KLEBE* (08/14/1948)	—	Director Department for General Shop Floor Policy and Codetermination, German Metalworkers' Union (04/09/2003)
Erich KLEMM* (04/25/1954)	Deputy Chairman of the Supervisory Board,	Chairman of the Corporate Works Council, DaimlerChrysler AG and DaimlerChrysler Group (12/15/1998)
Arnaud LAGARDÈRE (03/18/1961)	—	General Partner and CEO of Lagardère SCA (04/06/2005)
Jürgen LANGER* (11/07/1954)	—	Chairman of the Works Council of the Frankfurt/Offenbach Dealership, DaimlerChrysler AG (04/09/2003)

Helmut LENSE* (11/26/1951)	—	Chairman of the Works Council, Stuttgart Untertürkheim Plant, DaimlerChrysler AG (12/15/1998)
Peter A. MAGOWAN (04/05/1942)	—	President of San Francisco Giants (05/18/1999)
William A. OWENS (05/08/1940)	—	Retired President and Chief Executive Officer of Nortel Networks Corporation; CEO and Chairman of AEA Holdings Asia (11/04/2003)
Gerd RHEUDE* (04/05/1945)	—	Chairman of the Works Council, Wörth Plant, DaimlerChrysler AG (05/06/1999)
Udo RICHTER* (07/26/1946)	—	Chairman of the Works Council, Bremen Plant, DaimlerChrysler AG (12/14/2001)
Wolf Jürgen RÖDER* (10/07/1947)	—	Member of the Executive Board, German Metalworkers' Union (11/14/2000)
Dr. rer. pol. Manfred SCHNEIDER (12/21/1938)	—	Chairman of the Supervisory Board of Bayer AG (05/18/1999)
Stefan SCHWAAB* (05/09/1952)	—	Vice Chairman of the Works Council, Gaggenau Plant, DaimlerChrysler AG; Vice Chairman of the Corporate Works Council, DaimlerChrysler AG and DaimlerChrysler Group (10/26/2000)
Bernhard WALTER (03/03/1942)	—	Former Spokesman of the Board of Management of Dresdner Bank AG (05/18/1999)
Lynton R. WILSON (04/03/1940)	—	Chairman of the Board of CAE Inc.; Chairman Emeritus, Nortel Networks Corporation (05/18/1999)
Dr. Ing. Mark WÖSSNER (10/14/1938)	—	Former CEO and Chairman of the Supervisory Board of Bertelsmann AG (05/18/1999)

Newly elected in 2007

Dr. Clemens BÖRSIG (07/27/1948)	—	Chairman of the Supervisory Board of Deutsche Bank AG (04/04/2007)
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* Employee representatives.

The term of Mr. Kopper expired with the end of the annual meeting on April 4, 2007. The terms of Mr. Lagardère and Mr. Bischoff will expire at the end of the annual meeting in 2010 and 2011, respectively. The terms of all other shareholder representatives will expire at the end of the annual meeting in 2009. The term of all employee representatives will expire at the end of the annual meeting in 2008.

The Supervisory Board held seven meetings in 2006. It has established and maintains the following committees responsible for audit and compensation matters:

- The Presidential Committee is responsible for deciding the terms of the service contracts and other contractual arrangements between us and members of our Board of Management. In particular, the Presidential Committee determines salaries and incentive compensation awards for members of the Board of Management and establishes corporate goals for our performance based compensation plans. As of December 31, 2006, the members of the Presidential Committee were Hilmar Kopper, Erich Klemm, Dr. Thomas Klebe, and Dr. Manfred Bischoff who succeeded Dr. Manfred Schneider as member of the Presidential Committee effective April 27, 2006. The Presidential Committee held five meetings in 2006.
- The Audit Committee (Prüfungsausschuss) according to German law nominates our independent auditors and our Supervisory Board recommends their appointment to the annual general meeting of our shareholders. After our shareholders appoint the independent auditors, the audit committee formally engages them, determines their compensation and reviews the scope of the external audit. The audit committee also reviews our annual, half-year and quarterly reports and financial statements, taking into account the results of any audits or reviews performed by the independent auditors. The committee also maintains procedures for dealing with complaints regarding accounting, internal controls and auditing matters and for the confidential and anonymous submission of communications from company employees concerning questionable accounting and auditing matters. As of December 31, 2006, the members of the audit committee were Bernhard Walter, Erich Klemm, Hilmar Kopper and Stefan Schwaab. The audit committee held eight meetings in 2006.

The business address of the members of our Supervisory Board is the same as our business address, which is Mercedesstrasse 137, 70327 Stuttgart, Germany.

Changes in the Supervisory Board after the end of Fiscal Year 2006

The annual meeting held on April 4, 2007 elected Dr. Clemens Börsig, Chairman of the Supervisory Board of Deutsche Bank AG, as a new member of the Supervisory Board replacing Hilmar Kopper. Clemens Börsig's period of office lasts until the end of the annual meeting in 2012.

Following the annual meeting on April 4, 2007, the Supervisory Board of DaimlerChrysler AG elected Dr. Manfred Bischoff as its new Chairman with immediate effect.

In addition, Manfred Bischoff was elected as the new Chairman of the Presidential Committee and succeeds Hilmar Kopper also in this position. Dr. rer. pol. Manfred Schneider was elected to be the fourth member of the Presidential Committee.

New Supervisory Board member Clemens Börsig succeeds Hilmar Kopper as a member of the Audit Committee. Bernhard Walter continues his function as Chairman of the Audit Committee.

(b) The Board of Management

Our articles of incorporation require our Board of Management to have at least two members. Our Supervisory Board determines the size of the Board of Management and appoints its members and deputy members, all of whom have the same rights and duties. Our Board of Management currently has nine members.

Although the German Stock Corporation Act permits five year terms for members of the Board of Management, our Supervisory Board decided to limit, as a general rule, appointments and reappointments of members of the Board of Management to a period of three years. Once a member of our Board of Management has reached age 60, the Supervisory Board may reappoint that member only in one-year increments, except in special circumstances. The Supervisory Board may remove a member of the Board of Management prior to the expiration of his term if he commits a serious breach of duty, if the member is incapable of carrying out his duties or if there is a vote of no confidence by a majority of the votes cast at an annual general meeting of shareholders.

A member of the Board of Management is under a duty to disclose any material interest the member has in proposals, arrangements or contracts between us and third parties. Significant transactions between a member of the Board of Management and us or one of our subsidiaries require the approval of the Supervisory Board.

