

DAIMLERCHRYSLER

Annual Financial Statements 2005
DaimlerChrysler AG

Balance Sheet of DaimlerChrysler AG

| | Notes | 12/31/2005 | 12/31/2004 |
|--|-------|---------------|---------------|
| | | € in millions | € in millions |
| ASSETS | | | |
| Fixed Assets | | | |
| Intangible assets | (1) | 46 | 55 |
| Property, plant and equipment incl. equipment on operating leases, net | (2) | 9,113 | 8,793 |
| Investments and long-term financial assets | (3) | 32,042 | 31,407 |
| | | 41,201 | 40,255 |
| Non-fixed Assets | | | |
| Inventories | (4) | 5,752 | 6,085 |
| Trade receivables | (5) | 2,050 | 1,895 |
| Receivables from affiliated companies | (5) | 8,176 | 4,083 |
| Other receivables and other assets | (5) | 2,302 | 1,369 |
| Securities | (6) | 1,871 | 1,963 |
| Cash and cash equivalents | (7) | 284 | 2,407 |
| | | 20,435 | 17,802 |
| Prepaid Expenses | | | |
| | | 15 | 16 |
| | | 61,651 | 58,073 |
| STOCKHOLDERS' EQUITY AND LIABILITIES | | | |
| Stockholders' Equity | | | |
| Capital stock (authorized unissued capital € 576 million) | (8a) | 2,647 | 2,633 |
| Additional paid-in capital | (8b) | 12,012 | 11,842 |
| Retained earnings | (8c) | 4,336 | 4,257 |
| Unappropriated profit | | 1,527 | 1,519 |
| | | 20,522 | 20,251 |
| Accruals | | | |
| Accrued pension and similar liabilities | (9) | 10,828 | 8,985 |
| Other accrued liabilities | (10) | 10,780 | 9,623 |
| | | 21,608 | 18,608 |
| Liabilities | | | |
| Trade liabilities | (11) | 3,803 | 4,137 |
| Liabilities to affiliated companies | (11) | 12,132 | 10,641 |
| Other liabilities | (11) | 3,499 | 4,403 |
| | | 19,434 | 19,181 |
| Deferred Income | | | |
| | | 87 | 33 |
| | | 61,651 | 58,073 |

Income Statement of DaimlerChrysler AG

| | Notes | 2005 € in millions | 2004 € in millions |
|--|-------|-----------------------|-----------------------|
| Revenues | (12) | 59,150 | 56,072 |
| Cost of goods sold | (13) | (54,403) | (49,993) |
| Gross profit | | 4,747 | 6,079 |
| Selling expenses | (13) | (5,640) | (5,626) |
| General administrative expenses | (13) | (2,348) | (2,016) |
| Other operating income | (14) | 1,500 | 1,067 |
| Other operating expenses | (15) | (717) | (274) |
| Income from investments in affiliated and related companies | (16) | 2,789 | 446 |
| Interest income | (17) | 958 | 523 |
| Other financial income | (18) | 378 | 80 |
| Income from ordinary activities | | 1,667 | 279 |
| Income taxes | (19) | (61) | (789) |
| Net Income (p. y. Net loss) | (20) | 1.606 | (510) |
| Addition to (p. y. withdrawal from) retained earnings | | (79) | 2.029 |
| Unappropriated profit | | 1,527 | 1,519 |

Notes to the Financial Statements of DaimlerChrysler AG

Accounting Principles and methods

The financial statements of DaimlerChrysler AG are prepared according to the accounting requirements of the German Commercial Code (HGB) and the Corporation Law (AktG). The statements are shown in millions of EURO (€) compared with the figures as of December 31, 2004. The condensed items of the balance sheet and the income statement are specifically included in the notes to the statements and explained.

The schedule according to § 266 HGB has been modified in order to provide a more detailed classification. Receivables from related companies and other assets are aggregated among other receivables and other assets. Accrued taxes and other accrued liabilities are aggregated among other accrued liabilities. The other liabilities include liabilities to related companies, notes/bonds and commercial papers, liabilities to financial institutions as well as remaining other liabilities. In the financial year 2005, the net balancing of liabilities to related companies from loss assumptions and receivables from related companies was not utilized.

The income statement is set up in accordance with the internationally predominant cost of sales method. The classification of the financial statements has been modified to enhance the presentation of financial transactions. Financial transactions are described as investment income of affiliated and related companies, interest income and other financial income.

Reporting and valuation

Intangible Assets are valued at acquisition cost less scheduled amortization. In most cases the useful life is not more than 3 years.

Property, plant and equipment incl. equipment on operating leases, net are valued at historical cost or production cost minus scheduled depreciation.

The cost of internally produced equipment and facilities includes all direct costs and allocable manufacturing overhead, including depreciation charges.

For scheduled depreciation, in most cases a useful life of 3 to 10 years is assumed for technical equipment and machinery, other equipment as well as factory and office equipment. Shorter periods are applied to equipment used in multishift operations.

As a matter of principle, movable property with a useful life of 5 years and more is appreciated by the declining balance method. Depreciation expense is calculated using the declining balance method until applying the straight-line method yields higher expenses. As a rule, the highest possible depreciation rate allowed for tax purposes is used. Extraordinary depreciation is recognized to the extent necessary to report lower values.

Low value fixed assets are written off immediately.

Equipment on operating lease, where the company is lessor, is valued at acquisition cost or manufacturing cost and depreciated over the asset's useful life, generally 3 to 14 years. Depending upon the lessee, the leased equipment will be depreciated using the straight-line method or the declining balance method, respectively. The declining balance method is used until the straight-line method yields higher expenses.

In order to keep better track of leased equipment in the fixed assets schedule, the leased equipment position has been separately reported in the property, plant and equipment as well as the investments and long-term financial assets including the Special Assets Pension Trust.

Investments in Affiliated Companies, Investments in Related Companies, and Other Investments and Long-Term Financial Assets are reported at acquisition cost or lower market values; low-interest-bearing and non-interest-bearing loans at their net present value.

Raw Materials, Manufacturing Supplies and Resale Products are valued at acquisition cost or lower current prices; *Work in Process and Finished Goods* at manufacturing cost. Manufacturing costs include direct material and labor costs as well as applicable material manufacturing overhead costs, including depreciation charges. Deductions for inventory obsolescence risks are made in appropriate amounts and comply with taxation requirements. The principle of loss-free valuation (“Verlustfreie Bewertung”) is used in accordance with rules relating to tax purposes.

Allowances for all discernible risks have been recorded on *Receivables and Other Assets*. Non-interest-bearing receivables having residual maturities of more than one year are discounted at the balance sheet date. A general bad debt allowance has been recorded to cover general credit risk.

Other Securities are valued at acquisition cost or the lower fair market value on the balance sheet date.

Accrued Pension and Similar Liabilities are valued using the projected unit credit method. This method of reporting pension obligations corresponds to the method used in the consolidated

financial statements for reporting under U.S. GAAP and results in a value which is higher than that computed according to § 6a EStG (income tax law). The reporting by the projected unit credit method records liabilities at period end based on the probability of payment and with regard to future increases in wages. In addition, “Accumulated Benefit Obligation” is considered as a minimum level.

Accrued Liabilities for Taxes and Other Accrued Liabilities are determined based on the principles of reasonable commercial judgment.

Derivative financial transactions (particularly currency futures and currency options and interest-rate swaps) are combined with an underlying transaction into a valuation unit if a direct connection exists between the financial transaction and the underlying transaction.

In these cases, the effects of currency contracts entered into for the purpose of currency hedging are only shown at the due date in income. Financial transactions for which no valuation unit has been formed are valued individually at market prices and any resulting unrealized losses are recognized in income.

Liabilities are stated at the amounts repayable.

Foreign currencies

Foreign currency receivables and foreign currency liabilities are translated using the exchange rate on the transaction date or the respective lower or higher period-end exchange rate.

Fixed Assets Schedule of DaimlerChrysler AG

| | Balance at 01/01/2005 | Acquisition or Manufacturing Costs | | | Balance at 12/31/2005 |
|--|--------------------------|------------------------------------|------------------------|--------------|--------------------------|
| | | Additions | Reclassi- fications | Disposals | |
| € in millions | | | | | |
| Intangible assets | | | | | |
| Franchises, industrial property rights and similar rights as well as other intangible assets | 216 | 23 | 1 | 30 | 210 |
| Advance payments | - | . | - | . | . |
| | 216 | 23 | 1 | 30 | 210 |
| Property, plant and equipment | | | | | |
| Technical equipment and machinery | 6,753 | 685 | 335 | 106 | 7,667 |
| Other equipment, factory and office equipment | 4,491 | 766 | 151 | 251 | 5,157 |
| Equipment on operating leases, net | 6,532 | 2,795 | (27) | 2,819 | 6,481 |
| Advance payments relating to plant and equipment and construction in process | 540 | 329 | (460) | 25 | 384 |
| | 18,316 | 4,575 | (1) | 3,201 | 19,689 |
| Financial assets | | | | | |
| Investments in affiliated companies | 24,020 | 463 | 67 | 519 | 24,031 |
| Loans to affiliated companies | 285 | 19 | - | 89 | 215 |
| Investments in associated and related companies | 3,226 | 179 | (67) | 2,290 | 1,048 |
| Other loans | 24 | 2 | - | 9 | 17 |
| Special Assets Pension Trust | 6,774 | 1,490 | - | 290 | 7,974 |
| | 34,329 | 2,153 | - | 3,197 | 33,285 |
| Fixed assets | 52,861 | 6,751 | - | 6,428 | 53,184 |

| Balance at 01/01/2005 | Depreciation/Write-up | | | | Balance at 12/31/2005 | Book Values | |
|--------------------------|-----------------------|------------|------------------------|--------------|--------------------------|--------------------------|--------------------------|
| | Additions | Write-up | Reclassi- fications | Disposals | | Balance at 12/31/2005 | Balance at 12/31/2004 |
| 161 | 33 | - | . | 30 | 164 | 46 | 55 |
| - | - | - | - | - | - | . | . |
| 161 | 33 | - | . | 30 | 164 | 46 | 55 |
| 4,368 | 1,016 | - | . | 95 | 5,289 | 2,378 | 2,385 |
| 3,035 | 591 | - | 24 | 231 | 3,419 | 1,738 | 1,456 |
| 2,120 | 1,007 | - | (24) | 1,235 | 1,868 | 4,613 | 4,412 |
| - | - | - | - | - | - | 384 | 540 |
| 9,523 | 2,614 | - | . | 1,561 | 10,576 | 9,113 | 8,793 |
| 701 | 45 | - | - | - | 746 | 23,285 | 23,319 |
| 2 | 1 | (2) | - | - | 1 | 214 | 283 |
| 2,217 | 103 | - | - | 1,826 | 494 | 554 | 1,009 |
| 2 | . | . | - | . | 2 | 15 | 22 |
| - | - | - | - | - | - | 7,974 | 6,774 |
| 2,922 | 149 | . | - | 1,826 | 1,243 | 32,042 | 31,407 |
| 12,606 | 2,796 | (2) | - | 3,417 | 11,983 | 41,201 | 40,255 |

Notes to the Balance Sheet of DaimlerChrysler AG

1 Intangible assets

The intangible assets include acquired licenses (EDP-software) and similar rights of € 46 million. Scheduled depreciation amounts to € 33 million.

2 Property, plant and equipment incl. equipment on operating leases, net

The additions of € 4,575 million include € 2,795 million of leased assets which are mainly passenger cars. Further additions consist only of movable equipment. Scheduled depreciation amounts to € 2,614 million (p. y. € 2,464 million).

3 Investments and long term financial assets

The interest in affiliated and related companies decreased by € 489 million down to € 23,839 million (p. y. € 24,328 million).

The decline is mainly linked to the sale of the shares of the Mitsubishi Motors Corporation and the distribution of the capital reserve of DCX.net Holding GmbH. A subsequent reduction of the acquisition costs for the purchase of Mitsubishi Fuso Truck and Bus Corporation resulted in a further reduction of financial assets. Offsetting items represent new foundations and capital increases in subsidiaries in particular for DaimlerChrysler do Brasil Ltd., DaimlerChrysler Auto Finance (China) Ltd. and Beijing Benz-DaimlerChrysler Automotive Ltd. In the fiscal year 2005, investments in affiliated, associated and related companies were depreciated unscheduled by € 148 million.

A separate report according to § 287 HGB (German Commercial Code) of the investments in subsidiaries of DaimlerChrysler AG is filed at the trade register.

Loans to affiliated companies decreased by € 69 million. This results mainly from repayments of loans of DaimlerChrysler Ludwigsfelde GmbH, Ludwigsfelde.

The Special Assets Pension Trust includes financial assets which were transferred to the DaimlerChrysler Pension Trust e. V. These assets and their returns are exclusively used for the retirement pension plan. In the fiscal year 2005, ancillary capital was allocated to the trust amounting to € 158 million.

The development of fixed assets is shown in the fixed assets schedule.

4 Inventories

| | 12/31/2005 | 12/31/2004 |
|---|---------------|---------------|
| | € in millions | € in millions |
| Raw material and manufacturing supplies | 959 | 961 |
| Work-in-process | 772 | 840 |
| Finished goods and resale products | 4,070 | 4,320 |
| <u>Inventories</u> | <u>5,801</u> | <u>6,121</u> |
| Advance payments | (49) | (36) |
| Total | 5,752 | 6,085 |

Finished goods and resale products contain both vehicles manufactured in-house and vehicles produced within the scope of contractual manufacturing. Furthermore spare parts and used vehicles are also included.

5 Receivables and Other assets

| | 12/31/2005 | | 12/31/2004 | |
|--|---------------|---------------|---------------|---------------|
| | € in millions | € in millions | € in millions | € in millions |
| Trade receivables | | 2,050 | | 1,895 |
| of which due after 1 year | 53 | | 32 | |
| Receivables from affiliated companies | | 8,176 | | 4,083 |
| of which due after 1 year | 4 | | 12 | |
| Receivables from related companies | | 170 | | 456 |
| of which due after 1 year | 1 | | 80 | |
| Other assets | | 2,132 | | 913 |
| of which due after 1 year | 277 | | 3 | |
| Total of Receivables and Other assets | | 12,528 | | 7,347 |
| of which due after 1 year | 335 | | 127 | |

The receivables from affiliated companies contain mostly intragroup (cash) accounts receivables and trade accounts receivables in the range of the central financial and liquidity management (€ 6,203 million, p. y. € 2,361 million) and the trade relations with domestic and foreign subsidiaries (€ 1,973 million, p. y. € 1,722 million).

The receivables from related companies contained in the previous year a receivable from debis AirFinance B.V (€ 344 million), which has been settled in the fiscal year.

The increase in other assets pertains primarily to the intragroup acquisition of MTU Friedrichshafen GmbH in the amount of (€ 964 million) where a further sale has already been decided. DaimlerChrysler AG was in the process of selling MTU to an outside investor at the balance sheet date. A bill transaction increased the other assets with (€ 125 million).

The Other assets contain mainly tax assets (€ 639 million, p. y. € 596 million) and prepaid interests (€ 79 million, p. y. € 81 million).

6 Securities

| | 12/31/2005 | 12/31/2004 |
|------------------|---------------|---------------|
| | € in millions | € in millions |
| Other securities | 1,871 | 1,963 |

Other securities contain investments in funds (€ 1,726 million) and debt securities (€ 145 million).

The decrease in other securities is mainly caused by the divestiture of Commercial Papers (€ (396) million) and equity securities (€ (8) million) as well as the redemption of a bond (€ (20) million). An offsetting factor represents the purchase of new shares of a special fund (€ 341 million).

During the fiscal year, DaimlerChrysler AG purchased treasury stock in the amount of 745,359 shares with a corresponding nominal value of € 1,937,933 which represents about 0,07 % of total capital stock. The average purchase price of these shares was € 36,02. The purpose of the acquisition of these shares was the company's employee share purchase program. 632.456 treasury shares (corresponding nominal value € 1,644,386; about 0,06 % of total capital stock) were sold immediately to employees. An additional 109.054 shares (corresponding nominal value: € 283,540; about 0,01 % of total capital stock) were sold to group companies at acquisition cost for resale to their employees.

The table below provides an overview of the average purchase price per share for the employees:

| Period | Subscription price per share (€) |
|---------------------|----------------------------------|
| February-March 2005 | 34.00 |
| June 2005 | 33,60 |
| October 2005 | 42,47 |

Benefits granted by DaimlerChrysler AG were graded. An employee purchasing 5 shares received a benefit of € 67.50, the purchase of 10 to 30 shares lead to a benefit of € 135. Employees who bought at least 15 shares received a bonus share exempt from any additional charges.

In March 2005, 3,134 treasury shares (corresponding nominal value € 8,148) were sold to Deutsche Bank AG (average share price € 34.90). 715 treasury shares (corresponding nominal value € 1,859) were sold to Deutsche Bank AG (average share price € 33.91) in July 2005. At the balance sheet date no treasury stock is held by DaimlerChrysler AG.

7 Cash and cash equivalents

Cash and cash equivalents amount to € 284 million (p. y. € 2,407 million) and include deposits at financial institutions as well as cash and checks on hand.

In addition to cash and cash equivalents, liquid assets include securities (€ 1,871 million, p. y. € 1,963 million).

