

(Translation)

Conformed Copy

SECURITIES REPORT

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

Financial Year (2007)

From: January 1, 2007
To: December 31, 2007

Daimler AG

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of the Financial Instruments and Exchange Law)

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From: January 1, 2007
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To: The Director General of the Kanto Local Finance Bureau

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Notes:

1. Unless otherwise specified, in this report, “we,” “us,” “our,” “Daimler,” the “Daimler Group” or the “Group” refers to Daimler 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 = ¥ 157.48(the means of the Telegraphic Transfer Spot Selling and Buying Exchange Rates of The Bank of Tokyo-Mitsubishi UFJ, Ltd. on April 1, 2008).
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 in important economic regions, especially in Europe or North America;
 - changes in currency exchange rates and interest rates;
 - the introduction of competing products and the possible lack of acceptance of our products or services which may limit our ability to raise prices;
 - price increases in fuel, raw materials, and precious metals;
 - disruption of production due to shortages of materials, labor strikes, or supplier insolvencies;
 - a decline in resale prices of used vehicles;
 - the business outlook for Daimler Trucks, which may be affected if the U.S. and Japanese commercial vehicle markets experience a sustained weakness in demand for a longer period than originally expected;
 - the effective implementation of cost reduction and efficiency optimization programs;
 - the business outlook of Chrysler, in which we hold an equity interest, including its ability to successfully implement its restructuring plans;
 - the business outlook of the European Aeronautic Defence and Space Company EADS N.V (EADS), in which we hold an equity interest, including the financial effects of delays in, and potentially lower volumes 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; and
 - other risks and uncertainties, some of which we describe under the heading “Risk Factors” in “III. Description of Business” herein.

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) Legal 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; with very rare exceptions no personal liability is incurred on the part of the shareholders who have paid in their share of the equity capital. The minimum share capital for a GmbH is Euro 25,000 (*to be reduced to Euro 10,000 by amendment of the Private Limited Liability Company Act expected for the second quarter of 2008*) which is divided into shares. The shares, however, are transferable only by notarial deed.*
- 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.
- Finally, European Council Regulation (EC) No. 2157/2001 of Oct. 8, 2001 on the Statute for a European Company (SE) provides for a special European legal entity with a share capital of at least Euro 120,000. Liability of the shareholders is limited to the amount of the capital subscribed.

* The amendment of the Private Limited Liability Company Act as expected shortly will also provide for an Entrepreneur Company (Unternehmergesellschaft (haftungsbeschränkt)) with a share capital below Euro 10,000 which must use part of its earnings to accrue reserves.

The legal framework governing Daimler AG (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.

(b) Establishment of a German Stock Corporation

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 or the pro rata share capital attributable to no par value shares, 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,
- subdivision of the capital stock either into par value shares or into no par value shares, for par value shares the par value of the shares and the number of shares of each par value, for no par value shares the number of no par value shares, and additionally, in case there are several classes of shares, the class of the shares and the numbers of shares in each class,
- whether the shares are issued 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 no 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 class.

The corporation may acquire own shares only under special conditions, 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 contribution in kind only after having been duly authorized to do so by the shareholders' meeting.

The shareholders must be granted rights of pre-emption with respect to new shares issued against capital increase 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 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 shareholders holding 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 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 items 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 proxy. Whether such proxy has to be duly issued in writing or whether other means of issuance (e.g. e-mail) are permitted depends 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 on 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 state of business 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 2,000 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 more than 20,000 persons must consist of 10 members elected by the shareholders and 10 members elected by the employees. Of the latter, seven must be employed by the corporation and three must be representatives of trade unions, who may also 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 generally represent the said corporation in its entire business 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 are legally required to form Supervisory Boards⁽²⁾
 - (1) In determining the maximum number of 10 mandates, the mandate as a Chairman of a Supervisory Board shall count double.
 - (2) Membership in up to five Supervisory Boards of subsidiaries or of companies controlled by the corporation does not count for the maximum number.
- 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 members of the Supervisory Board representing the shareholders are elected by a shareholders' meeting. In a corporation with more than 2,000 employees, 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 May 27, 2002, as amended. The election procedure is complicated and takes, in case of parent corporations of groups with more than 20,000 employees, 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 decides 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. the maximum term is 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. The Supervisory Board must convene a shareholders' meeting when the interests of the corporation so require. It may not assume management functions. The Supervisory Board or the Articles of Incorporation must, however, stipulate that certain types of transaction are subject to 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. If applicable the Board of Management has also to prepare consolidated financial statements and a management report for the group. The form and content of the financial statements are stipulated in provisions of the Commercial Code and the Stock Corporation Act.

According to IAS Regulation (EC), publicly traded companies shall prepare their consolidated financial statements in conformity with the international accounting standards (IAS/IFRS) as adopted according to such IAS Regulation.

The Board of Management has to issue a responsibility statement that declares, that, to the best of the Board's knowledge and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company. The Board of Management has to issue the same statement of responsibility with regard to consolidated statements and group management report, if applicable.

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

The independent 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 independent auditor does not have any objections regarding the financial statements and consolidated 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 independent 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 including IFRS, if applicable.

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

The auditor's opinion must also state whether in the auditor's professional judgment the management report and group management report present 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 independent 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 independent 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 auditor's report.

The Board of Management must submit the financial statements and, in case of a parent corporation, 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 a corporation must file with the operator of the electronic version of the Federal Gazette the financial statements and consolidated financial statements, if applicable, together with the opinion or disclaimer of opinion of the independent auditor, the management report and group management report, if applicable., the report of the Supervisory Board, as well as the compliance declaration according to section 161 of the German Stock Corporation Act (Aktiengesetz) and the shareholders' meeting's resolution on the allocation of distributable profit. Filing must incur without undue delay and not later than four months after the end of the respective financial year. The legal representatives of corporations are required to cause publication of 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 are entitled to the distributable profit unless the shareholders' meeting resolves different allocation in accordance with the law and the Articles of Incorporation of the corporation. The allocation of the distributable profit to the shareholders must be published in a separate notice each year. Until the liquidation of the corporation, only distributable profit may be paid out 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. Upon request, individual shareholders are entitled to receive a copy of such a contract before and inspect the contract at the respective shareholders' meeting. The contract takes effect 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 Articles of Incorporation (Satzung) of the Company is as follows:

(a) Organization and Register

Daimler 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 General Meeting of shareholders, the Supervisory Board and the Board of Management. Their roles are defined by German law and by the corporation's Articles of Incorporation.

Several of the specific corporate governance provisions of Daimler 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 Daimler.

(c) Business Purposes

The Articles of Incorporation of Daimler AG 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 to accomplish the business purposes, except that Daimler 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 Daimler AG consists solely of ordinary no par value shares (Stückaktien), which are issued in registered form. Holders of the 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 Bank of New York acts as transfer agent and registrar in the United States. The significant provisions under German law and the Articles of Incorporation relating to the Company's shares may be summarized as follows:

- *Capital Increases.* The Company may increase the share capital in consideration of cash or non-cash contributions, or by creating authorized 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 are subject to the approval of 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 require a higher majority than stated by law.
- *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 proportional to their shareholdings.
- *No Limitation on Foreign Ownership.* Neither German Stock Corporation Act 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 Daimler AG.

(e) Dividends

The Company declares and pays dividends on its ordinary shares once a year after approval by the General Meeting of its shareholders. The Supervisory Board approves the unconsolidated financial statements (prepared in accordance with German GAAP) of the Group's parent company, Daimler 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 General Meeting are entitled to

receive the dividend. The Company pays dividends to shareholders proportional to their percentage of ownership of the outstanding capital stock. Unless certified in dividend coupons, the shareholders' claim to payment of the dividend becomes statute-barred three years after the end of the year in which the General Meeting of Shareholders adopted the resolution on the dividend.

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 participate in the profits of the Company as of the beginning or the financial year of issuance.

According to the Articles of Incorporation of the Company, the General Meeting of Shareholders 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 share capital may call a meeting of shareholders. There is no minimum quorum requirement for shareholder meetings. At the Annual General Meeting Daimler presents the financial statements, the consolidated financial statements, the management reports for Daimler 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 General Meeting of Shareholders for terms of

up to five years.

If a shareholder wants to participate and vote at any of the General Shareholders' Meetings of Daimler AG, 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 nominated by him/her or by proxy granted to the proxy representative appointed by the Company. The details, in particular the form and terms for conferring and revocation of proxies, shall be announced together with the convention of the General Meeting of Shareholders. The Company shall publish the convention of the General Shareholders' Meeting including the agenda with the items to be voted on in the electronic Federal Gazette and send a meeting notice to the shareholders which includes a proxy card and the agenda. The items for the agenda to be published in the electronic Federal Gazette 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 share capital 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. The Company may hold those Board Members who violate their duties 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 Daimler AG unless approved by the Supervisory Board. Besides 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 Daimler 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 Daimler 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 of the Company against the Board member. The compensation of the Supervisory Board members is determined in the Articles of Incorporation. A change to the Articles requires the approval of the shareholders' meeting of Daimler AG.

Board of Management

The Board of Management of Daimler 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 of Daimler AG shall consist of twenty members, ten of whom shall be elected by the shareholders and ten by the employees. They are elected 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 of Shareholders 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 Daimler AG no more than two former members of the Board of Management of the corporation elected by the General Meeting of Shareholders may be members of the Supervisory Board. Furthermore, the 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 of the Supervisory Board 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 submittals 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 of Control

The Articles do not contain any specific provisions that would have an effect of delaying, deferring or preventing a change of control or that would only apply in the context of a merger, acquisition or corporate restructuring involving the Company or any of its subsidiaries. In case of a bidder seeking control of a company with its registered office in Germany and its shares traded on a German stock exchange, the German Takeover Act (Wertpapiererwerbs- und Übernahmegesetz) requires, among other things that the bidder 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' meeting 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 Articles of Incorporation may be amended to replace the above rules on prohibiting the frustration of tender offers with more restrictive rules. The Articles of Daimler AG do not include any of these more restrictive rules.

(j) Disclosure of Shareholdings

The Articles of Incorporation of Daimler AG do not require shareholders to disclose their shareholdings. The German Securities Trading Act (Wertpapierhandelsgesetz), however, i. a. requires holders of voting rights of a corporation with its registered office in Germany whose shares are listed on a German stock exchange to notify the corporation of the number of voting rights 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. Daimler AG as recipient of such notifications is obliged to publish them in media distributed throughout the European Union and the other member states of the European Economic Area.

(k) Basis of Potential Claims

Claims against members of the Board of Management may be asserted by the Company represented by the Supervisory Board. Claims against members of the Supervisory Board or Board of Management may also be asserted on behalf of the company if the shareholders' meeting so resolves by simple majority. In such case the claim shall be brought within six months from the day of the shareholders' meeting that adopted the resolution. Moreover, shareholders holding in the aggregate at least 1 % of the issued share capital or shares representing at least Euro 100,000 of the issued capital stock may claim the admission to sue in their own name for claims of the company against the members of the Supervisory or Management Board. 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

As a German corporation listed on a German stock exchange, Daimler AG 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 2007. 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 Daimler 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 convenience translation of the declaration, the Company has made it available on the website at www.daimler.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 of the Company is the calendar year.

The Board of Management shall prepare the financial statements and the management report for the previous financial year during the first three months and the consolidated financial statements and the group management report during the first four 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 General Meeting of Shareholders 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 substantiated by 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. With an exception for the acquisition of a major shareholding in warfare-related companies, the Federal Republic of Germany presently 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, notwithstanding financial sanctions based on resolutions adopted by the European Union or the United Nations.

3. Tax Treatment

(a) German Tax Treatment

Dividends paid by Daimler 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 5.5% solidarity surcharge on the 20% income tax).

According to the Corporate Tax Reform Act 2008, the withholding tax on dividends will increase to 25% starting from January 1, 2009. The solidarity surcharge of 5.5% on 25% has to be added also, totaling to a new aggregate rate of 26.4%, effective January 1, 2009.

In accordance with the Tax Convention between Germany and Japan, the 21.1% (26.4% from January 1, 2009 onwards) 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 refund claim has to be filed with the Bundeszentralamt für Steuern by the end of the fourth calendar year following that in which the dividends have been received. 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 AG are not subject to German income tax.

German inheritance tax (Erbschaftsteuer) with respect to shares of Daimler 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 Daimler 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. Veronika Revesz of the legal department of Daimler 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.

In the fiscal year ended December 31, 2007, we changed our financial reporting from Generally Accepted Accounting Principles in the United States (U.S. GAAP) to International Financial Reporting Standards (IFRS). Accordingly, we have prepared the consolidated financial statements included in this report (Consolidated Financial Statements) in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

We have derived the selected consolidated financial data as of and for each of the three years ended December 31, presented in the tables below from our audited consolidated financial statements for the years ended December 31, 2007, 2006, and 2005 prepared in accordance with IFRS. Our financial statements are denominated in euros, which is the currency of our home country, Germany.

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

Daimler Group	Year ended December 31,			
	2007	2006	2005	07 : 06 % change
(€in millions, except for ordinary share amounts)				
<i>Income Statement data</i>				
Revenue	99,399	99,222	95,209	+0
Earnings before interest and taxes (EBIT) ¹	8,710	4,992	2,873	+74
Net profit from continuing operations	4,855	3,166	2,253	+53
Net profit (loss) from discontinued operations	(870)	617	1,962	—
Net profit	3,985	3,783	4,215	+5
Profit attributable to shareholders of Daimler AG	3,979	3,744	4,149	+6
Earnings (loss) per share for profit attributable to shareholders of Daimler AG				
<i>Basic</i>				
Net profit from continuing operations	4.67	3.06	2.16	+53
Net profit (loss) from discontinued operations	(0.84)	0.60	1.93	—
Net profit	3.83	3.66	4.09	+5
<i>Diluted</i>				
Net profit from continuing operations	4.63	3.04	2.15	+52
Net profit (loss) from discontinued operations	(0.83)	0.60	1.93	—
Net profit	3.80	3.64	4.08	+4

Daimler Group	Year ended December 31,			
	2007	2006	2005	07 : 06 % change
(€in millions, except for ordinary share amounts)				
<i>Balance Sheet data (end of period)</i>				
Total assets	135,094	217,634	228,012	-38
Non-current liabilities	47,924	90,452	96,823	-47
Current liabilities	48,940	89,836	95,232	-46
Share capital	2,766	2,673	2,647	+3
Equity attributable to shareholders of Daimler AG ²	36,718	36,925	35,545	-1
Equity ²	38,230	37,346	35,957	+2
<i>Other data</i>				
Employees (at year-end) ³	272,382	274,024	293,839	-1
Employees ³ (average annual number)	271,704	277,771	296,109	-2
Research and development expenditure	4,148	3,733	3,928	+11
thereof capitalized	990	715	591	+38
Investments in property, plant and equipment	2,927	3,005	3,445	-3
Cash provided by operating activities (incl. discontinued operations)	13,088	14,337	11,032	-9
Total dividend	2,028	1,542	1,527	+32
Weighted average number of shares Outstanding (basic)	1,037.8	1,022.1	1,014.7	+2
Weighted average number of shares Outstanding (diluted)	1,047.3	1,027.3	1,017.7	+2
Dividend per share (in €)	2.00	1.50	1.50	+33

- 1) EBIT includes expenses from compounding of provisions (2007: €444 million; 2006: €418 million; 2005: €350 million).
- 2) We adjusted Equity and Equity attributable to shareholders of Daimler AG at January 1, 2005 by reducing each by €103 million. As a result, Equity and Equity attributable to shareholders of Daimler AG at December 31, 2005 and 2006 was also reduced by €103 million. Please refer to Note 19 to our Consolidated Financial Statements for additional information.
- 3) Figures for the years 2006 and 2005 reflect continuing operations only.

As required by Japanese disclosure regulations, we are required to also to show the financial data for the years of 2004 and 2003 as we have presented those numbers in prior reports filed in Japan.

However, those figures are completely not comparable with any financial statements presented for the financial years 2005, 2006 and 2007 in this Securities Report, mainly as a result of a different set of accounting rules and regulations applied (IFRS for financial years 2005, 2006 and 2007, compared to US GAAP for financial years 2003 and 2004).

Although the financial statements for the financial years 2004 and 2003 have been audited with an unqualified opinion by the external auditor in prior periods, they are not covered by the auditors' report related to the 2007 Consolidated Financial Statements.

DaimlerChrysler Group	Year ended December 31,	
	2004 (US GAAP)	2003 (US GAAP)
(EUR in millions, except for ordinary share amounts)		
<i>Income Statement data</i>		
Revenues	142,059	136,437
Income before financial income	4,612	3,388
Income (loss) from continuing operations and before cumulative effects of changes in accounting principles	2,466	(418)
Basic earnings (loss) per share	2.43	(0.41)
Diluted earnings (loss) per share	2.43	(0.41)
Income from discontinued operations	—	14
Income on disposal of discontinued operations	—	882
Total income from discontinued operations including net gain on disposals	—	896
Basic earnings per share	—	0.88
Diluted earnings per share	—	0.88
Net income	2,466	448
Basic earnings per share	2.43	0.44
Diluted earnings per share	2.43	0.44
Operating Profit	5,754	5,686

DaimlerChrysler Group	Year ended December 31,	
	2004 (US GAAP)	2003 (US GAAP)
(EUR in millions, except for ordinary share amounts)		
<i>Balance Sheet data (end of period)</i>		
Total assets	182,872	178,450
Short-term financial liabilities	33,306	28,255
Long-term financial liabilities	42,964	47,056
Capital stock	2,633	2,633
Stockholders' equity	33,522	34,486
<i>Other data</i>		
Employees (at year-end)	384,723	362,063
Employees (average annual number)	379,019	370,684
Research and development expenditure	5,658	5,571
Investments in property, plant and equipment	6,386	6,614
Cash provided by operating activities	11,060	13,826
Total dividend	1,519	1,519
Dividend per share (in EUR)	1.50	1.50
Weighted average number of shares Outstanding (basic)	1,012.8	1,012.7
Weighted average number of shares Outstanding (diluted)	1,014.5	1,012.7

2. Brief History of the Company

(a) Organization

The legal and commercial name of our company is Daimler AG. It is a stock corporation organized under the laws of the Federal Republic of Germany and was incorporated on May 6, 1998 under the name DaimlerChrysler AG. In October 2007, following the transfer of a majority interest in the Chrysler activities, we changed the name of the company from DaimlerChrysler AG to Daimler AG. Our registered office is located at Mercedesstrasse 137, 70327 Stuttgart, Germany, telephone +49-711-17-0.

(b) History

In 1998, Daimler-Benz Aktiengesellschaft and Chrysler Corporation combined their respective businesses, stockholder groups, managements and other constituencies. In May 2007, we agreed to transfer an 80.1% interest in the Chrysler Group and the related Chrysler financial services business in the NAFTA region (the Chrysler activities) to a subsidiary of the private equity firm Cerberus Capital Management L.P. (Cerberus). The transaction closed on August 3, 2007. Following a resolution adopted at an extraordinary shareholders' meeting in October 2007, we changed the name of the company from DaimlerChrysler AG to Daimler AG.

3. Contents of Business

Daimler AG is the ultimate parent company of the Daimler 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.

On August 3, 2007, we transferred an 80.1% controlling interest in the Chrysler activities to a subsidiary of Cerberus. We retained a 19.9% non-controlling equity interest in Chrysler Holding LLC, a newly established holding company for the Chrysler activities. As a result of that transaction, we report the Chrysler activities for the period from January 1, 2007 through August 3, 2007 and for the other periods presented in our consolidated statements of income as discontinued operations, with all recorded income and expense items related to the Chrysler activities included in the line item "Net profit (loss) from discontinued operations." We do not include amounts related to discontinued operations in our segment reporting and we have adjusted prior period presentations accordingly. For further information, please refer to Notes 2 and 31 to our Consolidated Financial Statements.

Beginning with August 4, 2007, we account for our non-controlling equity interest in Chrysler Holding LLC using the equity method of accounting. We include our proportionate share of the results of Chrysler Holding LLC in Vans, Buses, Other with a three-month time lag. In accordance with IFRS, we consider significant transactions and events which affect Chrysler Holding LLC during the three-month lag period.