During the year 2006, the Supervisory Board made decisions on various Board of Management matters:

- In February 2006, the Supervisory Board resolved to reappoint Mr. Bodo Uebber for a period of five years as of December 16, 2006 with unchanged responsibility for the area of “Finance & Controlling / Financial Services”.
- Effective March 1, 2006, the Board of Management area of Mr. Rüdiger Grube was renamed as “Corporate Development”.
- Also with effect as of March 1, 2006, the areas of responsibility of Mr. Andreas Renschler and Mr. Thomas Weber were redefined. Since that date, Mr. Renschler has been responsible for the “Truck Group” and Mr. Weber has been responsible for “Group Research & Mercedes Car Group Development”.
- In July 2006, Mr. Thomas W. LaSorda was reappointed for another five years as of May 1, 2007 with unchanged responsibility for the “Chrysler Group”.
- In October 2006, the Supervisory Board decided on two reappointments. Firstly, Mr. Rüdiger Grube was reappointed for the period of September 20, 2007 until September 30, 2010 with unchanged responsibility for the area of “Corporate Development”. Secondly, Mr. Andreas Renschler was reappointed for another three years as of October 1, 2007 with unchanged responsibility for the “Truck Group”.

The table below shows each member of our Board of Management as of December 31, 2006:

Name (Birthday)	Position/ <u>Responsibility</u>	Brief Resume (Date of Appointment)
Dr.-Ing. Dieter ZETSCHÉ (05/05/1953)	Chairman of the Board of Management and Head of Mercedes Car Group	Joined Daimler-Benz in 1976 (01/01/2006)
Günther FLEIG (02/02/1949)	Human Resources & Labor Relations Director	Joined Daimler-Benz in 1980 (10/01/1999)
Dr. phil. Rüdiger GRUBE (08/02/1951)	Corporate Development	Joined Daimler-Benz in 1988 (10/01/2001)
Thomas W. LaSORDA (07/24/1954)	Chrysler Group	Joined Chrysler Group in 2000 (08/01/2005)
Andreas RENSCHLER (03/29/1958)	Truck Group	Joined Daimler-Benz in 1998 (10/01/2004)
Eric R. RIDENOUR (10/06/1958)	Chief Operating Officer Chrysler Group	Joined Chrysler in 1986 (09/01/2005)
Thomas W. SIDLIK (11/14/1949)	Global Procurement & Supply	Joined Chrysler in 1980 (12/16/2003)
Bodo UEBBER (08/18/1959)	Finance & Controlling / Financial Services	Joined Daimler-Benz in 1985 (12/16/2004)
Dr.-Ing. Thomas WEBER (05/26/1954)	Group Research & Mercedes Car Group Development	Joined Daimler-Benz in 1987 (05/01/2004)

(c) Compensation of the Supervisory Board and Board of Management

Supervisory Board

The compensation we pay to our Supervisory Board members is established in our articles of incorporation. Each member of our Supervisory Board receives EUR 75,000 annually for serving on the board plus reimbursement of expenses. The chairman of our Supervisory Board receives three times that amount. We pay twice this amount to the deputy chairman of

the Supervisory Board and the chairman of the audit committee, 1.5 times this amount to the chairmen of other Supervisory Board committees, and 1.3 times this amount to all other members of our Supervisory Board committees. If a member of the Supervisory Board occupies more than one of these positions, we only pay the compensation payable for the highest paying function held by that member. All members of the Supervisory Board receive a flat fee of EUR 1,100 for each meeting of the Supervisory Board and each committee meeting they attend. Supervisory Board members receive no benefits upon termination of their service.

The following table sets forth the compensation we paid members of our Supervisory Board for services to us in all capacities (other than compensation paid to employee representatives on the Supervisory Board in their capacity as DaimlerChrysler employees) for the year ended December 31, 2006, as disclosed in accordance with the German Corporate Governance Code:

Name	Function(s)	Total 2006 (in EUR)
Hilmar Kopper	Chairman of the Supervisory Board and the Presidential Committee and Member of the Audit Committee	243,700
Erich Klemm ¹	Deputy Chairman of the Supervisory Board, and the Presidential Committee and the Audit Committee	172,000
Manfred Bischoff ⁶	Member of the Supervisory Board (since April 12, 2006) and the Presidential Committee (since April 27, 2006)	77,296
Heinrich Flegel ¹	Member of the Supervisory Board	82,700
Ron Gettelfinger ²	Member of the Supervisory Board	26,990
Nate Gooden ²	Member of the Supervisory Board	41,301
Earl G. Graves	Member of the Supervisory Board	81,600
Thomas Klebe ^{1,3}	Member of the Supervisory Board and the Presidential Committee	110,700
Arnaud Lagardère ⁶	Member of the Supervisory Board	80,500
Jürgen Langer ¹	Member of the Supervisory Board	82,700
Robert J. Lanigan ⁴	Member of the Supervisory Board	24,259
Helmut Lense ¹	Member of the Supervisory Board	82,700
Peter A. Magowan	Member of the Supervisory Board	82,700
William A. Owens	Member of the Supervisory Board	82,700
Gerd Rheude ¹	Member of the Supervisory Board	82,700
Udo Richter ¹	Member of the Supervisory Board	82,700
Wolf Jürgen Röder ¹	Member of the Supervisory Board	81,600

Manfred Schneider	Member of the Supervisory Board and the Presidential Committee (until April 27, 2006)	91,012
Stefan Schwaab ¹	Member of the Supervisory Board and the Audit Committee	114,000
Bernhard Walter	Member of the Supervisory Board and Chairman of the Audit Committee	165,400
Lynton R. Wilson ⁵	Member of the Supervisory Board	82,700
Mark Wössner	Member of the Supervisory Board	82,700

- 1 The members representing the employees have stated that their board compensation will be transferred to the Hans-Böckler Foundation in accordance with the guidelines of the German Trade Union Federation. The Hans-Böckler Foundation is a German not-for-profit organization of the German Trade Union Federation.
- 2 Mr. Gooden, Vice President of the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW), resigned from his position effective July 20, 2006. Mr. Gettelfinger, President of the UAW, was appointed by court decision effective August 28, 2006. Mr. Gooden and Mr. Gettelfinger have directed that their board compensation be paid to the Hans-Böckler Foundation.
- 3 Mr. Klebe received compensation and meeting fees of EUR 9,122 for his board services at DaimlerChrysler Luft- und Raumfahrt Holding AG and DaimlerChrysler Aerospace AG. Footnote 1 applies respectively.
- 4 Mr. Lanigan's term expired at the annual general meeting held on April 12, 2006.
- 5 Mr. Wilson also received EUR 7,024 for his Board services at Mercedes Benz Canada Inc., DaimlerChrysler Canada Inc. and DaimlerChrysler Financial Services Canada Inc.
- 6 Mr. Bischoff and Mr. Lagadère also received compensation and meeting fees in their capacity as chairmen of the board of directors of EADS N.V. amounting to EUR 344,250 each.