8 Stockholders' equity

| | 12/31/2005 € in millions | 12/31/2004 € in millions |
|-----------------------------|-----------------------------|-----------------------------|
| Capital Stock | 2,647 | 2,633 |
| Additional paid-in capital | 12,012 | 11,842 |
| Retained earnings | 4,336 | 4,257 |
| Unappropriated profit | 1,527 | 1,519 |
| Stockholders' equity | 20,522 | 20,251 |

a) Capital stock

| | Number | € |
|---------------------------------|---------------|---------------|
| Capital stock December 31, 2004 | 1,012,824,191 | 2,633,342,897 |
| Capital stock December 31, 2005 | 1,018,172,696 | 2,647,249,010 |

As the successor company of Daimler-Benz AG, DaimlerChrysler AG assumed the risk on all commitments for convertible notes and warrants issued by the former Daimler-Benz AG in 1998. The holders now have the right to either convert their notes into or exercise their options to purchase DaimlerChrysler shares. The bonds and warrants and the post-merger changes in conditions are discussed below.

In the context of the stock based compensation arrangements offered to the management, in the 1996 - 1998 periods as well as in the financial year 2000, the Annual Shareholders' Meeting authorized several stock option plans for eligible employees. In the financial year 2005, a Performance Phantom Share Plan was issued for the first time.

The plans, offered from 1996 to 1998, entitled a selected group of upper management to purchase DaimlerChrysler shares in connection with the subscription of unassignable convertible notes. The convertible notes, which are denominated in notes with a nominal value of € 511.29 each, mature in 10 years. The notes bear an interest of 5.9 % per year (Plan 1996), 5.3 % (Plan 1997) resp. 4.4 % (Plan 1998).

The stock option plan 1996 entitles the owners of the notes to convert these notes into DaimlerChrysler shares at a ratio of 1:1.005, i. e. each note with a face value of € 511.29 could be converted into 201 ordinary shares. The resulting conversion price per share was € 42.62. The exercise assumes that the stock price on the date prior to the conversion is at least 15 % over the stated conversion price.

As of December 31, 2005 notes with a total par value of € 56,242.09 equivalent to 22,110 new DaimlerChrysler shares, had not yet been converted. In 2005 no newly issued DaimlerChrysler shares arose from exercises.

The stock option plan 1997 and 1998 were transformed into stock appreciation rights (SARs) in 1999. As a result, the conversion rights for the stock were transformed into profit-sharing rights, entitling the owners to future appreciation of the stock in form of a cash payment of equal value. This does not have any effects on stockholders' equity.

The stock option plan 2000 was structured in the form of a Premium Priced Plan upon approval by the Annual Shareholders' Meeting. In the years 2000 to 2004 five tranches were issued. The allocated options entitle the owner to purchase one DaimlerChrysler share per option. Within the scope of the stock option plan 2000 a strike price must be paid for exercising the option (which includes a 20 % surcharge on the reference price). If the stock price (last closing auction price prior to the exercise in Xetra-trading at the Frankfurt Stock Exchange) equals at least the strike price (profit target), the participant receives an additional variable payment for each exercised option. Initial exercise dates for these options are or were from April 2002 to April 2007. The maturity period of the tranches accounts each for ten years. At the end of this period the unexercised options will lapse. In the fiscal year 2005, 5,348,505 options were exercised from tranche 2003. Capital Stock and additional paid-in capital increased accordingly by € 14 million and € 170 million.

Stock Option Plan 2000

| Tranche | 2000 | 2001 | 2002 | 2003 | 2004 |
|--|------------|------------|------------|------------|------------|
| Strike price of the option per share, € | 74.76 | 66.96 | 51.52 | 34.40 | 43.57 |
| Reference price, € | 62.30 | 55.80 | 42.93 | 28.67 | 36.31 |
| Variable payment, € | 12.46 | 11.16 | 8.59 | 5.73 | 7.26 |
| Outstanding options, as of December 31, 2005 | 13,253,860 | 16,671,900 | 18,529,880 | 13,845,035 | 17,248,600 |

At the beginning of the 4-year plan term, the participants are awarded phantom shares with an average price of € 35.41 (opening share price in Xetra-trading at the Frankfurt Stock Exchange) between January 1, 2005 and February 21, 2005. As of December 31, 2005 1,453,724 phantom shares were awarded. Annually in June, the participants are entitled to a dividend which is equal in value to the actual dividend paid on real DaimlerChrysler Shares. The participants are excluded from any voting rights as phantom shares are virtual shares. The performance of the management is measured after 3 years with two equally weighted performance factors, compared to several important competitors.

This results to the final awarding of virtual shares which are subject to a restriction period of one year. The payment proceeds are calculated by the average price of DaimlerChrysler shares (opening price in Xetra-trading at the Frankfurt Stock Exchange) between January 1, 2009 and the day before the first meeting of the Presidential Committee of the Supervisory Board of DaimlerChrysler AG in 2009. Subsequently, 25% of the gross proceeds must be used to purchase real DaimlerChrysler Shares until the Stock Ownership Target has been reached within the scope of the Stock Ownership Guidelines.

The Stock Ownership Guidelines require executives to establish a preassigned Stock Ownership Target of real DaimlerChrysler Shares and to retain it until the retirement from the group. Thus, the shareholders' position is reinforced.

The tables below provide an overview of the conditional and authorized capital sectioned into tranches according to the Memorandum and Articles of Incorporation of DaimlerChrysler AG:

Conditional Capital

| Number | I | II | III | Total |
|---|---|-----------------------------|---|-------------|
| Conditional Capital as of 12/31/2005, € | 300,000,000 | 235,693,887 | 40,689,870 | 576,383,757 |
| Balance at 12/31/2005, € | 115,384,615 | 90,651,405 | 15,649,950 | 221,686,060 |
| Purpose | Bearer Notes or Convertible Notes 2005/2010 | Stock Option Plan 2000/2005 | Convertible Notes 1996/2006 1997/2007 1998/2008 | |

Authorized Capital in €

| Number | I | II | III |
|---------------|-------------------|-------------------|-----------------|
| 12/31/2005, € | 500,000,000 | 500,000,000 | 26,000,000 |
| Time limit | 04/08/2008 | 04/08/2008 | 04/08/2008 |
| Purpose | Capital Increases | Capital Increases | Employee Stocks |

The Annual Shareholders' Meeting authorized the Board of Management to increase Capital Stock in each case by expense of new shares against cash contribution (Conditional Capital I) or contribution in kind (Conditional Capital II) entire or in partial amounts up to € 500 million. Further on, the Board of Management is authorized to increase Capital Stock by the expense of new employee shares against cash contribution and/or contribution in kind as a whole or in partial amounts by € 26 million.

In addition, DaimlerChrysler AG was authorized to acquire treasury stock not exceeding € 263 million of Capital Stock – corresponding to 10 % of Capital Stock – for certain pre-defined purposes up to October 6, 2006.

b) Additional paid-in capital

The amount of additional paid-in capital is € 12,012 million. In the fiscal year 2005, premiums received of € 170 million were added to additional paid-in capital resulting from the exercise of stock options from tranche 2003 of the Stock Option Plan.

c) Retained earnings

| | 12/31/2005 € in millions | 12/31/2004 € in millions |
|-------------------|---|---|
| Retained earnings | 4,336 | 4,257 |

The increase in retained earnings results from the allocation of € 79 million of fiscal 2005 net income.

9 Accrued pension and similar liabilities

| | 12/31/2005 € in millions | 12/31/2004 € in millions |
|---------------------|---|---|
| Pension liabilities | 10,828 | 8,985 |

The valuation of pension liabilities is based upon the projected unit credit method in accordance with US Generally Accepted Accounting Principles (SFAS 87). They were determined at the beginning of the financial year 2005 based on the pension liabilities of the Company and the assets of DaimlerChrysler Unterstützungskasse. The assumptions used in calculating the actuarial values according to the "Richttafeln 1998" (actuarial mortality assumptions) of Dr. Klaus Heubeck for the pension liabilities were a discount rate of 4,75 % (p. y. 5.25 %), a long-term rate for increasing remunerations from 2005 on of 3.0 % (p. y. 3.0 %), an increase in living costs of 1.50 % (p. y. 1.25 %) and an expected long-term rate of return on plan assets (DaimlerChrysler Unterstützungskasse) of 7.5 % (p. y. 7.5 %).

Since the Accumulated Benefit Obligation (ABO) has to be reported as a Minimum Pension Liability, further additions to pension liabilities totaling € 1,482 million (p. y. € 966 million) were made. The valuation of ABO is based upon the discount rate of 4.00 % (p. y. 4.75 %) and the estimated annual increase of cost of living of 1.75 % (p. y. 1.5 %).

The calculation of ABO is based on "Richttafeln 2005 G" (actuarial mortality assumptions) of Dr. Klaus Heubeck.

10 Other accrued liabilities

| | 12/31/2005 € in millions | 12/31/2004 € in millions |
|---------------------------|---|---|
| Accrued taxes | 2,037 | 1,855 |
| Other accrued liabilities | 8,743 | 7,768 |
| | 10,780 | 9,623 |

The accruals recorded for income and other taxes relate to income taxes for years not yet finally assessed. They also include relating matters identified with U.S. governmental investigations.

Other accrued liabilities consist mainly of accrued warranty costs, accrued personnel and social costs, obligations from sales financing, free service and maintenance contracts, end-of-life vehicles and reserves for lawsuits as well as risks arising from forward exchange transactions. Additionally, other accrued liabilities include accruals for deferred maintenance carried out in the first quarter of the next year.

11 Liabilities

| | 12/31/2005 | | 12/31/2004 | |
|---|---------------|---------------|---------------|---------------|
| | € in millions | € in millions | € in millions | € in millions |
| Notes/Bonds and Commercial Paper | | 1,457 | | 1,600 |
| of which due in less than 1 year | 1,324 | | 1,464 | |
| of which due in more than 5 years | - | | 108 | |
| of which are convertible | . | | . | |
| Liabilities to financial institutions | | 108 | | 1,328 |
| of which due in less than 1 year | 75 | | 1,296 | |
| of which due in more than 5 years | 26 | | 25 | |
| Trade Liabilities | | 3,803 | | 4,137 |
| of which due in less than 1 year | 3,802 | | 4,136 | |
| of which due in more than 5 years | . | | . | |
| Liabilities to affiliated companies | | 12,132 | | 10,641 |
| of which due in less than 1 year | 11,940 | | 10,449 | |
| of which due in more than 5 years | - | | - | |
| Liabilities to related companies | | 46 | | 33 |
| of which due in less than 1 year | 46 | | 33 | |
| of which due in more than 5 years | - | | - | |
| Other Liabilities | | 1,888 | | 1,442 |
| of which due in less than 1 year | 1,875 | | 1,437 | |
| of which due in more than 5 years | . | | - | |
| of which are tax liabilities | 196 | | 126 | |
| of which are obligations concerning social security | 308 | | 321 | |
| Total of liabilities | | 19,434 | | 19,181 |
| of which due in less than 1 year | 19,062 | | 18,815 | |
| of which due in more than 5 years | 26 | | 133 | |

Liabilities to affiliated companies include mainly intragroup (cash) accounts payable and accounts payable for goods and services in the range of the central financial and liquidity management (€ 11,629 million, p. y. € 10,362 million) and the trade relations with domestic and foreign subsidiaries (€ 503 million, p. y. € 279 million).

The Notes/Bonds and Commercial Papers are in particular Commercial Papers (€ 1,149 million) and a Yen-bond issued in 2000 (€ 108 million).

Other liabilities include predominantly liabilities of wage and salary administration, withholding tax wages and social security contributions, option premiums as well as certain other liabilities to third parties.

Notes to the Income Statement of DaimlerChrysler AG

12 Revenues

| | 2005 | 2004 |
|--|---------------|---------------|
| | € in millions | € in millions |
| Revenues classified by type: | | |
| Passenger cars | 42,463 | 41,147 |
| Commercial vehicles | 16,687 | 14,925 |
| | 59,150 | 56,072 |
| Revenues classified by region: | | |
| Domestic | 19,574 | 20,029 |
| Foreign | 39,576 | 36,043 |
| | 59,150 | 56,072 |
| Allocation of foreign revenues: | | |
| EU-Member countries | 16,481 | 16,417 |
| Rest of Europe | 2,823 | 2,477 |
| North America | 11,452 | 9,794 |
| Asia | 5,843 | 4,785 |
| Africa | 1,389 | 1,237 |
| Australia | 654 | 609 |
| Latin America | 934 | 724 |

13 Functional costs

Functional costs are broken down in the income statement into the categories cost of goods sold, selling expenses and general administrative expenses.

Cost of goods sold consist of the manufacturing cost of goods sold. These costs include mainly the cost of production materials, changes in inventories, purchased services, personnel expenses, depreciation and rental expenses of the production departments. Cost of goods sold moreover include € 3,150 million (p. y. € 3,239 million) of research and development expenses as well as gains or losses from hedging activities conducted by the industrial business segment.

Selling costs include mainly purchased services, e.g. advertising and marketing expenses. Furthermore, personnel expenses, commissions, freight-out costs and rental expenses of the selling and distribution organization are included in the selling costs.

General administrative expenses include mainly purchased services, e.g. IT-costs. Personnel expenses, consulting fees and rental expenses of the general administration are also included. Furthermore, general administrative expenses include the following statutory auditor fees:

| | 2005 |
|----------------------|---------------|
| | € in millions |
| Audit | 14 |
| Other audit services | 5 |
| Tax consultancy | 2 |
| Other services | . |
| | 21 |

Other taxes and customs duties are included within the functional costs € 21 million (p. y. € 12 million).

14 Other operating income

Other operating income € 1,500 million includes income from cost reimbursements, other deliveries and services as well as rent and lease income.

Other operating income includes € 825 million (p. y. € 451 million) of income assignable to prior financial periods and include mostly income from the release of accruals and reserves, income from fixed asset disposals and income from the charge-off of liabilities.

15 Other operating expenses

Other operating expenses of € 717 million include amongst others additions to accruals as well as rental expenses. The additions to accruals relate with € 202 million to charges incurred, relating to matters identified in connection with U.S. governmental investigations.

Other operating expenses contain € 77 million (p. y. € 59 million) of expenses assignable to prior financial periods and include expenses related to asset disposals and charge-off of receivables.

16 Income from investments in affiliated and related companies

| | 2005 | 2004 |
|---|---------------|---------------|
| | € in millions | € in millions |
| Income from profit and loss transfer agreements | 1,589 | 1,220 |
| thereof: DC-Grund DaimlerChrysler Verwaltungsgesellschaft für Grundbesitz mbH | 448 | |
| DaimlerChrysler Vermögens- und Beteiligungsgesellschaft mbH | 263 | |
| DaimlerChrysler Lust- und Raumfahrt Holding AG | 246 | |
| Expenses related to loss assumptions | (1,254) | (1,020) |
| Income from tax allocations | - | 26 |
| Income from affiliated companies | 1,972 | 832 |
| Income from related companies | 10 | 29 |
| Depreciation of investments in affiliated and related companies | (148) | (889) |
| Earnings from disposals of investments in affiliated and related companies | 621 | 260 |
| Losses from disposals of investments in affiliated and related companies | (1) | (12) |
| | 2,789 | 446 |

The income from investments contains payments from gain transfer agreements, loss assumptions from affiliated companies of the DaimlerChrysler AG as well as distributions of subsidiaries.

The increase of the investment income results i.a. from higher gain transfers. Mainly the results from DaimlerChrysler Financial Services AG (€ 173 million, p. y. € (313))

million) and from DaimlerChrysler Luft- und Raumfahrt Holding AG (€ 246 million, p. y. € 25 million) developed positively. The loss assumption from smart gmbh emerged conversely.

The increase in the result is primarily affected by higher distributions from affiliated companies, in particular the payment from DaimlerChrysler North America Holding Corporation (€ 1,304 million, p. y. € 0 million), DaimlerChrysler Off-Highway Holding GmbH (€ 230 million, p. y. € 0 million) and DaimlerChrysler France Holding SAS (€ 117 million, p. y. € 0 million).

The earnings from disposals of investments in affiliated and related companies result essentially from the sale of the investment in Mitsubishi Motors Corporation (€ 506 million).

Income from investments amounting to € 34 million, pertaining to other periods.

17 Interest income

| | 2005 | | 2004 | |
|--|---------------|---------------|---------------|---------------|
| | € in millions | € in millions | € in millions | € in millions |
| Income from other securities and loans of financial assets | | 12 | | 13 |
| thereof from affiliated companies | 12 | | 13 | |
| Other interest and similar income | | 471 | | 818 |
| thereof from affiliated companies | 239 | | 194 | |
| Interest and similar expenses | | (543) | | (858) |
| thereof from affiliated companies | (371) | | (720) | |
| Income from Pension Trust | | 1,018 | | 550 |
| | | 958 | | 523 |

The increase in interest income mainly results from distributions of special funds in the Special Assets Pension Trust (€ 1,017 million, p. y. € 545 million). Interest income contains interest income (€ 231 million, p. y. € 633 million) and interest expenses (€ 234 million, p. y. € 632 million) of interest rate swaps with banks and in particular with DaimlerChrysler North America Holding Corporation.