Following the transfer of a majority interest in the Chrysler activities, we report the following four segments:

- Mercedes-Benz Cars
- Daimler Trucks
- Daimler Financial Services
- Vans, Buses, Other

In January 2006, we presented a new management model designed to improve our competitiveness and promote further profitable growth. We expect the measures of the new management model to be fully implemented in 2008. For a discussion of the effects of the implementation of the new management model, please refer to "7. Analysis of Financial Condition and Results of Operation" in "III. Description of Business."

In connection with the change of the company's name from DaimlerChrysler AG to Daimler AG, we also changed the names of our segments as follows: Mercedes Car Group became Mercedes-Benz Cars, Truck Group became Daimler Trucks, and Financial Services became Daimler Financial Services. We continue to report Mercedes-Benz Vans and Daimler Buses in Vans, Buses, Other, together with all other businesses and investments in businesses not allocated to one of our reportable business segments.

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 50% of our 2007 revenue derived from sales in Western Europe and 20% from sales in the United States. With respect to Western Europe, we derived approximately 23% from sales in Germany and 27% from sales in other countries of Western Europe.

Over the past several years, we have also taken significant steps towards increasing further our presence in the Asian markets. For example, through transactions between 2003 and 2005, we acquired an 85% interest in the Japanese truck and bus manufacturer Mitsubishi

Fuso Truck and Bus Corporation (MFTBC). More recently, we 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 joint venture also produces and sells a Chrysler passenger car, the 300C, under a license agreement with Chrysler LLC. We have also received all necessary governmental approvals for a joint venture for the production and sale of Mercedes-Benz Vito/Viano and Sprinter vans. We expect the joint venture to start production in late 2008. It will have an output capacity of 40,000 units per year.

For information on acquisitions and dispositions of businesses during the last three years, please refer to Notes 2 and 12 to our Consolidated Financial Statements. For a discussion of their effect on revenue and operating results, please refer to “7. Analysis of Financial Condition and Results of Operations” in “III. Description of Business.”

Capital expenditures. Our aggregate capital expenditures for property, plant and equipment of our continuing businesses were €2.9 billion in 2007 and €3.0 billion in 2006. In 2007, the United States and Germany accounted for 10.7% and 69.8% of these capital expenditures, respectively. Expenditures for equipment on operating leases related to our continuing businesses were €10.8 billion in 2007 and €1.9 billion in 2006. For additional information on our capital expenditures, please refer to “IV. Conditions of Facilities.”

(a) Mercedes-Benz Cars

Mercedes-Benz Cars designs, produces and sells Mercedes-Benz passenger cars, Maybach high-end luxury sedans and smart compact passenger cars. In 2007, Mercedes-Benz Cars contributed approximately 53% of our revenue.

In 2007, Mercedes-Benz Cars completed the implementation of 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. For additional information on the CORE program’s effect on our operating results, please refer to “7. Analysis of Financial Condition and Results of Operations” in “III. Description of Business” and to Note 4 to our Consolidated Financial Statements.

Products

Mercedes-Benz. Mercedes-Benz passenger cars are world-renowned for innovative technology, highest levels of comfort, quality and safety, and pioneering design. We offer most Mercedes-Benz passenger cars with a choice of several diesel and gasoline engines. In all classes, with the exception of the A-, B-, R- and GL-Classes, we offer high performance AMG versions with V8 or V12 engines. 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:

- *S-Class.* The S-Class is a line of full-size luxury sedans which are available as short and long wheelbase versions. The S-Class sedans are complemented by the CL, a top-of-the-line two-door coupe, and the SL, a luxury roadster. In April 2008, we launched a new generation of the SL. Through McLaren Cars Ltd., we also offer a high performance Mercedes-Benz sports car, the SLR.

- *E-Class*. The E-Class is a line of luxury sedans and station wagons. We also offer the CLS, a four-door coupe based on the E-Class. We introduced a new generation of the CLS in March 2008.
- *C-Class*. The C-Class is a line of compact luxury sedans and station wagons. The CLC 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 the spring of 2007 and the new C-Class station wagon in the fall of 2007. We introduced a new CLC Sports Coupe and a new generation of the SLK in April 2008.
- *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). We intend to launch new generations of the A- and B-Class in June 2008. We do not offer the A- and B-Class in the United States.
- *M-/R-/GL-Class*. The M-Class is a line of sport utility vehicles with permanent all-wheel drive. We intend to introduce a new generation of the M-Class in August 2008. The R-Class is an SUV Tourer, which is available in a short and a long wheelbase version, and the GL-Class is a seven seat luxury sport utility vehicle. We intend to complement the M-/R-/GL-Class with an all new mid-size sport utility vehicle, the GLK, in October 2008.
- *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. The long wheelbase version of the G 500 is also available in the United States.

Maybach. Under the prestigious Maybach brand, we offer a line of exclusive high-end luxury sedans with unsurpassed luxury, comfort, and individuality. The Maybach sedan is available in a short and a long wheelbase version. In addition, we introduced a sportier version of the long wheelbase sedan, the Maybach 62 S, at the beginning of 2007.

smart. The smart brand represents a micro compact car concept. We currently offer two models, the smart fortwo coupe and the smart fortwo cabrio. We launched new generations of these models in the spring of 2007, which we have begun to offer in the United States in 2008.

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, 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, 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) Daimler Trucks

Daimler Trucks 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 2007, Daimler Trucks contributed approximately 29% of our total revenue.

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. The Unimog, a four-wheel drive vehicle designed for special purpose applications, complements this line-up. In Turkey and Brazil, we manufacture heavy-duty and medium-duty trucks for the respective local and certain export markets. Overall, our Mercedes-Benz trucks range from 6 metric tons GVW to 41 metric tons GVW.

Freightliner Trucks, Sterling Trucks, Western Star Trucks, and Thomas Built Buses. Our U.S. subsidiary Daimler Trucks North America LLC manufactures trucks and buses (based on truck chassis) in Classes 3 through 8 (from 9,000 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. It 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, Daimler Trucks North America LLC launched trucks equipped with engines that meet the new emission requirements EPA07 in the U.S. and Canada. It also introduced the Freightliner Class 8 truck Cascadia and the Sterling Bullet in the NAFTA region. In 2008, the Cascadia will be the first truck available with engines from our new global engine family Heavy Duty Engine Platform (HDEP). Other brands of the Daimler Trucks segment will also use the HDEP in upcoming models.

MFTBC. 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) and the Super Great trucks (heavy-duty) and also certain bus models (Rosa and Aero) and specialty vehicles. MFTBC also sells trucks in Europe, the United States and Latin America. In 2007, MFTBC launched the latest generation of its light-duty Canter truck line in Taiwan and Indonesia and introduced renewed versions of its Fighter and Super Great trucks to comply with stricter Japanese emission regulations.

Competition

Competitors of our Daimler Trucks segment 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 and in Japan and the South East Asian markets, our main competitors (including buses) are Hino, Isuzu and Nissan Diesel.

(c) Daimler Financial Services

On August 3, 2007, we transferred an 80.1% interest in Chrysler Group and the related Chrysler financial services business in the NAFTA region to a subsidiary of Cerberus. As a result of that transaction, revenue and operating results of the Chrysler activities from January 1, 2007 to August 3, 2007 and all other periods presented are included in the line item "Net profit (loss) from discontinued operations" in our consolidated statements of income. We do not include amounts relating to discontinued operations in our segment reporting. For further information, please refer to Notes 2 and 31 to our Consolidated Financial Statements.

Our continuing financial services activities, which contributed approximately 9% of our revenue in 2007, consist almost exclusively of financing and leasing services supporting our Mercedes-Benz and other vehicle businesses.

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 vehicle inventory and property, plant and equipment purchases. In Germany, we operate a fully licensed bank, the Mercedes-Benz Bank (formerly known as the DaimlerChrysler Bank). The Mercedes-Benz 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 September 2007, Daimler Financial Services established a bank in Russia after receiving a license from the Russian central bank. The bank commenced operations in the last quarter of 2007.

We also hold an ownership interest in Toll Collect. In September 2002, our subsidiary Daimler Financial Services AG (formerly DaimlerChrysler Financial 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 28 to our Consolidated Financial Statements.

Competition

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

(d) Vans, Buses, Other

Vans, Buses, Other includes our van and bus businesses which design, produce, and sell a wide range of vans and buses. The other businesses and investments comprising this segment consist primarily of our equity investments in EADS and Chrysler Holding LLC (since August 4, 2007), and our real estate activities. Prior to its disposition in the first quarter of 2006, our Off-Highway business was also part of Vans, Buses, Other.

As part of our ongoing strategy to focus on the core automotive business, in December 2007, we agreed to sell our real estate at Potsdamer Platz in Berlin to the SEB Group for a sales price of €1.4 billion in cash. We expect this transaction to positively affect EBIT of Vans, Buses, Other by €0.4 billion. The transaction closed in February 2008.

In 2007, Vans, Buses, Other contributed approximately 14% of our revenue.

Vans and Buses

Mercedes-Benz Vans. Worldwide, we currently offer three lines of Mercedes-Benz vans between 1.9 metric tons (t) and 7.5t gross vehicle weight (GVW): the Sprinter, the Vito/Viano and the Vario. In the U.S. market, a subsidiary of Chrysler Holding LLC sells the Sprinter under the Freightliner and Dodge brand names under a general distributor agreement.

Daimler Buses. We are a full-line supplier in the worldwide bus and coach market. Our product portfolio includes city buses, coaches, intercity 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.

In 2007, we introduced a renewed version of the Setra TopClass 400 coach featuring new safety systems. We launched the renewed Setra TopClass 400 coach in European markets in the first quarter of 2008.

Other

Chrysler Holding LLC. On August 3, 2007, we transferred an 80.1% interest in the Chrysler activities to a subsidiary of Cerberus. We retained a 19.9% non-controlling equity interest in Chrysler Holding LLC, a newly established holding company for the Chrysler activities.

Chrysler designs, manufactures, assembles and sells cars and trucks under the brand names Chrysler, Jeep and Dodge, primarily in the NAFTA region. The Chrysler activities also encompass the related financial services business in the NAFTA region and in other select regions of the world.

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.

In 2004, 2006, and 2007, we entered into several transactions involving our EADS shares which reduced the Group's legal ownership percentage in EADS to 22.5%. Our consolidated statements of income for the years 2005 and 2006 reflect a 33% share in the income of EADS. Our share in the results of EADS in 2007 is based on an equity interest which declined from 33% to 24.9% at year end 2007. For further information on these transactions, please refer to Note 12 to our Consolidated Financial Statements.

During 2006, EADS announced that problems with the Airbus A380 program and resulting delivery delays, the launch of an industrial program for the all-new A350 XWB aircraft family and efficiency improvement programs to be implemented at EADS would negatively affect its current and future operating results. In 2007, EADS announced that problems with the Airbus A400 M program and resulting delivery delays would negatively affect its operating results. EADS also announced that if the current strength of the euro against the U.S. dollar remains for a prolonged period of time, or if the euro appreciates even further, EADS's future operating results and cash flows may be adversely affected. For a discussion on how this development affected the operating results of Vans, Buses, Other, please refer to "7. Analysis of Financial Conditions and Results of Operation" in "III. Description of Business."

Mitsubishi Motors Corporation. In November 2005, we sold our then remaining 12.4% interest in Mitsubishi Motors Corporation for €70 million.

Competition

Mercedes-Benz Vans. 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).

Daimler Buses. 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 and Affiliated Companies

The following table shows the significant subsidiaries and affiliated companies Daimler AG owned, directly or indirectly, as of December 31, 2007. For the term “significant” we have used the criteria applicable according to Sec. 285 of the German Commercial Code (HGB).

Name and Location of the Company	Percentage owned¹ (in %)	Equity (in mn of €)	Net profit (in mn of €)	The Contents of the Principal Business and Relationship
<i>Automotive Business</i>				
Anlagenverwaltung DaimlerChrysler AG & Co. OHG Berlin, Schönefeld-Waltersdorf	100	199	20	Property management
Daimler Vermögens- und Beteiligungsgesellschaft mbH, Stuttgart ²	100	7,899	—	Financial company
EvoBus GmbH, Stuttgart	100	180	52	Holding and production company
Grundstücksverwaltungsgesellschaft Mercedes-Benz AG & Co. OHG, Schönefeld-Waltersdorf ³	100	3,495	474	Real estate management
Maschinenfabrik Esslingen AG & Co. OHG, Schönefeld-Waltersdorf	100	142	27	Holding company
Mercedes-AMG GmbH, Affalterbach ²	100	21	—	Production company
Mercedes-Benz Accessories GmbH, Stuttgart ²	100	5	—	After sales company
Mercedes-Benz Ludwigsfelde GmbH, Ludwigsfelde ²	100	84	—	Production company
Mercedes-Benz Vertriebsgesellschaft mbH, Berlin ²	100	9	—	Sales company
Daimler Automotive de Venezuela C.A., Carabobo, Venezuela	100	31	28	Sales company
Daimler South East Asia Pte. Ltd., Singapore, Singapore	100	69	48	Sales company
DaimlerChrysler Argentina S.A., Buenos Aires, Argentina	100	132	49	Sales company
DaimlerChrysler Automotive Bohemia s.r.o., Prague, Czech Republic	100	23	15	Sales company

DaimlerChrysler Automotive Polska Sp. z.o.o., Warsaw, Poland ⁴	100	27	13	Sales company
DaimlerChrysler Danmark AS, Copenhagen, Denmark ³	100	15	19	Sales company
DaimlerChrysler Espana, S.A., Madrid, Spain ³	100	246	36	Sales company
DaimlerChrysler France S.A.S., Rocquencourt, France ³	100	236	44	Sales company
DaimlerChrysler Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia	51	48	16	Sales company
DaimlerChrysler Nederland B.V., Utrecht, Netherlands ^{3,4}	100	52	15	Sales company
DaimlerChrysler Schweiz AG, Schlieren, Switzerland	100	413	70	Sales company
DaimlerChrysler Sverige AB, Malmö, Sweden ³	100	24	12	Sales company
DaimlerChrysler Vehiculos Comerciales Mexico, S. A. de C. V., Santiago Tianguistenco, Mexico ³	100	131	15	Production company
Freightliner LLC, Portland, USA ^{3,5,6}	100	1,233	(7)	Holding and production company
Mercedes-Benz (China) Ltd., Beijing, China	51	131	87	Sales and production company
Mercedes-Benz (Thailand) Limited, Bangkok, Thailand	100	90	7	Sales and production company
Mercedes-Benz Australia/Pacific Pty Ltd, Mulgrave, Australia ³	100	214	85	Sales company
Mercedes-Benz Belgium Luxembourg S.A., Brussels, Belgium	100	92	7	Sales company
Mercedes-Benz Canada Inc., Toronto, Canada	100	50	(2)	Sales company
Mercedes-Benz do Brasil Ltda., Sao Bernardo do Campo, Brazil	100	517	210	Sales and production company
Mercedes-Benz Hellas S.A., Kifissia, Greece ⁷	100	52	13	Sales company
Mercedes-Benz Hong Kong, Hong Kong, Hong Kong	100	14	9	Sales company
Mercedes-Benz Italia S.p.A., Rome, Italy	100	238	59	Sales company
Mercedes-Benz Japan Co., Ltd., Tokyo, Japan ³	100	152	25	Sales company
Mercedes-Benz Korea Limited, Seoul, South Korea	51	26	3	Sales company

Mercedes-Benz Portugal-Comercio de Automoveis, S.A., Mem Martins Codex, Portugal	100	44	1	Sales company
Mercedes-Benz Russia SAO, Moscow, Russia	100	2	1	Sales company
Mercedes-Benz South Africa (Pvt) Ltd, Pretoria, South Africa	100	476	198	Sales and production company
Mercedes-Benz Türk A.S., Istanbul, Turkey ⁷	67	301	102	Sales and production company
Mercedes-Benz U.S. International, Inc., Tuscaloosa, USA ³	100	312	37	Production company
Mercedes-Benz UK Limited, Milton Keynes, Great Britain ³	100	188	69	Sales company
Mercedes-Benz USA, LLC, Montvale, USA ³	100	272	63	Sales company
Mitsubishi Fuso Truck and Bus Corporation, Tokyo, Japan ⁸	85	956	(48)	Holding and production company
Star Auto S.A., Abidjan, Cote d'Ivoire ⁹	89	14	14	Sales company
Starexport Trading S.A., Sao Paulo, Brazil ³	100	173	26	Trading company
<i>Daimler Financial Services</i>				
Daimler Financial Services AG, Berlin ²	100	1,139	—	Financial services company
DaimlerChrysler Bank AG, Stuttgart ^{2,3}	100	846	—	Financial services company
DaimlerChrysler Fleet Management GmbH, Stuttgart ³	100	.	19	Fleet management
DaimlerChrysler Leasing GmbH, Stuttgart ^{2,3}	100	36	—	Financial services company
DaimlerChrysler Mitarbeiter-Fahrzeuge Leasing GmbH, Stuttgart	100	.	65	Sales company
Mercedes-Benz CharterWay GmbH, Berlin	100	1	11	Financial services company
Toll Collect GbR, Berlin ^{3,7}	45	(15)	(16)	Toll collection
Toll Collect GmbH, Berlin ³	45	322	15	Toll collection

Banco DaimlerChrysler DC S.A., Sao Paulo, Brazil ^{3,11}	100	185	16	Financial services company
Daimler Financial Services USA LLC, Farmington Hills, USA ^{3,11}	100	1,762	25	Financial services company
Daimler Fleet Management South Africa (Pty) Ltd, Centurion, South Africa ^{3,11}	65	42	16	Fleet management
DaimlerChrysler Financial Services B.V., Utrecht, Netherlands ^{3,11}	100	82	15	Financial services company
DaimlerChrysler Financial Services UK Limited, Milton Keynes, Great Britain ^{3,11}	100	304	33	Financial services company
DaimlerChrysler Fleet Management France S.A., Saint Cloud, France ^{3,11}	100	16	18	Fleet management
DC Automotriz Servicios, S. de R.L. de C.V., Mexico-City, Mexico ^{3,11}	100	86	46	Financial services company
debis Financial Services Inc., Farmington Hills, USA ^{3,11}	100	141	70	Financial services company
Mercedes-Benz Financial Services South Africa (Pty) Ltd, Centurion, South Africa ^{3,11}	100	117	18	Financial services company
Mercedes-Benz Finansman Türk A.S., Istanbul, Turkey ¹¹	100	42	10	Financial services company
<i>Regional holding and financial companies</i>				
Daimler "Danubia" Beteiligungsgesellschaft mbH, Stuttgart	100	281	113	Holding and financing company
DaimlerChrysler AG & Co. Finanzanlagen OHG, Schönefeld- Waltersdorf	100	984	33	Holding and financing company
DaimlerChrysler AG & Co. Wertpapierhandel OHG, Schönefeld-Waltersdorf	100	1,714	65	Holding and financing company
Daimler Australia/Pacific Pty. Ltd., Mulgrave, Australia	100	101	73	Holding and financing company
Daimler Coordination Center S.C.S., Brussels, Belgium ^{3,12}	100	574	26	Holding and financing company

Daimler Investments US Corporation, Auburn Hills, USA ^{3,5,7}	100	30,067	1,342	Holding and financing company
Daimler Mexico S.A. de C.V., Mexico, D.F., Mexico ⁶	100	250	(1)	Holding and financing company
Daimler Nederland Holding B.V., Utrecht, Netherlands	100	191	28	Holding and financing company
Daimler North America Corporation, Montvale, USA ^{6,7}	100	4,287	(691)	Holding and financing company
Daimler North America Finance Corporation, Newark, USA ^{3,5,7}	100	15,508	408	Holding and financing company
Daimler UK Holding plc, Milton Keynes, Great Britain	100	399	43	Holding and financing company
DaimlerChrysler Espana Holding, S.A., Madrid, Spain	100	197	59	Holding and financing company
DaimlerChrysler France Holding S.A.S., Rocquencourt, France	100	278	199	Holding and financing company
<i>Others</i>				
DADC Luft- und Raumfahrt Beteiligungs AG, Munich ^{3,4}	25	569	3	Holding company
Daimler Luft- und Raumfahrt Holding AG, Munich ²	100	3,445	—	Holding company
DaimlerChrysler Aerospace GmbH & Co. KG, Ottobrunn ^{2,3}	67	1,616	—	Holding company
EHG Elektroholding GmbH, Frankfurt am Main ²	100	1,115	—	Holding company
European Aeronautic Defence and Space Company EADS N.V., Schiphol-Rijk, Netherlands ^{3,10}	25	3,442	64	Holding company
DAI.NET GmbH, Stuttgart	100	55	105	e-commerce company
Daimler Real Estate GmbH, Berlin ²	100	87	(10)	Real estate management
Daimler Unterstützungskasse GmbH, Stuttgart ¹³	100	1,415	(1)	Financing company
Daimler Verwaltungsgesellschaft für Grundbesitz mbH, Schönefeld-Waltersdorf ²	100	2,905	—	Real estate management