Board of Management

We have entered into service agreements with members of our Board of Management. Pursuant to these agreements, the 2006 compensation consisted of the following three principal elements:

- *Base Salary* — Base salaries are established based on the responsibilities of the respective member of the Board of Management. Base salaries as well as total compensation are reviewed annually based on a comparative analysis of compensation paid by a select peer group of international companies.
- *Annual Bonus* — The annual bonus is a variable cash compensation component, 50% of which is determined by the degree to which DaimlerChrysler's planned operating profit for the most recent financial year is achieved and 50% of which is determined by comparing the actual operating profit for that year with the prior year's operating profit. Bonuses are expressed as a percentage of base salary and may be adjusted, upward or downward, based on other corporate objectives, such as total shareholder return, and individual performance.
- *Performance Phantom Share Plan (PPSP)* — Under the PPSP, we award phantom shares to members of our Board of Management and other executives. Three years after an award grant to a plan participant, the actual number of phantom shares to be credited to that participant is calculated based on the achievement of corporate performance goals. These performance goals are based on DaimlerChrysler's actual return on net assets and return on sales, the latter compared to a peer group of other vehicle manufacturers (BMW, Ford, General Motors, Honda, Toyota, AB Volvo and Volkswagen). Once we have determined

the number of phantom shares earned by the participant, he or she must hold the phantom shares for one additional year after which the participant receives a cash payment equal to the product of the number of phantom shares and the average of the DaimlerChrysler share price over a specified period. A dividend equivalent is paid during the four-year holding period. We require members of our Board of Management to use one quarter of the payout under our PPSP to purchase DaimlerChrysler ordinary shares until the requirements of our share ownership guidelines described below are satisfied.

The presidential committee of our Supervisory Board has established stock ownership guidelines for the Board of Management. These guidelines require a portion of the personal assets of members of our Board of Management to consist of DaimlerChrysler shares.

The compensation paid by Group companies to the members of our Board of Management consisted of compensation paid in cash and benefits in kind. The latter consist mainly of the provision of company cars and expenses for security precautions.

The following table sets forth the compensation (in thousands of euro) we paid each member of our Board of Management during 2006, as disclosed in accordance with German law (Vorstandsvergütungs Offenlegungsgesetz):

	Base Salary	Benefits in kind	Annual Bonus	Mid-term and Long-term^{1,2} Compensation	Total
Dr. Dieter Zetsche	1,500	339	2,564	688	5,091
Günther Fleig	525	145	844	405	1,919
Dr. Rüdiger Grube	550	156	837	410	1,953
Thomas W. LaSorda	717	75	861	752	2,405
Andreas Renschler	525	127	921	136	1,709
Eric R. Ridenour	502	45	582	595	1,724
Thomas W. Sidlik	502	68	687	387	1,644
Bodo Uebber	575	154	1,018	131	1,878
Dr. Thomas Weber	525	430	921	334	2,210
Total	5,921	1,539	9,235	3,838	20,533

- 1 The figures shown comprise the payouts under the 2003 Medium Term Incentive and the dividend equivalent paid with respect to phantom shares allocated under the 2004 Medium Term Incentive as well as the 2005 and 2006 Performance Phantom Share Plans. The so-called Medium Term Incentive is a stock-based compensation component that was replaced by the Performance Phantom Share Plan in 2005.
- 2 In addition, Mr. LaSorda and Mr. Ridenour exercised a total of 148,000 options granted in 2003 under the 2003 Stock Option Plan. Their figures include the variable compensation paid in this context (Mr. LaSorda EUR 447,000, Mr. Ridenour EUR 401,000). Further information on stock based compensation can be found in Note 23 to our Consolidated Financial Statements.

The following table sets forth the performance phantom shares granted in 2006 to the members of our Board of Management:

	Phantom Shares granted
Dr. Dieter Zetsche	59,563
Günther Fleig	25,721
Dr. Rüdiger Grube	24,367
Thomas W. LaSorda	33,031
Andreas Renschler	27,887
Eric R. Ridenour	25,721
Thomas W. Sidlik	25,721
Bodo Uebber	28,428
Dr. Thomas Weber	25,721
Total	276,160

The reference share price for the initial allocation of phantom shares is the average price of DaimlerChrysler shares between the first day of the calendar year and the day before the first meeting of the Presidential Committee in which the allocation is decided upon. This value was EUR 46.17 per phantom share in 2006. Prior to the scheduled pay out in the year 2010, the number of phantom shares allocated to a member of our Board of Management may change, depending on internal and external performance targets and continuous service on the Board of Management. Since payment continues to depend on the share price at the time of payment, this element of compensation will not be shown in the total compensation of the Board of Management until it is actually paid out in 2010.

Retirement Provisions. Until the end of 2005, our German Board of Management members had pension agreements which included a commitment to an annual retirement pension, calculated contingent on the years of service as a percentage of the member's base salary (70% for Dr. Dieter Zetsche, 69% for Günther Fleig, 60% for Dr. Rüdiger Grube and Dr. Thomas Weber as well as 50% for Andreas Renschler and Bodo Uebber). Those pension rights remain, but have been frozen at that level. Retirement pensions start at request, if the term of service ends with or after the age of 60 or are paid as disability pensions, if the term of service ends before age 60 due to disability for service. The agreements provide for a 3.5% annual increase in benefits. Similar to the retirement pension under the German workforce arrangement, a provision for widows and orphans is included.

Effective January 1, 2006, for service in 2006 and beyond, we substituted the pension agreements with a defined contribution pension system similar to the one existing for senior management below the Board of Management level. Under this pension system each Board of Management member is credited with a capital component each year. This capital component comprises an amount equal to 15% of the sum of the Board of Management member's fixed base salary and the annual bonus that was actually achieved, multiplied by an age factor equivalent to a certain rate of return, at present 6%. This pension plan is payable at the age of 60 at the earliest.

U.S. Board of Management members are entitled to annual retirement benefits under two plans also applicable to senior management of DaimlerChrysler Corporation. Under the first plan, the benefit is based on the individual's prior contributions (a percentage of base salary deductions), years of service and final average salary. In principle, under this plan, 2.25% of the base salary is earned as a pension payment for each year of credited service. With respect to the second plan, benefits are based on a percentage of annual bonuses (currently 4%). The company fulfilled its obligations for benefits earned last year relating to the second, bonus based plan by providing investment contracts that will make payments at retirement equivalent on an after-tax basis to payments the company would have otherwise had to make.

The following table sets forth the 2006 service costs (in thousands of euro) of the pension plans for our Board of Management:

	Service costs in connection with pension plans¹
Dr. Dieter Zetsche	666
Günther Fleig	389
Dr. Rüdiger Grube	431
Thomas W. LaSorda ²	34
Andreas Renschler	250
Eric R. Ridenour ²	26
Thomas W. Sidlik ²	30
Bodo Uebber	408
Dr. Thomas Weber	277
Total	2,511

1 For Messrs. LaSorda, Ridenour and Sidlik, this only includes the service costs for the first pension plan.

2 The service costs of the investments for the second pension plan of the U.S. members of the Board of Management for 2006 amount to EUR 566,000 for Mr. LaSorda, EUR 300,000 for Mr. Ridenour and EUR 605,000 for Mr. Sidlik.

Significant benefits to Board of Management members upon termination of their services.

No severance payments are established for Board of Management members in case of early termination of their service contracts. Solely in the case of early termination of a service contract by mutual consent, the Board of Management service contracts include a commitment to payment of the base salary and to provision of a company car until the end of the original service period. Such persons are only entitled to payment of the performance related component of compensation, pro rata, and only for the period until the day when the Board of Management member leaves the company. Entitlement to payment of the performance related component with a long-term incentive effect is defined by the exercise conditions specified in the respective plans.