18 Other financial income

| | 2005 | | 2004 | |
|--|---------------|---------------|---------------|---------------|
| | € in millions | € in millions | € in millions | € in millions |
| Currency result | | 385 | | 251 |
| Write-ups of securities (short term assets) | | - | | 21 |
| Write-offs of securities (short term assets) | | (9) | | (1) |
| Loss from security loans | | - | | (133) |
| Other expenses | | (22) | | (67) |
| Other financial income Pension Trust | | 24 | | 9 |
| | | 378 | | 80 |

The increase in the other financial income mainly results from the increasing currency result due to a positive effect (€ 269 million) from the amortization of a JPY-bond. The increase of the other financial income Pension Trust is primarily caused by the sale of securities.

19 Income taxes

DaimlerChrysler AG in its capacity as a parent company is also a taxpayer with respect to the management and profit sharing agreements drawn up with its affiliated companies. The most important affiliated companies with existing agreements are

DaimlerChrysler Luft- und Raumfahrt Holding AG, DaimlerChrysler Services AG, DC-Grund DaimlerChrysler Verwaltungsgesellschaft für Grundbesitz mbH, smart gmbh, DaimlerChrysler Vermögens- und Beteiligungsgesellschaft mbH, EvoBus GmbH and DaimlerChrysler Ludwigsfelde GmbH.

Income taxes aggregate to € 61 million compared to € 789 million in the previous year and include the change of tax accruals for 2005 and previous years as well as other income taxes (mostly withholding taxes).

20 Net Income

In the fiscal year 2005, Net Income was € 1,606 million for the fiscal year 2005. After an addition of € 79 million to retained earnings unappropriated profit amounts to € 1,527 million. It is proposed to the Annual Shareholders' meeting to distribute the entire unappropriated profit to the shareholders.

Other Notes

Personnel expenses/ Employees

| | 2005 € in millions | 2004 € in millions |
|-----------------------------------|-----------------------|-----------------------|
| Wages and salaries | 9,323 | 8,539 |
| Social contributions | 1,555 | 1,585 |
| Pension costs | 2,209 | 1,645 |
| | 13,087 | 11,769 |
| Personnel (annual average) | Number | Number |
| Hourly employees | 96,460 | 97,785 |
| Salaried employees | 55,948 | 55,188 |
| Trainees/Apprentices | 10,478 | 10,518 |
| Annual average | 162,886 | 163,491 |
| Personnel as of 12/31/2005 | 160,722 | 163,369 |

Wages and salaries include direct labor, salaries, freeze-out cost, holiday bonus, special bonus and changes in accruals for personnel expenses.

The social contributions relate to the employer's contributions to pension, unemployment, nursing care and medical insurance plans.

The pension costs include the current year's additions to pension accruals. Since the Accumulated Benefit Obligation (ABO) has to be reported as a Minimum Pension Liability, further additions to pension accruals totaling € 1,482 million (p. y. € 966 million) were made.

Cost of materials

| | 2005 € in millions | 2004 € in millions |
|---|-----------------------|-----------------------|
| Cost of raw materials, supplies and purchased goods | 36,089 | 34,678 |
| Cost of purchased services | 8,935 | 8,571 |
| | 45,024 | 43,249 |

Derivative financial instruments

Derivative financial instruments are used exclusively for the hedging of interest and currency risks, for the hedging of stock prices and for the price hedging of raw materials. They provide coverage both for the underlying trading operations of the consolidated group companies as well as for those financial transactions, which are self-generated (primary transactions). The quantification of market risks is based on the "Value-at-Risk" method, which is generally used by banks. The Board of Management has limited the maximum acceptable market risk in the form of risk capital, which is continuously monitored. Furthermore, limits are also defined to curtail risks relating to contracting parties and transaction types. Agreements are closed only with reputable international financial institutions and consolidated group companies. As a result of the evaluation of contract parties by established rating agencies, the general credit risk is immaterial. All business transactions are carried out under strict segregation of duties in the areas of trade, processing, documentation and controlling.

| Nominal value | 12/31/2005 | 12/31/2004 |
|-----------------------------|----------------------|----------------------|
| | € in millions | € in millions |
| Commodity futures contracts | 88 | 77 |
| Currency hedging contracts | 24,366 | 20,819 |
| Interest hedging contracts | 4,577 | 4,058 |
| Price hedging contracts | 177 | - |
| | 29,208 | 24,954 |

Currency hedging contracts are comprised mainly of currency futures contracts and currency options. They are primarily used for hedging receivables and payables already recorded in the balance sheet and for hedging foreseeable transactions in the currencies of large industrialized countries. Interest hedging contracts relate mainly to interest swaps. Options are utilized in order to minimize interest fluctuation risk. Presently, commodity futures contracts consist solely of commodity swaps for raw materials in order to hedge price risks. Price hedging contracts imply forward sales to hedge share prices. The nominal values represent the gross total of all purchase and sales contracts of derivative financial transactions.

| | 12/31/2005 | | 12/31/2004 | |
|-----------------------------|----------------------|----------------------|----------------------|----------------------|
| | Book Value | Market Value | Book Value | Market Value |
| | € in millions | € in millions | € in millions | € in millions |
| Asset accounts | | | | |
| Commodity futures contracts | - | 12 | - | 9 |
| Currency hedging contracts | 34 | 180 | 57 | 1,291 |
| Interest hedging contracts | - | 69 | - | 196 |
| | 34 | 261 | 57 | 1,496 |
| Liability accounts | | | | |
| Commodity futures contracts | . | . | (3) | (3) |
| Currency hedging contracts | (215) | (606) | (129) | (151) |
| Interest hedging contracts | (3) | (71) | (9) | (198) |
| Price hedging contracts | (30) | (30) | | |
| | (248) | (707) | (141) | (352) |
| Total | (214) | (446) | (84) | 1.144 |

The book values are taken directly from the balance sheet accounts (Other assets and Other accrued liabilities). The fair market values can be derived from the amounts at which the corresponding derivative financial transactions are traded or quoted as of the balance sheet date, without taking into account any conflicting value developments from primary transactions. If no market values are available, the market values are determined on the basis of established computation methods.

The fair values of forward foreign exchange contracts were based on European Central Bank reference exchange rates adjusted for the respective interest rate differentials. Currency and interest rate options were valued on the basis of quoted market prices or on estimates based on option pricing models. The fair values of existing instruments to hedge share prices or interest rate risks (e. g. interest swap agreements, interest currency swap agreements) were estimated by discounting expected cash flows using market interest rates over the remaining term of the instrument. The fair values of commodity swaps are detected on the basis of effective fixings on the commodity forward exchange adjusted for the respective interest rate differentials.

Contingent liabilities

| | 12/31/2005 € in millions | 12/31/2004 € in millions |
|--|-----------------------------|-----------------------------|
| Payment guarantees in favor of the holders of the issued Bonds and Euro-Medium-Term-Notes of DaimlerChrysler North America Holding Corporation, Auburn Hills, USA | 32,716 | 31,352 |
| Payment guarantees in favor of the holders of the issued Bonds and Euro-Medium-Term-Notes of DaimlerChrysler Canada Finance Inc., Montreal, Canada | 4,982 | 3,276 |
| Payment guarantees in favor of the holders of the issued Bonds and Euro-Medium-Term-Notes of DaimlerChrysler International Finance B. V., Nieuwegein, Netherlands | 3,500 | 3,000 |
| Payment guarantees in favor of the holders of the issued Bonds of DaimlerChrysler Corporation, Auburn Hills, USA | 1,543 | 1,339 |
| Payment guarantees in favor of the holders of the issued Bonds and Euro-Medium-Term-Notes of DaimlerChrysler UK Holding plc, London, UK | 1,461 | 1,588 |
| Payment guarantees in favor of the European Investment Bank and of the holders of the issued Bonds of DaimlerChrysler Coordination Center S.C.S./G.C.V., Zaventem, Belgium | 1,108 | 1,615 |
| Payment guarantee in favor of the holders of the commitment of Toll Collect GbR, Berlin, Germany | 600 | 600 |
| Payment guarantees in favor of the holders of the issued Bonds of DaimlerChrysler South Africa (Pty.) Ltd., Pretoria, South Africa | 533 | 391 |
| Payment guarantees in favor of the European Investment Bank for the commitment of Daimler-Benz AG & Co. "Optima" Grundstücksvermietung Potsdamer Platz OHG, Ludwigfelde, Germany | 511 | 511 |
| Payment guarantees in favor of the holders of the issued Bonds and Euro-Medium-Term-Notes of DaimlerChrysler Australia/Pacific Holding Pty. Ltd., Mulgrave, Australia | 457 | - |
| Payment guarantees in favor of the holders of the issued Bonds and Euro-Medium-Term-Notes of DaimlerChrysler UK Finance plc., Milton Keynes, UK | 426 | - |
| Payment guarantees in favor of the holders of the issued Bonds of DaimlerChrysler Australia/Pacific Pty. Ltd., Mulgrave, Australia | 321 | 621 |
| Payment guarantee in favor of Deutsche Leasing AG of the commitment of Karmann GmbH, Osnabrück, Germany | 120 | 159 |
| Payment guarantees in favor of the holders of the issued Bonds of DaimlerChrysler Japan Co. Ltd., Tokio, Japan | 119 | 204 |
| Payment guarantees in favor of the holders of the commitment of DaimlerChrysler (Thailand) Ltd., Bangkok, Thailand | 103 | 94 |

Contingent liabilities

| | 12/31/2005 € in millions | 12/31/2004 € in millions |
|---|-----------------------------|-----------------------------|
| Payment guarantees in favor of the European Investment Bank for the commitment of DaimlerChrysler do Brasil Ltda., Sao Bernardo do Campo, Brazil | 92 | 135 |
| Payment guarantees in favor of the holders of the commitment of DaimlerChrysler Services North America, L.L.C., Farmington Hills, USA | 60 | 345 |
| Commitments of the placement and payment guarantee of DCSF Immobilien Verwaltungsgesellschaft Nr. 8 mbH & Co., Stuttgart, Germany | 54 | - |
| Payment guarantees in favor of the KfW for the commitment of DaimlerChrysler de México S. A. de C. V., Mexico City, Mexico | 39 | 37 |
| Payment guarantees in favor of the KfW for the commitment of DaimlerChrysler Services de México S. A. de C. V., Mexico City, Mexico | 34 | 29 |
| Payment guarantees in favor of Commerzbank AG, Gummersbach for the loan collateralization of Tignaris Beteiligungsgesellschaft mbH & Co. Objekt Duisburg/Witten KG, Düsseldorf, Germany | 30 | 60 |
| Payment guarantees in favor of the European Investment Bank for the commitment of DaimlerChrysler Espana Holding S.A., Madrid, Spain | 30 | 30 |
| Payment guarantees in favor of the KfW for the commitment of DaimlerChrysler Argentina S.A., Buenos Aires, Argentina | 28 | - |
| Payment guarantee in favor of FERN S.à.r.l. out of the sale of debis Air Finance B.V. | 26 | - |
| Payment guarantee in favor of the Crédit Commercial de France for the commitment of Groupement d'intérêt économique "Spring Rain", Hambach, France | 26 | 19 |
| Payment guarantee in favor of GRISLEVA and GRAMEDA Vermietungsgesellschaft mbH for the commitment of Kunststofftechnik Sachsen, Grünwald, Germany | 23 | - |
| Payment guarantees in favor of the KfW for the commitment of Banco DaimlerChrysler DC S. A., Sao Paulo, Brazil | 21 | 37 |
| Commitments of the placement and payment guarantee of DCSF Immobilien Verwaltungsgesellschaft Nr. 6 mbH & Co., Stuttgart, Germany | - | 60 |
| Payment guarantees in favor of Chubb Insurance Company of Europe S. A. for the commitment of Bombardier Transportation GmbH, Berlin, Germany | - | 1 |
| Other guarantees | 402 | 263 |
| Liabilities from other warranty agreements | 3 | 218 |
| Guarantees against domestic and foreign subsidiaries as well as to third parties | 203 | 800 |
| thereof to affiliated companies | 155 | 114 |
| Notes payable | - | - |

Guarantees comprise guarantees to affiliated companies amounting to € 49,110 million (p.y. € 45,684 million).

In the fiscal year 2005, payment guarantees of DaimlerChrysler AG increased slightly, supportingly affected by exchange rate effects of dollar bonds. DaimlerChrysler AG is liable on behalf of the co-shareholders of Dornier GmbH for all future non-estimable equalization payments guaranteed by DADC Luft- und Raumfahrt Beteiligungs AG for 2006 and subsequent years. Claims on future non-estimable equalization payments for 2006 and subsequent years are in existence for the minority shareholders of DaimlerChrysler Luft- und Raumfahrt Holding AG.

Other financial commitments

Other financial commitments (€ 10,354 million) include € 3,653 million of other financial commitments to affiliated companies.

Buy-back commitments to both third parties and affiliated companies of DaimlerChrysler AG, which are in line with the industry average, exist in connection with vehicle sales or leasing operations.

Other financial commitments relating to rental and lease agreements aggregate € 4,025 million. A large share of the intangible assets and equipment of the former Daimler-Benz AG was transferred to DaimlerChrysler Vermögens- und Beteiligungsgesellschaft mbH, Stuttgart, as of June 30, 1998, followed by a subsequent lease-back of the equipment to DaimlerChrysler AG. The rental expense for proceeding years aggregates € 541 million, as of December 31, 2005. Leasing agreements with 19 property companies at Potsdamer Platz were assumed by DaimlerChrysler Immobilien (DCI) GmbH. The rental expense, totaling € 1,204 million, must be paid to the real estate management firms of Mercedes-Benz AG & Co. OHG, Ludwigsfelde, and Daimler-Benz AG & Co. OHG, Ludwigsfelde.

Other financial commitments, particularly order commitments for expansion investment, are within the usual range.

DaimlerChrysler AG is liable as joint and several debtor on investments in 29 general partnerships.

Some co-shareholders of joint ventures are provided with tender rights for their shares.

Organs/Executive body

The total remuneration awarded to the Board of Management of DaimlerChrysler AG consists of the sum of all granted cash payments and all non-cash benefits out of the benefits in kind. This remuneration amounted to € 42.6 million for the Board of Management of DaimlerChrysler AG in 2005. Board members who retired during 2005 were entitled to disbursements for earned benefits until their retirement by time quota from the still continuing 3-year-performance plans and the share-based compensation which was awarded in 2005 for the first time. Those disbursements are included in the total remuneration.

The Board of Management received overall 454,914 virtual shares as a long-term remuneration component in 2005 which result from the so-called "Performance Phantom Share Plan". Further information concerning the stock-based compensation is available in the notes to the capital stock (8a). In 2005, the remuneration to retired Board members of DaimlerChrysler AG and to their bereaved families aggregated € 15.9 million. Accrued Pension liabilities to retired Board members and to their bereaved families totaling € 214.1 million

The remuneration to the Supervisory Board of DaimlerChrysler AG amounts to € 2.0 million, as of December 31, 2005.

The Management Board Membership and Supervisory Board Membership are listed on pages 29 to 37.

Proposal on appropriation of retained earnings

The unappropriated profit of DaimlerChrysler AG as of December 31, 2005 amounts to € 1,527 million. The proposal on appropriation of this amount to the Annual Shareholder' Meeting is as follows:

| | € |
|--|---------------|
| Distribution of € 1.50 Dividend each share | 1,527,259,044 |
| Transfer to retained earnings | - |
| Profit carried forward | - |
| Unappropriated profit | 1,527,259,044 |

Notes relating to § 160, Section 1, Subsection 8 AktG (German Corporation Law)

Pursuant to Section 25, Subsection 1 of the German Securities Trading Act, DaimlerChrysler AG publicly announced on January 21, 2005 that Deutsche Bank Aktiengesellschaft, Frankfurt am Main, has notified DaimlerChrysler AG pursuant to Section 21, Subsection 1 and Section 24 of the German Securities Trading Act that on January 13, 2005, its subsidiary DB Value GmbH, Scharnhorststraße 20, 06686 Sössen/Gostrau fell below the threshold participation interest of 10% of the voting rights in DaimlerChrysler AG, and now holds 6.45% of our voting stock.

Deutsche Bank Aktiengesellschaft also informed us that the notification pursuant to Section 21, Subsection 1 of the German Securities Trading Act for its subsidiary DB Value GmbH was due to a security loan transaction within the Deutsche Bank Group, and that this did not change the overall participation interest in our voting stock held by the Deutsche Bank Group to an extent requiring notification.

Pursuant to Section 25, Subsection 1 of the German Securities Trading Act, DaimlerChrysler AG publicly announced on March 29, 2005 that Deutsche Bank Aktiengesellschaft, Frankfurt am Main, has notified DaimlerChrysler AG pursuant to Section 21, Subsection 1 and Section 24 of the German Securities Trading Act that on March 15, 2005, its subsidiary DB Value GmbH, Scharnhorststraße 20, 06686 Sössen/Gostrau, exceeded the threshold participation interest of 10% of the voting rights in DaimlerChrysler AG, and now holds 10.4% of our voting stock.

Deutsche Bank Aktiengesellschaft also informed us that the notification pursuant to Section 21, Subsection 1 of the German Securities Trading Act for its subsidiary DB Value GmbH was due to the repayment of a security loan transaction within the Deutsche Bank Group, and that this did not change the overall participation interest in our voting stock held by the Deutsche Bank Group to an extent requiring notification.