Daimler-Benz AG & Co. „Custodia“ Grundstücksvermietung Potsdamer Platz OHG, Schönefeld- Waltersdorf	100	(11)	(13)	Real estate management
Grundstücksverwaltungsgesellschaft Daimler-Benz AG & Co. OHG, Schönefeld-Waltersdorf ³	100	367	34	Real estate management

- 1) Relating to the respective parent company
- 2) Profit and loss transfer agreement with Daimler AG (direct or indirect)
- 3) Indirect interest
- 4) Financial statement 2006
- 5) Included in the group financial statements of Daimler North America Corporation
- 6) Consolidated group financial statements
- 7) Preliminary financial statement
- 8) Preliminary financial statement as of November 30, 2007, one month time offset
- 9) Financial statement 2005
- 10) Figures according “at equity” consolidated group financial statement
- 11) Financial statement according to IFRS
- 12) Financial statement December 1, 2006 - November 30, 2007
- 13) Financial statement November 1, 2006 - October 31, 2007

5. Description of Employees

At December 31, 2007, we employed a workforce of 272,382 people worldwide, which represented a decrease of 24% from year-end 2006. Adjusted to reflect the reduction of employees resulting from the transfer of a majority interest in the Chrysler activities, our total workforce decreased 1% compared to year-end 2006. This decrease in 2007 resulted primarily from a worldwide administrative headcount reduction and further efficiency improvements. The following table shows the number of our employees at December 31, 2007, 2006, and 2005, adjusted to reflect changes in segment composition:

	Employees at December 31,								
	2007			2006			2005		
	Total	Germany	U.S.	Total	Germany	U.S.	Total	Germany	U.S.
Mercedes-Benz Cars ^{1, 2}	97,526	85,322	3,869	99,343	87,272	4,012	104,345	91,556	4,472
Chrysler Group ³	—	—	—	80,735	25	62,334	83,130	8	63,749
Daimler Trucks ⁴	80,067	28,975	16,667	83,237	27,617	20,339	84,254	27,217	20,357
Daimler Financial Services ^{5, 6}	6,743	2,410	1,088	10,718	2,503	4,415	11,129	2,779	4,602
Vans, Buses, Other ^{1, 7, 8, 9}	39,968	24,032	816	39,400	23,096	2,134	51,093	32,959	2,418
Sales organization for automotive business	48,078	25,940	1,613	46,952	26,104	1,558	48,773	27,541	1,882
Daimler Group	272,382	166,679	24,053	360,385	166,617	94,792	382,724	182,060	97,480

1 As a result of organizational changes in 2006, certain employees of our corporate research department are now reported in the Mercedes-Benz Cars segment. These employees were previously reported in Vans, Buses, Other.

2 In 2007, we renamed our Mercedes Car Group segment “Mercedes-Benz Cars.”

3 In 2007, we transferred a majority interest in the Chrysler Group and the related Chrysler financial services business in the NAFTA region to a subsidiary of Cerberus. Employees allocable to the financial services business of the Chrysler activities are included in the 2006 and 2005 figures of our Financial Services segment. See also footnote 5 below.

4 In 2007, we renamed the Truck Group segment as “Daimler Trucks.”

5 The 2006 and 2005 figures include 3,905 and 4,053 employees, respectively, allocable to the Chrysler activities.

6 In 2007, we renamed the Financial Services segment as “Daimler Financial Services.”

7 In 2007, we renamed Van, Bus, Other as “Vans, Buses, Other.”

8 In the first quarter of 2006 we disposed of our Off-Highway business. The number of total employees of Vans, Buses, Other in 2005 includes 7,044 employees related to the Off-Highway business.

9 The 2006 and 2005 figures include 1,721 and 1,702 employees, respectively, allocable to the Chrysler activities.

The table above also includes temporary employees. On average, we had approximately 8,800 temporary employees in 2007.

Worldwide, Daimler employees’ average period at the Group increased from 14.3 to 14.7 years in 2007. In Germany, our employees had been with us for an average of 17.5 years at the end of 2007 (2006: 17.1 years). The average period for our employees outside Germany was 10.6 years (2006: 10.3 years).

The average age of the Group's worldwide workforce was 40.9 years at the end of December 2007, compared to 40.7 years at December 2006.

Women accounted for 12.7% of the total workforce of Daimler AG at the end of 2007 (2006: 12.9%). In management positions of levels 1 to 4, the proportion of women increased from last year's 9.1% to 9.8%.

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.

In May 2007, the regional associations of employers and the German metalworkers' union concluded a collective bargaining agreement covering the period from April 1, 2007, through October 31, 2008. The agreement provides for a 4.1% increase in base salary, effective June 1, 2007, and another 1.7% increase in base salary, effective June 1, 2008. In addition, employees received a lump sum payment of €400 for the two-month period ended May 31, 2007. In August 2008, employees will receive a second lump sum payment of approximately 4% of their monthly base salary as a special bonus.

Beginning in March 2006, Daimler Trucks North America LLC (former Freightliner LLC) negotiated collective bargaining agreements at its major facilities in Canada, the U.S. and Mexico. In general, the agreements have a duration of three years and provide for annual wage increases from 2.5% to 3.0%.

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 2007:

Consolidated Statements of Income (In millions of € except per share amounts)	Year ended December 31,	
	2007	2006
Revenue	99,399	99,222
Cost of sales	(75,404)	(78,782)
Gross profit	23,995	20,440
Selling expenses	(8,956)	(8,936)
General administrative expenses	(4,023)	(4,088)
Research and non-capitalized development costs	(3,158)	(3,018)
Other operating income (expense), net	27	642
Share of profit (loss) from companies accounted for using the equity method, net	1,053	(148)
Other financial income (expense), net	(228)	100
Earnings before interest and taxes (EBIT) ¹	8,710	4,992
Interest income (expense), net	471	(90)
Profit before income taxes	9,181	4,902
Income tax (expense) benefit	(4,326)	(1,736)
Net profit from continuing operations	4,855	3,166
Net profit (loss) from discontinued operations	(870)	617
Net profit	3,985	3,783
Minority interest	(6)	(39)
Profit attributable to shareholders of Daimler AG	3,979	3,744

Earnings (loss) per share (in €) for profit attributable to shareholders of Daimler AG

Basic		
Net profit from continuing operations	4.67	3.06
Net profit from discontinued operations	(0.84)	0.60
Net profit	3.83	3.66
Diluted		
Net profit from continuing operations	4.63	3.04
Net profit from discontinued operations	(0.83)	0.60
Net profit	3.80	3.64

¹ EBIT includes expenses from compounding of provisions (2007: €444 million; 2006: €118 million).

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

In 2007, raw material prices continued to adversely affect the automotive industry as prices for most raw materials increased further from the high levels in 2006. Even though the higher raw material prices increased our overall material costs in 2007, we were able to offset these increases through bundling, long-term agreements, materials substitution 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. In an effort to avoid possible future shortages and limit further price increases we enter into annual or long-term supply agreements with suppliers and purchase raw materials or commodities on the spot market where appropriate.

Prices of precious metals, including platinum, palladium and rhodium, which we primarily use in catalytic converters, remained at the high levels of 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.

(b) Orders Received

Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans and Daimler Buses 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.

(c) Sales Results

The development of unit sales and revenue is discussed under the sub-items (b) to (e) 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 for 2007 and 2006:

Mercedes-Benz Cars (production volume in units)	Year ended December 31,	
	2007	2006
Mercedes-Benz and Maybach ¹	1,197,400	1,148,900
smart	102,700	82,100
Total	1,300,100	1,231,000

1 Figures for 2007 reflect 8,600 Mitsubishi vehicles assembled by one of our subsidiaries in South Africa. In 2006 these vehicles are reported in Vans, Buses, Other. Beginning in 2007, we report these vehicles in our Mercedes-Benz Cars segment.

Daimler Trucks (production volume in units)	Year ended December 31,	
	2007	2006
Daimler Trucks		
Trucks Europe / Latin America	161,500	144,200
Trucks Nafta	118,300	186,600
MFTBC	189,200	178,700

Vans, Buses, Other (production volume in units)	Year ended December 31,	
	2007	2006
Mercedes-Benz Vans		
Mercedes-Benz vans	289,600	252,800
Daimler Buses		
Buses and coaches	38,200	37,100

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 the Company”, 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” hereunder and consider note 5 of the “Table of Contents” on page ii of this document.

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 resulting, for example, from a decline in consumer demand or a weakening investment environment, rising interest rates or fuel prices, could significantly adversely affect our businesses in various markets, including Western Europe and the United States.

We derive approximately half our revenue from our business in Western Europe. A major slowdown in the Western European economy or in the industries in which we operate could have a significant impact on our business. A drop in economic growth in Western Europe could result not only from a structural weakness or decline in domestic demand in major European economies, but also from negative effects of a U.S. recession or an even more pronounced appreciation of the euro.

The major short-term risk of the U.S. economy is a deeper than expected deceleration of the economy or even recession due to the economic effects resulting from the subprime crisis. A decline in investment and private consumption could severely affect the sales of passenger cars and commercial vehicles. In addition, the U.S. economy continues to require significant capital inflow from non-U.S. investors to finance the large current account deficit of the United States. A pronounced decline in demand for U.S. dollar denominated investments could lead to a further, and possibly sharper, depreciation of the U.S. dollar which may force the United States to raise its key interest rates. Higher interest rates and a further and possibly sharper depreciation of the U.S. dollar could reduce demand for our vehicles. Due to the global importance of the U.S. economy and the existing interdependencies between the United States and other major economies throughout the world, any significant economic downturn in the United States would likely adversely affect Western European and other world markets.

Similarly, inflationary pressure caused by sustained high energy prices could lead to an increase in interest rates and, as a result, a decline in automotive sales. 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 or other events that threaten consumer and investor confidence (for example, international disputes, political instability, terrorism, or significant declines in stock or housing markets) may significantly adversely affect our future sales, primarily in Western Europe or the United States. Since a high proportion of our costs is 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 sales of our Mercedes-Benz passenger cars in Asia, 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 Daimler Trucks segment, our Daimler Buses operating unit, and our Daimler 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 several 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 maintaining competitive cost structures, including the ability to obtain competitive prices from suppliers, and introducing exciting new products. Our ability to achieve further price reductions from suppliers, however, 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 pricing, customers may elect to purchase competitors' products and our future profitability and cash flows may suffer. Discounts and other sales incentives have become more common in many automotive markets, including Western Europe, and are customary in the United States and Canada. 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.

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

Prices for raw materials that we or our suppliers use in manufacturing our products or components therefore, such as steel, aluminum, petroleum based products and a number of precious metals, continue to remain at historically high levels. Further price increases for these or other 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 those costs on to our customers or require our suppliers to absorb such costs.

Additionally, high raw material prices and intense competition in the automotive industry are having a significant adverse effect on the financial position and business continuity of key suppliers, some 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.

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. These include possible higher refinancing costs and the potential inability to recover our investments in leased vehicles or to 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 and our ability to collect our sales financing receivables could be negatively affected by consumer or 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 our 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, thereby negatively affecting our future sales and, as a consequence, our future operating results and cash flows.

Increasing consumer sensitivity to pricing may limit our ability to pass higher costs 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 provisions for new warranties issued and expenses in excess of already established provisions 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 cycles 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, government regulations, for example speed limits or higher taxes on certain types of vehicles, such as sport utility vehicles or luxury automobiles, or environmental concerns, for example, the level of carbon dioxide emissions. 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 position, 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 “(e) Legal Risks” hereunder for further information.

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. For example, in an effort to reduce greenhouse gases, several countries have already imposed more stringent regulations on carbon dioxide emissions or are currently in the process of adopting such regulations. The European Union is currently considering legislation that would impose severe restrictions on carbon dioxide emissions of motor vehicles. The adoption of such legislation would likely result in significant additional compliance costs.

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 and/or related companies, guarantees under buy-back commitments, and performance guarantees related to the contractual performance of joint ventures and consortia. These guarantees may expose us to financial risk. For example, as a result of the guarantees and other obligations Daimler Financial Services (formerly 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. In connection with the transfer of a majority interest in the Chrysler Group and the related financial services business in the NAFTA region, we have also provided certain guarantees.

(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 the euro appreciates further, our operating results and cash flows could be adversely affected because a significant portion of our business, primarily our Mercedes-Benz Cars segment, depends in part on export sales to the United States and other markets whose currencies are tied to the U.S. dollar. 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 under the heading “Exchange Rate Risk” in “(d) Market Risks” hereunder.

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.

The carrying value of our equity investments in companies in which we hold a non-controlling equity interest depends on the ability of those companies to operate their businesses profitably. We are also exposed to credit risk to the extent that we provide, or are obligated to provide, financial credit to those companies.

We hold non-controlling equity interests in various companies. Most notably, we hold an equity interest in EADS and, since August 4, 2007, a 19.9% equity interest in Chrysler Holding LLC. Any factors negatively affecting the profitability of the businesses of these companies may adversely affect our ability to recover the full amount of our equity investments. In addition, if we account for those investments using the equity method of accounting, as we do with respect to our equity interests in EADS and Chrysler Holding LLC, such factors may also affect our proportionate share in the future operating results of our equity investees. For example, EADS announced in 2007 that problems with the Airbus A400M program and resulting delivery delays would negatively affect its operating results. EADS also announced that if the current strength of the euro against the U.S. dollar remains for a prolonged period of time, or if the euro appreciates further, EADS’s future operating results and cash flows may be adversely affected. Also, the future profitability of the Chrysler business and our ability to fully recover our equity investment in that business depend on Chrysler’s business outlook, including its ability to successfully implement its restructuring plans. For more information on how EADS and Chrysler Holding LLC affected the operating results of Vans, Buses, Other, please refer to the discussion under the heading “7. Analysis of Financial Condition and Results of Operation” in “III. Description of Business.”

We also are exposed to credit risk to the extent that we provide, or are obligated to provide,

financial credit in the form of credit lines or other loans to companies in which we hold a non-controlling equity interest. For example, through one of our subsidiaries we have provided a subordinated loan of US\$0.4 billion to an intermediate subsidiary of Chrysler Holding LLC and we have an outstanding commitment to provide second lien loans of up to US\$1.5 billion to Chrysler LLC for use in its automotive business. Please also refer to the discussion under the heading “5. Material Contracts Relating to Business” in “III. Description of Business.”

We may need to make cash contributions or increase provisions with respect to the funding of our pension benefit plans. In addition, our total pension benefit expense may increase.

We have pension and, to a minor degree, other post-employment benefit obligations which are underfunded. The funded status of our off-balance sheet pension and other post-employment 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 increases, mortality rates, retirement rates, and other factors, may lead to increases in the size 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-employment benefit expense in subsequent years.

Actual developments, such as unfavorable developments in the capital markets — particularly with respect to equity and debt 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-employment benefit expense in subsequent years.

An increase in the underfunded status of our pension and other post-employment benefit plans could require us to increase provisions in future periods and to make additional cash contributions to the plans.

Please refer to the discussions under the headings “(f) Discussion of Liquidity and Capital Resources” in “7. Analysis of Financial Condition and Results of Operation” in “III. Description of Business” and to Note 21 to our Consolidated Financial Statements for additional information on employee benefits 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. We are also exposed to equity price risk. Our equity price risk assessment does not include non-controlling equity interests we hold in other companies, which we classify as long-term investments. The equity price risk of the remaining positions is not material to us. In addition, we are exposed to commodity price risk associated with our business operations.

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.

Any market sensitive instruments, including equity and interest bearing securities, that our pension and other post-employment benefit plans hold are not included in this quantitative or qualitative analysis. Please refer to Note 21 to our Consolidated Financial Statements for additional information regarding our pension and other post-employment benefit plans.

For a description of how we account for derivative financial instruments refer to Notes 1 and 29 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 over a target time horizon (holding period) within a given confidence level. 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% statistical probability that the value-at-risk will be exceeded by losses at the end of the five-day holding period.

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 our risk management report regarding our financial instruments in Note 30 to our Consolidated Financial Statements for additional information regarding our exposure to 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 revenue in a currency that is different from the currency in which we incur the costs of generating such revenue. Once we convert the revenue into the currency in which we incur the costs, the revenue may be inadequate to cover the costs if the value of the currency in which we generated the revenue declined in the interim relative to the currency in which we incurred the costs. This risk exposure primarily affects our Mercedes-Benz Cars segment, which generates a significant portion of its revenue in foreign currencies and incurs

manufacturing costs primarily in euros. Our Daimler Trucks segment is also subject to transaction risk, but only to a minor degree because of its global production network. The Mercedes-Benz Vans and Daimler Buses units included in Vans, Buses, Other are also directly exposed to transaction risk, but, in comparison to the Mercedes-Benz Cars and the Daimler Trucks segments, to a minor degree. In addition, Vans, Buses, Other is indirectly exposed to transaction risks through its equity investments in EADS and Chrysler, both of 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 revenue generated in a particular currency balance out costs in the same currency, even if the revenue arises from a different transaction than that in which we incur the costs. As a result, only the unmatched amounts are subject to transaction risk. In addition, natural hedging opportunities exist to the extent that currency exposures of the operating businesses of our segments offset each other at Group level, thereby reducing overall currency exposure. These natural hedges eliminate the need for hedging to the extent of the matched exposures. To provide an additional natural hedge against any remaining transaction risk exposure, 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 from our corporate treasury department, our vehicle businesses and our corporate 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 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 and to hedge short term exposures to a higher extent.

The following table shows the period-end, high, low and average value-at-risk figures for our 2007 and 2006 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.

Value-at-Risk	2007				2006			
	Period-End	High	Low	Average	Period-End	High	Low	Average
	(€in millions)							
Exchange Rate Risk	236	236	147	183	208	326	208	261

The average value-at-risk of the derivative financial instruments we used to hedge exchange rate risk was lower in 2007 compared to 2006. The increase in the value-at-risk at period-end 2007 resulted primarily from increasing exchange rate volatilities during the second half of 2007.

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, revenue, earnings before interest and taxes (EBIT) and net profit (loss) 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, Daimler North America 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 do not hedge against this type of risk. The carrying amounts of our investments in Chrysler may also be negatively affected by changes in the exchange rate between the U.S. dollar and the euro.

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 Daimler Financial Services segment. Our Daimler 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, where economically feasible. 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 Daimler 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 2007 and 2006 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>	<u>2007</u>			<u>2006</u>				
	<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>
Interest Rate Risk	51	54	39	47	32	78	32	48

(€in millions)

The period-end value-at-risk of interest rate sensitive financial instruments was higher in 2007 than 2006 due to increasing interest rate volatilities. The deconsolidation of the Chrysler related interest rate sensitive financial instruments in August 2007 did not materially affect the value-at-risk figures in 2007.

Equity Price Risk

We hold equity investments and equity derivatives. According to international banking standards, we do not include equity investments which we classify as long term investments in our equity price risk assessment. Also not included in this assessment are equity

derivatives used to hedge the market price risk of investments accounted for using the equity method. In 2007, we realized gains from the derivative transactions related to our equity investment in EADS. Changes in the fair market value of these derivatives essentially offset changes in the fair market value of the underlying investment. For further information in this regard, please refer to Note 12 to our Consolidated Financial Statements. The equity price risk of the remaining positions is not, and was not in 2007 and 2006, material to us.

Accordingly, we are not presenting the value-at-risk figures for our equity price risk. Please refer to Note 29 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 2007 and 2006 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 Daimler or could develop in the future. In our view, most of these proceedings constitute ordinary, routine litigation that is incidental to our business. We recognize provisions 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 resolution of some of these pending lawsuits our provisions could prove to be insufficient and therefore substantial additional expenditures could arise. This also applies to legal disputes for which the Group saw no requirement to recognize a provision. Although the final resolution of any such lawsuit could have a material effect on the Group’s earnings in any particular period, Daimler believes that any resulting obligations are unlikely to have a sustained effect on the Group’s earnings, financial position or cash flows. Information on legal proceedings can be found in Note 27 of the Notes to the Consolidated Financial Statements.