German Board of Management members with pension agreements concluded with DaimlerChrysler AG before the year 2006 can also receive pension payments and a company car for the period beginning after the end of the original service period.

Irrespective of the above provisions, if DaimlerChrysler AG terminates Mr. Sidlik's contract without cause, or if he terminates it for good reason, then he would be entitled to receive an amount equal to twice the sum of his annual base salary and average annual bonus over the prior three years. He would also be entitled to receive a payment equal to the incremental value of the retirement benefits that he would have otherwise been entitled to receive at the end of the contract.

If Mr. LaSorda's contract is similarly terminated, then he would be entitled to receive compensation equal to twice the sum of his annual base salary and annual bonus. He would also be entitled to receive pension credit for two additional years of service and, depending on his age at termination, certain other pension benefits.

The aggregate amount set aside or accrued by us during the year ended December 31, 2006, to provide pension, retirement and similar benefits for the members of the Board of Management was EUR 0.3 million.

For further information regarding compensation of our Supervisory Board and our Board of Management, please refer to Note 37 to our Consolidated Financial Statements. For further information regarding stock based compensation and incentives, please refer to Notes 1 and 23 to our Consolidated Financial Statements.

5. Description of Corporate Governance

(1) Corporate Governance at DaimlerChrysler

The Board of Management and the Supervisory Board of DaimlerChrysler are committed to the principles of good corporate governance. All of our activities are based on the principles of responsible, transparent and sustainable management and supervision. In this way, we aim to fulfill the legitimate demands of our shareholders. On the following pages, the Board of Management and the Supervisory Board explain DaimlerChrysler's internationally oriented system of corporate governance. Further information can be found on our website at www.daimlerchrysler.com/corpgov_e.

(a) General Conditions

DaimlerChrysler is a stock corporation with its domicile in Germany. The legal framework for corporate governance therefore derives from German law, particularly the Stock Corporation Act, the Codetermination Act and legislation concerning capital markets, as well as from the Memorandum and Articles of Incorporation of DaimlerChrysler AG.

As our shares are also listed on the New York Stock Exchange (NYSE), we are obliged to adhere to the capital-market legislation and the listing requirements applicable in the United States. We are therefore in favor of the harmonization of international stock-exchange regulations wherever this is practical.

A description of the differences between DaimlerChrysler's corporate governance principles and those applicable to US companies under NYSE corporate-governance listing standards can be seen on our website at www.daimlerchrysler.com/corpgov_e.

(b) DaimlerChrysler's corporate bodies

Shareholders and the Annual Meeting. The company's shareholders exercise their rights and cast their votes at the Annual Meeting. Each share in DaimlerChrysler AG entitles its owner to one vote. There are no shares with multiple voting rights, no preferred or privileged stock, and no maximum voting rights.

Various important decisions can only be made by the Annual Meeting. These include the decision on the appropriation of distributable profits, the ratification of the actions of the members of the Board of Management and the Supervisory Board, the election of the independent auditors and the election of members of the Supervisory Board. The Annual Meeting also makes decisions on amendments to the Memorandum and Articles of Incorporation, capital measures, and the approval of certain intercompany agreements. The influence of the Annual Meeting on the management of the company is limited by law, however. The Annual Meeting can only make management decisions if it is requested to do so by the Board of Management.

Separation of corporate management and supervision. DaimlerChrysler AG is obliged by the German Stock Corporation Act to apply a dual management system featuring the strict separation of the two boards responsible for managing and for supervising the company (two-tier board). With this system, the company's Board of Management is responsible for the executive functions, while the Supervisory Board monitors the Board of Management. No person may be a member of these two boards at the same time.

Supervisory Board. In accordance with the German Codetermination Act, the Supervisory Board of DaimlerChrysler AG comprises 20 members. Half of them are elected by the shareholders at the Annual Meeting. The other half comprises members who are elected by the company's employees who work in Germany. The members representing the shareholders and the members representing the employees are equally obliged by law to act in the company's best interests. According to a decision by the Supervisory Board, more than half of the members of the Supervisory Board representing the shareholders are to be independent in order to ensure that the Board of Management is advised and monitored independently. The Supervisory Board of DaimlerChrysler AG fulfills this criterion in its present composition.

The Supervisory Board monitors and advises the Board of Management in its management of the company. Its duties also include appointing and recalling members of the Board of Management, as well as deciding on their compensation, whereby the details of the compensation of the Board of Management's members are delegated to the Presidential Committee. However, the Supervisory Board reviews and advises on the structure of the system of compensation whenever this is necessary. It also reviews the individual and consolidated annual financial statements and reports to the Annual Meeting on the results of its review.

The work of the Supervisory Board is coordinated by its chairman. The Supervisory Board has formed three committees: the Presidential Committee, the Audit Committee and the Mediation Committee.

The Presidential Committee has particular responsibility for the contractual affairs of the members of the Board of Management and for determining their compensation. It advises and decides on questions of corporate governance, on which it also makes recommendations to the Supervisory Board. In addition, the Presidential Committee supports and advises the Chairman of the Supervisory Board and his deputy, and prepares the meetings of the Supervisory Board.

The Audit Committee deals with questions of accounting, risk management and the annual audit. It discusses the effectiveness of the internal control systems and the risk-management system, and regularly receives reports on the work of the Corporate Audit department. In addition, the Audit Committee has established procedures for dealing with complaints about accounting and the internal control systems, and receives regular reports about such complaints and how they are dealt with. It also discusses the interim financial statements and reviews the annual financial statements, individual and consolidated, of DaimlerChrysler AG. The Audit Committee is informed by the Board of Management about the Group's financial disclosure and discusses this matter. It makes recommendations concerning the selection of independent auditors, assess such auditors' suitability and independence, and, after the independent auditors are elected by the Annual Meeting, commissions them to conduct the annual audit of the individual and consolidated financial statements, negotiates an audit fee and determines the focuses of that audit. The Audit Committee receives reports from the independent auditors on any accounting matters that might be regarded as critical and on any differences of opinion with the Board of Management. In addition, it makes recommendations to the Supervisory Board, concerning for example the appropriation of distributable profits and capital measures. Finally, the Audit Committee approves services provided to DaimlerChrysler AG or companies of the DaimlerChrysler Group by the company of independent auditors or its affiliates that are not directly related to the annual audit.

The Supervisory Board is convinced of the independence of the members of Audit Committee representing the shareholders. The Chairman of the Audit Committee, Mr. Bernhard Walter, has special expertise and experience in the application of accounting principles and internal monitoring systems. Therefore, the Supervisory Board has appointed Mr. Walter as Financial Expert.

The Mediation Committee is formed solely to perform the functions laid down in Section 31, Subsection 3 of the German Codetermination Act. Accordingly, it has the task of making proposals for the appointment of members of the Board of Management if a previous proposal did not obtain the legally required majority of votes.