Pursuant to Section 25, Subsection 1 of the German Securities Trading Act, DaimlerChrysler AG publicly announced on June 14, 2005 that Deutsche Bank Aktiengesellschaft, Frankfurt am Main, has notified DaimlerChrysler AG pursuant to Section 21, Subsection 1 and Section 24 of the German Securities Trading Act that on June 8, 2005, its subsidiary DB Value GmbH, Scharnhorststraße 20, 06686 Sössen/Gostrau, fell below the threshold participation interest of 10% of the voting rights in DaimlerChrysler AG, and now holds 6.45% of our voting stock.

Deutsche Bank Aktiengesellschaft also informed us that the notification pursuant to Section 21, Subsection 1 of the German Securities Trading Act for its subsidiary DB Value GmbH was due to a security loan transaction within the Deutsche Bank Group, and that this did not change the overall participation interest in our voting stock held by the Deutsche Bank Group to an extent requiring notification.

Pursuant to Section 25, Subsection 1 of the German Securities Trading Act, DaimlerChrysler AG publicly announced on August 5, 2005 that Deutsche Bank Aktiengesellschaft, Frankfurt am Main, has notified DaimlerChrysler AG pursuant to Section 21, Subsection 1 of the German Securities Trading Act that on July 28, 2005, Deutsche Bank AG, Taunusanlage 12, 60325 Frankfurt, fell below the participating interest threshold of 10% of the voting rights in DaimlerChrysler AG, and now holds 6.90% of the voting rights. According to the notification, 2.95% of the voting rights in DaimlerChrysler AG are assigned to Deutsche Bank AG pursuant to Section 22, Subsection 1, Sentence 1, No. 1 of the German Securities Trading Act; the remaining 3.95% of the voting rights in DaimlerChrysler AG are held by Deutsche Bank AG as a result of a securities loan within the Deutsche Bank Group.

Pursuant to Section 25, Subsection 1 of the German Securities Trading Act Deutsche Bank Aktiengesellschaft has also notified DaimlerChrysler AG pursuant to Section 21, Subsection 1 and Section 24 of the German Securities Trading Act that on July 28, 2005, its subsidiary DB Value GmbH, Scharnhorststraße 20, 06686 Sössen, fell below the participating interest threshold of 5% of the voting rights in DaimlerChrysler AG, and now holds 2.95% of the voting rights.

Pursuant to Section 25, Subsection 1 of the German Securities Trading Act, DaimlerChrysler AG publicly announced on October 26, 2005 that Deutsche Bank Aktiengesellschaft, Frankfurt am Main, has notified DaimlerChrysler AG pursuant to Section 21, Subsection 1 and Section 24 of the German Securities Trading Act that on October 10, 2005, its subsidiary DB Value GmbH, Scharnhorststraße 20, 06686 Sössen/Gostrau, exceeded the threshold participation interest of 5% of the voting rights in DaimlerChrysler AG, and now holds 6.9% of the voting stock.

Deutsche Bank Aktiengesellschaft also informed us that the notification pursuant to Section 21, Subsection 1 of the German Securities Trading Act for its subsidiary DB Value GmbH was due to the repatriation of a security loan transaction within the Deutsche Bank Group, and that this did not notifiable change the overall participation interest in our voting stock held by the Deutsche Bank Group.

Pursuant to Section 25, Subsection 1 of the German Securities Trading Act, DaimlerChrysler AG publicly announced on November 11, 2005 that Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Germany, has notified DaimlerChrysler AG pursuant to Section 21, Subsection 1, Section 22, Subsection 2 and Section 24 of the German Securities Trading Act that on October 27, 2005, its subsidiary DB Value GmbH, Scharnhorststraße 20, D - 06686 Sössen/Gostrau controls the participating interest of 6.89% of the voting rights in DaimlerChrysler AG no longer directly, but only due to assignment pursuant to Section 22, Subsection 1, No. 2 of the German Securities Trading Act.

At the same time, Deutsche Bank Aktiengesellschaft has notified us pursuant to Section 21, Subsection 1 and Section 24 of the German Securities Trading Act that on October 27, 2005, DB Equity S.à.r.l., 2, Boulevard Konrad Adenauer, L - 1115 Luxembourg exceeded the threshold participating interest of 5% of the voting rights in DaimlerChrysler AG, and now holds 6.89% of the voting stock.

Deutsche Bank Aktiengesellschaft has also informed us that these changes did not notifiable change the overall participation interest in the voting stock held by Deutsche Bank AG.

Pursuant to Section 25, Subsection 1 of the German Securities Trading Act, DaimlerChrysler AG publicly announced on December 7, 2005 that Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Germany, has notified DaimlerChrysler AG pursuant to Section 21, Subsection 1 of the German Securities Trading Act that on November 22, 2005, Deutsche Bank AG, Taunusanlage 12, 60325 Frankfurt, fell below the threshold participating interest of 5% of the voting rights in DaimlerChrysler AG, and now holds 4.40% of the voting stock. These voting rights are assigned to Deutsche Bank AG pursuant to Section 22, Subsection 1, Sentence 1, No. 1 of the German Securities Trading Act.

At the same time, Deutsche Bank Aktiengesellschaft has notified us pursuant to Section 21, Subsection 1 and Section 24 of the German Securities Trading Act that on November 22, 2005, its subsidiary DB Value GmbH, Scharnhorststraße 20, 06686 Sössen, Germany, fell below the threshold participating interest of 5% of the voting rights of DaimlerChrysler AG, and now holds 4.40% of the voting stock. These voting

rights are assigned to DB Value GmbH pursuant to Section 22, Subsection 1, Sentence 1, No. 2 of the German Securities Trading Act.

In addition, Deutsche Bank Aktiengesellschaft notified us pursuant to Section 21, Subsection 1 and Section 24 of the German Securities Trading Act that on November 22, 2005, its subsidiary DB Equity S.à.r.l., 2, Boulevard Konrad Adenauer, 1115 Luxembourg, Luxembourg, fell below the threshold participating interest of 5% of the voting rights in DaimlerChrysler AG, and now holds 4.40% of the voting stock.

German Corporate Governance Codex/ Statement relating to § 161 AktG (German Corporation Law)

The obligatory statement pursuant to § 161 AktG (German Corporation Law) was executed by the Board of Management and the Supervisory Board and also accessed to the shareholders.

Board of Management

Stuttgart-Möhringen, February 23, 2006

Dr.-Ing. Dieter Zetsche

Eric Ridenour

Günther Fleig

Thomas W. Sidlik

Dr. phil. Rüdiger Grube

Bodo Uebber

Thomas W. LaSorda

Dr.-Ing. Thomas Weber

Andreas Renschler

Unqualified Auditor's Report for Statutory Audits of Annual Financial Statements

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the DaimlerChrysler AG, Stuttgart for the business year from January 1 to December 31, 2005. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's Board of Management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB [Handelsgesetzbuch: „German Commercial Code“ and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Stuttgart
February 23, 2006

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Krauß
Wirtschaftsprüfer
[German public auditor]

Hug
Wirtschaftsprüfer
[German public auditor]

Board of Management

Members of the Board of Management

Supervisory Board Memberships/ Directorships

Prof. Jürgen E. Schrempp

Stuttgart
Chairman of the Board of Management
Contract expired December 31, 2005

Internal Directorships

DaimlerChrysler South Africa (Pty) Ltd. (Chairman)

External Directorships

Compagnie Financière Richemont S. A.
South African Coal, Oil and Gas Corporation Ltd. (Sasol)
Vodafone Group plc.

Dr.-Ing. Dieter Zetsche

Stuttgart
Chairman of the Board of Management (as
from January 1, 2006)
Head of Mercedes Car Group
Appointed until 2010

Internal Directorships

DaimlerChrysler Corporation (Chairman)
DaimlerChrysler Motors Company LLC
Freightliner LLC
Mercedes-Benz USA LLC (Chairman)

External Directorships

McLaren Group Ltd.

Günther Fleig

Stuttgart
Human Resources & Labor Relations Director
Appointed until 2009

Internal Directorships

DaimlerChrysler Aviation GmbH (Chairman of the Advisory
Board)
DaimlerChrysler Management Consulting GmbH
(Chairman of the Advisory Board)
DaimlerChrysler Financial Services AG
DaimlerChrysler Unterstützungskasse GmbH (Advisory Board)

External Directorships

Wohnstätten Sindelfingen GmbH (Chairman)

Members of the Board of Management

Supervisory Board Memberships/ Directorships

Dr. phil. Rüdiger Grube

Stuttgart
Corporate Development / North East Asia
(NEA)
Appointed until 2007

Internal Directorships

DaimlerChrysler Aviation GmbH (Advisory Board)
DaimlerChrysler (China) Ltd. (Chairman)
DaimlerChrysler Financial Services AG
DaimlerChrysler Services FleetBoard GmbH (Advisory Board)
Mercedes-Benz (China) Ltd.
MTU Friedrichshafen GmbH (Chairman)

External Directorships

Beijing Benz-DaimlerChrysler Automotive Co., Ltd. (Vice-Chairman)
EADS Participations B. V.
European Aeronautic Defence and Space Company EADS N.V.
Hamburg Port Authority
McLaren Group Ltd.

Thomas W. LaSorda

Auburn Hills
Chrysler Group
Appointed until 2007

Internal Directorships

DaimlerChrysler Corporation

External Directorships

none

Andreas Renschler

Stuttgart
Commercial Vehicles Division
Appointed until 2007

Internal Directorships

DaimlerChrysler Australia/Pacific (Pty.) Ltd. (Chairman)
DaimlerChrysler Financial Services AG
DaimlerChrysler South East Asia Pte. Ltd.
Detroit Diesel Corporation (Chairman)
EvoBus GmbH (Chairman)
Freightliner LLC (Chairman)
Mitsubishi Fuso Truck and Bus Corporation

External Directorships

none

Members of the Board of Management

Supervisory Board Memberships/ Directorships

Eric Ridenour

Auburn Hills
Chief Operating Officer (COO) Chrysler Group
Appointed until 2008

Internal Directorships
DaimlerChrysler Corporation

External Directorships
none

Thomas W. Sidlik

Auburn Hills
Global Procurement & Supply
Appointed until 2008

Internal Directorships
DaimlerChrysler Corporation
DaimlerChrysler Corporation Fund
DaimlerChrysler Motors Company LLC
Daimler-Benz Purchasing Coordination of North America, Inc.

External Directorships
none

Bodo Uebber

Stuttgart
Finanzen & Controlling / Financial Services
Appointed until 2006

Internal Directorships
DaimlerChrysler Bank AG
DaimlerChrysler Corporation
DaimlerChrysler Espana Holding S. A.
DaimlerChrysler Financial Services AG (Chairman)
DaimlerChrysler France Holding S. A. S. (Chairman)
DaimlerChrysler Mexico Holding, S. A. de C.V. (Chairman)
DaimlerChrysler North America Holding Corporation
(Chairman)
DaimlerChrysler UK Holding plc (Chairman)
DaimlerChrysler Unterstutzungskasse GmbH (Advisory Board)
Freightliner LLC

External Directorships
Hannover Rückversicherung AG

Dr.-Ing. Thomas Weber

Stuttgart
Research & Technology
Appointed until 2010

Internal Directorships
MB-technology GmbH (Chairman)
Mercedes-Benz HighPerformanceEngines Ltd. (Chairman)

External Directorships
Ballard Power Systems Inc.
McLaren Cars Ltd.

Retired from the Board of Management

Dr. rer. pol. Eckhard Cordes

Stuttgart

Mercedes Car Group

(retired August 31, 2005)

Prof. Jürgen Hubbert

Stuttgart

Executive Automotive Committee (EAC)

(retired April 6, 2005)

Supervisory Board

Members of the Supervisory Board

Supervisory Board Memberships/ Directorships

Hilmar Kopper

Frankfurt/Main
Chairman of the Supervisory Board
of DaimlerChrysler AG

Unilever N. V./PLC
Xerox Corp.

Chairman

Erich Klemm *)

Sindelfingen
Chairman of the Corporate Works
Council, DaimlerChrysler Group and
DaimlerChrysler AG

Deputy Chairman

Prof. Dr. Heinrich Flegel *)

Stuttgart
Director Research Materials and
Manufacturing, DaimlerChrysler AG; Chairman
of the Management Representative
Committee, DaimlerChrysler Group

Nate Gooden *)

Detroit
Vice President of the International Union,
United Automobile, Aerospace and Agricultural
Implement Workers of America (UAW)

Earl G. Graves

New York
Publisher, Black Enterprise Magazine

Aetna Life and Casualty Company
AMR Corporation (American Airlines)
Earl G. Graves Ltd.

Members of the Supervisory Board

Dr. Thomas Klebe *)

Frankfurt/Main
Director Department for General Shop Floor
Policy and Codetermination, German
Metalworkers' Union (IG Metall)

Supervisory Board Memberships/ Directorships

Saarstahl AG
DaimlerChrysler Luft- und Raumfahrt Holding AG
DaimlerChrysler Aerospace AG

Arnaud Lagardère

Paris
General Partner and CEO of Lagardère SCA
(since April 6, 2005)

Hachette SA
EADS NV
EADS Participations B.V.
Hachette Livre (SA)
Hachette Distribution Services (SA)
Virgin Stores (SA)
Hachette Filipacchi Medias (SA)
Lagardère Active (SAS)
Lagardère Active Broadband (SAS)
Lagardère Active Broadcast (SA)
Lagardère Active Publicité, Lagardère Active Radio
International (SA)
SEDI TV-TEVA (SNC)
Lagardère (SAS)
Lagardère Capital & Management (SAS)
Arjil Commanditée - Arco (SA)
Lagardère Ressources (SAS)
France Telecom (SA)
LVMH Moët Hennessy Louis Vuitton (SA)
Fimalac (SA)
Le Monde (SA)

Jürgen Langer *)

Frankfurt/Main
Chairman of the Works Council of the
Frankfurt/Offenbach Dealership,
DaimlerChrysler AG

Robert J. Lanigan

Toledo
Chairman Emeritus of Owens-Illinois, Inc.
Founding Partner, Palladium Equity Partners

**Members of the
Supervisory Board**

**Supervisory Board Memberships/
Directorships**

Helmut Lense *)

Stuttgart
Chairman of the Works Council,
Untertürkheim Plant, DaimlerChrysler AG

Peter A. Magowan

San Francisco
President of San Francisco Giants

Caterpillar Inc.
Spring Group plc

William A. Owens

Kirkland
Retired President and Chief Executive Officer
of Nortel Networks Corporation

Polycom Inc.
AEA Investors LLC

Gerd Rheude *)

Wörth
Chairman of the Works Council,
Wörth Plant, DaimlerChrysler AG

Udo Richter*)

Bremen
Chairman of the Works Council,
Bremen Plant, DaimlerChrysler AG

Wolf Jürgen Röder *)

Frankfurt/Main
Member of the Executive Board
of German Metalworkers' Union (IG Metall)

Robert Bosch GmbH

**Members of the
Supervisory Board**

**Supervisory Board Memberships/
Directorships**

Dr. rer. pol. Manfred Schneider

Leverkusen
Chairman of the Supervisory Board of
Bayer AG

Allianz AG
Bayer AG
Linde AG
Metro AG
RWE AG
TUI AG

Stefan Schwaab *)

Gaggenau
Vice Chairman of the Corporate Works
Council, DaimlerChrysler Group and
DaimlerChrysler AG,
Vice Chairman of the Works Council
Gaggenau Plant, DaimlerChrysler AG

Bernhard Walter

Frankfurt/Main
Former Spokesman of the
Board of Management of Dresdner Bank AG

BilfingerBerger AG
Deutsche Telekom AG
Henkel KGaA
KG Allgemeine Leasing GmbH & Co.
Staatliche Porzellan-Manufaktur Meissen GmbH
Wintershall AG

Lynton R. Wilson

Toronto
Chairman of the Board of CAE Inc.
Chairman Emeritus, Nortel
Networks Corporation

CAE Inc.

Dr. Ing. Mark Wössner

München
Former CEO and Chairman of the
Supervisory Board of Bertelsmann AG

Citigroup Global Markets Deutschland
AG & Co. KGaA
eCircle AG
Loewe AG
Reuters AG
Douglas Holding AG
Heidelberger Druckmaschinen AG

Committees of the Supervisory Board:

Committee pursuant to § 27 Abs. 3 MitbestG (Codetermination Act)

Hilmar Kopper (Chairman)
Erich Klemm *)
Dr. rer. pol. Manfred Schneider
Dr. Thomas Klebe *)

Presidential Committee

Hilmar Kopper (Chairman)
Erich Klemm *)
Dr. rer. pol. Manfred Schneider
Dr. Thomas Klebe *)

Audit Committee

Bernhard Walter (Chairman)
Hilmar Kopper
Erich Klemm *)
Stefan Schwaab *)

Retired from the Supervisory Board

Prof. Victor Halberstadt

Amsterdam
Professor of Public Economics
at Leiden University,
Netherlands
(retired April 6, 2005)

*) Representative of the employees

Management Report of DaimlerChrysler AG

Business and General Conditions

The company

DaimlerChrysler AG was founded in May 1998. Subsequently, Daimler-Benz AG was merged with DaimlerChrysler AG. DaimlerChrysler AG has its registered office in Stuttgart and is the parent company of the DaimlerChrysler Group.

The company can look back on a tradition of pioneering achievements in automotive engineering that goes back more than one hundred years.