5. Material Contracts Relating to Business

(a) Change of Control Clauses

Daimler AG has concluded various material agreements, as listed below, that include clauses regulating the possible occurrence of a change of control:

- A non-utilized syndicated credit line in a total amount of US \$5 billion, which the lenders are entitled to terminate if Daimler AG becomes a subsidiary of another company or comes under the control of one person or several persons acting jointly.
- A joint venture with Ford Motor Company 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.

- An agreement concerning the acquisition of a majority (50.1%) of the newly founded "Automotive Fuel Cooperation", which has the goal of further developing fuel cells for automotive applications and making them marketable. In the case of a change of control at Daimler AG, the agreement allows the right of termination by the other main shareholder, Ford Motor Company, as well as a put option for the minority shareholder, Ballard Power Systems. Control as defined by this agreement is the beneficial ownership of the majority of the voting rights and the resulting right to appoint the majority of the members of the Board of Management.
- An agreement concerning rights to the intellectual property connected with a joint venture with BMW, General Motors and Chrysler for the development of a hybrid drive system, which, in the case of a change of control of one of the parties involved, allows the other parties 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, in the case of a company listed on a stock exchange, 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 company listed on a stock exchange, after the merger the majority of votes are held by the previous owners and no-one has beneficial ownership of more than 20% of the total voting rights; a change of ownership is also understood as the transfer of all or nearly all of the assets.
- An agreement regulating the exercise of voting rights in EADS N.V. In the case of a change of control, this agreement stipulates that Daimler AG is obliged, if so requested by the French party to the agreement, to make all efforts to dispose of its shares in EADS under appropriate conditions to a third party that is not a competitor of EADS or of the French contracting partner of Daimler AG. In this case, the French party has the right of preemption under the same conditions as were offered by a 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 N.V. or of the French contracting party either appoints so many members of the Supervisory Board of Daimler AG that it can appoint the majority of the members of the Board of Management or holds an investment that enables it to control the day-to-day business of Daimler AG.

(b) Material Contracts

On May 14, 2007, DaimlerChrysler AG, DaimlerChrysler North America Finance Corporation, DaimlerChrysler Holding Corporation and a subsidiary of the private equity firm Cerberus Capital Management L.P. (Cerberus) entered into a Contribution Agreement pursuant to which we agreed to transfer a majority interest in the Chrysler Group and the related Chrysler financial services business in the NAFTA region (the Chrysler activities) to a subsidiary of Cerberus. The agreement provided for Cerberus to make a capital contribution of €5.2 billion (US\$7.2 billion) in return for an 80.1% equity interest in Chrysler Holding LLC, a newly established holding company for the Chrysler activities. We retained a 19.9% non-controlling equity interest in Chrysler Holding LLC. The transaction closed on August 3, 2007.

In connection with the Chrysler transaction, our subsidiary DaimlerChrysler North America Finance Corporation agreed pursuant to that certain Second Lien Term Loan Agreement, dated as of August 3, 2007, among Carco Intermediate Holdco II, LLC, Chrysler LLC, the several banks and other financial institutions or entities from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent and the other agents party thereto, as amended to date, to provide second lien loans of up to \$1.5 billion. These loans, which may be drawn by August 3, 2008, would be used in Chrysler's automotive business and would be due February 2014. DaimlerChrysler North America Finance Corporation has the right to sell this commitment or any loan provided thereunder in the credit market, subject to the consent of Chrysler LLC, as borrower, and JP Morgan as administrative agent, such consent not be unreasonably withheld. As of February 11, 2008, Chrysler had not made use of this commitment, but pursuant to the terms of its First Lien Term Loan Agreement, Chrysler is prohibited from allowing the commitments under the Second Lien Term Loan Agreement to expire without drawing the loans.

For additional information on the Chrysler transaction, please refer to Note 2 to our Consolidated Financial Statements.

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 operating businesses. In particular, key challenges 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 these challenges: first, further improvement of conventional combustion engine technology in combination with the development of hybrids as a bridging technology; second, the development of alternative fuels; and third, commercial development of fuel cell propulsion and plug-in electric vehicles. 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-ready vehicles.

Our corporate function for research and advanced engineering

- is closely integrated with the development function of the Mercedes-Benz Cars 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 business units;
- performs research and advanced engineering tasks that cross divisional boundaries or require long lead times;

- assists the product development teams of our operating units in applying new technologies in the design, development and testing of new products and production processes;
- works as a centralized forum for the exchange of new ideas and a think tank for the development of new technologies, materials and concepts; and
- performs internal R&D reviews to ensure the strategic alignment, quality, efficiency, and effectiveness of our programs.

On the corporate level, we conduct our research work in eleven strategic fields 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.
- *Society and Technology:* Interrelationship between society and technology to identify long-term trends.

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 an R&D collaboration regarding hybrid powertrain systems with General Motors and BMW in Troy, Michigan. 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

More than 18,000 men and women were employed at Group Research and in the development departments of Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans, and Daimler Buses at the end of last year (2006: 18,300).

Research and development expenditures represented 4.2% of our total revenue in 2007. Research and development expenditures for all periods presented above do not include the amounts spent by the former Chrysler Group since we present all income and expense items of the Chrysler activities as discontinued operations in our Consolidated Statements of Income. For further information regarding the Chrysler activities and their presentation in our Financial Statements, please refer to Note 2 to our Consolidated Financial Statements.

The table below shows research and development expenditures during each of the last two years:

Research and development expenditures (€in millions)	Year ended December 31,	
	2007	2006
Research and development expenditures	4,148	3,733
thereof: Capitalized development costs	990	715

Expenditure for research and development increased significantly to €4.1 billion in 2007 (2006: €3.7 billion). This figure includes expenditure to secure our very high safety standards and for the further development of alternative drive systems, fuel-cell technology and battery technology. Of the total R&D expenditure, in accordance with IFRS accounting rules, we capitalized development costs in an amount of €1.0 billion.

A key area for *Daimler's* research and development activities in 2007 was once again the ongoing development of conventional drive technologies to achieve engines that are even cleaner and more fuel efficient. In order to reduce CO₂ emissions even further and to be able to offer vehicles that are compatible with future requirements over the long term, we are also working on alternative drive systems such as fuel cells, battery and electric vehicles and lightweight construction methods

The most important projects at *Mercedes-Benz Cars* were the sedan and station wagon of the C-Class, the GLK (a new compact sport utility vehicle), the E-Class and CLK-Class successor models, as well as new-generation engines and alternative drive systems. In total, we increased research and development expenditure at Mercedes-Benz Cars to €2.7 billion from €2.3 billion in 2006.

Daimler Trucks spent €1.0 billion on research and development (2006: €1.0 billion). The focus was on new engines for medium and heavy-duty trucks, the Cascadia successor model for the Freightliner Premium Class, a new light-duty truck of the Mitsubishi Fuso brand, and a new, global truck platform. We are also working intensively on reducing our vehicles' emissions.

R&D expenditure at *Mercedes-Benz Vans* included expenses relating to model upgrades for the Vito/Viano vans and the further development of engines to ensure that they fulfill future emission regulations.

The *Daimler Buses* unit concentrated its development activities on renewing the product range and introducing new drive systems.

7. Analysis of Financial Condition and Results of Operation

Following the transfer of a majority interest in the Chrysler activities, we report the following four segments: Mercedes-Benz Cars (see (b)), Daimler Trucks (see (c)), Daimler Financial Services (see (d)) and Vans, Buses, Other (see (e)).

In connection with the change of the company name from DaimlerChrysler AG to Daimler AG, we also changed the names of our segments as follows: Mercedes Car Group became Mercedes-Benz Cars, Truck Group became Daimler Trucks, and Financial Services became Daimler Financial Services. We continue to report Mercedes-Benz Vans and Daimler Buses, together with all other businesses and investments in businesses not allocated to one of our reportable segments, in Vans, Buses, Other.

Information about EBIT

We measure the performance of our operating segments through a measure of segment profit (loss) which we refer to as “EBIT” in our management and reporting system. EBIT is a new measure of segment profit (loss) which we introduced in 2007 when we changed our financial reporting from U.S. GAAP to IFRS. EBIT has replaced “Operating Profit (Loss)”, which was the performance measure we previously used. For purposes of this Securities Report and the Consolidated Financial Statements included herein, we have recast segment profit (loss) for the years 2006 and – where shown – 2005 consistent with the use of EBIT as the new performance measure.

EBIT comprises gross profit; selling and general administrative expenses; research and non-capitalized development costs; other operating income, net; our share of profit (loss) from companies accounted for using the equity method, net; and other financial income (expense), net. The segment information presented below does not include amounts relating to discontinued operations and prior period figures of reported segments reflect the activities of continuing businesses only.

Our consolidated EBIT is the sum of the EBITs of our segments, adjusted for reconciling items. Reconciling items include elimination entries made in the context of consolidation and corporate and other items which are not part of or allocated to any of our segments. Please also refer to Note 31 to our Consolidated Financial Statements for information on how we determine EBIT.

Overview of Business Segment Revenue and EBIT

You should read the following discussion in conjunction with Notes 1 and 31 to our Consolidated Financial Statements and the discussions under section “III. Description of Business,” “4. Risk Factors.”

The following table presents revenue and EBIT for each of our four segments during the last two fiscal years.

	Year Ended December 31,			
	2007		2006	
	Revenue	EBIT ¹ (Loss)	Revenue	EBIT ¹ (Loss)
(€in million)				
Mercedes-Benz Cars ²	52,430	4,753	51,410	1,783
Daimler Trucks	28,466	2,121	31,789	1,851
Daimler Financial Services	8,711	630	8,106	807
Vans, Buses, Other ²	14,123	1,956	13,151	1,327
Reconciliation / Elimination	(4,331)	(750)	(5,234)	(776)
Total	99,399	8,710	99,222	4,992

1 EBIT includes expenses from compounding of provisions (2007: €444 million; 2006: €418 million).

2 Revenue for 2007 reflect sales of 10,066 Mitsubishi vehicles assembled and sold by one of our subsidiaries in South Africa. The 2006 revenue related to these vehicles are reported in Vans, Buses, Other. Beginning in 2007, we report revenue related to these vehicles in our Mercedes-Benz Cars segment.

The segment discussions hereunder describe in more detail the specific market factors which affected segment EBIT.

(a) Daimler 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.

Revenue

Group revenue increased from €9.2 billion in 2006 to €9.4 billion in 2007. Currency effects negatively affected revenue in 2007. Following is a brief overview of year-to-year changes in revenue of our business segments.

Mercedes-Benz Cars revenue increased 2% from €1.4 billion in 2006 to €2.4 billion in 2007, primarily as a result of higher unit sales.

Daimler Trucks revenue decreased 10% from €1.8 billion in 2006 to €2.5 billion in 2007, following a decline in unit sales of 9%.

Daimler Financial Services revenue increased 7% from €8.1 billion in 2006 to €8.7 billion in 2007, mainly due to the growth of the contract portfolio, in particular the higher number of operating lease contracts.

Vans, Buses, Other revenue increased 7% from €13.2 billion in 2006 to €14.1 billion in 2007, primarily as a result of increased unit sales of Mercedes-Benz Vans and Daimler Buses. In addition, Mercedes-Benz Vans generated higher revenue from the production of a van for Volkswagen in 2007.

Cost of sales

In 2007, cost of sales were €75.4 billion compared to €78.8 billion in 2006, a 4% decrease. As a result of the increase in revenue and the decrease in cost of sales, our gross margin improved from 20.6% in 2006 to 24.1% in 2007. This improvement reflects cost reductions and productivity improvements achieved as part of our efficiency improvement programs and a reduction in depreciation expense due to longer useful lives of our property, plant and equipment. In addition, cost of sales in 2006 were negatively affected by expenses incurred in connection with the restructuring of the smart business (€0.7 billion) and the headcount reduction initiative at Mercedes-Benz Cars (€0.2 billion).

Selling expenses

Selling expenses were largely unchanged at €9.0 billion (2006: €8.9 billion). Selling expenses as a percentage of revenue were 9.0% in both years.

General administrative expenses

General administrative expenses amounted to €4.0 billion in 2007 compared to €4.1 billion in 2006. The decline was primarily the result of lower expenses related to headcount reductions in administrative functions (2007: expenses of €0.2 billion; 2006: expenses of €0.3 billion). General administrative expenses as a percentage of revenue were 4.0% in 2007 compared to 4.1% in 2006.

Research and non-capitalized development costs

Research and non-capitalized development costs were €3.2 billion in 2007 compared to €3.0 billion in 2006. This increase resulted primarily from higher expenses for development projects involving alternative drive systems and the further development of safety features. Research and non-capitalized development costs as a percentage of revenue were 3.2% in 2007 compared to 3.0% in 2006.

Other operating income, net

We recorded other operating income, net, of €7 million compared to €0.6 billion in 2006. In 2007, other operating income includes gains of €0.1 billion from the sale of real estate. Other operating income, net, in 2006 included a significant portion of the gain associated with the disposition of the Off-Highway business, gains from the sale of real estate and other fixed assets, and insurance proceeds, which together amounted to €0.7 billion. You can find further details about the composition of other operating income, net, in Note 5 to our Consolidated Financial Statements.

Share of profit (loss) from companies accounted for using the equity method, net

In 2007, our share of profit (loss) from companies accounted for using the equity method, net, was a net gain of €1.1 billion, compared to a net loss of €0.1 billion in 2006. This increase is primarily the result of gains related to the transfer of a portion of our equity interest in EADS, which amounted to €1.5 billion in 2007. Our proportionate share in the earnings of EADS was a gain of €13 million in 2007, compared to a loss of €0.2 billion in 2006. In addition, since August 4, 2007, we account for our 19.9% equity interest in Chrysler Holding LLC using the equity method with a three-month time lag. In 2007, our proportionate share in the loss of Chrysler Holding LLC was €0.4 billion, which included expenses of €0.3 billion relating to restructuring measures initiated at Chrysler and additional expenses at Chrysler resulting from a new agreement with the UAW, which we recognized without the standard three-month time lag.

Other financial income (expense), net

In 2007, we had other financial expense, net, of €0.2 billion compared to other financial income, net, of €0.1 billion in 2006. Other financial income (expense), net, in 2007 and 2006 included gains of €0.1 billion and €0.5 billion, respectively, resulting from the mark-to-market valuation of derivative transactions entered into with respect to EADS shares. Please refer to Note 6 to our Consolidated Financial Statements for additional information on the composition of other financial income (expense), net.

Interest income (expense), net

In 2007, we had interest income, net, of €0.5 billion, compared to net interest expense of €0.1 billion in 2006. The improvement is primarily due to higher interest income from liquid financial assets during 2007. In addition, improved results from the mark-to-market valuation of derivative financial instruments held by us that do not qualify for hedge accounting treatment also contributed to this increase.

Profit before income taxes

Profit before income taxes in 2007 amounted to €0.2 billion compared to €4.9 billion in 2006.

Income tax expense

Income tax expense was €4.3 billion in 2007 compared to €1.7 billion in 2006. We computed income tax expense in 2007 based on pre-tax income of €9.2 billion and in 2006 based on pre-tax income of €4.9 billion. The effective tax rate was 47.1% in 2007 and 35.4% in 2006. In general, the effective tax rate reflects the composition of our earnings.

The higher effective tax rate in 2007 reflects a €2.2 billion impairment of deferred tax assets mostly held by Chrysler entities in prior years which have been allocated to the Daimler Group following the transfer of a majority interest in the Chrysler activities. We recognized an impairment of these deferred tax assets when we determined that the parameters for realizing future tax benefits associated with those tax assets had changed as a result of the transfer of the Chrysler activities. Largely tax-free gains related to the transfer of a portion of our equity interest in EADS and non-taxable income included in our net periodic pension costs partially mitigated this effect.

The effective tax rate in 2006 was partially affected by largely tax-free income from derivative transactions to hedge price risks of EADS shares and non-taxable income included in our net periodic pension costs.

Net profit from continuing operations

Net profit from continuing operations in 2007 was €4.9 billion compared to €3.2 billion in 2006.

Net profit (loss) from discontinued operations

We had a net loss from discontinued operations of €0.9 billion in 2007 compared to a net profit from discontinued operations of €0.6 billion in 2006. Following the decision to transfer a majority interest in the Chrysler activities to Cerberus, we classified those activities as discontinued operations. For the period from January 1, 2007, to August 3, 2007, the date of the closing of the transaction, the Chrysler activities recorded a net loss of €0.1 billion compared to net profit of €0.6 billion for all of 2006. In 2007, net loss from discontinued operations also includes €0.8 billion of expense related to the deconsolidation of the Chrysler activities.

Net profit

Net profit in 2007 was €4.0 billion compared to €3.8 billion in 2006. Of these amounts, €4.0 billion was net profit attributable to the shareholders of Daimler AG (excluding minority interests) in 2007, while €3.7 billion was attributable in 2006. Basic and diluted earnings per share in 2007, for profit attributable to shareholders of Daimler AG, amounted to €3.83 and €3.80, respectively, compared to basic and diluted earnings per share of €3.66 and €3.64, respectively, in 2006.

Group EBIT

In 2007, Group EBIT was €8.7 billion, a 74% increase over 2006 (€5.0 billion). This increase is mainly attributable to larger EBIT contributions by Mercedes-Benz Cars, Daimler Trucks and Vans, Buses, Other.

EBIT of our Mercedes-Benz Cars segment improved primarily as a result of cost reductions, productivity improvements, increased unit sales and significant restructuring charges in the prior year. Due to efficiency improvements and other factors, Daimler Trucks achieved higher EBIT despite a decrease in unit sales, particularly in the NAFTA region and Japan. Vans, Buses, Other recorded higher EBIT in 2007, primarily as a result of gains realized in connection with the transfer of a portion of our equity interest in EADS. EBIT of Daimler Financial Services was lower than in the prior year, primarily due to additional expenses recognized in 2007 which arose from the need to build up a separate financial services organization dedicated to Daimler in the NAFTA region following the separation from the financial services business of Chrysler.

We improved utilization of our production facilities in connection with the implementation of efficiency improvement programs and we adjusted the depreciation of property, plant and equipment in 2007 to longer useful lives which had the effect of increasing Group EBIT by €0.9 billion. Of that amount, €0.6 billion is attributable to Mercedes-Benz Cars, €0.1 billion to Daimler Trucks and €0.1 billion to Vans, Buses, Other. For further information, please refer to

Note 1 of our Consolidated Financial Statements. Less favorable currency hedging rates negatively impacted EBIT in 2007.

The reconciliation from total segment EBIT to Group EBIT includes corporate expenses of €0.8 billion, which remained virtually unchanged from 2006, and eliminations of transactions within the Group (2007: income of €35 million; 2006: income of €71 million). Corporate expenses in both years mainly related to expenses arising from workforce reductions in the Group's administrative functions (New Management Model) and expenses incurred in connection with legal proceedings that were not attributable to the segments.

The table in "Overview of Business Segment Revenue and EBIT" shows the business segment contributions to Group EBIT. The segment discussions below describe in more detail the specific factors which affected the operating results of each segment.

(b) Mercedes-Benz Cars

	Year ended December 31,			
	2007		2006	
	Revenue (€in mill.)	Unit Sales (units)	Revenue (€in mill.)	Unit Sales (units)
Western Europe	28,972	779,200	29,233	784,800
of which Germany	13,492	342,900	13,326	353,300
NAFTA region	11,655	276,100	11,995	271,800
of which United States	10,600	251,800	11,176	248,600
Asia	6,575	123,400	6,074	108,500
of which Japan	1,855	46,300	2,206	48,500
Other markets	5,228	114,600	4,108	86,700
World / Total	52,430	1,293,200	51,410	1,251,800

Revenue of our Mercedes-Benz Cars segment increased 2% from €51.4 billion in 2006 to €52.4 billion in 2007, while total unit sales went up 3% from 1,251,800 to 1,293,200.