Board of Management. As of December 31, 2006, the Board of Management of DaimlerChrysler AG comprised nine members. The duties of the Board of Management include setting the Group's strategic focus and managing its business. It is also responsible for preparing the individual and consolidated annual financial statements and the quarterly financial statements, and for installing and monitoring a risk-management system. The Rules of Procedure define the areas of responsibility of the Board of Management and its members; these are described on page 90 ff. of this report.

(c) Principles guiding our activities

Integrity Code. The Integrity Code is a set of guidelines for behavior, which has been in effect since 1999 and was revised in 2003, defining a binding framework for the actions of all our employees worldwide. Among other things, the guidelines define correct behavior in international business and in any cases of conflicts of interest, questions of equal treatment, proscription of corruption, the role of internal monitoring systems and the duty to conform with applicable law and other internal and external regulations. DaimlerChrysler expects all of its employees to adhere strictly to the Integrity Code.

Code of Ethics. We introduced our Code of Ethics in July 2003. This code addresses the members of the Board of Management and persons with special responsibility for the contents of financial disclosure. The provisions of the code aim to prevent mistakes by the

persons addressed and to promote ethical behavior as well as the complete, appropriate, accurate, timely and clear disclosure of information on the Group. The wording of the Code of Ethics can be seen on our website at www.daimlerchrysler.com/corpgov_e.

Risk management. DaimlerChrysler has a risk-management system commensurate with its position as a company with global operations. The risk-management system is one component of the overall planning, controlling and reporting process. Its goal is to enable the company's management to recognize significant risks at an early stage and to initiate appropriate countermeasures in a timely manner. The Chairman of the Supervisory Board has regular contacts with the Board of Management to discuss not only the Group's strategy and business development but also the issue of risk management. The Corporate Audit department monitors adherence to the legal framework and Group standards by means of targeted audits, and, if required, initiates appropriate actions.

Accounting principles. The consolidated financial statements of the DaimlerChrysler Group are prepared in accordance with the United States Generally Accepted Accounting Principles (US GAAP). Details of US GAAP can be found in the Notes to the Consolidated Financial Statements (see Note 1). The annual financial statements of DaimlerChrysler AG, which is the parent company, are prepared in accordance with the accounting guidelines of the German Commercial Code (HGB). Both sets of financial statements are audited by independent auditors.

Transparency. DaimlerChrysler regularly informs its shareholders, financial analysts, shareholders' associations, the media and the interested public on the situation of the Group and on any significant changes in its business. We have posted an overview of all the significant information disclosed in the year 2006 on our website at www.daimlerchrysler.com/ir/annualdoc06.

Fair disclosure. In principle, all new facts that are communicated to financial analysts and institutional investors are simultaneously also made available to all shareholders and the interested public. If any information is made public outside Germany as a result of the regulations governing capital markets in the respective countries, we also make this information available without delay in Germany in the original version, or at least in English. In order to ensure that information is provided quickly, DaimlerChrysler makes use of the Internet and other methods of communication.

Financial calendar. All the dates of important disclosures (e.g. the Annual Report, interim reports, the Annual Meeting) are announced in advance in a Financial Calendar. The Financial Calendar can be seen inside the rear cover of the Annual Report attached to this Securities Report and on our website at www.daimlerchrysler.com/ir/calendar.

Ad-hoc disclosure. In addition to its regular scheduled reporting, DaimlerChrysler discloses, in accordance with applicable law without delay, any so-called inside information which directly affects the Group.

Major shareholdings. DaimlerChrysler also reports without delay after receiving notification that by means of acquisition, disposal or any other method, the shareholding in DaimlerChrysler AG of any person or institution has reached, exceeded or fallen below 3, 5, 10, 15, 20, 25, 30, 50 or 75 percent of the company's voting rights.

Shares held by the Board of Management and the Supervisory Board. As of December 31, 2006, the members of the Board of Management held a total of 4.1 million shares, options or stock appreciation rights of DaimlerChrysler AG (0.4% of the shares issued). As of the same date, the members of the Supervisory Board held a total of 0.1 million shares, options or stock appreciation rights of DaimlerChrysler AG (0.011% of the shares issued).

Directors' dealings. In 2006, securities transactions took place involving members of the Board of Management and the Supervisory Board and certain senior officers who regularly have access to inside information and who are authorized to make significant business decisions (and, in accordance with the provisions of the German Securities Trading Act, involving persons in a close relationship with the aforementioned persons). DaimlerChrysler discloses these transactions without delay after receiving notification of them. This information is available on our website at www.daimlerchrysler.com/corpgov_e.

(d) Liability Limitation Agreements

Board of Management and Supervisory Board

DaimlerChrysler AG has relieved its board members of liability only in cases that do not involve infringements of duty. Furthermore, the Company has not set any liability limits for members of the Board of Management or Supervisory Board.

Independent Auditor

With respect to the statutory audits of DaimlerChrysler's local GAAP (Single and Consolidated Financial Statements) Section 323, Subsection 2 of the German Commercial Code applies, which limits the liability of the independent auditor KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (KPMG) for acts of negligence (including gross negligence) to EUR 4 million.

The limitation of liability of KPMG does not apply to the audit services performed under the standards of the Public Company Accounting Oversight Board (United States).

(2) Compliance at DaimlerChrysler

(a) General commitment and target

By the term compliance, we understand the conformity of DaimlerChrysler's activities with applicable laws and regulations, as well as with the ethical and moral principles that the DaimlerChrysler Group is guided by or to which we have voluntarily committed ourselves.

Our goal is to institutionalize all activities that aim to safeguard this compliance. In addition, the issue of compliance is to be firmly anchored at DaimlerChrysler as an important pillar of our entrepreneurial actions.

(b) Voluntary rules at DaimlerChrysler

We already formulated the DaimlerChrysler Integrity Code in 1999. This comprehensive Integrity Code was expanded in 2003 with the Principles of Social Responsibility, and was supplemented with the Code of Ethics. For further information, please also refer to the discussion under "(c) Principles guiding our actions" in (1) Corporate governance at DaimlerChrysler" under "5 Description of Corporate Governance" in this part "V. Description of the Company".

In the year 2006, the Integrity Code was supplemented by specific Corporate Policies & Guidelines, which transfer the principles of the Integrity Code with ethical or compliance relevance into concrete guidelines for behavior. The new Corporate Policies & Guidelines are intended to prevent corruption, to protect Group property, to more clearly regulate our approach to donations, to ensure the selection of responsible business partners, and to avoid conflicts of interest.

An "Anti-Bribery Handbook" has been prepared to support the implementation of the new Corporate Policies & Guidelines. It supplements the Policies and Guidelines and puts them into a concrete form with background information, examples and illustrative questions and answers. These documents and additional information on the issue of compliance and its organization are available on the Group's intranet.

(c) Organizational adoptions

In order to ensure compliance with all applicable laws as well as with the relevant principles that we have voluntarily accepted, we already started to set up a worldwide compliance organization at the end of 2005. We established the Compliance Committee as a direct representative of the Board of Management on all compliance issues. It is composed of high-ranking and experienced executives from the departments Legal, Corporate Audit, Finance & Controlling, Sales, Procurement and Supply, and Human Resources, and generally meets every six weeks.