The business activities of DaimlerChrysler AG span over the development, production and sales of passenger cars and commercial vehicles, including the Mercedes-Benz and Maybach brands, as well as the management of a global automotive group with additional brands such as Chrysler, Jeep®, Dodge, Setra, Freightliner, Fuso, Sterling, Orion, Western Star, Thomas Built Buses and smart.

We support our automotive divisions with the financial services products of our Financial Services division, which is managed by our subsidiary, DaimlerChrysler Financial Services.

Our offering extends from high quality compact cars to premium vehicles and luxury

sedans and from highly adaptable small vans to medium and heavy-duty trucks for local and long-distance deliveries and construction, as well as tourist, urban and overland buses. With our strong passenger car and commercial vehicles brands we are excellently positioned on virtually every market and market segment around the world.

DaimlerChrysler AG primarily develops its products at its technology centers in Sindelfingen and Stuttgart-Untertürkheim. Research, for example, is carried out at the Ulm location.

Its vehicles are produced both at its plants in Germany as well as at some of its subsidiaries (e.g. M- and R-Class at Mercedes-Benz U.S. International, Inc., Tuscaloosa, USA) and specialist vehicle manufacturers as part of contract manufacturing agreements.

DaimlerChrysler AG sales are primarily conducted through its own sales network that has 35 branches in Germany as well as a large number of foreign sales subsidiaries and authorized agents on every continent in the world.

Production locations of DaimlerChrysler AG

| Passenger cars | |
|----------------------------|--|
| Sindelfingen | C-Class sedan and sport coupe, E-Class sedan and Station wagon, CLS, S-Class, CL coupe, Maybach |
| Bremen | C-Class sedan and station wagon, CLK coupe, SL roadster, SLK roadster |
| Rastatt | A-Class, B-Class |
| Stuttgart-Untertürkheim | Engines, axles and gearboxes |
| Berlin | Engines |
| Hamburg | Axles, steering columns, pedal assemblies, transmissions, parking brakes, exhaust manifolds and welded structural components |
| Commercial vehicles | |
| Düsseldorf | Sprinter |
| Kassel | Axles |
| Gaggenau | Axles, gearboxes, transformers, parts, sheet metals |
| Mannheim | Engines, axles, foundry |
| Wörth | Actros, Atego, Axor, Unimog, Econic |

Branch locations of DaimlerChrysler AG

| | | |
|----------------------|--------------------------------|-----------------------------------|
| Aachen | Hanover | NDL-Verbund Rhein-Ruhr |
| Augsburg | Kassel | NDL-Verbund Ulm/ Schwäbisch Gmünd |
| Baden-Baden | Koblenz | NDL Weser-Ems |
| Berlin | Cologne | Nuremberg |
| Braunschweig | Landau | Ravensburg |
| Darmstadt | Leipzig | Regensburg |
| Dortmund | Magdeburg | Reutlingen |
| Dresden | Mainz | Saarland |
| Frankfurt/ Offenbach | Mannheim | Stuttgart |
| Freiburg | Munich | Wuppertal/ Solingen/ Remscheid |
| Fulda | NDL-Verbund Ostwestfalen-Lippe | Würzburg/ Schweinfurt |
| Hamburg | NDL-Verbund Ostsee | |

Selected sales companies of DaimlerChrysler AG

| | |
|---|--|
| DaimlerChrysler Australia / Pacific Pty. Ltd. | DaimlerChrysler UK Ltd. |
| DaimlerChrysler Belgium Luxembourg S.A. | DaimlerChrysler Schweiz AG |
| DaimlerChrysler Danmark AS | DaimlerChrysler Automotive Polska Sp. z.o.o. |
| DaimlerChrysler France S.A.S. | Mercedes-Benz Canada Inc. |
| DaimlerChrysler Italia S.p.A. | Mercedes-Benz Hongkong Ltd. |
| DaimlerChrysler Japan Co., Ltd. | Mercedes-Benz Korea Ltd. |
| DaimlerChrysler Nederland B.V. | Mercedes-Benz Portugal Comercio de Automoveis S.A. |
| DaimlerChrysler (Thailand) Ltd. | Mercedes-Benz USA, LLC |

The Board of Management of DaimlerChrysler AG

The structure of the Board of Management of DaimlerChrysler AG as the parent company reflects the structure of the Group's organization as of December 31, 2005. Functional and divisional elements reflect the structure and organization of the company.

New management model for the DaimlerChrysler Group

On January 24, 2006 DaimlerChrysler presented a new management model designed to improve the company's competitiveness and further profitable growth. The new model will further integrate the company's functions, focus operations areas more closely on their core processes and encourage internal collaboration. In addition, it will reduce the duplication of activities and remove some management levels. The structural changes include consolidation and integration of all administrative functions such as Finance and Controlling, Human Resources and Strategy. These functions will be centralized to report to the responsible Board of Management member for each function. The duplication of activities between the corporate and operating level will be eliminated, thereby reducing the complexity within the company. The integration of administrative functions will result in shorter, faster and leaner reporting channels and decision-making processes. Within the framework of the new management model, we have also decided to merge the product development of the Mercedes Car Group and the Board of Management area of Research & Technology in the new Board of Management area of Group Research & Mercedes Car Group Development as of March 1, 2006. The new area will take on more responsibility for the predevelopment activities of all the automotive divisions.

Also starting in March 2006, the Commercial Vehicles Division will focus on its core business of trucks, with the new name of "Truck Group"; buses and vans will be directly managed as separate units and will be included in the new Van, Bus, Others segment in the future. The new structure will create additional synergies between the truck brands as well as a sharper focus on customers and the competition. The direct management of the bus and van operations will facilitate a stronger orientation towards the specific requirements of customers and markets in these segments. Due to the commonality of powertrains and components, the Bus unit will report to the head of the Truck Group and the Van unit will report to the head of the Mercedes Car Group. Furthermore, the location of the Group's headquarters in Germany will be transferred from Stuttgart-Möhringen to Stuttgart-Untertürkheim. The central administrative functions will therefore be located in Stuttgart-Untertürkheim (Germany) and Auburn Hills (United States).

With the implementation of the new management model, we intend to reduce our administrative expenses, which are currently significantly higher than the industry average, by an annual € 1.5 billion per year. € 0.5 billion of this total will be realized by the other efficiency programs already running in the divisions.

In order to achieve the goals of the new management model, personnel capacities will also have to be adjusted. This will lead to a total reduction of up to 20 % in the number of persons employed in administrative departments during the years of 2006 through 2008, and 30 % in management positions. This is equivalent to 6,000 jobs worldwide.

Preparations for implementing the new management model began immediately after its announcement in January 2006. The total expenditure incurred for the implementation of the program in the years 2006 through 2008 is likely to be in the region of € 2 billion.

Financial Position and Performance

Global Economy

Following strong growth in 2004, the growth of the world economy slowed down last year. The world gross domestic product (GDP) grew by + 4.3 % (p. y. + 5.0 %). The driving forces behind the slowdown were the sharp rise in energy and raw materials prices, rising interest rates, and less expansive public sector spending.

The positive economic development in the United States, which was marked by strong domestic demand, continued despite the increase in key interest rates, which rose by an average of + 3.6 % (p. y. + 4.4 %) during the year.

Due to the high price of oil, weak consumer spending in private households, and low investment spending among companies, gross domestic product for the euro zone showed slower growth than in 2005 at + 1.6 % (p. y. + 2.4 %).

Germany's economic development was again disappointing in 2005. The growth in exports failed to compensate for continued weak domestic demand. This is reflected in the lower rise in gross domestic product of + 0.8 % compared to the previous year's figure of + 1.8 %.

The Japanese economy continues to enjoy a recovery. Driven by an upturn in consumer activity and increased investment spending among companies in 2005, the gross domestic product rose by + 2.2 % (p. y. + 4.2 %).

A number of emerging markets in Asia, Russia and China saw strong growth.

Over the course of the year, the value of the Euro remained nearly constant against the US dollar, the British pound (GBP) and the Japanese yen.

Automotive Markets

Overall, the growth of the global automobile markets slowed down slightly in 2005, due largely to the significant increase in the price of oil and the related loss of purchasing power. In this situation, demand was influenced more than ever by manufacturers' product and price strategies.

In the US market for passenger cars and sport-utility vehicles, the development of unit sales as at the year-end was weaker due to continued fuel price increases and lower sales incentives. Overall, the market volume was up slightly on the previous year at 17.0 million vehicles (p. y. 16.9 million).

West European markets stagnated with a total of 14.5 million passenger cars sold. Growth in Germany and France was counteracted by falling demand in Italy and the United Kingdom.

Thanks to the stronger situation of the overall economy, the Japanese market grew slightly on the previous year.

The emerging markets of South America continued to post dynamic growth rates. In the markets of Central and Eastern Europe, the development of unit sales was still divided: While unit sales of new vehicles continued to decline in the new EU states due to the high inflow of used vehicles, sales of new vehicles continued to rise in Russia. Driven by double-digit growth on the Chinese automobile market, the emerging markets of Asia were once again the main source of the global automotive industry.

The world's markets for commercial vehicles continued to expand in 2005. In North America, there was another sharp growth in demand for heavy-duty and medium-duty trucks, and unit sales also increased in Western Europe due to continuing strong demand from transport companies. However, rates of expansion were

lower than in the prior year. In Japan, sales of commercial vehicles revived in the second half of 2005 due to purchases brought forward as a reaction to new national and regional emission regulations, leading to a slight increase in total market volume.

Business Developments

In view of the difficult market conditions, the business development of DaimlerChrysler AG was generally satisfactory. Revenues and unit sales increased again. The income from ordinary activities increased significantly and exceeded the figures forecast in 2004. Charges due to structural expenses, higher energy and raw materials prices as well as less favorable EUR/USD, EUR/JPY and EUR/GBP hedging rates compared to the previous year led to a significant deterioration of operating income. The significant increase in financial income overcompensated this charges, resulting in a satisfactory improvement in income.

Mercedes-Benz Passenger Cars

In the Passenger Cars division, operating profit was down compared to the previous year. The positive effects of the increased unit sales for the A-Class and B-Class only partially compensated for the declines in the C-Class and E-Class in particular. On addition, income was also affected by high marketing expenses in connection with the launches of the M-, B-, S- and R-Class as well as increasing warranty expenses for ongoing

measures of the quality campaign and headcount reductions. Currency hedging, which was less favorable than in the previous year also contributed to the decrease. Furthermore, high expenses were recorded once again for pension obligations. The CORE program (Costs Down, Revenues Up) launched in 2005 is aimed at the sustainable improvement of the company's competitiveness and profitability.

Mercedes-Benz Commercial Vehicles

Despite the good framework conditions, DaimlerChrysler AG was unable to generate an improvement in earnings over the previous year in the Commercial Vehicles division. The further positive increases in unit sales and revenues, particularly for heavy-duty trucks and Sprinters were offset by significantly higher manufacturing costs due to, for example, inflated materials prices. Furthermore, high expenses also incurred for pension obligations. Measures to improve efficiency and profitability were also implemented in the Commercial Vehicles division as part of the Global Excellence Program.

Other

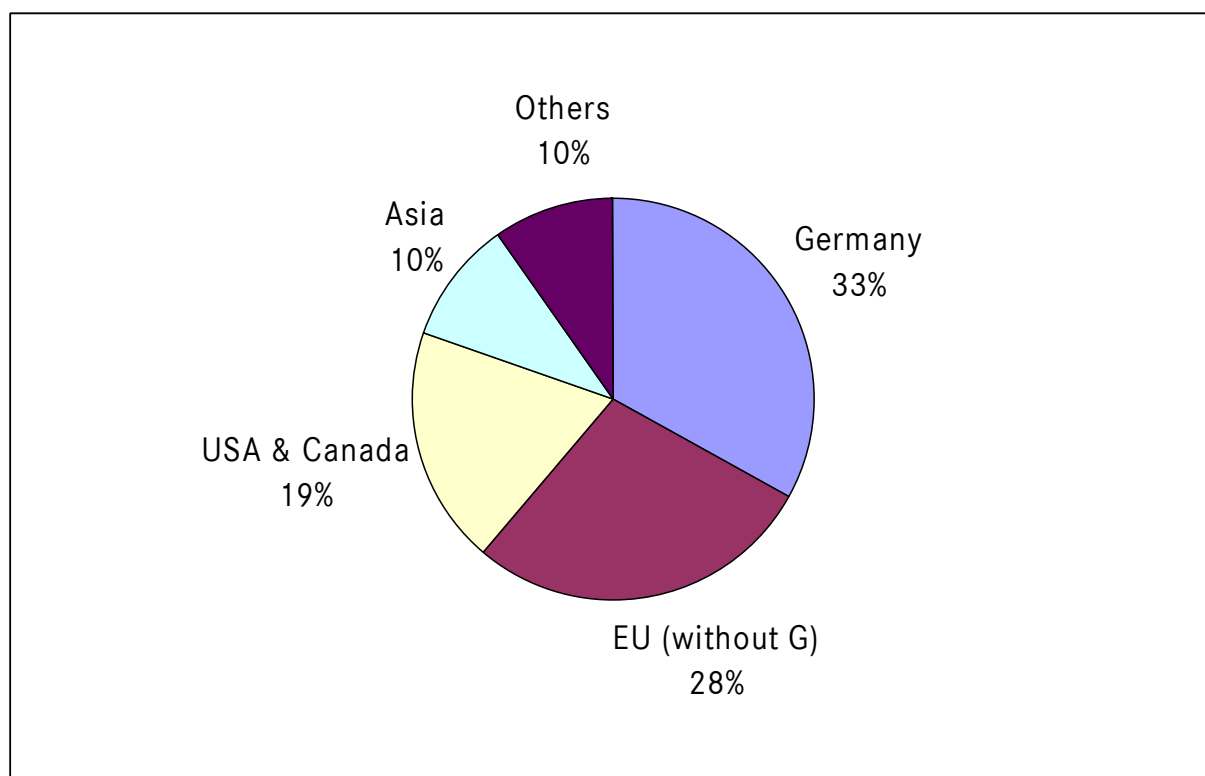
As in the previous year, the leasing business with our DaimlerChrysler Bank AG subsidiary again generated a positive contribution to earnings.

Financial Performance

Overview Key Figures DaimlerChrysler AG

| In € million | 2005 | 2004 | 2003 |
|---|---------------|--------------|---------------|
| Revenues | 59,150 | 56,072 | 55,439 |
| Cost of goods sold (without R&D) | -51,253 | -46,754 | -44,871 |
| Gross profit (without R&D) | 7,897 | 9,318 | 10,568 |
| Research and development expenses (R&D) | -3,150 | -3,239 | -3,400 |
| Selling and general administrative expenses | -7,988 | -7,642 | -7,417 |
| Other operating income/expenses | 783 | 793 | 197 |
| Operating result | -2,458 | -770 | -52 |
| Financial income, net | 4,125 | 1,049 | 696 |
| Income from ordinary activities | 1,667 | 279 | 644 |
| Income taxes | -61 | -789 | -764 |
| Net income/loss | 1,606 | -510 | -120 |

DaimlerChrysler AG Revenues by Regions



Revenues

At € 59,150 million (p. y. € 56,072 million), the development of revenues was clearly positive. Revenues were up by 5.5 %, thereby exceeding the forecast in the outlook in 2004. Germany accounted for € 19,574 million of revenues (p. y. € 20,029 million) and the rest of the world for € 39,576 million (p. y. € 36,043 million). Thus, domestic revenues accounted for 33.1 % (p. y. 35.7 %), and foreign revenues for 66.9 % of total revenues (p. y. 64.3 %). Revenues in North America increased by + 16.9 % to € 11,452 million. In the European Union (without Germany) revenues remained largely constant at € 16,481 million (p. y. € 16,417 million).

€ 42,463 million of revenues (p. y. € 41,147 million) related to the Passenger Cars division. The Commercial Vehicles division generated sales of € 16,687 million (p. y. € 14,925 million).

Unit Sales

In the past financial year, Passenger Cars division launched four new models. The new M-Class and S-Class and the new B- and R-Class products were all successfully launched. Furthermore, the product range of gasoline and diesel engines was enhanced by a new generation of V6 and V8 engines. In the 2005 financial year, thanks to the attractive product range in the Passenger Cars division, DaimlerChrysler AG continued to build on the successes of previous years and increased Passenger Car unit sales despite difficult market conditions.

Total unit sales were up by approx. 63,000 units, rising from approx. 1,685,000 to approx. 1,748,000 units. The + 9.8 % increase in unit sales in North America to approx. 289,000 units is a new record. In Asia, unit sales increased by 21.1 % to approx. 134,000 units. In other regions, an increase to approx. 274,000 units was also

recorded. In the EU (without Germany), unit sales figures were up by + 2.2 % (p. y. + 5.6 %) to approx. 507,000 units. In Germany, unit sales rose by + 0.4 % to approx. 544,000 units. The market share in the Passenger Cars division declined from 12.8 % to 11.4 % and in the Commercial Vehicles division from 24.2 % to 23.2 %.

In the Passenger Cars division, unit sales for new Mercedes-Benz vehicles amounted to approx. 1,103,000 units, exceeding the previous year's figure of approx. 1,070,000 units by approx. 33,000 units. Approximately 93,000 units of this (p. y. approx. 100,000 units) were leased directly to customers.