The increase in unit sales was driven by the C-Class (+18%), mainly as a result of the introduction of the new C-Class sedan and station wagon in 2007. Sales of the M-/R-/GL- and G-Class were 2% above the 2006 level, whereas S-Class sales declined slightly in 2007 compared to 2006. Sales of A-/B-Class vehicles and the E-Class decreased 6% and 5%, respectively. smart unit sales were slightly higher in 2007 due to a sales increase following the launch of the new smart fortwo in 2007. Sales in 2006 included unit sales of the smart forfour model which was discontinued in 2006.

In Germany, 2007 revenue of Mercedes-Benz Cars was 1% higher than in 2006. With revenue of €13.5 billion, Germany continues to be the most important market for this segment, representing 26% of the segment's worldwide revenue. In the other Western European countries, revenue of Mercedes-Benz Cars decreased 3% from €15.9 billion in 2006 to €15.5 billion in 2007.

In the United States, revenue declined 5% from €1.2 billion in 2006 to €0.6 billion in 2007, primarily as a result of currency translation effects. Revenue in Japan fell 16% to €1.9 billion in 2007, mainly due to currency translation effects, while revenue in Asia (excluding Japan) went up 22% compared to the previous year, reaching €4.7 billion due to higher unit sales and a more favorable model mix.

In 2007, Mercedes-Benz Cars recorded EBIT of €4.8 billion, compared to EBIT of €1.8 billion in 2006. This increase reflects cost reductions and productivity improvements achieved as part of the CORE efficiency improvement program, a reduction in depreciation expense of €0.6 billion due to longer useful lives of our property, plant and equipment and the absence of the charges taken in 2006 described below. Higher unit sales, primarily of the C-Class, also positively affected EBIT. Currency effects, including less favorable currency hedging rates, and financial support for troubled suppliers negatively affected EBIT in 2007.

EBIT in 2006 was negatively affected by restructuring charges resulting from the discontinuation of the production of the smart forfour (€0.9 billion) and charges related to the headcount reduction under the CORE program (€0.3 billion). In addition, EBIT in 2006 also includes expenses of €0.2 billion resulting from the immediate recognition of provisions for the incremental benefit payments under early retirement agreements concluded in 2006.

(c) Daimler Trucks

	Year ended December 31,			
	2007		2006¹	
	Revenue (€in mill.)	Unit Sales (units)	Revenue (€in mill.)	Unit Sales (units)
Western Europe	9,761	87,700	9,607	85,600
of which Germany	5,634	41,000	5,481	38,800
NAFTA region	7,599	114,000	11,998	187,800
of which United States	6,241	94,600	10,196	163,700
Latin America (excl. Mexico)	2,442	53,000	1,746	39,700
of which Brazil	1,654	27,900	1,171	21,800
Asia (incl. Australia)	5,358	153,200	5,691	151,800
of which Japan	3,215	54,000	4,007	71,100
Other markets	3,306	59,800	2,747	51,200
World / Total	28,466	467,700	31,789	516,100

1 Revenue in 2006 includes revenue from reassembled Sprinter vans sold to the van operating unit for subsequent resale under the Dodge and Freightliner brand names (€0.6 billion). Unit sales do not include those units. Unit sales previously reported for 2006 have been adjusted to exclude the reassembled Sprinter vans.

Revenue of our Daimler Trucks segment went down 10% from €31.8 billion in 2006 to €28.5 billion in 2007 following a 9% decline of our worldwide unit sales from 516,100 units in 2006 to 467,700 units in 2007. The decrease in segment revenue and unit sales was mainly the result of lower demand for trucks in the United States, Canada and Japan, partially offset by higher unit sales in Latin America, Indonesia, and some Eastern European countries.

In the NAFTA region, Daimler Trucks revenue was €7.6 billion, a decrease of 37% compared to 2006. Total unit sales declined by 39% to 114,000 units. The decline in unit sales and revenue reflects a drop in demand after customers brought forward purchases into 2006 in anticipation of the new diesel emission standard EPA 07 combined with a general decline in demand for heavy and medium-duty trucks in the United States due to weaker market conditions. With respect to revenue, the decline in unit sales was partially offset by price increases resulting from higher priced engines required to meet current emissions standards. Unit sales in the United States represent 20% of our total 2007 Daimler Trucks vehicle sales.

In Germany, revenue increased 3% from €5.5 billion in 2006 to €5.6 billion in 2007, while unit sales rose 6% to 41,000 vehicles. Revenue in 2006 included €0.6 billion derived from the sale of reassembled Sprinter vans to the van operating unit. Revenue (€4.1 billion) and unit sales (46,700) in Western Europe (excluding Germany) were virtually unchanged from 2006 levels. Unit sales in Germany represented 9%, and the remaining Western European market 10%, of our total 2007 Daimler Trucks vehicle sales.

Our unit sales in Asia (including Australia) increased from 151,800 units in 2006 to 153,200 units in 2007 while revenue in that region decreased from €5.7 billion in 2006 to €5.4 billion in 2007. Increased unit sales in several regional markets were partially offset by a unit sale decline in Japan. The disproportionate development in overall revenue and unit sales was primarily the result of a shift in model mix and a shift in demand in the region towards those countries with lower retail price levels. Unit sales in Japan, which consisted primarily of sales by MFTBC, declined 24% from 71,100 units in 2006 to 54,000 units in 2007, while revenue decreased 20% from €4.0 billion to €3.2 billion. The decline in revenue and unit sales in Japan was primarily the result of an unusually high sales level in 2006, mainly caused by vehicle replacement purchases required to meet stricter emission regulations. Unit sales in Asia represented 33% of our total 2007 Daimler Trucks vehicle sales.

In Latin America, sales increased 33% from 39,700 units in 2006 to 53,000 units in 2007. Revenue in that region increased 40% to €2.4 billion in 2007. The increase in unit sales and revenue resulted from strong demand, particularly in Brazil, and a more favorable model mix.

In 2007, EBIT of our Daimler Trucks segment increased 15% from €1.9 billion in 2006 to €2.1 billion in 2007, despite an overall decline in unit sales. EBIT was positively affected by cost reductions and other efficiency improvements achieved in the context of our efficiency and optimization program (the Global Excellence Program) and a reduction in depreciation expense of €0.1 billion due to longer useful lives of our property, plant and equipment. In 2007, EBIT was also positively affected by a gain of €0.1 billion from the disposal of real estate in Japan by our subsidiary MFTBC, and a curtailment gain arising from changes to existing pension plans at MFTBC of €0.1 billion. EBIT in 2007 was negatively affected by lower truck sales in the United States, Canada and Japan, which were only partially offset by a more favorable model mix, primarily relating to sales of Mercedes-Benz brand vehicles, and higher unit sales of trucks, primarily in Latin America.

In 2006, EBIT was negatively affected by an increase in future healthcare benefits and a corresponding increase of the provision for post-employment benefit obligations (€0.2 billion) at one of our U.S. subsidiaries, and the immediate recognition of provisions for the incremental benefit payments under early retirement agreements in Germany concluded in 2006 (€0.1 billion).

(d) **Daimler Financial Services**

Revenue (€in million)	Year ended December 31,	
	2007	2006
Western Europe	4,308	4,089
of which Germany	2,508	2,338
NAFTA region	3,546	3,247
of which United States	3,153	2,711
Other markets	857	770
World / Total	8,711	8,106

As a result of the treatment of the Chrysler activities as discontinued operations, the following discussion is limited to our continued financial services business which does not include any amounts relating to the Chrysler financial services business in NAFTA.

Revenue of our Daimler Financial Services segment increased from €8.1 billion in 2006 to €8.7 billion in 2007, a 7% improvement. This increase was primarily due to the growth of the contract portfolio, in particular the higher number of operating lease contracts. For operating lease contracts, we record higher revenue and cost of sales compared to financing and finance lease contracts.

Activities of our Daimler Financial Services segment in the NAFTA region contributed €3.5 billion, or 41%, of total segment revenue in 2007, which is above last year's level of 40%. Revenue generated in Germany was €2.5 billion, or 29%, of total segment revenue in 2007 compared to €2.3 billion, or 29%, of total segment revenue in 2006. Revenue derived from financial services activities in Western Europe (excluding Germany) amounted to €1.8 billion, or 21%, of total segment revenue compared to €1.8 billion, or 22%, in 2006.

In 2007, the Daimler Financial Services segment originated new leasing and finance contracts with a total value of €27.6 billion compared to €27.8 billion in 2006. Substantially all of this 1% decrease in 2007 is due to currency translation effects. At December 31, 2007, our Daimler Financial Services segment managed a portfolio of leasing and finance contracts of €59.1 billion, a 4% increase over the comparable portfolio of €57.0 billion managed at December 31, 2006. Excluding currency translation effects, the continuing portfolio amount in 2007 was 9% larger than in the prior year.

EBIT of Daimler Financial Services amounted to €0.6 billion in 2007, compared to €0.8 billion in 2006. This decrease was primarily due to additional expenses recognized in 2007 which arose from the need to build up a separate financial services organization dedicated to Daimler in the NAFTA region following the separation from financial services business of Chrysler.

Compared to the historic low level in 2006, the increased credit risk resulting from the economic slow down in the United States also had a negative impact on the operating results of this segment.

(e) **Vans, Buses, Other**

	Year ended December 31,			
	2007		2006	
	Revenue (€in mill.)	Unit Sales (units)	Revenue (€in mill.)	Unit Sales (units)
Mercedes-Benz Vans ^{1, 2}	9,341	289,100	8,277	256,900
Daimler Buses	4,350	39,000	4,042	36,200
Off-Highway	—	—	353	—
Real Estate and other businesses ³	508	—	735	11,900
Eliminations	(76)	—	(256)	—
World / Total	14,123	—	13,151	—

- 1 Revenue and unit sales include sales of Sprinter vans to a subsidiary of Chrysler Holding LLC for subsequent resale to dealers under the Freightliner and Dodge brand names.
- 2 Revenue in 2007 and 2006 includes €0.9 billion and €0.4 billion, respectively, from the production of a van for Volkswagen. These vans are not included in our unit sales figures.
- 3 Revenue and unit sales in 2006 reflect sales of Mitsubishi vehicles assembled and sold by one of our subsidiaries in South Africa. Beginning in 2007, we report revenue and unit sales related to these vehicles in our Mercedes-Benz Cars segment.

Revenue we report in Vans, Buses, Other originates primarily from Mercedes-Benz Vans and Daimler Buses. Revenue in 2007 was €14.1 billion compared to €13.2 billion in 2006. In February 2006, we sold our Off-Highway business which contributed €0.4 billion to 2006 revenue.

Revenue and unit sales of Mercedes-Benz Vans both increased 13% in 2007. Revenue went up from €8.3 billion to €9.3 billion and worldwide unit sales increased from 256,900 units to 289,100 units. Revenue in 2007 and 2006 includes revenue of €0.9 billion and €0.4 billion, respectively, from the production of a van for Volkswagen, the sales of which are not included in the unit sales of Mercedes-Benz Vans.

Daimler Buses recorded an 8% improvement in revenue from €4.0 billion in 2006 to €4.3 billion in 2007 and the same percentage increase in worldwide unit sales from 36,200 units in 2006 to 39,000 units in 2007.

EBIT of Vans, Buses, Other increased from €1.3 billion in 2006 to €2.0 billion in 2007. EBIT in 2007 was positively affected by gains related to the transfer of a portion of our equity interest in EADS (€1.6 billion in 2007 compared to €0.5 billion in 2006). For additional information on the transfer of the portion of our equity interest in EADS, please refer to Note 12 to our Consolidated Financial Statements. EBIT in 2007 also included gains resulting from the disposal of real estate (€0.1 billion compared to €0.3 billion in 2006).

In 2007, EBIT of Mercedes-Benz Vans and Daimler Buses was positively affected by higher unit sales and a reduction in depreciation expense due to longer useful lives of property, plant and equipment.

Our proportionate share in EADS's operating results increased from a loss of €0.2 billion in 2006 to a profit of €13 million in 2007. Our share in EADS's profit (loss) reflects a reduced financial interest in 2007 compared to 2006. Our share in EADS's profit in 2007 includes our share in expenses resulting from the delays in delivering the Airbus A400M and expenses

which arose at EADS in connection with its Power8 restructuring program. Our share in EADS's 2006 loss included expenses relating to delays with the Airbus A380 and the decision to develop the Airbus A350 XWB.

Since August 4, 2007, we include our 19.9% equity interest in Chrysler Holding LLC in Vans, Buses, Other using the equity method of accounting with a three-month time lag. In 2007, our proportionate share in the results of Chrysler Holding LLC was a loss of €0.4 billion, which included expenses of €0.3 billion relating to additional restructuring measures initiated at Chrysler and additional expenses at Chrysler resulting from a new agreement with the UAW, which we recognized without the standard three-month time lag.

In 2006, the sale of our Off-Highway business positively affected EBIT by €0.3 billion (including a gain on the sale of €0.2 billion).

(f) Discussion of Liquidity and Capital Resources

In 2007 and 2006, our sources of cash were operations, external borrowings, and sales of finance receivables in securitization transactions. In addition, we had a significant cash inflow in connection with the transfer of a majority interest in the Chrysler activities to Cerberus (net cash inflow €2.6 billion). For further information, please refer to the discussion below under the heading "Analysis of Cash Flow Statement" and to Note 2 to our Consolidated Financial Statements.

In general, we used the funds raised primarily to finance our lease and sales financing business and the working capital and capital expenditure requirements of our industrial businesses. 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 through securitization transactions. We used the additional cash inflow received in connection with the transfer of a majority interest in the Chrysler activities primarily to repay indebtedness and to refinance our cash needs.

We believe the funds available from operations, external borrowings, and securitization transactions 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.

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:

(€in billion)	Year ended December 31,	
	2007	2006
Cash and cash equivalents with an original maturity of three months or less	15.6	8.4
Securities and other liquid assets	1.5	6.0
Liquidity	17.1	14.4

We hold our liquidity primarily in euros and U.S. dollars. As of December 31, 2007, U.S. dollar denominated liquid assets represented 60% and euro denominated liquid assets represented 32% of total liquid financial assets. Liquid financial assets as a whole were 12.6% of total assets compared to 6.6% at the end of 2006.

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 “(d) Market Risks” under “4. Risk Factors” in section “III. Description of Business.”

Analysis of Cash Flow Statement

(€in million)	Year ended December 31,	
	2007	2006
Net cash provided by operating activities	13,088	14,337
<i>thereof from discontinued operations</i>	3,064	6,083
Net cash provided by (used for) investing activities	20,537	(15,857)
<i>thereof from discontinued operations</i>	(2,875)	(7,245)
Net cash provided by (used for) financing activities	(25,204)	2,396
<i>thereof from discontinued operations</i>	(2,655)	(1,488)

Our cash flow statement includes the Chrysler activities from January 1 through August 3, 2007 and for all prior periods presented. Accordingly, the discussion below also reflects cash flow effects arising from the Chrysler Group business and the related Chrysler financial services business in the NAFTA region during those periods.

Cash provided by operating activities in 2007 was €13.1 billion, €1.2 billion below the 2006 level of €14.3 billion. The following factors contributed to this decrease:

- an increase of inventories by €1.8 billion compared to a decrease in 2006 of €0.1 billion; and
- a €0.6 billion increase in interest payments, primarily caused by fees paid for the early redemption of long-term debt, which was only partially offset by €0.3 billion of

additional interest received as a result of higher liquidity, and

- a smaller contribution of cash from the operations of the Chrysler business which is partially due to the fact that cash provided by operating activities in 2007 reflects this business only through August 3, 2007 while in 2006 the full year activities of Chrysler were included.

The negative factors described above were partially offset by:

- lower contributions to our pension and other postretirement benefit funds (€0.7 billion in 2007 compared to €1.2 billion in 2006);
- severance payments related to the headcount reductions at Mercedes-Benz Cars were €0.2 billion in 2007 compared to €0.8 billion in 2006;
- cash outflows in connection with the realignment of the smart business model and the discontinuation of the smart forfour were €0.1 billion in 2007 compared to €0.8 billion in 2006;
- lower income taxes paid in 2007 (€1.0 billion) compared to 2006 (€1.5 billion);
- a decrease of trade receivables in 2007 (€0.2 billion) compared to an increase in 2006 (€0.1 billion); and
- a somewhat smaller period-to-period increase of inventory related receivables from financial services in 2007 compared to 2006;

Overall, cash provided by operating activities in 2007 included €3.1 billion (2006: €6.1 billion) attributable to the Chrysler activities.

Cash provided by investing activities was €20.5 billion in 2007 compared to cash used for investing activities of €15.9 billion in 2006. This change is mostly due to the following factors:

- net cash inflows in 2007 of €22.6 billion attributable to the transfer of the Chrysler activities. In addition to the payment received from the investment by Cerberus in Chrysler Holding LLC (€0.9 billion), cash inflows in 2007 include proceeds from the repayment of inter company receivables related to the refinancing of the Chrysler activities (€24.7 billion), which were partially offset by the reduction in cash and cash equivalents due to the deconsolidation of such activities (€3.0 billion);
- a net cash inflow from the acquisition and sale of securities in the year 2007 of €4.6 billion compared to a net cash outflow in 2006 of €1.4 billion.;
- higher proceeds from the disposal of other businesses compared to 2006. Proceeds in 2007 primarily included €3.6 billion from the transfer of EADS shares while proceeds in 2006 were mainly comprised of €0.9 billion from the sale of our Off-Highway activities;
- a decrease in spending for equipment on operating leases (net of proceeds from disposals) and property, plant and equipment (€1.2 billion in 2007 compared to €16.7 billion in 2006), primarily due to the fact that investing activities of the Chrysler businesses in 2007 are only included through August 3, 2007; and
- proceeds from the sale of properties by MFTBC in 2007 (€1.0 billion).

Cash provided by investing activities included €2.9 billion attributable to discontinued operations compared to €7.2 billion in 2006.

Cash used for financing activities was €25.2 billion in 2007, compared to cash provided by financing activities of €2.4 billion in 2006. This development was primarily due to increased

repayments of financing liabilities and decreased borrowings. The changes were mostly the result of the payments received in the context of the transfer of the Chrysler activities and lower funding requirements from our investing activities. In addition, cash outflows in connection with the share buy back program (€3.5 billion) were only partially offset by cash inflows from capital increases as a consequence of the exercise of stock options (€1.6 billion).

Cash used for financing activities included €2.7 billion of cash provided by financing activities attributable to discontinued operations compared to €1.5 billion in 2006.

Cash and cash equivalents with an original maturity of three months or less increased by €7.2 billion compared to 2006, primarily as a result of cash inflows in 2007 in connection with the transfer of a majority interest in the Chrysler activities, partially offset by negative currency translation effects. Total liquidity, which also includes long-term investments and securities, increased from €14.4 billion in 2006 to €17.1 billion in 2007.

At December 31, 2007, our financing liabilities were €55.0 billion, of which €23.1 billion are due within one year. This compares to financing liabilities of €99.5 billion at December 31, 2006, of which €46.0 billion were due within one year. The decrease in financing liabilities in 2007 is primarily due to the transfer of the majority interest in the Chrysler activities, reflecting both the deconsolidation of Chrysler and the net repayment of financing liabilities with cash inflows received in connection with the closing of the transaction. Currency translation effects, primarily as a result of the depreciation of the U.S. dollar against the euro, also contributed to the decrease in financing liabilities. 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.

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.

Adverse changes in the capital markets, for example, changes caused by the current uncertainty in the U.S. credit market, could increase our funding costs and limit our financial flexibility in the future.

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 financing 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, 2007 and 2006:

Carrying values (€in billions)	Year ended December 31,	
	2007	2006
Notes and bonds	37.1	63.9
Commercial paper	0.1	11.3
Liabilities to financial institutions	12.6	19.0

The decrease of the financing liabilities from 2006 to 2007 is primarily related to the deconsolidation of the Chrysler activities and the de-recognition of the majority of our sold receivables which in certain cases under IFRS must be accounted for as secured borrowings. As of December 31, 2007, sold receivables accounted for as secured borrowings resulted in financing liabilities of €1.7 billion (2006: €2.0 billion). These liabilities are mainly reported under notes and bonds (2007: €1.4 billion; 2006: €18.3 billion). For additional information, please refer to Note 23 to our Consolidated Financial Statements.

As of December 31, 2007, the breakdown by currency of the financing liabilities presented in the table above was as follows: 58% in U.S. dollars, 12% in euros, 8% in Canadian dollars, and 5% in British pounds and 4% in Japanese yen. In most cases, our subsidiaries borrow money in their functional currency. As of December 31, 2007, the aggregate borrowing rate of the financing liabilities presented in the table above was 5.66%, and approximately 64% of these financing liabilities were at fixed rates.