The Compliance Committee approves and controls the implementation and execution of our Ethics & Compliance Program. It monitors and secures the integration of compliance aspects in the Group's business and personnel processes. In addition, the Compliance Committee approves all of the Group's guidelines.

Also at the beginning of 2006, we created the new department Corporate Compliance Operations (CCO). This department has the tasks of developing the Group-wide compliance organization, coordinating the implementation of the measures decided upon by the Compliance Committee, and ensuring that the relevant guidelines are adhered to. In this function, the head of CCO, who reports to the Chairman of the Board of Management,

regularly informs the Compliance Committee and the Supervisory Board's Audit Committee about all of the department's activities.

Another element of our compliance structure is an external advisor who, since September 2006, supports our Supervisory Board, Audit Committee and Board of Management in connection with all compliance issues. The advisor's focus is on the sustained implementation of our Compliance Program.

In addition, in various sales companies and in other operating units of the DaimlerChrysler AG, we installed specific internal controls in order to prevent corruption. These units were provided with intensive support to implement these controls. The mechanisms installed serve to fulfill the provisions of German law, the US Foreign Corrupt Practices Act (FCPA) and all relevant local regulations.

(d) Compliance advice

A Sales Practices Hotline was already established in November 2005, in order to support correct business-transaction processes at the Group. All of the Group's employees can turn to the Hotline with questions on the application of external and internal regulations, and can obtain advice and guidance on concrete issues. The Sales Practices Hotline processed approximately 4,000 inquiries in 2006.

In addition, the Business Practices Offices are available in Stuttgart and Auburn Hills to receive, document and process complaints and information on suspected infringements. This facility allows our employees to report any questionable accounting and auditing issues, likewise anonymously.

(3) Description of Audit Activities

(a) Organization and Procedures of Internal Audit Activities

Corporate Audit is an independent, objective assurance and consulting corporate function that assists management by evaluating risk exposures relating to the company's governance, operations and information systems regarding:

- Compliance with applicable laws, internal policies and external policies;
- Safeguarding of corporate assets;
- Reliability of internal and external reporting; and
- Effectiveness and efficiency of operations.

The head of Corporate Audit reports directly to the Chairman of the Board of Management of DaimlerChrysler and provides periodic reports to the Company's Audit Committee.

Corporate Audit has 209 staff members worldwide. Engagements are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. Corporate Audit's activities are also guided by DaimlerChrysler's Integrity Code, Code of Ethics for Senior Management, and Principles of Corporate Social Responsibility.

Corporate Audit meets with the Company's external auditor on a regular basis to discuss the results of internal audits, the risk oriented audit approach it employs and new international regulatory requirements.

(b) Interrelationships between the Company and the Independent Auditors

The Audit Committee (Prüfungsausschuss) according to German law nominates our independent auditors and our Supervisory Board recommends their appointment to the Annual General Meeting of our shareholders. After our shareholders appoint the independent auditors, the Audit Committee formally engages them, determines their compensation and reviews the scope of the external audit.

In 2003, our audit committee adopted a policy requiring management to obtain the Committee's approval before engaging our independent auditors to provide any other audit or permitted non-audit services to us or our subsidiaries. Pursuant to this policy, which is designed to assure that such engagements do not impair the independence of our auditors, the audit committee pre-approves annually a catalog of specific audit and non-audit services in the categories Audit Services, Audit Related Services, Tax Services, and Other Services that may be performed by our independent auditors. In addition, the audit committee limited the aggregate amount in fees our independent auditors may receive during the 2006 fiscal year for non-audit services in certain categories.

Our Chief Accounting Officer reviews all individual management requests to engage our independent auditors as a service provider in accordance with this catalog and, if the requested services are permitted pursuant to the catalog, approves the request accordingly. We inform the audit committee about these approvals on a quarterly basis. Services that are not included in the catalog require pre-approval by the audit committee chairman on a case-by-case basis. The audit committee's chairman is not permitted to approve any engagement of our independent auditors if the services to be performed either fall into a category of services that are not permitted by applicable law or the services would be inconsistent with maintaining the auditors' independence.

The Audit Committee also reviews our annual, half-year and quarterly reports and financial statements, taking into account the results of any audits or reviews performed by the independent auditors.

The committee also maintains procedures for dealing with complaints regarding accounting, internal controls or auditing matters and procedures for the confidential and anonymous submission of communications from employees of the company concerning questionable accounting and auditing matters.

For further information regarding the Audit Committee and the Supervisory Board as well as business relationships to those members, please also refer to section V. Description of the Company:

- subsection "1. Description of Shares, etc." under "(e) Related party transactions,"
- subsection "4. Directors and Officers" under "(a) The Supervisory Board,"
- and subsection "5. Description of Corporate Governance" under "(1) Corporate Governance at DaimlerChrysler."

(c) Description of Independent Auditors

In the annual meeting held on April 12, 2006, the shareholders of DaimlerChrysler AG appointed KPMG Deutsche Treuhand Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main to serve as independent auditors for the 2006 fiscal year. The lead audit engagement partner is Mr. Hans-Dieter Krauss, who is subject to the partner rotation rules established by the U.S. Securities and Exchange Commission and by German Commercial Law. The other partners and managers

within the audit engagement team are mainly German and U.S. certified public accountants who supervise a number of senior and junior auditors. The audit engagement team further includes specialists in IT and taxes. Some of the partners within the engagement team are also subject to partner rotation rules in Germany and the U.S.

(d) Principal Accountant Fees and Services

In the annual meeting held on April 12, 2006, our shareholders appointed KPMG Deutsche Treuhand Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (KPMG DTG), Berlin and Frankfurt am Main to serve as our independent auditor for the 2006 fiscal year.

The following table summarizes fees charged in connection with professional services provided by KPMG DTG and other independent member firms within the international KPMG network for each of the last two fiscal years.

(EUR in millions)	Year ended December 31,	
	2006	2005
Audit Fees	62	42
Audit-Related Fees	4	11
Tax Fees	3	5
All Other Fees	4	4
Total	73	62

"*Audit Fees*" are the aggregate fees billed or expected to be billed for the audit of our consolidated and annual financial statements, the audit of internal control over financial reporting, reviews of interim financial statements, attestation services that are provided in connection with statutory and regulatory filings or engagements as well as business system controls audits.

"*Audit Related Fees*" are fees billed for services rendered during the respective fiscal years for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under "Audit Fees." This category comprises fees for the audit of employee benefit plans and pension schemes, agreed-upon procedure engagements and other attestation services subject to regulatory requirements as well as advisory services associated with our financial reporting.

"*Tax Fees*" are fees billed for services rendered during the respective fiscal years for tax compliance services, tax advice on actual or contemplated transactions and tax consulting associated with international transfer prices.

"*All Other Fees*" are fees billed for services rendered during the respective fiscal years for advisory services in connection with our internal controls over financial reporting. This category also includes other immaterial support services.

VI. Financial Conditions

(a) General information

The consolidated financial statements, prepared according to US GAAP, and additional explanations required under Japanese law have been omitted. They are included on pages 240 to 351 of the original Japanese version.