Unit sales of the A-Class rose significantly by approx. 67,000 units to approx. 206,000 units (p. y. approx. 139,000 units). Unit sales of the new M-Class increased by approx. 9,000 units to approx. 80,000 units (p. y. approx. 71,000 units). Unit sales of the new B-Class and R-Class amounted to approx. 67,000 and 10,000 units respectively. Due to the model change in the fall of 2005, the S-Class recorded a decline of approx. 10,000 units to approx. 75,000 units (p. y. approx. 85,000 units). Unit sales of the C-Class declined by approx. 79,000 units to approx. 394,000 units (p. y. approx. 473,000 units). Unit sales of the E-Class also dropped by approx. 30,000 units to approx. 266,000 units (p. y. approx. 296,000 units).

| Passenger Cars Unit Sales (1,000 units) | 2005 | 2004 |
|--|-------------|-------------|
| C-Class | 394 | 473 |
| E-Class | 266 | 296 |
| A-Class | 206 | 139 |
| M-Class | 80 | 71 |
| S-Class | 75 | 85 |
| B-Class | 67 | 0 |
| R-Class | 10 | 0 |
| G-Class | 5 | 6 |

In the Commercial Vehicles division, unit sales of commercial vehicles were up by 4.6 % on the previous year's figure of approx. 368,000 units with approx. 385,000 van, truck and Unimog units sold and achieved a new peak level. Approx. 34,000 units (p. y. approx. 36,000 units) of the vehicles sold were leased directly to our customers. With a unit sales increase of approx. 9,000, the Vans unit contributed approx. 276,000 units to this figure with its successful Sprinter, Vito and Vario products. For heavy-duty trucks, the MB Trucks division increased its unit sales to approx. 108,000 units (p. y. approx. 101,000 units) as a result of the Actros MP II in particular.

| Commercial Vehicle Unit Sales (1,000 units) | 2005 | 2004 |
|--|-------------|-------------|
| Sprinter | 174 | 158 |
| Vito | 75 | 74 |
| Viano | 16 | 19 |
| Vaneo | 7 | 12 |
| Vario | 5 | 5 |
| Actros | 59 | 54 |
| Atego | 25 | 25 |
| Axor | 21 | 19 |
| Unimog | 2 | 2 |
| Econic | 1 | 1 |

Cost of Goods Sold (Without R & D)

Cost of Goods sold increased from € 46,754 million to € 51,253 million.

In the reporting year, production was extended slightly. A total of approx. 1,457,000 units (p. y. approx. 1,438,000 units) were produced. Approx. 1,091,000 of these (p. y. approx. 1,079,000) relate to the Passenger Cars division (+1.1 %) and approx. 366,000 (p. y. approx. 359,000) to the Commercial Vehicles division (+ 1.9 %). Thus, fewer new vehicles were produced than sold in the Passenger Cars and Commercial Vehicles divisions, resulting in reduced inventories.

The production increase in the Commercial Vehicles division, a shift in product mix towards higher-end products and higher raw materials prices led to a strong increase in cost of materials compared to the previous year.

The personnel expenses component of cost of sales grew significantly over the previous year, partly as a result of production increases in the Commercial Vehicles division, and partly due to high severance costs in connection with the personnel restructuring measures in the Passenger Cars division, as well as higher pension expenses.

Research and Development Expenses (R&D)

Despite a decline of € 89 million from the previous year, research and development expenditures remained at a very high level. € 3,150 million (p. y. € 3,239 million) 5.3 % (p. y. 5.8 %) of revenues were invested for future developments and innovations.

At € 2,079 million (p. y. € 2,183 million) the main share of this related to the Passenger Cars division. Key areas of research and development activities in the Passenger Cars division were the C-Class, the E-Class and the S-Class launched in the fall.

Investments in the Commercial Vehicles division amounted to € 662 million (p. y. € 657 million). Some focal areas included engine development, as well as emissions projects in connection with the planned emissions legislation, particularly in the EU (Euro IV and Euro V) and in the USA (EPA 07).

Furthermore, € 409 million (p. y. € 399 million) was invested in DaimlerChrysler AG Corporate Research. As in previous years, Corporate Research also conducted research on behalf of the Passenger Cars and Commercial Vehicles divisions.

The cost of materials component of research and development costs was reduced. The decline

came with the successful launch of the new B-, M-, R- and S-Class models, which had generated higher development costs in previous years.

In contrast, the personnel expenses component of research and development costs was up, due mainly to pension and severance expenses in connection with the personnel restructuring measures at the Passenger Cars division. In Research and Development approx. 15.000 people were employed last year.

Administrative Expenses

Administrative expenses rose to approx. € 2,348 million (p. y. € 2,016 million).

The cost of materials component of administrative expenses changed minimally compared to the previous year.

The personnel expenses component of administrative expenses grew significantly. In particular, this was due to severance costs in connection with personnel restructuring measures in the Passenger Cars division and pension expenses.

Furthermore, there was an increase in expenses for purchased consulting services and expenses for IT , as well as lease and rental expenses.

Selling Expenses

At € 5,640 million, selling expenses remained virtually unchanged from the previous year (p. y. € 5,626 million).

The cost of materials component in selling expenses declined slightly compared to the previous year.

The personnel expenses component of selling expenses increased significantly, due mainly to severance costs in connection with the personnel restructuring measures at the Passenger Cars division, as well as higher pension expenses.

Operating Result marked by Non-recurring Effects

The operating result – defined as the result from continuing operations less financial income – declined to € - 2,458 million in 2005 (p. y. € - 770 million).

As in the previous year, the operating result was affected by non-recurring effects.

In particular, the result was impacted negatively by higher pension expenses of € 1,482 million (p. y. € 966 million) and severance costs of approx. € 570 million in connection with personnel restructuring measures in the Passenger Cars division. The operating result was also impaired by the unfavorable development of currency hedging rates for DaimlerChrysler AG.

Moreover, there were charges in connection with the ongoing investigations of the US Securities and Exchange Commission (SEC) and the Department of Justice (DOJ).

Significant Increase in Financial Income

At € 4,125 million, financial income was up strongly from the previous year's figure of € 1,049 million. This was primarily due to the income from investments, which was bolstered by the dividend payment of DaimlerChrysler North America Holding (DCNAH). The sale of shares in Mitsubishi Motors Corporation (MMC), which generated income of € 506 million, also contributed to this increase. These effects were countered by losses absorbed from subsidiaries, notably smart gmbh.

Other financial income included a positive contribution generated by the repayment of the third tranche of a yen bond. This resulted in a currency gain of € 269 million.

As a result of significantly higher distributions from the Pension Trust, net interest income improved by € 435 million to € 958 million (p. y. + € 523 million).

Income taxes aggregate to € 61 million compared to € 789 million in the previous year and include the change of tax accruals for 2005 and other income taxes (mostly withholding taxes).

Dividend of € 1.50 per Share

In 2005, DaimlerChrysler AG posted net income for the year of € 1,606 million after the net loss of € 510 million reported in the previous year.

After appropriation of € 79 million to retained earnings, the company reported unappropriated profit of € 1,527 million.

We will propose to the Annual Meeting on April 12, 2006 that a dividend of € 1.50 (p. y. € 1.50) per share be distributed for the financial year 2005. With 1,018 million shares eligible for dividends, the total dividend amount is € 1,527 million.

Workforce

As of the end of the year, the total number of employees declined to 160,722 (p. y. 163,369).

In the Commercial Vehicles division, the number of employees rose strongly as a result of the positive unit sales situation and the high utilization of production capacity. There was a decrease in employment in the Passenger Cars division.

At the end of September 2005, the Board of Management approved a package of measures to be taken at the Passenger Cars division aiming to reduce the workforce in Germany by 8,500 jobs. The staff reductions are to be achieved as a result of voluntary severance agreements over a period of twelve months, and will contribute to increasing the productivity of the Passenger Cars division and thus helping to secure the competitiveness of its facilities in Germany. DaimlerChrysler stands by the "Safeguarding the Future 2012" agreement reached in the year 2004, which provides for

voluntary retirement as a first step in the case of any need for personnel reductions.

By the end of 2005, approximately 5,000 employees had either already left the company or had signed agreements on their departure.

Further personnel measures are planned for 2006 as part of the implementation of our new management model.

The training of young people will also continue to be a focal point of our human resources work in the future. By offering young people prospects and even providing training places in excess of the planned requirements, we are still fulfilling our social responsibility even with a lower overall number of employees.

Employee Stock Purchase Plan 2005

In 2005, a total of approx. 35,000 employees in Germany acquired shares in the company in three tranches (p. y. 38,500).

Higher Personnel Expenses

In the reporting year, personnel expenses increased to € 13,087 million (p. y. € 11,769 million).

Expenses for wage and salaries rose by € 784 million to € 9,323 million in the reporting year (p. y. € 8,539 million). This was primarily due to severance expenses in the context of the personnel adjustment measures in Passenger Cars division.

Social security contributions declined slightly by - 1.9 % to € 1,555 million (p. y. € 1,585 million).

In contrast, retirement benefit expenses rose by € 564 million to € 2,209 million (p. y. € 1,645 million). This was due mainly to the higher non-scheduled addition to pension reserves resulting from the reduction of the rate of interest to 4.00 % (p. y. 4.75 %) and the increase in the assumed cost-of-living adjustment to 1.75 % (p. y. 1.50 %). This

addition also covered the accumulated benefit obligation (ABO) in the financial statements.

Since 2002, in addition to the statutory and company pension plans, DaimlerChrysler AG has offered its employees two pension models. Employees can choose between subsidized and an unsubsidized form of salary conversion.

DaimlerChrysler ScoreCard

In addition to traditional financial ratios, DaimlerChrysler AG and its subsidiaries use the DaimlerChrysler ScoreCard as an further management instrument. This primarily takes into consideration non-financial parameters such as quality figures, customer and employee satisfaction, brand image, market share and productivity developments, but also cost developments. These parameters are assessed at the divisional level with the use of measurable key performance indicators (KPIs).

The company's medium-term and long-term goals are broken down in the ScoreCard to the respective reporting periods. The goals are linked with concrete measures for the individual functions down to the departmental level. These goals are then integrated into the employees' personal target agreements.

By means of the DaimlerChrysler ScoreCard, the Board of Management is informed in a timely and comprehensive manner about the current position of the company and its divisions along the entire value chain. Deviations are recognized at an early stage and any required corrections are immediately initiated.

The DaimlerChrysler ScoreCard helps us to achieve the goals, so that we can continue increasing DaimlerChrysler's corporate value through profitable growth.

In order to further improve the transparency, measurability and control of our human resources work, we are currently introducing a "Global Human

Resources ScoreCard". The defined success factors include employee satisfaction and our image as an employer, which are also part of the DaimlerChrysler ScoreCard. In addition, indicators are recorded for the business units within the "Global Human Resources ScoreCard" such as the staff turnover rate, which was approx. 4 % in 2005 (p. y.: approx. 3 %). The increase was primarily a result of the measures taken at the Passenger Cars division in 2005 for socially acceptable staff reductions and the efficiency-improving programs at the other divisions.

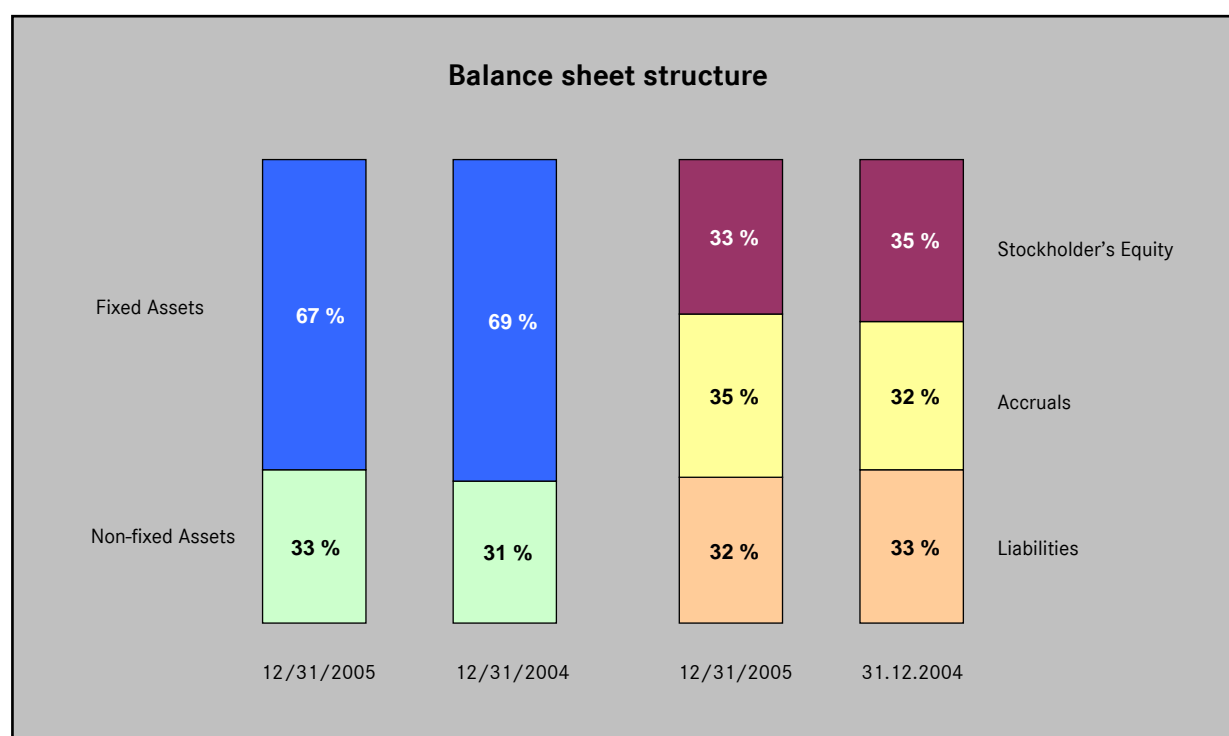
Environment

We spent a total of € 1,5 billion on environmental protection in 2005. Most of these funds were applied to reduce the fuel consumption and emissions of our vehicles. For example, we reduced the consumption of our fleet of vehicles in Germany by 30 % in the period of 1990 to 2005. DaimlerChrysler therefore made an above-average contribution to achieving the voluntary commitment declared by the German Automotive Industry Association (VDA) of a 25 % reduction. For the continuing reduction of CO2 emissions, we are also utilizing the potential of bio fuels. We are modifying our vehicles so that the blend of bio fuel to conventional fuel can be doubled from 5 % to 10 %.

Financial Position

Overview: Balance Sheet (Key Ratios)

| In € million | 2005 | 2004 | 2003 |
|-----------------------------|--------|--------|--------|
| Fixed Assets | 41,201 | 40,255 | 37,960 |
| <i>herein Pension Trust</i> | 7,974 | 6,774 | 5,935 |
| Non-fixed Assets | 20,435 | 17,802 | 17,583 |
| Stockholders' Equity | 20,522 | 20,251 | 22,280 |
| Accruals | 21,608 | 18,608 | 16,932 |
| Liabilities | 19,434 | 19,181 | 16,328 |
| Total Assets | 61,651 | 58,073 | 55,566 |



Higher Balance Sheet Total

The balance sheet total increased by € 3,578 million (+ 6.2 %) to € 61,651 million.

At 66.8 %, the share of fixed assets in total assets was down on the previous year (p. y. 69.3 %), the share of current assets rose to 33.2 % (p. y. 30.7 %).

As a result of investments in property, plant and equipment and equity investments, the carrying amount of fixed assets rose by € 946 million.

The carrying amount of the Pension Trust increased significantly to € 7,974 million (p. y. € 6,774 million). In the financial year, funds in the amount of € 158 million were appropriated to the Pension Trust.

Lower Equity Ratio

| | 12/31/2005 | 12/31/2004 | 12/31/2003 |
|-----------------------------|---------------|---------------|---------------|
| Capital Stock | 2,647 | 2,633 | 2,633 |
| Additional paid-in capital | 12,012 | 11,842 | 11,842 |
| Retained earnings | 4,336 | 4,257 | 6,286 |
| Unappropriated profit | 1,527 | 1,519 | 1,519 |
| Stockholders' equity | 20,522 | 20,251 | 22,280 |

In the financial year, stockholders' equity was increased by proceeds from the exercise of options and the result of the past financial year. After deduction of the dividend distribution for the 2004 financial year, stockholders' equity was up by € 271 million with a total of 1.3 %. As total assets rose more strongly than stockholders' equity, the equity ratio in the reporting year declined to 33.3 % (p. y. 34.9 %).

The share of provisions grew slightly to 35.0 % (p. y. 32.0 %) and the share of liabilities fell from 33.0 % in the previous year to 31.7 % in the reporting year.

Investments in Property, Plant and Equipment

Investments in property, plant and equipment (without leased equipment) amounted to approx. € 1,780 million in the reporting year (p. y. approx. € 1,800 million). This primarily related to additions to assets in the Passenger Cars division of approx. € 950 million (p. y. approx. € 1,300 million). Investment activities focused on the new generation of passenger car engines (CDI and V engines) and transmission production as well as new investments for the extended and renewed product range (B-Class; S-Class and C-Class successor models).

Investments in property, plant and equipment in the Commercial Vehicles division amounted to approx. € 830 million (p. y. approx. € 500 million). In particular, this related to investments for the Sprinter successor model.

Equipment on operating leases increased by approx. € 201 million to € 4,613 million, primarily as a result of the expansion of leasing operations.