Total financing liabilities recognized in our consolidated financial statements, which also include deposits from our direct banking business as well as liabilities from finance lease transactions, amounted to €5.0 billion (2006: €9.5 billion). Our total financing liabilities represented 41% of total equity and liabilities in 2007 and 46% in 2006. Please refer to Note 23 to our Consolidated Financial Statements for information on the amounts and maturities of our financing liabilities.

On a stand alone basis, our Daimler financial services entities had financing liabilities of €9.9 billion in 2007 and €6.9 billion in 2006. 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.

After the transfer of a majority interest in the Chrysler activities, we began to rearrange our funding programs.

In the United States, we have a US\$25.0 billion debt securities shelf registration on file with the U.S. Securities and Exchange Commission, of which US\$15.3 billion remained unused as of February 11, 2008. We are in the process of updating that shelf registration.

In Canada, we have 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 11, 2008.

In the Euro-Market we have a US\$30 billion Euro-Medium Term Note Program, permitting Daimler AG and several of its subsidiaries to issue notes and bonds. Of this program, US\$9.7 billion remained unused as of February 11, 2008. The program expired in October 2007 and we can currently not raise additional funds under this program. We are currently in the process of updating that program.

The weighted average interest rate payable under notes and bonds we held as of December 31, 2007, was 5.80%.

Credit Lines

At December 31, 2007 and 2006, we had short and long-term credit lines available of €16.6 billion and €4.7 billion, respectively, of which €5.1 billion and €8.2 billion were unused as of such dates. In connection with the closing of the Chrysler transaction on August 3, 2007, we cancelled US\$13 billion of our revolving credit facilities. The weighted average interest rate payable under the lines of credit available to us as of December 31, 2007, was 5.24%. Our credit lines include a multi currency revolving credit facility in the amount of US\$5.0 billion provided by a syndicate of international banks. This syndicated credit facility allows us (Daimler AG) to borrow up to US\$5.0 billion until December 2009, and US\$4.9 billion for the period from December 2009 until December 2011, respectively. A portion of this US\$5.0 billion facility serves as a back-up for commercial paper drawings.

Included in the borrowings from financial institutions were loans of approximately €0.3 billion from the European Investment Bank (EIB), which contain a rating trigger. If any two of the 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."

We transferred our previously reported asset backed commercial paper program in North America to Chrysler in connection with the closing of the Chrysler transaction. We intend to establish an asset-backed securities program in the NAFTA-region in 2008.

Commercial Paper Programs

We have commercial paper programs denominated in U.S. dollars, Canadian dollars and Australian dollars and a multi-currency commercial paper program in the Euro-Market. This multi-currency commercial paper program is for a maximum amount of €10 billion. As of February 11, 2008 the program was almost unused.

The weighted average interest rate payable under commercial paper we have outstanding as of December 31, 2007, was 4.12%.

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	A-	A3	A-	A (low)

Our 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. S&P placed the BBB rating on creditwatch with positive implications immediately after the announcement on May 14, 2007 that a majority interest in Chrysler would be transferred to Cerberus. On August 10, 2007, the long-term rating was upgraded from BBB to BBB+ with a stable outlook. Immediately following the announcement on February 14, 2008 of our preliminary earnings figures for 2007, S&P placed Daimler's long-term rating on credit watch with positive implications due to the positive development of the operational businesses following the separation from Chrysler. On April 4, 2008, S&P raised the long-term rating from BBB+ to A- with a positive outlook.

Moody's Ratings. On February 14, 2007, following the presentation of our preliminary profit figures for 2006 and of Chrysler Group's recovery and transformation plan, Moody's concluded its ratings review and confirmed its Baa1 rating with a negative outlook. The rating had been under review for a possible downgrade since September 15, 2006. Following the announcement of the agreement to transfer the Chrysler activities to Cerberus, Moody's changed the outlook from negative to positive on May 15, 2007. On October 1, 2007, the rating was upgraded from Baa1 to A3 with a continuation of the positive outlook.

Fitch Ratings. Immediately after the announcement of a transfer of a majority interest in Chrysler, on May 14, 2007, Fitch placed the BBB+ rating on rating watch positive. On August 6, 2007, Fitch concluded its rating review and upgraded the rating from BBB+ to A- with a stable outlook.

Dominion Ratings. On February 14, 2007, due to the Chrysler Group's difficult competitive situation, Dominion changed its long-term rating from A (low) to BBB (high). Following the closing of the transfer of a majority interest in Chrysler, Dominion placed the rating under review with positive implications on August 31, 2007. On September 6, 2007, the long-term rating was upgraded from BBB (high) to A (low) with stable outlook.

The short-term ratings of all four rating agencies remained unchanged during 2007.

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. For further information about the possibilities of our board of management, with the approval of our supervisory board, to issue new ordinary shares for cash and to issue convertible bonds and/or notes with attached warrants, please refer to Note 19 to our Consolidated Financial Statements.

Contractual obligations and commercial commitments

The table below presents our on- and off-balance sheet contractual obligations as of December 31, 2007:

<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>	
		(€in millions)			
Long-Term Debt	42,113	12,687	18,934	6,675	3,817
Finance Lease Obligations	655	84	124	98	349
Operating Leases	2,261	323	458	380	1,100
Purchase and Investment Obligations	11,924	11,544	366	13	1
Other Long-Term Obligations	2,780	1,168	1,409	108	95
Total Contractual Obligations	59,733	25,806	21,291	7,274	5,362

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 financing liabilities with original maturities of more than one year. “Finance Lease Obligations” encompass the total minimum future lease payments for finance 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. Therefore, the line “Other Long-Term Obligations” does not include our provisions for income taxes and our provisions for other risks. The contractual cash obligations do also not reflect our pension benefit and other post-employment benefit obligations. For the estimated future pension benefit payments, please refer to Note 21 to our Consolidated Financial Statements.

In addition, the above table does not reflect estimated cash outflows associated with our approved share buyback program and the second-lien loans of up to US\$1.5 billion to Chrysler LLC. For further information, please refer to “5. Material Contracts Relating to Business” in “III. Description of Business.”

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. We subsequently recognize the accumulated differences (the actuarial gains and losses) in our consolidated statements of income (loss) through amortization over future periods when certain conditions are met. Please refer to Note 21 to our Consolidated Financial Statements.

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 defined pension benefit obligations. Plan assets consist of investments in equity securities, debt securities, 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, 2007, our pension plans had an underfunded status of €1.9 billion compared to an underfunded status of €2.3 billion at December 31, 2006. The decrease of the underfunded status of our pension benefit plans in 2007 is mainly attributable to the increase of the discount rates assumed for all significant plans in 2007 and total contributions to the plans of €0.6 billion in 2007, partially offset by the deconsolidation of the overfunded pension plans of the Chrysler activities at December 31, 2006.

Further funding requirements. We do not expect to increase cash contributions to our pension plans substantially in the near term. For 2008, we intend to contribute €0.1 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 post-employment benefit obligations

Following the transfer of a majority interest in the Chrysler activities to Cerberus, our post-employment benefit obligations decreased in 2007. At December 31, 2007, our other post-employment benefit obligations had an underfunded status of €0.7 billion compared to an underfunded status of €4.1 billion at December 31, 2006.

IV. Conditions of Facilities

1. Outline of Capital Expenditures, etc.

Daimler invested €2.9 billion in property, plant and equipment in the year under review. The focus was on investments in new vehicle models that were already launched in 2007 or will be launched in the coming years. €2.0 billion of the total capital expenditure volume was in Germany.

Expenditure for research and development increased significantly to €4.1 billion in 2007 (2006: €3.7 billion). This figure includes expenditure to secure our very high safety standards and for the further development of alternative drive systems, fuel-cell technology and battery technology. Of the total R&D expenditure, in accordance with IFRS accounting rules, we capitalized development costs in an amount of €1.0 billion.

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

(€in millions)	Capital Expenditure		R&D Expenses	
	Year ended December 31,		Year ended December 31,	
	2007	2006	2007	2006
Mercedes-Benz Cars	1,910	1,698	2,733	2,274
<i>thereof capitalized</i>	—	—	705	496
Daimler Trucks	766	912	1,047	1,038
<i>thereof capitalized</i>	—	—	283	211
Daimler Financial Services	29	17	—	—
<i>thereof capitalized</i>	—	—	—	—
Vans, Buses, Other	241	378	368	421
<i>thereof capitalized</i>	—	—	2	8
Daimler Group	2,927	3,005	4,148	3,733
<i>thereof capitalized</i>	—	—	990	715

Mercedes-Benz Cars. In 2007, the increase in capital expenditures primarily reflects significantly increased expenditures for new, more fuel efficient engines. As in the prior year, the main drivers of our investment activities in 2007 were the successor models of the E-Class sedan and station wagon as well as the C-Class models.

Research and development activities of the Mercedes-Benz Cars segment in 2007 primarily related to the development of new car models and new engines and transmissions, including the successor models of the E-Class and the development of a new world diesel engine.

Daimler Trucks. Capital expenditures in 2007 related primarily to our HDEP project, the successor model of the Freightliner Premium Class, Cascadia, and emission regulation technologies.

Research and development expenditures in 2007 focused on new truck generations and new low emission engines, including the HDEP.

Daimler 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 of our continuing financial services business.

Vans, Buses, Other. In 2007, capital expenditures with respect to vans related primarily to the new generation of the Sprinter van. Capital expenditures of our bus operating unit related mainly to the modernization of plants and the construction of a new logistics and delivery center for Setra buses.

Research and development activities of our van and bus operating units in 2007 focused on engines compliant with 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 65 manufacturing facilities worldwide, of which 18 are located in Germany and 17 in the United States. Most of the remaining facilities are in Japan, Mexico, France, Spain, Canada, Brazil, South Africa, and Turkey. We also have other properties, including office buildings, sales and service locations as well as research laboratories, development centers and test tracks. We own most of these facilities and we believe that they 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-Benz Cars

Location	Contents of operations	Number of Employees	
		From division	On site
Sindelfingen, Germany	C-Class Saloon, E-Class Saloon, E-Class Estate, CLS-Class, S-Class, CL-Class, Maybach	26,308 ¹	36,390 ²
Untertürkheim, Germany	Engines, rear axles, front axles, transmissions	17,132 ³	23,287 ²
Bremen, Germany	C-Class Saloon, C-Class Estate, CLK-Class Coupé and Cabriolet, SLK-Class, SL-Class	11,229 ⁴	13,271
Rastatt, Germany	A-/B-Class	5,957	6,170
Berlin, Germany	Engines	2,992	3,115
Hamburg, Germany	Rear axles, front axles	2,324 ⁴	2,608
Tuscaloosa, Alabama, USA	ML-, R-, GL-Class	3,869	3,869
East London, South Africa	C-Class Saloon	2,825	2,825
Juiz de Fora, Brazil	CLC-Class	1,267	1,267
Hambach, France	smart fortwo	828	828

1 Incl. chassis parts production of Hamburg and Bremen plants as well as Untertürkheim plant Gastronomy Services and Corporate Security functions

2 Incl. Research & Development

3 Excl. Untertürkheim plant Gastronomy Services and Corporate Security functions

4 Excl. chassis parts production

Daimler Trucks

Location	Contents of operations	Number of Employees	
		From division	On site
<i>Trucks Europe/Latin America (Mercedes-Benz)</i>			
Wörth, Germany	Truck assembly including driver's cab production; chassis and assembly plant for Unimog	10,909	10,909
Sao Bernardo do Campo, Brazil	Assembly plant, engines, transmissions, stamping	10,417	10,417
Aksaray, Turkey	Assembly plant	1,595	1,595
Mannheim, Germany	Production of commercial vehicle and industrial engines, foundry	5,141	5,141
Kassel, Germany	Driven and non-driven axles, propeller shafts for commercial vehicles; trailer axles	3,077	3,077
Gaggenau, Germany	Transmissions, planetary hub axles, converter production, Consolidation Center (Logistics)	6,477	6,477
Molsheim, France	Assembly plant (special purposes)	532	532
<i>Trucks NAFTA (Freightliner / Sterling / Western Star / Thomas Built Buses)</i>			
Portland, USA	Assembly plant	2,852	2,852
Cleveland, USA	Assembly plant	3,065	3,065
Mount Holly, USA	Assembly plant	1,238	1,238
St. Thomas, Canada	Assembly plant	1,485	1,485
Santiago Tlanguistenco, Mexico	Assembly plant	2,512	2,512

Trucks Asia (Mitsubishi Fuso)

Kawasaki, Japan	Assembly plant, engines	4,589	4,589
Toyama, Japan	Assembly plant	639	639
Tramagal, Portugal	Assembly plant	380	380
Nagoya, Japan	Assembly plant	200	200
Bangkok, Thailand	Assembly plant	161	161

Mercedes-Benz Vans

Location	Contents of operations	Number of Employees	
		From unit	On site
Düsseldorf, Germany	Assembly plant	7,485	7,544
Ludwigfelde, Germany	Assembly plant	2,653	2,653
Vitoria/Barcelona, Spain	Assembly plant	3,683	3,683
González Catan, Argentina	Assembly plant	2,361	2,361
Charleston, USA	Assembly plant	154	154

Daimler Buses

Location	Contents of operations	Number of Employees	
		From unit	On site
Mannheim, Germany	Assembly plant	3,369	3,369
Ulm / Neu-Ulm, Germany	Assembly plant	3,711	3,711
Dortmund, Germany	Assembly plant	181	181
Istanbul-Hosdere, Turkey	Assembly plant	3,263	3,263
Ligny-en-Barrois, France	Assembly plant	415	415
Oriskany, USA	Assembly plant	662	662
Sao Bernardo do Campo, Brazil	Chassis plant	1,882	1,882

Our property, plant and equipment includes buildings, technical equipment, and other equipment capitalized under capital lease agreements. For additional information, please refer to Note 10 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 facilities in Austria, China, and Germany, and we have entered into an agreement with Volkswagen to assemble a van at our German plants. We continue to cooperate with Chrysler in various business fields, such as drive train development, procurement, distribution and financial services outside the NAFTA region.

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.

3. Plans for Installation and Removal of Facilities

During the planning period of 2008 through 2010, Daimler expects to invest a total of €12.6 billion in property, plant and equipment. The planned investments are significantly higher than in the prior years, primarily at Mercedes-Benz Cars but also at Daimler Trucks.

Investments in property, plant and equipment (€in billion)	Period	
	2007	2008-2010
Mercedes-Benz Cars	1.9	8.2
Daimler Trucks	0.8	3.3
Daimler Financial Services	0.03	0.1
Vans, Buses, Other	0.2	1.0
Daimler Group	2.9	12.6

Mercedes-Benz Cars. At the Mercedes-Benz Cars division, the focus of investment will be on advance expenditure for new vehicles such as the GLK (a compact sport utility vehicle) and new models of the E-Class and the CLK coupe. Substantial investment is also planned for new families of engines with low fuel consumption and emissions, as well as for the increased application of alternative drive systems.

Daimler Trucks. The focus in the coming years at Daimler Trucks is on capital expenditure for new platforms for heavy and medium trucks, new global engine projects, technology for reducing emissions, and the expansion and modernization of production capacities. In this context, we will expand our operations in emerging markets such as India.

Vans, Buses, Other. At Mercedes-Benz Vans, the main areas of investment are for the model upgrade for the Vito and Viano vans and for setting up a van plant in China. Key projects at Daimler Buses include advance expenditure for future emission technologies and alternative drive systems as well as investment in penetrating new markets in Asia and Russia.

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: (as of December 31, 2007)	1,542,680,186
Issued and outstanding Shares: (as of December 31, 2007)	1,013,868,596
Shares not yet issued: (as of December 31, 2007)	528,811,590
	183,262,190 (authorized capital I)
	183,262,190 (authorized capital II)
	9,529,633 (authorized capital III)
	109,957,314 (conditional capital I)
	42,800,263 (conditional capital II)

Authorized capital I: The Board of Management is authorized with the consent of the Supervisory Board to increase the Company's capital stock in the period until April 8, 2008 by a total of €500,000,000.00, in one lump sum or by several partial amounts at different times, by issuing new, registered no par value shares in exchange for cash contributions. Authorized capital I has been renewed by resolution of the shareholders' meeting on April 9, 2008 until April 8, 2013.

Authorized capital II: The Board of Management is authorized with the consent of the Supervisory Board to increase the Company's capital stock in the period until April 8, 2008 by a total of €500,000,000.00, in one lump sum or by several partial amounts at different times by issuing new, registered no par value shares in exchange for non-cash contributions. Authorized capital II has been renewed by resolution of the shareholders' meeting on April 9, 2008 until April 8, 2013.

Authorized capital III: The Board of Management was authorized to increase the capital stock of the corporation through April 8, 2008 by a total of €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 Daimler AG and its subsidiaries. Authorized capital III has expired on April 8, 2008 and has not been renewed.

Conditional capital I: The capital stock of the corporation shall be conditionally increased by an amount not to exceed €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 Daimler 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 Daimler 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 €16,773,306.16 through the issuance of up to 42,800,263 no par value registered shares. The conditional capital increase shall be undertaken only to the extent that the holders of option rights, issued by Daimler 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.

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: (as of December 31, 2007)	1,013,868,596
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.
Reference:	N/A

(b) Changes in the Number of Issued and Outstanding Shares and Share Capital

Date or time	Increase / Decrease in capital stock	Total share capital after the increase / decrease in € (ten thousand Yen)	Remarks
Balance as of Dec. 31, 2002	1,012,803,493 shares	2,633,289,081.80 (41,469,036)	End of fiscal 2002
Fiscal 2003	€53,814.80 20,698 shares	2,633,342,896.60 (41,469,884)	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 (41,469,884)	End of fiscal 2003
Fiscal 2004	—	—	—
Balance as of Dec. 31, 2004	1,012,824,191 shares	2,633,342,896.60 (41,469,884)	End of fiscal 2004
Fiscal 2005	€13,906,113.00 5,348,505 shares	2,647,249,009.60 (41,688,877)	Exercise of stock options
Balance as of Dec. 31, 2005	1,018,172,696 shares	2,647,249,009.60 (41,688,877)	End of fiscal 2005
Fiscal 2006	€25,976,743.00 9,991,055 shares	2,673,225,752.60 (42,097,959)	Exercise of stock options
Balance as of Dec. 31, 2006	1,028,163,751 shares	2,673,225,752.60 (42,097,959)	End of fiscal 2006
Jan 1 to Sept 28, 2007	€75,748,998.00 29,134,230 shares	2,748,974,750.60 (43,290,854)	Exercise of stock options
Sept 29, 2007	€0.00 (13,235,000 shares)	2,748,974,750.60 (43,290,854)	Cancellation of shares after share buyback
Sept 29 to Dec 15, 2007	€17,194,839.84 6,530,615 shares	2,766,169,590.44 (43,561,639)	Exercise of stock options
Dec 20, 2007	€0.00 (36,725,000 shares)	2,766,169,590.44 (43,561,639)	Cancellation of shares after share buyback
Balance as of Dec. 31, 2007	1,013,868,596 shares	2,766,169,590.44 (43,561,639)	End of fiscal 2007

In accordance with the authorization granted by our shareholders at the annual general meeting held on April 4, 2007, the board of management and the supervisory board approved a program on August 29, 2007, for the company to acquire up to 10% of its share capital for a maximum consideration of €7.5 billion. At December 31, 2007, Daimler AG had repurchased 49,960,000 shares at an average per share price of €9.66 for an aggregate consideration of €3.48 billion. The repurchased shares represent 4.73% of the shares outstanding at the beginning of the buyback program.

Shares bought back were cancelled without reducing the company's capital stock. As a result pro-rata amount of the share capital attributable to one share increased during the year 2007 from €2.60 to around €2.73 per share at year-end 2007. This is reflected in the changes in capital stock shown in the table above.

For a description of the stock option plans for our management and employees, such as the exercise prices, please refer to Note 20 of our Consolidated Financial Statements. Issuance of new shares under conditional capital II in case of execution of stock options leads to a corresponding increase of capital stock in the pro-rata amount of the share capital attributable to the new shares at the business day following to the exercise date (valuta date). As a result the conditional capital II will be reduced correspondingly in the amount by which the capital stock increases.