(b) Transition to International Financial Reporting Standards (IFRS)

EU regulation on the application of International Financial Reporting Standards (IFRS)

In July 2002, the European Parliament and the European Council passed regulation 1606/2002 on the application of IFRS. Under the regulation, all publicly traded companies domiciled in an EU member state must prepare their consolidated financial statements in accordance with IFRS for financial years beginning on or after January 1, 2005. EU member states are allowed, however, to defer the mandatory application of IFRS until 2007 for companies that are only listed with debt securities or that already apply internationally accepted accounting standards for purposes of stock exchange listings outside the European Union. The latter applies in particular to companies such as DaimlerChrysler that are listed on the New York Stock Exchange and prepare their consolidated financial statements in accordance with U.S. GAAP. In Germany, this deferment option was implemented in December 2004 within the context of the Financial Statements Law Reform Act (BilReG).

Transition to IFRS at DaimlerChrysler

Beginning with the Interim Report on the first quarter of 2007, DaimlerChrysler will change over its accounting and financial reporting from U.S. GAAP to International Financial Reporting Standards (IFRS). In connection with this transition, we prepared consolidated financial statements for the financial year 2006 (including 2005 as a comparative period) in accordance with IFRS. We released this IFRS financial information on April 26, 2007. The consolidated financial statements according to IFRS for financial year 2006, including 2005 as a comparative period, are available on the Group's website under www.daimlerchrysler.com/ifrs.

IFRS as new basis for performance measures

The performance measures used by the Group will basically remain unchanged under IFRS. However, definitions of individual performance measures will differ as a result of differences between the recognition and measurement rules of IFRS and U.S. GAAP, as described below, and the methodological adjustments made. This applies, for example, to operating profit, which under IFRS will be replaced by EBIT (earnings before interest and taxes).

Effects of the differences between IFRS and US GAAP

In September 2002, the International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) included a "Short-term Convergence" project in their project plan with the goal of quickly eliminating a number of existing divergences. In the long term, IASB and FASB continue to pursue the goal of reducing or eliminating any remaining differences through joint projects and by coordinating future work programs. In

addition, it was agreed that the respective interpretation committees would collaborate on convergence in terms of interpretation and application. We support the ongoing convergence between IFRS and U.S. GAAP. Although progress has already been made on the way to achieving a substantial reduction in the differences between the two systems, significant differences still exist. The number of differences between U.S. GAAP and IFRS with a significant impact on our consolidated financial statements is low, and primarily affects the following areas:

Research and development cost. Under U.S. GAAP, with the exception of certain software development costs, all development costs are expensed as incurred in accordance with SFAS 2, "Accounting for research and development costs." Under IFRS, development costs are capitalized as intangible assets if the criteria set forth in IAS 38, "Intangible assets," are met. These capitalized costs are subsequently amortized on a straight-line basis over the expected useful lives of the products for which they were incurred, i.e. they become a part of the production costs of the vehicles in which the component for which such costs were incurred is used. Once these vehicles are sold, the amortization of development costs is included in "cost of sales" and not in "research and non-capitalized development costs."

Qualifying special purpose entities (QSPE). DaimlerChrysler has entered into agreements to sell certain eligible receivables from financial services and trade receivables to Special Purpose Entities (SPEs) on a continuing basis. Under IFRS, these SPEs are consolidated and thus included in the Group's consolidated financial statements, while under U.S. GAAP these SPEs are considered Qualifying Special Purpose Entities in accordance with SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," and are therefore not consolidated. As a result, under U.S. GAAP, the transferred receivables are removed from the balance sheet, with a gain or loss recognized on the sale of the receivables.

Defined benefit pension plans and other postretirement benefit plans. In accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards," DaimlerChrysler elected not to apply the provisions of IAS 19, "Employee Benefits," on actuarial gains and losses retroactively to the period since its defined benefit plans were created. Accordingly, the net liabilities or net assets from defined benefit plans as of January 1, 2005 are based on the actuarially calculated projected benefit obligation, taking future salary increases into consideration (defined benefit obligation — DBO), less the market value of the plan assets and unrecognized prior service cost. Due to the significance of actuarial losses not yet recognized, which are offset from retained earnings in the opening balance sheet, this effect resulting from the introduction of IFRS is likely to have the greatest impact on retained earnings within shareholders' equity. Until the end of financial year 2006, U.S. GAAP required in certain circumstances the recognition of an additional pension liability and the related intangible asset and accumulated other comprehensive income/loss, respectively. IAS 19 does not account for a minimum pension liability. With the adoption of SFAS 158, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans," the recognition of a minimum pension liability is eliminated. Also under SFAS 158, which was adopted as of December 31, 2006, the funded status of defined benefit pension plans is recognized as an asset (overfunded plans) or liability (underfunded plans) in the sponsor's balance sheet with respective adjustments in accumulative other comprehensive income/loss. The adoption of SFAS 158 leads to a reduction in the reconciling amount between U.S. GAAP and IFRS in Group equity. Under IAS 19, unlike with SFAS 158, current actuarial gains/losses and prior service cost continue to remain unrecognized in the sponsor's balance sheet but are disclosed in the Notes to the Financial Statements. Plan amendments are recognized earlier under IFRS (immediately for vested benefits and until vested for not yet

vested benefits).

Adjustment of EADS impairment. In 2003, we determined that the decline in fair value below the carrying value of our investment in EADS was other than temporary and reduced the carrying value to its market value. The amount of the impairment was determined using the quoted market price. Under IFRS, the net realizable value must be determined as the higher of quoted market price (fair value less cost to sell) and the value in use. Accordingly, we had not impaired the investment under IFRS because the value in use was higher than the carrying amount at the time the impairment loss was recognized under U.S. GAAP, resulting in a reconciling amount in stockholders' equity in the IFRS opening balance sheet.

VII. Trends in Foreign Exchange Rates

Omitted because the foreign exchange rates between Yen and Euro, currency used in the Company's financial statements, have been published for the last 5 fiscal years and/or the last 6 months in more than one Japanese news papers concerning current events.

VIII. Summary of Share Handling, etc. in Japan

1. Summary of Share Handling, etc. in Japan

(1) Sharehandling of the Shares

A rule concerning the Foreign Securities Transactions Account (the "Foreign Securities Transactions Account Rule") between a person acquiring the Shares (a "Beneficial Shareholder") and a securities company acting as broker for the acquisition of the Shares (the "Broker") will provide for the opening of a foreign securities transactions account in the name of the Beneficial Shareholder (the "Transactions Account"). All matters relating to the trading, settlement of sale and purchase prices, custody of securities and other transactions in respect of the Shares shall be processed through the Transactions Account.

The following is a summary of the standard procedures for handling the Shares which are taken in accordance with the model of Foreign Securities Transactions Account Rule established by Tokyo Stock Exchange:

(a) Custody of Shares

The Shares will be registered in the name of the Deutsche Börse Clearing Aktiengesellschaft (the "Custodian") in Germany or its nominee on behalf of the Broker. The Beneficial Holder will be recorded as the holder in the Broker's book, and the Broker will issue a post-transaction balance report to the Beneficial Holder.