Disposals and Formation of Shareholdings and Joint Ventures

In April 2004, DaimlerChrysler decided not to participate in the continued financial restructuring of Mitsubishi Motors Company (MMC). As a result, its interest was diluted from 19.7 % to 12.4 %. On November 11, 2005, DaimlerChrysler signed an agreement to dispose of its remaining 12.4 %-stake in Mitsubishi Motors Corporation (MMC). The disposal of the interest to Goldman Sachs on November 17, 2005 generated proceeds of € 966 million. The disposal will not affect the ongoing cooperation projects between DaimlerChrysler and MMC.

Mercedes-Benz (China) Ltd., Peking, was founded to bolster sales activities following the issuance of its business license on September 23, 2005 and payment of the capital contribution.

Current Assets

Current assets increased to € 20,435 million (p. y. € 17,802 million).

In the past financial year, inventories declined from € 6,085 million to € 5,752 million. This was primarily a result of the reduction of finished goods and merchandise.

In contrast, receivables and other assets increased significantly from € 7,347 million in the previous year to € 12,528 million in the past financial year. This is primarily due to a rise in receivables from affiliated companies as a result of intragroup cash accounts by central financial and liquidity management. For the first time, loss

absorption from subsidiaries was not off-setted in 2005.

In contrary, long-term securities and particularly cash and cash equivalents declined from € 2,407 million in the previous year to € 284 million in the past financial year.

Accruals and liabilities

In the financial year, accruals increased by € 3,000 million from € 18,608 million to € 21,608 million. Approx. 25 % of this (p. y. approx. 24 %) related to current provisions with approx. 75 % (p. y. approx. 76 %) relating to long term provisions. The provisions reflect the increased risks arising from sales activities and personnel obligations in particular. Pension provisions account for € 10,828 million of provisions (p. y. € 8,985 million), tax accruals to approx. € 2,037 million (p. y. € 1,855 million) and other accruals to € 8,743 million (p. y. € 7,768 million).

The increase in pension provisions was due to the reduction of the interest rate by 0.75 % to 4.00 %, and the increase in assumed cost-of-living adjustment by +0.25 % to 1.75 %, both of which are used to calculate pension obligations.

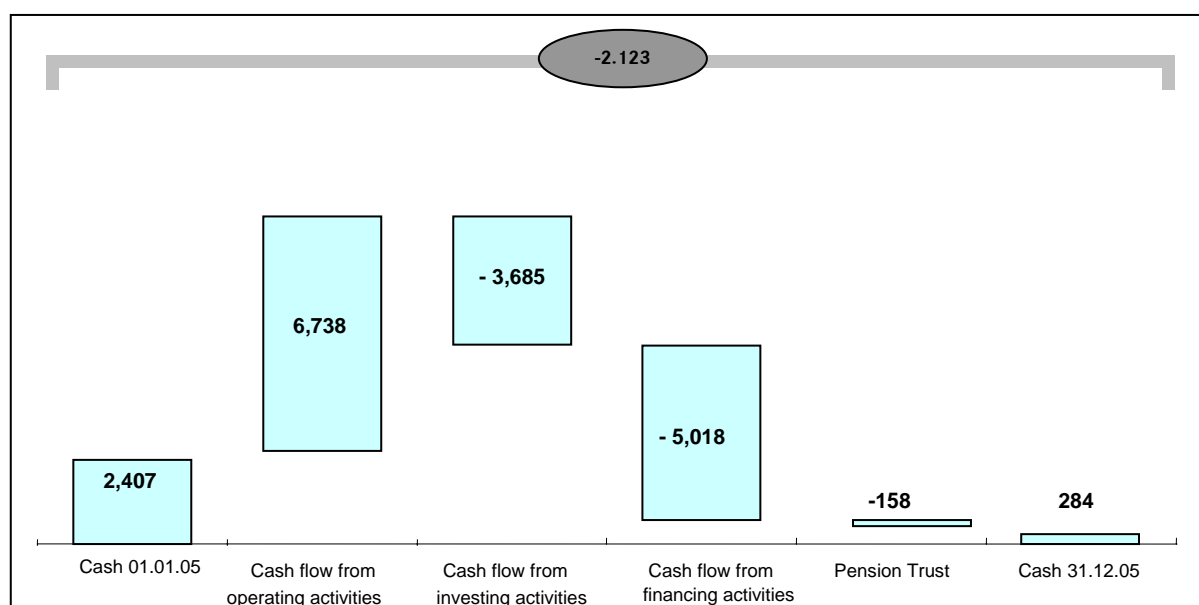
Liabilities rose by € 253 million from € 19,181 million to € 19,434 million.

Contingent liabilities

Further liabilities exist in respect of specific creditors, primarily as a result of payment guarantees. These are reported in contingent commitments (see Notes p. 22 f).

Cash Flow Statement of DaimlerChrysler AG

| in € million | 2005 | 2004 | 2003 |
|---|---------------|---------------|---------------|
| Net income / loss | 1,606 | -510 | -120 |
| Depreciation / write-ups: | | | |
| - on leased assets | 1,007 | 951 | 941 |
| - on other non-current assets | 1,796 | 2,419 | 2,027 |
| Gains / losses on: | | | |
| - disposal of non-current assets | -796 | -250 | -107 |
| - disposal of current assets | 0 | 1 | 11 |
| Changes in: | | | |
| - Stocks | 333 | -597 | -531 |
| - Receivables | -463 | -111 | -472 |
| - Liabilities | 440 | -70 | 975 |
| - Accruals | 3,000 | 1,676 | 634 |
| - Other assets / liabilities | -185 | 33 | 438 |
| Cash flow from operating activities | 6,738 | 3,542 | 3,796 |
| Proceeds from disposals of non-current assets | 3,761 | 2,468 | 4,587 |
| Payments for additions to non-current assets | -7,604 | -7,902 | -9,366 |
| <i>herein Pension Trust</i> | <i>-158</i> | <i>-279</i> | <i>-524</i> |
| Cash used for investing activities | -3,843 | -5,434 | -4,779 |
| Change in commercial paper borrowings, other short-term financial liabilities | -1,280 | -1,313 | -1,383 |
| Addition to / repayment of long-term financial liabilities | -2,403 | 4,199 | 3,724 |
| Paid dividend | -1,519 | -1,519 | -1,519 |
| Issuance / acquisition of treasury stock | 184 | 0 | 1 |
| Cash flow from for / used for financing activities | -5,018 | 1,367 | 823 |
| Change in cash and cash equivalents | -2,123 | -525 | -160 |
| Cash and cash equivalents at beginning of period | 2,407 | 2,932 | 3,092 |
| Cash and cash equivalents at end of period | 284 | 2,407 | 2,932 |



Notes to Cash Flow Statement

Net cash from operating activities increased significantly by € 3,196 million over the previous year. This development was due mainly to the improved result and the change in inventories and liabilities from operating activities. Provisions increased considerably compared to the previous year. Cash provided by operating activities of € 6,738 million and the inflow from the disposal of fixed assets in the amount of € 3,761 million was used to finance investments in property, plant and equipment, net equipment on operating leases and financial assets, which accounted for approx. € 7,604 million.

Net cash used in investing activities declined by € 1,591 million to € 3,843 million. € 158 million was transferred to the capital resources of the Pension Trust.

Cash used in financing activities amounted to € 5,018 million. This related primarily to the change in financial receivables and liabilities.

As a result of the individual cash flows, total cash and cash equivalents were down by € 2,123 million.

Liquidity developed as follows:

| | <u>12/31/2005</u> | <u>12/31/2004</u> | <u>12/31/2003</u> |
|---------------------------------------|---------------------|---------------------|---------------------|
| | € million | € million | € million |
| Cash and cash equivalents | 284 | 2,407 | 2,932 |
| Securities | <u>1,871</u> | <u>1,963</u> | <u>216</u> |
| Gross liquidity | <u>2,155</u> | <u>4,370</u> | <u>3,148</u> |
| <i>External liabilities</i> | | | |
| Liabilities to financial institutions | -108 | -1,328 | -81 |
| Notes/Bonds and commercial papers | <u>-1,457</u> | <u>-1,600</u> | <u>-2,431</u> |
| Net liquidity | <u>590</u> | <u>1,442</u> | <u>636</u> |

Principles and objectives of financial management

The central financial activities of the entire DaimlerChrysler Group are managed by DaimlerChrysler AG. Therefore, the following statements refer to the DaimlerChrysler Group.

Financial management at DaimlerChrysler consists of capital structure management, cash and liquidity management, pension asset management, market-price risk management (foreign exchange rates, interest rates, and commodities) and credit and financial country risk management.

Financial management is performed worldwide in a standardized way for all Group entities by Treasury. Financial management is guided by a framework of guidelines, limits and benchmarks. Financial management is separated from other financial functions such as financial controlling, reporting, settlement and accounting. These functions are not covered by Treasury but by the controlling and accounting departments in the companies of the Group.

Capital structure management designs the capital structure for the Group and all of its subsidiaries. Decisions regarding the capitalization of production, distribution, financing or regional Financial Services companies are based on standardized Group guidelines.

Cash management determines cash requirements and surpluses on a worldwide basis. The number of external bank transactions is minimized by the Group's internal netting of cash requirements and surpluses. Netting is done by cash-concentration or cash-pooling procedures. DaimlerChrysler has established standardized processes and systems in order to control its bank accounts and the execution of automated payment transactions.

Liquidity management secures DaimlerChrysler's ability to meet its payment obligations at any time. For this purpose, liquidity planning provides information about all cash flows from operating and financial activities for a rolling planning period of twelve months. Resulting financing requirements are covered by the use of appropriate instruments for liquidity management. Liquidity surpluses are invested in the money market to optimize return. Besides operational liquidity, DaimlerChrysler keeps liquidity reserves, which are available on a short-term basis. These liquidity reserves include of a pool of securitized receivables from the financial services business which are readily available for sale in the capital market, as well as confirmed syndicated credit lines with varying maturities.

Management of market price risk aims at minimizing the impact of fluctuations in foreign exchange rates, interest rates and commodity prices on the results of the divisions and the Group. The Group's overall exposure to these market price risks is determined to provide the basis for hedging decisions. These cover the selection of the hedging instrument and the definition of the hedging volume and corresponding period. Decisions on foreign exchange rates, interest rates, commodities and asset-liability management are regularly made by the respective committees.

Management of pension funds comprises the optimal investment in terms of the risk-return profile of pension assets to cover the corresponding pension liabilities. The major part of pension assets is held in separate pension funds and is not available for general business purposes. The funds are allocated to different asset classes such as equities and bonds based on an optimization process which takes into account the expected growth of pension liabilities. The

performance of the asset management is measured by comparing with defined benchmark indices. Decisions on ordinary and extraordinary capital contributions to the pension funds are centralized worldwide in the newly established "Global Pension Committee".

The risk volume which is subject to **credit risk management** includes all worldwide creditor positions of DaimlerChrysler with financial institutions, issuers of securities and end customers. Credit risk with financial institutions and issuers arises primarily from the trading of derivative financial instruments and the investments executed by liquidity management. The management of this credit risk is based on an internal limit system, which reflects the creditworthiness of the respective financial institution or issuer. The credit risk with end customers results from granting a payment period for goods and services. Similarly, an internal assessment of the customers' creditworthiness provides the basis for quantifying the associated risk. In order to hedge these risks, bank guarantees are often demanded before delivery is initiated.

Country finance risk management comprises several risk aspects: the risk of capital investments in subsidiaries and joint ventures, the risk of cross-border financing activities by Group companies in risk countries, and the risk of direct sales to retail customers in these countries. DaimlerChrysler has developed an internal limit system that assigns every country in which DaimlerChrysler operates to risk classes. This system either limits exposure or demands higher collateral according to the country classification. Market instruments such as Hermes insurance, are frequently used to hedge country risks.

Financial country risk management includes various risk aspects: the risk from investments in subsidiaries and joint ventures, the risk from cross-border financing of Group companies in risk countries and the risk from direct sales to end customers in these countries. DaimlerChrysler has developed an internal limit system which divides all countries with DaimlerChrysler operations into risk categories. Credit volumes are restricted according to the country classification or higher guarantees are considered. Available instruments for hedging country risk such as Hermes insurance are frequently employed.

DaimlerChrysler's **refinancing measures** are largely determined by the Group's financial services activities. To cover its cash requirements and to refinance debts upon maturity, DaimlerChrysler again used a broad spectrum of financial and capital market instruments. In 2005, DaimlerChrysler successfully placed US dollar and euro benchmark bonds on the capital market. Furthermore, smaller volumes were issued in the form of private placements as part of medium-term note programs. In addition, the securitization of receivables, mainly in the field of financial services, was utilized by the Group in the USA in particular. Receivables were also securitized in Canada and Germany. As of the end of 2005, DaimlerChrysler had short- and long-term lines of credit totaling € 35 billion, of which € 18 billion had not been utilized. The liquidity reserves it maintains, its short- and long-term lines of credit and the option of generating cash by securitizing receivables provide DaimlerChrysler with sufficient financial flexibility to cover the Group's refinancing requirements at all times.

Performance measures

As the parent company of the DaimlerChrysler Group, DaimlerChrysler AG is integrated into the Group control measures in accordance with US GAAP.

The performance measures used at the DaimlerChrysler Group are oriented towards our investors' interests and expectations, and provide a basis for value-based management.

Value added. For purposes of performance measurement, DaimlerChrysler differentiates between Group and division/business unit level. Value added is one element of the performance measurement system at both levels and is calculated as the difference between the operating result and the cost of capital of the average net assets in that period.

$$\begin{aligned} & \text{Profit Measure} \\ & - (\text{Net Assets} \times \text{cost of capital} \%) \\ & = \text{Value added} \end{aligned}$$

Alternatively, value added can be calculated from the return on net assets (RONA) by multiplying the difference between RONA and the cost of capital rate with the average net assets in that period.

$$\begin{aligned} & (\text{Return on Net Assets} - \text{Cost of Capital}) \\ & \times \text{Net Assets} \\ & = \text{Value added} \end{aligned}$$

Value added shows to which extent the Group and its divisions/business units have achieved or exceeded the minimum return requirements of the shareholders and creditors, thus creating additional value. The methodology of value added is based on the figures provided by external reporting in accordance with US GAAP. This secures

transparency both within the DaimlerChrysler Group and towards shareholders and creditors.

Profit Measure. The profit measure used at Group level is net operating income, which can be derived from net income as shown in the income statement. At the level of divisions/business units, the operating profit is used. Operating profit can be derived from income before financial income, and reflects the specific earnings responsibility of the divisions/business units.

Net assets. Net assets are calculated at Group level from the balance sheet components of stockholders' equity (including minority interests) and financial liabilities and accrued pension obligations of the industrial business. At division/business unit level of the industrial business, net assets are calculated on the basis of the allocable operating components of assets and liabilities. In the financial services business, performance measurement is on an equity basis, in line with the usual practice in the banking business. The average net assets are calculated as an average of the net assets at the beginning and the end of the financial year.

Cost of capital. The required rate of return on net assets and thus the cost of capital are derived from the minimum returns that investors expect on their invested capital. Due to their long-term financing character, unfunded pension obligations are included in addition to equity and debt when calculating the Group's cost of capital. The cost of equity is calculated according to the capital asset pricing model (CAPM), using the interest rate for long-term, risk-free securities (such as government bonds and other fixed-interest securities) plus a risk premium reflecting the specific risks of an investment in DaimlerChrysler shares. The cost of debt is derived from the required rate of return for obligations entered into by the Group with external lenders. The cost of capital of the unfunded pension obligations is calculated on the basis of

discount rates used according to US GAAP. The Group's cost of capital is then a result of the weighted average of the individually required rates of return; in the year under review, the cost of capital amounted to 7 % after taxes. At industrial division/business unit level, the cost of capital amounted to 11 % before taxes; for the financial services business a cost of equity of 14 % before taxes was used.

Return on net assets. The profitability ratio return on net assets (RONA) has a special significance as a fundamental component of value added in DaimlerChrysler's performance measurement system. As a quotient of profit measure and average net assets, RONA allows a statement to be made on the profitability of the Group or the industrial divisions/business units. To assess the profitability of the financial services business, return on equity (ROE) is used.

Rating

Development of DaimlerChrysler ratings

| Ratings | 2005 | 2004 |
|---------------------------------|------|------|
| Short-term Credit Rating | | |
| Standard & Poor's | A-2 | A-2 |
| Moody's | P-2 | P-2 |
| Fitch | F2 | F2 |
| Dominion | R-1- | R-1- |
| Long-term Credit Rating | | |
| Standard & Poor's | BBB | BBB |
| Moody's | A3 | A3 |
| Fitch | BBB+ | BBB+ |
| Dominion | A- | A- |

During the year 2005, the rating agency Standard & Poor's Rating Services (S&P) kept its long-term rating of BBB and its short-term rating of A-2 unchanged. The outlook of the long-term rating remained stable.

On August 1, 2005, Moody's confirmed the A3 long-term and the P-2 short-term rating of DaimlerChrysler but changed the outlook of the long-term rating to negative from stable. Moody's

stated that the change reflects the challenges DaimlerChrysler is facing to strengthen margins going forward in particular of the Mercedes Car Group division and to reach a break-even position at smart. In addition, Moody's mentioned the pressure Chrysler Group is facing in the United States to maintain a trend of improving profitability as a result of rising incentives and competitive pressures and the reliance on the current robustness of the performance of the Commercial Vehicles Division. Moody's highlighted that DaimlerChrysler's A3/P-2 ratings continue to reflect the overall strength of the Group's franchise, particularly Mercedes-Benz's market position as a global luxury passenger car brand, the Group's scope and geographically well-spread operations.