During the first quarter of 2008, the company bought back additional 49,808,314 shares. These shares were cancelled at the end of April 3, 2008, again without reducing the capital stock and therefore increasing the pro-rata amount of the share capital attributable to each share to around €2.87. As of April 4, 2008, the number of issued shares amounted to 964,080,082 and the total share capital amounted to €2,766,223,611.40

(c) Distribution of Share by Holders

As of December 31, 2007, we had approximately 1.2 million stockholders. Approximately 210,000 were U.S. holders, of which approximately 50,000 were record holders. Based on our share register, U.S. holders held approximately 21% of our ordinary shares as of that date.

As of December 31, 2007, the current members of our supervisory board and our board of management, as a group, owned 133,443 of our ordinary shares (0.01% of all outstanding shares) and had the right to acquire 2,643,000 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 company, 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 20 to our Consolidated Financial Statements.

As part of our value based management approach, we support employee stock ownership. We offer employees of our subsidiaries in Germany, Austria, France, Italy, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom the opportunity to purchase Daimler AG ordinary shares. In 2007, each eligible employee in Germany had the right to acquire up to 90 shares with a maximum aggregate discount of €135 plus one bonus share. In total, employees in Germany acquired approximately 440,000 shares in 2007. 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 15,000 shares in 2007.

The tables below provide a breakdown of the shareholder structure by both the type of shareholder and the major regions as of December 31, 2007:

December 31, 2007

By type of shareholder

Kuwait Investment Authority	7.2%
Institutional investors	75.9%
Retail investors	16.9%

By region

Germany	39.0%
Europe excl. Germany	32.3%
USA	21.2%
Rest of the world	7.5%

Please refer to Notes 1, 19 and 20 to our Consolidated Financial Statements for additional information.

(d) Major shareholders

The table below shows the number of ordinary shares of the major shareholders as defined under Japanese regulation, and their percentage of ownership as of December 31, 2007:

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	7.2%
Deutsche Bank AG	44,808,714	4.4%

Our capital stock consists of ordinary shares without par value (Stückaktien). Our ordinary shares are issued in registered form. Under our 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.

As of December 31, 2007, the Kuwait Investment Authority, as agent for the Government of the State of Kuwait, held 73,169,320 shares, or 7.2%, of our outstanding shares. In addition, Deutsche Bank AG held 4.4% of our outstanding shares as of that date.

Changes after the end of Fiscal Year 2007

On February 11, 2008, UBS AG Zurich and Basel, Switzerland has informed us according to Article 21, Section 1 of the WpHG (German Securities Trading Act) that via shares its voting rights in Daimler AG, Stuttgart, Deutschland, have exceeded the threshold of 3% of the voting rights on February 5, 2008 and now amount to 3.21% (this corresponds to 32,589,832 voting rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 0.34% of the voting rights (this corresponds to 3,514,921 voting rights) are to be attributed to the company.

On February 14, 2008, UBS AG Zurich and Basel, Switzerland has informed us according to Article 21, Section 1 of the WpHG (German Securities Trading Act) that via shares its voting rights in Daimler AG, Stuttgart, Deutschland, fell below the threshold of 3% of the voting rights on February 8, 2008 and now amount to 2.83% (this corresponds to 28,739,784 voting rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 0.70% of the voting rights (this corresponds to 7,136,613 voting rights) are to be attributed to the company.

On February 20, 2008, Capital Research and Management Company, Los Angeles, USA, has informed us according to Article 21, Section 1 of the WpHG (German Securities Trading Act) that its voting rights in Daimler AG, Stuttgart, Deutschland, exceeded the threshold of 3% of the voting rights on February 14, 2008 and now amount to 3.03% (this corresponds to 30,688,637 voting rights). According to Article 22, Section 1, Sentence 1, No. 6 of the WpHG, 3.03% of the voting rights (this corresponds to 30,688,637 voting rights) are to be attributed to Capital Research and Management Company.

On February 20, 2008, UBS AG Zurich and Basel, Switzerland has informed us according to Article 21, Section 1 of the WpHG (German Securities Trading Act) that via shares its voting rights in Daimler AG, Stuttgart, Deutschland, have exceeded the threshold of 3% of the voting rights on February 14, 2008 and now amount to 3.64% (this corresponds to 36,932,557 voting rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 0.73% of the voting rights (this corresponds to 7,430,135 voting rights) are to be attributed to UBS AG.

On March 12, 2008, Daimler AG informs according to Article 26, Section 1 Sentence 2 German Securities Trading Act that its own shares in Daimler AG, Stuttgart, Deutschland, have exceeded the 3% threshold of the voting rights on March 12, 2008 and now amount to 3.20% (this corresponds to 32,485,868 voting rights).

On April 4, 2008, Daimler AG informs according to Article 26, Section 1 Sentence 2 German Securities Trading Act (WpHG) that its own shares in Daimler AG, Stuttgart, Deutschland, fell below the 3% threshold of the voting rights by the end of April 3, 2008 and now amount to 0.00% (this corresponds to 0 voting rights).

On April 4, 2008, Deutsche Bank Aktiengesellschaft, Frankfurt am Main, has notified us pursuant to Section 21, Subsection 1 and Section 24 of the German Securities Trading Act that on April 1, 2008, DB Equity S.à r.l., 6, avenue Pasteur, L – 2310 Luxembourg, fell below the threshold participation interest of 3% of the voting rights in Daimler AG, Mercedesstraße 137, 70546 Stuttgart, and presently holds 0.02% (equals to 153,714 voting rights) of our voting stock. Deutsche Bank Aktiengesellschaft also notified us pursuant to Section 21, Subsection 1 and Section 24 of the German Securities Trading Act that on April 1, 2008, also DB Valoren S.à r.l., 6, avenue Pasteur, L – 2310 Luxembourg, fell below the threshold participation interest of 3% of the voting rights in Daimler AG, Mercedesstraße 137, 70546 Stuttgart, Germany, and presently holds 0.02% (equals to 153,714 voting rights) of our voting stock. These voting rights are attributed to DB Valoren S.à r.l., according to Section 22, Subsection 1, Sentence 1, No. 1 German Securities Trading Act. Further Deutsche Bank Aktiengesellschaft has informed us, that the overall participation interest in the voting stock held by the Deutsche Bank AG has not changed by this transaction in a way that would require a notification.

(e) Related party transactions

For a description of our related party transactions, please refer to Note 34 to our Consolidated Financial Statements.

2. Dividend Policy

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 €1,542 million for the 2006 financial year, representing a dividend of €1.50 per share.

On April 9, 2008, the annual meeting resolved to distribute €1,928 million of the unappropriated profit for the 2007 financial year, representing a dividend of €2.00 per each share entitled to dividend payment.

For additional information on dividends and exchange rates please refer to “I. Outline of the Legal and other Systems of the Company’s Country of Incorporation” and “5. Description of Corporate Governance” in “V. Description of the Company.”

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))	
2003	37.58 (5,918.0984)	23.71 (3,733.8508)
2004	39.41 (6,206.2868)	31.63 (4,981.0924)
2005	45.65 (7,188.962)	30.20 (4,755.896)
2006	50.09 (7,888.1732)	37.01 (5,828.3348)
2007	77.76 (12,245.6448)	46.30 (7,291.324)

(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 2007	69.34 (10,919.6632)	64.66 (10,182.6568)
August 2007	66.48 (10,469.2704)	59.40 (9,354.312)
September 2007	70.64 (11,124.3872)	63.88 (10,059.8224)
October 2007	77.76 (12,245.6448)	71.79 (11,305.4892)
November 2007	74.96 (11,804.7008)	64.24 (10,116.5152)
December 2007	70.25 (11,062.97)	64.15 (10,102.342)

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 Daimler AG and to enter into binding agreements with third parties on its 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 changes occurred on our supervisory board in 2007:

- The term of office of Hilmar Kopper ended effective April 4, 2007;
- Clemens Börsig was elected as a supervisory board member, effective April 4, 2007, for a term of five years;
- Ron Gettelfinger resigned from the supervisory board, effective September 1, 2007;

- Udo Richter resigned from the supervisory board, effective September 30, 2007;
- Uwe Werner was appointed as a supervisory board member, effective October 1, 2007, for a term ending with the next annual general meeting to be held in 2008;
- Valter Sanches was appointed as a supervisory board member, effective November 21, 2007, for a term ending with the next annual general meeting to be held in 2008;
- Earl G. Graves resigned from the supervisory board, effective December 31, 2007; and
- Peter A. Magowan resigned from the supervisory board, effective December 31, 2007.

In addition, the following changes occurred since year-end 2007:

- Dr. Jürgen Hambrecht was appointed by the local district court as a member of the supervisory board effective February 8, 2008, for a term ending with the next annual general meeting to be held in 2008.
- Sari Baldauf was appointed by the local district court as a member of the supervisory board effective February 11, 2008, for a term ending with the next annual general meeting to be held in 2008.
- Following to the election of the employee's representatives at the beginning of 2008 and effective with the end of the Annual Meeting on April 9, 2008, Gerd Rheude and Wolf Jürgen Röder were succeeded by Ansgar Osseforth and Jörg Hofmann as members of the Supervisory Board, representing the employees.
- On April 9, 2008, the Annual Meeting of our shareholders elected Ms. Sari Maritta Baldauf and Dr. Jürgen Hambrecht as shareholder representatives into the Supervisory Board.

The following table shows the members of our Supervisory Board as of April 10, 2008. Employee representatives are identified by an asterisk.

Name (Birthday mm/dd/yyyy)	Position/ Responsibility at the Company	Brief Resume / First appointed / Term expires
Dr. Manfred BISCHOFF (04/22/1942)	Chairman	Former Chairman of the Board of EADS N.V. First appointed: 04/12/2006 Term expires: 2011
Erich KLEMM* (04/25/1954)	Deputy Chairman of the Supervisory Board	Chairman of the Corporate Works Council, Daimler AG and Daimler Group First appointed: 12/15/1998 Term expires: 2013
Sari Maritta BALDAUF (08/10/1955)	—	Former Executive Vice President and General Manager of the Networks Business Group of Nokia Corporation First appointed: 02/11/2008 Term expires: 2013
Dr. Clemens BÖRSIG (07/27/1948)	—	Chairman of the Supervisory Board of Deutsche Bank AG First appointed: 04/04/2007 Term expires: 2012

Prof. Dr. Heinrich FLEGEL* (10/13/1948)	—	Director Research Materials and Manufacturing, Daimler AG; Chairman of the Management Representative Committee, Daimler Group First appointed: 04/09/2003 Term expires: 2013
Dr. Jürgen HAMBRECHT (08/20/1946)	—	Chairman of the Board of Executive Directors of BASF SE First appointed: 02/08/2008 Term expires: 2013
Jörg HOFMANN* (12/03/1955)	—	District Manager of German Metalworkers' Union Baden-Württemberg (IG Metall) First appointed: 04/09/2008 Term expires: 2013
Dr. Thomas KLEBE* (08/14/1948)	—	General Counsel of the German Metalworkers' Union First appointed: 04/09/2003 Term expires: 2013
Arnaud LAGARDÈRE (03/18/1961)	—	General Partner and CEO of Lagardère SCA First appointed: 04/06/2005 Term expires: 2010
Jürgen LANGER* (11/07/1954)	—	Chairman of the Works Council of the Frankfurt/Offenbach Dealership, Daimler AG First appointed: 04/09/2003 Term expires: 2013
Helmut LENSE* (11/26/1951)	—	Chairman of the Works Council, Stuttgart Untertürkheim Plant, Daimler AG First appointed: 12/15/1998 Term expires: 2013
Ansgar OSSEFORTH* (11/10/1946)	—	Member of the Works Council Sindelfingen Plant, Daimler AG First appointed: 04/09/2008 Term expires: 2013
William A. OWENS (05/08/1940)	—	Retired President and Chief Executive Officer of Nortel Networks Corporation; CEO and Chairman of AEA Holdings Asia First appointed: 11/04/2003 Term expires: 2009
Valter SANCHES* (02/02/1964)	—	General Secretary of Confederação Nacional dos Metalúrgicos/CUT (National Confederation of Metalworkers Brazil) First appointed: 11/21/2007 Term expires: 2013

Dr. rer. pol. Manfred SCHNEIDER (12/21/1938)	—	Chairman of the Supervisory Board of Bayer AG First appointed: 05/18/1999 Term expires: 2009
Stefan SCHWAAB* (05/09/1952)	—	Vice Chairman of the Works Council, Gaggenau Plant, Daimler AG; Vice Chairman of the Corporate Works Council, Daimler AG and Daimler Group First appointed: 10/26/2000 Term expires: 2013
Bernhard WALTER (03/03/1942)	—	Former Speaker of the Board of Management of Dresdner Bank AG First appointed: 05/18/1999 Term expires: 2009
Uwe WERNER* (10/11/1952)	—	Chairman of the Works Council, Bremen Plant, Daimler AG First appointed: 10/01/2007 Term expires: 2013
Lynton R. WILSON (04/03/1940)	—	Chairman of the Board of CAE Inc.; Chairman Emeritus, Nortel Networks Corporation; Chancellor, McMaster University First appointed: 05/18/1999 Term expires: 2009
Dr. Ing. Mark WÖSSNER (10/14/1938)	—	Former CEO and Chairman of the Supervisory Board of Bertelsmann AG First appointed: 05/18/1999 Term expires: 2009

* Employee representatives

The supervisory board held nine meetings in 2007. It has established and maintains the following committees responsible for audit, nomination 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. The current members of the presidential committee are Manfred Bischoff, Erich Klemm, Thomas Klebe, and Manfred Schneider. Manfred Bischoff succeeded Hilmar Kopper as chairman of the presidential committee, and Manfred Schneider was elected as a member of the presidential committee representing the shareholders, effective April 4, 2007. The presidential committee held four meetings in 2007.
- 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. The current members of the audit committee are Bernhard Walter, Clemens Börsig, Erich Klemm and Stefan Schwaab. Clemens Börsig was elected as member of the audit committee representing the shareholders, effective April 4, 2007. The audit committee held eight meetings in 2007.

- In December 2007, the supervisory board established a *nomination committee* in accordance with the requirements of the German Corporate Governance Code. The nomination committee, which consists exclusively of shareholder representatives of the supervisory board, recommends candidates as future shareholder representatives of the supervisory board. The current members of the nomination committee are Manfred Bischoff, Manfred Schneider and Lynton R. Wilson.

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

(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 six 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.

In connection with the closing of the Chrysler transaction in August 2007, our supervisory board and its presidential committee resolved to make the following changes to our board of management:

- The termination of the term of office of Thomas W. LaSorda, who was responsible for Chrysler Group, effective August 3, 2007;
- The termination of the term of office of Eric R. Ridenour, who also served as Chief Operating Officer of Chrysler Group, effective August 3, 2007;
- The termination of the term of office of Thomas W. Sidlik, who was responsible for

Global Procurement & Supply, effective August 3, 2007; and

- The assumption by Bodo Uebber of the additional responsibility for Corporate Procurement Services, effective August 3, 2007.

The table below shows each member of our Board of Management as of December 31, 2007:

Name (Birthday mm/dd/yyyy)	Position/ Responsibility	Brief Resume / First appointed to current position/ Term expires
Dr.-Ing. Dieter ZETSCHKE (05/05/1953)	Chairman of the Board of Management and Head of Mercedes- Benz Cars	Joined Daimler-Benz in 1976 First appointed: 01/01/2006 Term expires: 2010
Günther FLEIG (02/02/1949)	Human Resources & Labor Relations Director	Joined Daimler-Benz in 1980 First appointed: 10/01/1999 Term expires: 2009
Dr. phil. Rüdiger GRUBE (08/02/1951)	Corporate Development	Joined Daimler-Benz in 1989 First appointed: 10/01/2001 Term expires: 2010
Andreas RENSCHLER (03/29/1958)	Daimler Trucks	Joined Daimler-Benz in 1988 First appointed: 10/01/2004 Term expires: 2010
Bodo UEBBER (08/18/1959)	Finance & Controlling / Daimler Financial Services	Joined Daimler-Benz in 1985 First appointed: 12/16/2004 Term expires: 2011
Dr.-Ing. Thomas WEBER (05/26/1954)	Group Research & Mercedes-Benz Cars Development	Joined Daimler-Benz in 1987 First appointed: 05/01/2004 Term expires: 2010

For further information, especially regarding remuneration, retirement provisions and benefits upon termination of service, please read the compensation report hereunder.

(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.

In 2007, each member of our Supervisory Board received €75,000 annually for serving on the board plus reimbursement of expenses. The chairman of our Supervisory Board received three times that amount. We paid 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 paid the compensation payable for the

highest paying function held by that member. All members of the Supervisory Board received a flat fee of €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 Daimler employees) for the year ended December 31, 2007, as disclosed in accordance with the German Corporate Governance Code:

Name	Function(s)	Total 2007 (in €)
Dr. Manfred Bischoff ¹	Member and, since April 4, 2007, chairman of the Supervisory Board and the Presidential Committee	207,081
Hilmar Kopper	Chairman of the Supervisory Board and the Presidential Committee and member of the Audit Committee (until April 4, 2007)	63,445
Erich Klemm ²	Deputy Chairman of the Supervisory Board, Presidential Committee and Audit Committee	173,100
Dr. Clemens Börsig	Member of the Supervisory Board and the Audit Committee (since April 4, 2007)	86,958
Prof. Dr. Heinrich Flegel	Member of the Supervisory Board	84,900
Ron Gettelfinger ³	Member of the Supervisory Board (until September 1, 2007)	56,532
Earl G. Graves	Member of the Supervisory Board	83,800
Dr. Thomas Klebe ^{2, 4}	Member of the Supervisory Board and the Presidential Committee	111,800
Arnaud Lagardère ¹	Member of the Supervisory Board	76,100
Jürgen Langer ²	Member of the Supervisory Board	84,900
Helmut Lense ²	Member of the Supervisory Board	83,800
Peter A. Magowan	Member of the Supervisory Board	81,600
William A. Owens	Member of the Supervisory Board	84,900
Gerd Rheude ²	Member of the Supervisory Board	84,900
Udo Richter ²	Member of the Supervisory Board (until September 30, 2007)	64,896
Wolf Jürgen Röder ²	Member of the Supervisory Board	84,900
Valter Sanches ³	Member of the Supervisory Board (since November 21, 2007)	9,525

Dr. Manfred Schneider	Member of the Supervisory Board and (since April 4, 2007) member of the Presidential Committee	104,073
Stefan Schwaab ²	Member of the Supervisory Board and the Audit Committee	116,200
Bernhard Walter	Member of the Supervisory Board and Chairman of the Audit Committee	167,600
Uwe Werner ²	Member of the Supervisory Board (since October 1, 2007)	20,004
Lynton R. Wilson ⁵	Member of the Supervisory Board	84,900
Dr. Mark Wössner	Member of the Supervisory Board	83,800

- 1 Mr. Bischoff (for the period until April 5, 2007) and Mr. Lagadère also received compensation in 2007 and meeting fees for 2007 in their capacity on the board of directors of EADS N.V. amounting to €53,750 and €63,750, respectively.
- 2 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.
- 3 Mr. Gettelfinger, President of the United Auto Workers, resigned from his position effective September 1, 2007. Mr. Gettelfinger and Mr. Sanches have directed that their board compensation shall be paid to the Hans-Böckler Foundation.
- 4 Mr. Klebe also received compensation and meeting fees of €1,400 for his board services at Daimler Luft- und Raumfahrt Holding AG and the former DaimlerChrysler Aerospace AG (now Daimler Aerospace GmbH & Co. KG). Footnote 2 applies respectively.
- 5 Mr. Wilson also received €6,812 for his Board services at Mercedes-Benz Canada Inc., Chrysler Canada Inc. and DaimlerChrysler Financial Services Canada Inc.

On April 9, 2008, the Annual Meeting resolved a change in the Supervisory Board's remuneration. According to that resolution, the remuneration shall amount to €100,000.00 for the individual member, three times this amount for the Chairman of the Supervisory Board, twice this amount for the Deputy Chairman of the Supervisory Board and the Chairman of the Audit Committee, 1.5 times this amount for chairmen of other Supervisory Board committees and for members of the Audit Committee, and 1.3 times this amount for members of the other Supervisory Board committees. If a member of the Supervisory Board exercises several of the aforementioned functions, he or she shall be remunerated solely according to the function with the highest remuneration. Membership of a committee for a financial year is only remunerated if the relevant committee has held at least one meeting in discharge of its duties in that period. The members of the Supervisory Board shall receive a flat fee of €1,100.00 for each meeting of the Supervisory Board and its committees that they attend as members.