(b) Procedure for Transfer of Shares

The Beneficial Shareholder may place an order to change the custody of, or an order to sell, his holding. Settlement of transactions between the Beneficial Shareholder and the Broker will be made in Japanese yen, or foreign currencies designated by the Beneficial Shareholder to the extent that the Broker may accept such designation.

(c) Notices to Beneficial Shareholders

All notices and communications to be given or made by DaimlerChrysler AG to its shareholders and received by the Broker will be maintained by the Broker and made available at the counter of the Broker for inspection by Beneficial Shareholders. If the Beneficial Shareholders wish to have these notices and communications, the Broker will send them to such Beneficial Shareholders, the actual expenses thereof being charged to such Beneficial Shareholders.

(2) Special Privileges to Shareholders

Not applicable.

(3) Restrictions on the Transfer of the Shares

Not applicable.

(4) Other Matters Concerning the Handling of Shares

(a) Close of Accounts:

December 31, each year.

(b) Annual Shareholders' Meeting:

The Shareholders' meeting is held within the first eight months of the financial year at the registered office of the Company or other places permitted by applicable laws.

(c) Record Dates:

The Beneficial Shareholders entitled to receive dividends are those Beneficial Shareholders who are recorded in the Broker's book as of the day when the Shareholders entitled thereto are determined in Germany, which resolves the payment of the said dividend.

(d) Denominations of Share Certificates:

No par value registered ordinary shares. (The Company may issue certificates of shares representing one or more shares.)

(e) Charges Respecting Share Holdings:

The Beneficial Shareholders are required to pay the annual charge for opening and maintaining a Foreign Securities Transactions Account at a securities company in Japan as well as fees for the execution of specific transactions, pursuant to the Foreign Securities Transaction Account Agreement.

(f) Newspaper in which Public Notice shall be made:

No public notice is given in Japan.

2. Exercise of Rights of Beneficial Shareholders in Japan, etc.

(1) Places for Accepting Applications for Registration of Transfer of Shares and Transfer Agent in Japan

The Company has neither a transfer agent nor a place for handling transfers of share ownership in Japan.

(2) Exercise of Voting Rights of Beneficial Shareholders

The right to vote will be exercised by the Custodian or its nominee in accordance with instructions given by the Beneficial Shareholders through the Broker. In the absence of instructions from the Beneficial Stockholders, no voting rights shall be exercised by the Custodian or its nominee.

(3) Distribution of Dividends, etc.

In accordance with Foreign Securities Transactions Account Rule, the payment of cash dividends will be made to each Beneficial Shareholder through its Transactions Account, subject to receipt by the Broker of such dividends in a lump sum from the Custodian or its nominee.

(4) Tax Treatment of Dividends, etc. in Japan

It should be noted that the tax treatment may be changed and that tax treatment of the Beneficial Shareholder may be different from the descriptions specified below, depending upon affairs particular to each Beneficial Shareholder. Each person should consult with his or her tax counsel with respect to the tax treatment to be applied him or her.

(a) Dividends

Individual Income Taxpayers:

Dividends to Beneficial Shareholders are treated as dividend income under the Japanese income tax laws. With respect to dividends received by individuals who are Japanese residents (excluding those having 5% or more of the aggregate number of issued shares), the balance of such dividends remaining after collection of the withholding tax in Germany or any local public entity thereof from the payment of such dividends in Germany, will be subject to a 10 % Japanese income tax (including a 3% local income tax) to be withheld at source. No final tax return need to be filed with regard to such dividends regardless of their amount.

With respect to the amount of tax withheld in Germany, a foreign tax credit may be claimed in accordance with the Tax Convention between Germany and Japan and the Japanese tax laws, provided that the individual taxpayers include the amount of the dividends received in their tax returns.

Corporate Income Taxpayers:

With regard to Japanese corporations, the full amount of dividends after grossing up the German withholding tax and the Japanese withholding tax will be subject to the Japanese corporate income tax. In such case, a foreign tax credit may be claimed in

accordance with the Tax Convention between Germany and Japan and the Japanese tax laws with respect to the amount of income taxes withheld in Germany. In addition, the amount of the Japanese income tax withheld from dividends received by the taxpayer corporation is creditable against corporate income tax. Japanese corporations may treat the amount of the German withholding income tax and/or the Japanese withholding income tax as deductible costs rather than tax credits.

(b) Capital Gain and Loss

The tax treatment of the capital gain or loss arising from the transaction in the shares of the Company in Japan is the same as that of the capital gain or loss from transactions in the shares of a domestic corporation.

(c) Inheritance Tax

The beneficial holders of the shares of the Company in Japan who have inherited the shares of the Company by succession or by will are liable for the inheritance tax in accordance with the Inheritance Tax Law of Japan. However, they may be entitled to the foreign tax credit under certain circumstances.

(5) Other Notices and Reports

All notices and communications to be given or made by the Company to its shareholders and received by the Broker will be maintained by the Broker and made available at the counter of the Broker for inspection by Beneficial Shareholders. If the Beneficial Shareholders wish to have these notices and communications, the Broker will send them to such Beneficial Shareholders, the actual expenses thereof being charged to such Beneficial Shareholders.

IX. Reference Information

1. Information about Parent Company, etc.

Not Applicable

2. Other Reference Information

The following documents have been filed since the commencement of the relevant year up to the filing date of this securities report.

- 1 Securities Report and its attachments filed with the Director General of the Kanto Local Finance Bureau on June 19, 2006.

(For the fiscal year from January 1, 2005 through December 31, 2005)

- 2 Semi-Annual Report filed with the Director General of the Kanto Local Finance Bureau on September 28, 2006.

(For the period from January 1, 2006 through June 30, 2006)

- 3 Extraordinary Report

Extraordinary Report filed with the Director General of the Kanto Local Finance Bureau on January 10, 2006 (pursuant to Article 24-5, Paragraph 4 of the Securities and Exchange Law of Japan and Article 19, Paragraph 2, Item 9 of the Cabinet Office Ordinance Concerning Disclosure of the Contents, etc. of Companies).

Extraordinary Report filed with the Director General of the Kanto Local Finance Bureau on April 20, 2007 (pursuant to Article 24-5, Paragraph 4 of the Securities and Exchange Law of Japan and Article 19, Paragraph 2, Item 4 of the Cabinet Office Ordinance Concerning Disclosure of the Contents, etc. of Companies).

Extraordinary Report filed with the Director General of the Kanto Local Finance Bureau on April 27, 2007 (pursuant to Article 24-5, Paragraph 4 of the Securities and Exchange Law of Japan and Article 19, Paragraph 2, Item 4 of the Cabinet Office Ordinance Concerning Disclosure of the Contents, etc. of Companies).

- 4 Amendment

An Amendment Report (an amendment report to the Securities Report described in 1 above) filed with the Director General of the Kanto Local Finance Bureau on August 7, 2006.

PART 2. INFORMATION CONCERNING GUARANTOR, ETC.

Not applicable.