Board of Management

We have entered into service agreements with members of our board of management. Pursuant to these agreements, the 2007 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 Daimler's planned EBIT for the most recent financial year is achieved and 50% of which is determined by comparing the actual EBIT for that year with the prior year's EBIT. Bonuses are expressed as a percentage of base salary and may be adjusted, upward or downward, based on total shareholder return, and individual performance. In this regard, the supervisory board also established individual targets for the members of the board of management in order to fully implement and enforce all compliance policies and guidelines of the company and to ensure all necessary measures to establish a sustainable compliance environment. The achievement of compliance targets cannot increase the annual bonus, i.e., even if targets are fully achieved, the effect on compensation is neutral. If compliance targets are not accomplished, however, annual bonuses will be reduced accordingly.
- *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 Daimler'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 calculated the number of phantom shares earned by the participant based on the plan conditions that were previously defined at the grant date, 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 Daimler 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 Daimler 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 Daimler shares throughout the period of their board membership.

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 2007, as disclosed in accordance with German law (Vorstandsvergütungs Offenlegungsgesetz). For information on compensation paid to Messrs. LaSorda, Ridenour and Sidlik, please refer to the discussion under the heading

“Compensation to board members whose term of office was terminated following the Chrysler transaction” below.

	Base Salary	Benefits in kind	Annual Bonus	Mid-term and Long-term¹ Compensation	Total
Dr. Dieter Zetsche	1,500	369	5,395	1,286	8,550
Günther Fleig	525	203	1,787	708	3,223
Dr. Rüdiger Grube	550	185	1,753	710	3,198
Andreas Renschler	550	162	1,910	184	2,806
Bodo Uebber	600	180	2,135	606	3,521
Dr. Thomas Weber	525	764	1,787	593	3,669
Total	4,250	1,863	14,767	4,087	24,967

1 The figures shown comprise the payouts under the 2004 Medium Term Incentive and the dividend equivalent paid with respect to phantom shares allocated under the current Performance Phantom Share Plans. The Medium Term Incentive is a stock-based compensation component that was replaced by the Performance Phantom Share Plan in 2005.

The following table sets forth the performance phantom shares granted in 2007 to members of our board of management:

	Phantom Shares granted
Dr. Dieter Zetsche	55,826
Günther Fleig	24,107
Dr. Rüdiger Grube	22,838
Andreas Renschler	24,868
Bodo Uebber	26,644
Dr. Thomas Weber	24,107
Total	178,390

The reference share price for the initial allocation of phantom shares is the average price of Daimler 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 €49.26 per phantom share in 2007. No cash payment was made in this connection in 2007, the members of the board of management will receive the cash payment in 2011. Prior to the scheduled pay out, 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. Furthermore, the payout continues to depend on the share price at the time of payment.

Compensation to board members whose term of office was terminated following the Chrysler transaction. The following table sets forth the 2007 compensation (in thousands of euro) we paid to those members of our board of management who left the board effective August 3, 2007, in connection with the Chrysler transaction. The amounts in the table exclude bonus and other payments in connection with the Chrysler transaction and the retirement from the board.

	Base Salary	Benefits in kind	Annual Bonus	Mid-term and Long-term¹ Compensation	Total
Thomas W. LaSorda	390	43	1,104	597	2,134
Eric R. Ridenour	273	29	773	266	1,341
Thomas W. Sidlik	273	42	394	681	1,390
Total	936	114	2,271	1,544	4,865

¹ The figures shown comprise the payouts under the 2004 Medium Term Incentive and the dividend equivalent paid with respect to phantom shares allocated under the current Performance Phantom Share Plans. The Medium Term Incentive is a stock-based compensation component that was replaced by the Performance Phantom Share Plan in 2005.

In addition, our presidential committee negotiated agreements with Thomas W. LaSorda and Eric R. Ridenour providing for payments to be made upon the successful transfer of a majority ownership interest in Chrysler to a third party. The agreements were intended to facilitate a timely and successful transaction while at the same time defining the conditions for a retirement from the board by Mr. LaSorda and Mr. Ridenour.

Prior to entering into these agreements with us, Mr. LaSorda's contract would have expired in April 2012 and Mr. Ridenour's contract would have expired in August 2008. By accepting the success-based agreements, both waived their claims for severance and pension payments by Daimler AG. Payments under the agreements were primarily based on Chrysler's valuation in the sales transaction and the speed of the transaction process. The criteria were reviewed and assessed by external consultants. Pursuant to these agreements, we paid €10.4 million to Mr. LaSorda and €3.2 million to Mr. Ridenour as a result of the Chrysler transaction.

Subject to the closing of the Chrysler transaction, the presidential committee agreed in May 2007 to enter into a separation agreement with Mr. Sidlik, whose term of office would have expired in December 2008. In accordance with the criteria for separation benefits previously reported in the last Securities Report, pursuant to the Separation Agreement Mr. Sidlik received a commitment of a payment of €2.7 million which equals twice the sum of his annual base salary and average annual bonus over the prior three calendar years.

In addition to the amounts described above, we agreed to pay board of management members whose service ended in 2007 compensation earned by them through their last day of service, which consisted of pro rated payments of the phantom share awards previously granted to them (Mr. LaSorda: €1.2 million; Mr. Ridenour: €0.9 million; Mr. Sidlik: €0.9 million).

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.

The following table sets forth the 2007 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	660
Günther Fleig	370
Dr. Rüdiger Grube	386
Andreas Renschler	210
Bodo Uebber	318
Dr. Thomas Weber	247
Total	2,191

¹ Service costs represent the increase in 2007 of the present value of the defined pension benefit obligation resulting from service of the respective member of the board of management in 2007. Service costs do not include interest costs, i.e., the increase in 2007 of the present value of the defined pension benefit obligation arising from the fact that the benefit obligation with respect to the respective board member is one year closer to settlement.

The aggregate incremental amount set aside or accrued by us during the year ended December 31, 2007, to provide pension, retirement and similar benefits to members of our board of management was €4.6 million, including the service costs reflected in the table above.

Pension obligations with respect to former U.S. members of our board of management remained the responsibility of Chrysler and therefore, following the transfer of a majority interest in the Chrysler activities to Cerberus effective August 3, 2007, are no longer part of the Group's pension obligations.

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.

Board of management members can also receive pension payments and a company car for the period beginning after the end of the original service period.

For further information regarding compensation of our supervisory board and our board of management, please refer to Note 35 to our Consolidated Financial Statements. For further information regarding stock based compensation and incentives, please refer to Notes 1 and 20 to our Consolidated Financial Statements.

5. Description of Corporate Governance

(1) Corporate Governance at Daimler

Daimler's Board of Management and Supervisory Board are committed to the principles of good corporate governance. All of our activities are based on the principles of responsible, transparent and sustainable management and supervision. 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 Daimler's internationally oriented system of corporate governance. Further information can be found on our website at www.daimler.com/corpgov_e.

(a) General Conditions

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

As our shares are also listed on the New York Stock Exchange, we are obliged to adhere to the capital-market legislation and listing requirements applicable in the United States. A description of the differences between Daimler's corporate governance principles and those applicable to US companies under NYSE corporate governance listing standards can be seen on our website at www.daimler.com/corpgov_e.

(b) Daimler's corporate bodies

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

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 external auditors and the election of members of the Supervisory Board. The Annual Meeting also makes other decisions, especially on amendments to the 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. Daimler 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 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 the two boards at the same time.

Supervisory Board. In accordance with the German Codetermination Act, the Supervisory Board of Daimler AG comprises 20 members. Half of them are elected by the shareholders at the Annual Meeting. The other half comprises members who are elected by the company's

employees who work in Germany.

The members representing the shareholders and the members representing the employees are equally obliged by law to act in the company's best interests. 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 Daimler 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 remuneration, whereby setting the details of the remuneration of the Board of Management's members is delegated to the Presidential Committee. However, the Supervisory Board advises on the structure of the remuneration system as required and reviews the system on a regular basis. 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 four committees: the Presidential Committee, the Nomination 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 the details of their remuneration. 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 Nomination Committee, which was constituted in the reporting period and which is the only Supervisory Board committee comprised solely of members representing the shareholders, makes recommendations to the Supervisory Board concerning persons to be proposed for election as members of the Supervisory Board at the Annual Meeting.

The Audit Committee deals with questions of accounting, risk management, compliance and the annual external 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 reports and reviews the annual financial statements, individual and consolidated, of Daimler 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 external auditors, assesses such auditors' suitability and independence, and, after the external auditors are elected by the Annual Meeting, it commissions them to conduct the annual audit of the individual and consolidated financial statements and to review the interim reports, negotiates an audit fee, and determines the focus of the annual audit. The Audit Committee receives reports from the external auditors on 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 Daimler AG or to companies of the Daimler Group by the firm of external 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 the 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 control systems. Therefore, the Supervisory Board has appointed Mr. Walter as its 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 prescribed majority of votes.

Board of Management. As of December 31, 2007, the Board of Management of Daimler AG comprised six 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 financial statements and the interim 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 in section "V. Description of the Company," in "4. Directors and Officers" under "(b) The Board of Management."

With regard to the compensation of the board members, please refer to "(c) Compensation of the Supervisory Board and Board of Management" of "4. Directors and Officers" in "V. Description of the Company."

(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 control systems and the duty to comply with applicable law as well as other internal and external regulations. Daimler expects all of its employees to adhere strictly to the provisions of 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.daimler.com/corpgov_e.

Risk management. Daimler 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 initiates appropriate actions as required.

Accounting principles. The consolidated financial statements of the Daimler Group are prepared in accordance with the International Financial Reporting Standards (IFRS). Details of the IFRS can be found in Note 1 to the Consolidated Financial Statements.

The annual financial statements of Daimler 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 external auditors.

Transparency. Daimler regularly informs its shareholders, financial analysts, shareholder associations, the media and the interested public about the situation of the Group and any significant changes in its business. We have posted an overview of all the significant information disclosed in the year 2007 on our website at www.daimler.com/ir/annualdoc07.

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

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

Ad-hoc disclosure. In addition to its regular scheduled reporting, Daimler discloses, in accordance with applicable law and without delay, any so-called insider information that relates to the company or to financial instruments issued by the company.

Major shareholdings. Daimler also reports without delay after receiving notification that by means of acquisition, disposal or any other method, the shareholding in Daimler AG of any person or entity 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, 2007, the members of the Board of Management held a total of 2.9 million shares, options or stock appreciation rights of Daimler AG (0.28% of the shares issued). As of the same date, members of the Supervisory Board held a total of 0.1 million shares, options or stock appreciation rights of Daimler AG (0.008% of the shares issued).

Directors' dealings. In 2007, six securities transactions took place involving members of the Board of Management and the Supervisory Board (and, pursuant to the provisions of the German Securities Trading Act, involving persons in a close relationship with the aforementioned persons). Daimler AG discloses these transactions without delay after receiving notification of them. This information is available on our website at www.daimler.com/corpgov_e.

(d) Liability Limitation Agreements

Board of Management and Supervisory Board

Daimler 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 Daimler'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 €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 Daimler

Compliance principles. By the term compliance, we understand the conformity of our activities with applicable laws and regulations, as well as with the ethical and moral principles by which Daimler AG is guided or which we have voluntarily committed to observe.

We already formulated the Daimler Integrity Code in 1999. On the basis of our corporate values - Passion, Respect, Integrity and Discipline - this comprehensive code of conduct applies to all our employees without exception. In the year 2003, we updated the Integrity Code with the Principles of Social Responsibility and supplemented it with the Code of Ethics.

In 2006, the Integrity Code was extended with the specific Corporate Policies & Guidelines, which transfer the principles of the Integrity Code with ethical or compliance relevance into explicit guidelines for behavior, and serve as a key aid to orientation in the complex field of business operations.

In the year 2007, our compliance organization supplemented the compliance program with some additional important Corporate Policies and Guidelines. For example, in close cooperation with the Human Resources department, the Group's "Zero Tolerance" policy and a guideline on disciplinary measures were prepared.

Compliance affects everyone. Each employee makes an essential contribution towards avoiding any harm to Daimler AG and its brands. Our multi-stage compliance regulations are intended to ensure consistency between all of our behavioral standards and to give our employees confidence in their daily work.

Compliance organization. In order to ensure compliance with applicable law and with the principles that we have voluntarily applied, we started to set up a worldwide compliance organization at the beginning of 2006. One aspect of this organization is the Compliance

Committee established by the Daimler Board of Management. It is composed of high-ranking and experienced executives from the departments Legal, Corporate Audit, Finance & Controlling, Human Resources, Sales and from Daimler Financial Services, and generally meets once a quarter.

The Compliance Committee decides upon and controls the implementation and execution of our compliance program. It monitors and secures the systematic integration of compliance aspects in the Group's business processes. In addition, the Compliance Committee is responsible for approving all of the Group's compliance-related guidelines.

Also at the beginning of 2006, we created the new department of Corporate Compliance (CCO). It coordinates and implements the measures decided upon by the Compliance Committee and supports the departments so that the relevant policies and guidelines are adhered to. The head of CCO regularly informs the Board of Management as well as the Compliance Committee and the Audit Committee of the Supervisory Board about the current status of the Group's compliance activities. The Corporate Compliance department reports directly to the Chairman of the Board of Management.

An independent external adviser is another element of our compliance organization. He supports and advises the Supervisory Board, the Audit Committee and the Board of Management on all aspects of the issue of compliance.

Ensuring sustainable compliance through a systematic approach. In the context of developing our compliance organization, we first identified the risk of corruption within the Daimler Group. The resulting challenges were then classified and prioritized in relation to the inherent risks. This was done for each country and for each business entity. In the following months, we systematically implemented the resulting plan of compliance measures, which was discussed and agreed upon with the Supervisory Board and the relevant committees.

Since the beginning of 2006, we have carried out compliance reviews in over 30 sales companies and business entities in more than 25 countries. In 47 sales companies and business entities (20 of them in the year 2007), we have established standardized control systems, which help to ensure legally and ethically impeccable behavior.

Following the successful introduction of new processes and monitoring systems, the affected business entities will be examined once again by Corporate Audit. We also regularly monitor the relevant risk parameters with the use of central databases to ensure the sustainability of the achieved compliance status.

In this context, it was necessary to expand the compliance organization with representatives in the companies. We therefore appointed 44 local compliance managers throughout the world. They support the local management with the fulfillment of all the Group's compliance standards. In addition, they regularly report to the compliance organization on the status and progress of their business entities. Their independence of the local management is enhanced through their integration into the central compliance function. The local compliance managers meet at regular workshops for further training and to exchange experience.

Within the context of compliance due diligence, Corporate Compliance audits the integrity of new sales partners. The relevant information is collated, processed and analyzed with the help of questionnaires and detailed background research. At the end of this preliminary audit, a clear recommendation is made by the Corporate Compliance and Legal departments.

In order to enhance transparency and minimize risk in connection with government transactions, CCO has implemented the Mandatory Consultation Process, which standardizes the required controls. This increases the speed and quality of the audits to be carried out before a government order is accepted. The documentation is supported with a specially

developed IT tool.

Expansion of compliance services. At the Daimler Group, there are at present two main contact points for compliance issues: the Compliance Consultation Desk and the Business Practices Office. We have also established the Business Practice Committee.

All employees who have any questions regarding the application of external or internal regulations can contact the Compliance Consultation Desk (CCD) to obtain advice and instructions on specific issues. The Compliance Consultation Desk has processed more than 11,000 inquiries since it was set up.

The QUISS system, which was introduced in 2007, is an online database of the CCD in which the most frequently asked questions on the issue of compliance and the respective answers are collated, so that all employees are able to access the experience we have gathered from providing advice over the past two years – quickly and in a structured form.

Two IT applications, that are available to the workforce in the employee portal, have been implemented to provide support on dealing with compliance issues. With the help of the “Self assessment of conflicts of interest” IT application, employees can find out whether they are in a situation of conflicting interests. The “Meal & Entertainment Log” application serves to document all invitations from third parties as of a defined value limit.

The right points of contact for accepting, documenting and processing complaints are the Business Practices Offices (BPO) in Stuttgart and Farmington Hills. This facility allows both Daimler employees and external persons to report actual indications of any possible misconduct confidentially and, if desired, anonymously. BPO passes these notifications to the responsible departments so that internal research can be carried out.

The results are then submitted to the Business Practices Committee (BPC) for decisions on defined cases. The Business Practice Committee is composed of top management members from various areas of the Group. It is managed by CCO and has the task of initiating the required measures on the basis of the research results. The measures to be taken are based on the appropriate Corporate Policies and Guidelines. In particular the “Zero Tolerance” policy initiated in 2007 guarantees uniform standards for assessment and sanctions. The BPC also deals with possible cases of conflicts of interests and provides decision recommendations.

Extensive training and communication program. In the year 2007, more than 3,700 employees worldwide attended training courses on compliance-relevant topics. The subject of compliance is also a component of the Group’s executive training courses, information events and specialist training. In 2007, the scope of the courses was broadened with the introduction of new e-learning modules and animated compliance communication on Daimler’s intranet.

Information on the latest developments in the field of compliance is regularly provided via the Group’s internal media. Furthermore, an animated compliance communication accessible on the Daimler intranet uses clear examples to explain the sense and purpose of a functioning compliance program. More than 25,000 employees have already made use of this tool. In the year 2008, it is planned to make the communication available in six more languages.

(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 Daimler and has a dotted line to the company's Audit Committee. Corporate Audit has 176 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 Daimler'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 2007 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 company's 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 company's audit 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.

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 Daimler."

(c) Description of Independent Auditors

In the annual meeting held on April 4, 2007, our shareholders appointed KPMG Deutsche Treuhand Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin to serve as independent auditors for the 2007 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 German certified public accountants (Wirtschaftsprüfer) 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

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.

(€in millions)	Year ended December 31,	
	2007	2006
Audit Fees	63	62
Audit-Related Fees	3	4
Tax Fees	2	3
All Other Fees	3	4
Total sales	71	73

“*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

The consolidated financial statements, prepared according to IFRS, and additional explanations required under Japanese law have been omitted. They are included on pages 119 to 367 of the original Japanese version.

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 Daimler 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 basically treated as dividend income under the Japanese income tax laws. With respect to dividends to be received through a paying agent in Japan 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 (i) if such amounts are to be received by March 31, 2009, a 10 % Japanese income tax (including a 3% local income tax) and (ii) if such amounts are to be received on and after April 1, 2009, a 20% Japanese income tax (including a 5% local income tax) to be withheld at source. No final tax return needs to be filed with regard to such dividends regardless of their amount. An amended law in connection with this paragraph is now under discussion in the Japanese Diet.

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 May 11, 2007.
(For the fiscal year from January 1, 2006 through December 31, 2006)
- 2 Semi-Annual Report filed with the Director General of the Kanto Local Finance Bureau on September 28, 2007.
(For the period from January 1, 2007 through June 30, 2007)
- 3 Extraordinary Report
 - (i) 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).
 - (ii) 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).
 - (iii) Extraordinary Report filed with the Director General of the Kanto Local Finance Bureau on May 30, 2007 (pursuant to Article 24-5, Paragraph 4 of the Securities and Exchange Law of Japan and Article 19, Paragraph 2, Item 19 of the Cabinet Office Ordinance Concerning Disclosure of the Contents, etc. of Companies).
 - (iv) Extraordinary Report filed with the Director General of the Kanto Local Finance Bureau on August 20, 2007 (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).
- 4 Amendment
 - (i) An Amendment Report (an amendment report to the Extraordinary Report described in 3 (iii) above) filed with the Director General of the Kanto Local Finance Bureau on August 20, 2007.
 - (ii) An Amendment Report (an amendment report to the Extraordinary Report

described in 3 (iii) above) filed with the Director General of the Kanto Local Finance Bureau on September 6, 2007.

- (iii) An Amendment Report (an amendment report to the Extraordinary Report described in 3 (iii) above) filed with the Director General of the Kanto Local Finance Bureau on November 19, 2007.

PART 2. INFORMATION CONCERNING GUARANTOR, ETC.

Not applicable.