On July 19, 2005, Fitch Ratings (Fitch) revised the outlook on DaimlerChrysler's BBB+ rating to stable from positive. The short-term rating was affirmed at F2. The outlook revision reflected Fitch's view that given the recent performance of the Mercedes Car Group and competitive pressures at the Chrysler Group, an upgrade of the ratings for DaimlerChrysler is unlikely in the short term. Fitch noted that the financial profile of the Group remains strong.

On August 2, 2005, Dominion Bond Rating Service (Dominion) changed the outlook of the long-term rating of DaimlerChrysler to negative from stable. Dominion stated that the change reflects the fact that profitability, although acceptable, is weak for the rating and that they believe that the near term prospects at DaimlerChrysler's main businesses are mixed. Business diversity has enabled DaimlerChrysler to stay profitable and is a key strength supporting the ratings.

Supplementary report

New management model for DaimlerChrysler.

On January 24, 2006, DaimlerChrysler presented a new management model designed to improve the company's competitiveness and promote further profitable growth.

More detailed information on this subject can be found on page 3 of this management report.

Further Events after the End of the 2005 Financial Year.

Since the end of the 2005 financial year, there have been no further occurrences that are of major significance to DaimlerChrysler and which would lead to a modified assessment of the company's position.

Risk report

Early detection and consistent management of risks in future development

Within the framework of its activities in the Passenger Cars and Commercial Vehicles divisions, as a result of increasingly intensive competition in all markets and as the parent company of the DaimlerChrysler Group, DaimlerChrysler AG is exposed to a large number of risks, which are inextricably linked with corporate business. These risks can have a direct influence on DaimlerChrysler AG or an indirect influence on the parent company of the Group through its subsidiaries.

Nevertheless, it is the opportunities that the market offers, we continue to be actively involved in business on the market. Opportunities and risks are generally examined, assessed and monitored throughout the year in the context of our operative planning for the next three years, which we carry out on an annual basis.

Integrated Risk Management

Effective management and control instruments are combined into a uniform risk management system, meeting the requirements of applicable law and subject to continuous improvement, which is employed for the early detection, evaluation and management of risks. It is an integral part of the overall planning, control and reporting process in all relevant legal entities and central functions, and aims to systematically identify, assess, control and document risks. Taking defined risk categories into account, risks are identified by the management of the divisions and business units, the key associated companies and the central departments, and assessed regarding their probability of occurrence and possible extent of damage. The assessment of the possible extent

of damage usually takes place in terms of the risks' effect on operating profit. The communication and reporting of relevant risks is controlled by value limits set by management. The responsible persons also have the task of developing, and initiating as required, measures to avoid, reduce and hedge risks. Major risks and the countermeasures taken are monitored within the framework of a regular controlling process. As well as the regular reporting, there is also an internal reporting obligation within the Group for risks arising unexpectedly. The Group's central Risk Management department regularly reports on the identified risks to the Board of Management and the Supervisory Board.

The risk management system enables the Board of Management to identify key risks at an early stage and to initiate suitable countermeasures. By carrying out targeted audits, the Corporate Audit department monitors compliance with the statutory framework and the Group's internal guidelines as defined in the Risk Management Manual, and, if required, initiates appropriate action. In addition, the external auditors test the system for the early detection of risks that is integrated into the risk management system in terms of its fundamental suitability for the early recognition of developments that could jeopardize the continued existence of the company.

Economic Risks

After the previous dynamic year of 2004, 2005 was characterized by slower growth in all regions for the world economy. Despite relatively unfavorable conditions and increased potential risks, global economic expansion was only slightly below the long-term growth trend. Sustained high raw materials prices and the increased current account deficit in the USA were factors that had a particularly negative impact. Due to the high importance of the United States for the world

economy, an isolated massive slowdown of economic expansion in the US would also have negative consequences. The stable world economic growth expected by the majority of analysts and by DaimlerChrysler in 2006 depends largely on the development of these factors. DaimlerChrysler's earnings thus continue to be exposed to substantial economic risks.

The US economy is increasingly dependent on the inflow of foreign capital to finance its rapidly growing current-account deficit, and this situation has become a source of considerable risk potential. If the capital inflows cease to be available in the required volumes, the country's current-account deficit will have to be corrected. This could be done by means of higher interest rates and a drastic depreciation of the US dollar, leading to significantly lower growth in the United States and thus also in other regions of the world. Additional risks that would weaken economic growth in the United States are a further increase in capital-market interest rates and a fall in real-estate values, which to a certain extent are inflated by speculation. Both of these factors would substantially reduce private consumption.

Disappointing economic developments in large parts of the European Union, especially Germany, have considerable risk potential due to the region's importance as a major sales market for DaimlerChrysler. In particular, if the ongoing weakness of domestic demand leads to stagnation, this could have a substantial impact on demand for automobiles. The situation of the Japanese economy is similar, although its prospects have improved somewhat. A renewed weakening of the Japanese economy would not only reduce the Group's exports to Japan, but would also place a substantial burden on the earnings trend of our subsidiary, Mitsubishi Fuso Truck and Bus Corporation.

An additional important potential risk is to be seen in the high level of raw-material prices, particularly crude oil. If prices remain high or actually continue rising, the assumed economic development will be jeopardized. Private households' purchasing power would fall and companies' costs would increase, and these two factors combined would have a negative impact on growth in the oil-importing countries. With a long-term rise in the price of oil, some economies could even slip into recession. However, if oil prices fall, this could result in renewed prospects. This could lower company costs and have a positive influence on consumer behavior in private households.

A marked reduction in growth rates in China would also be strategically relevant particularly for the Group, as this is currently the most dynamic automobile market in the world and has enormous potential for the future. In view of China's economic power and the sharp increase in the flows of international investment and trade with China, such a slump would not only have serious consequences for the whole of Asia, but could also cause significant growth losses for the world economy, with negative effects on DaimlerChrysler's projects. Potential economic crises in the other emerging markets in which the Group has production facilities could also be of particular relevance. But crises in emerging markets where the Group is solely active in a sales function would result in a more limited risk exposure.

Risks for market access and the global networking of the Group's facilities could arise as a result of the failure or significant delay of multilateral trade liberalization, in particular due to the weakening of international free trade in favor of regional trade blocks or a return to protectionist tendencies. A sharp rise in bilateral free-trade agreements outside the European Union could affect DaimlerChrysler's position in key foreign

markets, particularly in Southeast Asia, where Japan is increasingly gaining preferred market access. Finally, the world economy could be negatively influenced by a sustained deterioration in consumer and investor confidence. This could be triggered by geopolitical and military instability, concern about a possible sharp drop in share prices, the battle against terrorism and the fear of an influenza pandemic.

Industry and company-specific risks

Weak overall economic developments and a return to sluggish consumer demand could also have an impact on the automotive industry. This would primarily affect markets in Western Europe and the NAFTA region. In the United States, which is still the engine of the global economy, high competitive pressure in the automobile market in recent years has led to the proliferation of financing offers and price incentives. Continued weak economic developments could make such discount financing and price incentives necessary in the future, at similar or even higher levels. This would not only reduce our earnings from the sale of new vehicles, but would also lead to lower prices in the used-car market and to falling residual values. As a result of intensifying competition in Western Europe, the practice of offering discount financing and price incentives is also increasing in this region. In order to achieve appropriate prices, factors such as brand image and product quality on the basis of innovative research and development, as well as additional technical features are becoming increasingly important.

In view of rising price pressure, increasing efficiency whilst fulfilling DaimlerChrysler's own high quality standards is extremely important. This also applies to the successful implementation of the CORE and Global Excellence programs. Product quality has a major influence on a customer's

decision to buy a particular brand of passenger car or commercial vehicle. Technical problems could lead to further recall and repair campaigns, or could even necessitate new developments requiring type approval from the relevant authorities.

Product quality problems could also lead to higher warranty and goodwill costs. Legal and political frameworks also have a considerable influence on DaimlerChrysler's future business success. Regulations concerning exhaust emissions and fuel consumption and the development of energy prices play a particularly important role. The Group monitors these factors and attempts to anticipate foreseeable requirements at the product development stage.

DaimlerChrysler counteracts procurement risks relating to parts supply and raw materials through targeted material and supplier risk management. But in view of developments in international supply markets, the effects of these measures are limited. Derivative financial instruments are used in some cases, primarily to reduce market price risks relating to the acquisition of precious metals. Derivative contracts to secure raw material were not worth mentioning risk during the financial year. If price pressure continues to increase on the procurement markets, this would also have negative consequences for profitability. Increasing pressure in procurement and sales markets could also seriously jeopardize the financial situation and continued operations of suppliers and dealers. To an increasing extent, individual or joint support actions will be required by automobile manufacturers such as DaimlerChrysler in order to safeguard production and sales. If important suppliers should get into difficulties due to their financial situation, this could have a negative effect on the production and sales of vehicles and thus also on DaimlerChrysler's profitability.

The international orientation of DaimlerChrysler AG is linked with credit, exchange rate and interest rate risks. DaimlerChrysler AG counteracts these risks by means of appropriate market analyses and the use of derivative financial instruments. The Passenger Car division is exposed to interest rate risks in particular. The Passenger Car division primarily invoices for export sales in the currency of the export country, whereas the manufacturing costs are primarily in euro. The Commercial Vehicles division is also exposed to a transaction risk, although this is considerably lower due to the global production network. Currency exposure is assessed through central foreign exchange management and ongoing foreign exchange predictions and hedged by using the relevant financial instruments, primarily foreign exchange transactions and currency options. The nominal value of currency hedging contracts is € 24,366 million (2004: € 20,819 million) (see Notes for further information).

Interest rate hedging contracts primarily concern interest rate swaps. They reduce interest rate risks. The nominal value of the interest rate hedging contracts is € 4,577 million (2004: € 4,058 million) (see Notes for further information).

DaimlerChrysler AG is an integral part of the Group's overall risk management for exchange rate, credit and interest rate risks.

Production and business processes could also be disturbed by unforeseeable events such as natural disasters or terrorist attacks. Consumer confidence would be significantly affected, and production could be interrupted by supplier problems and intensified security measures at territorial borders. In addition, our manufacturing processes could be disturbed by failures at the data centers. Security measures and emergency plans have been prepared for such eventualities. Although other IT risks in the fields of network, application and system management or outsourcing

and supplier management have a very low probability of occurrence, the effect of such a case arising would also have a negative impact on earnings.

Due to DaimlerChrysler's involvement in the development of a system to record and charge tolls for the use of autobahns in Germany by trucks with more than 12 metric tons gross vehicle weight, we are exposed to a number of risks which could have negative effects on the Group's financial situation, cash flows and profitability. The development and operation of the electronic toll-collection system is the responsibility of the operator company, Toll Collect GmbH, in which DaimlerChrysler holds a 45 % ownership interest and which is included in the consolidated financial statements using the equity method of accounting. In addition to DaimlerChrysler's membership of the consortium and its equity interest in Toll Collect GmbH, guarantees were issued supporting obligations of Toll Collect GmbH towards the Federal Republic of Germany concerning the completion and operation of the toll system. The toll system went into operation on January 1, 2005 with slightly reduced functionality. On January 1, 2006, the toll system was installed with full functionality as specified in the operator contract. Risks can arise primarily due to lower tolls derived from the system, offsetting alleged claims by the Federal Republic of Germany, or a refusal to grant the final operating license.

DaimlerChrysler AG bears a proportionate share of the risks of its subsidiaries and its associated and affiliated companies in line with its share of their equity capital. For example, sales losses could occur at EADS (European Aeronautic Defence and Space Company EADS NV) due to reduced demand from airlines for airplanes. Additional statutory and contractual contingent liabilities (financing in particular) from our investments in related companies could also have a

negative impact. Due to the continued difficult market situation in the USA, the further development of the DaimlerChrysler North America Holding Corporation, Auburn Hills, USA must be mentioned in particular here.

Rating

An upgrade or downgrade of individual ratings by the rating agencies could result in rising/falling capital costs due to interest rate changes.

Legal Risks

Various legal proceedings are pending against DaimlerChrysler and against its subsidiaries. We believe that such proceedings in the main constitute ordinary routine litigation incidental to our business.

The official receiver of Garage Bernard Tutrice S.A., France, a former customer of DaimlerChrysler France S.A.S., filed a lawsuit against DaimlerChrysler France in the commercial court of Versailles in November 2003. The complaint seeks damages of € 455 million alleged to have resulted from tax fraud committed by the former Chairman of Tutrice S.A. who was convicted of tax fraud in April, 2001. In January 2006, the court ordered DaimlerChrysler France to pay € 30 million in compensatory damages, and rejected the rest of the claim.

In October 2005, DaimlerChrysler Australia/Pacific Pty. Ltd. ("DCAuP") settled the previously reported actions filed in the Supreme Court of New South Wales by National Australia Bank Limited and the liquidator in connection with the financial failure of a customer. The settlement agreement provides for payment by DCAuP of AUD 55 million and a release from all further claims.

DaimlerChrysler AG in its capacity as successor of Daimler-Benz AG is a party to a valuation proceeding (Spruchstellenverfahren)

relating to a subordination and profit transfer agreement that existed between Daimler-Benz AG and the former AEG AG ("AEG"). In 1988, former AEG shareholders filed a petition to the regional court in Frankfurt claiming that the consideration and compensation stipulated in the agreement was inadequate. In 1994, a court-appointed valuation expert concluded that the consideration provided for in the agreement was adequate. Following a Federal Constitutional Court decision in an unrelated case, the Frankfurt court in 1999 instructed the expert to employ a market value approach in its valuation analysis rather than the capitalized earnings value approach previously used. The court also instructed the expert in 2004 to take into account additional findings of the Federal Supreme Court elaborating further on the valuation issue addressed by the Federal Constitutional Court. In September 2004, the expert delivered the requested valuation opinion. If the new opinion were to be followed by the Frankfurt court, the valuation ratio would increase significantly in favour of the AEG shareholders. DaimlerChrysler believes the original consideration and compensation to be adequate and the second valuation opinion to be unwarranted. DaimlerChrysler intends to defend itself vigorously against the claims in this proceeding.

In 1999, former shareholders of Daimler-Benz AG instituted a valuation proceeding (Spruchstellenverfahren) against DaimlerChrysler AG at Stuttgart district court. These proceedings relate to the merger of Daimler-Benz AG and DaimlerChrysler AG in connection with the business combination of Daimler-Benz and Chrysler Corporation in 1998. In the course of the merger, 1.8 % of all shares in Daimler-Benz AG were involuntarily exchanged for DaimlerChrysler shares. Some shareholders claim that the ratio used in the course of the merger did not correspond to the actual value of the Daimler-Benz shares. An expert commissioned by the court presented his report in

December 2005. In it, he has calculated various alternative values for payments to be made. These alternatives range from confirming the appropriateness of the ratio used to considerable payments to be made to the former Daimler-Benz shareholders with respect to the involuntarily exchanged shares. DaimlerChrysler continues to view the exchange ratio set by the company at the time as appropriate, and the alternative values calculated by the court expert as unfounded. We intend to continue defending ourselves vigorously against these claims.

Various legal proceedings are pending against DaimlerChrysler AG or its subsidiaries alleging defects in various components (including occupant restraint systems, seats, brake systems, tires, ball joints, engines and fuel systems) in several different vehicle models or allege design defects relating to vehicle stability (rollover propensity), pedal misapplication (sudden acceleration), brakes (vibration and brake transmission shift interlock), or crashworthiness. Some of these proceedings are filed as class action lawsuits that seek repair or replacement of the vehicles or compensation for their alleged reduction in value, while others seek recovery for damage to property, personal injuries or wrongful death. Adverse decisions in one or more proceedings could require DaimlerChrysler or its subsidiaries to pay partially substantial compensatory and punitive damages, or undertake service actions, recall campaigns or other costly actions.

Seven purported class action lawsuits are pending in various U.S. courts regarding alleged front disc brake judder in 1999–2004 model year Jeep® Grand Cherokee vehicles and the treatment of related warranty claims. Plaintiffs seek compensatory and punitive damages, costs of repair or replacement, attorneys' fees and costs.

Three purported class action lawsuits are pending in various U.S. courts that allege that the paint applied to 1982–1997 model year Chrysler,

Plymouth, Jeep® and Dodge vehicles delaminates, peels or chips as the result of defective paint, paint primer, or application processes. Plaintiffs seek compensatory and punitive damages, costs of repair or replacement, attorneys' fees and costs. Seven other previously reported class action lawsuits regarding paint delamination have been dismissed.

In November 2004 a jury awarded \$ 3.75 million in compensatory damages and \$ 98 million in punitive damages against DaimlerChrysler Corporation in *Flax v. DaimlerChrysler Corporation*, a case filed in Davidson County Circuit Court in the state of Tennessee. The complaint alleged that the seat back in a 1998 Dodge Grand Caravan was defective and collapsed when the Caravan was struck by another vehicle resulting in the death of an occupant. In June 2005 the trial court reduced the punitive damage award to \$ 20 million in response to motions filed by DaimlerChrysler Corporation challenging the verdict and the damage awards. DaimlerChrysler Corporation is appealing the verdict and the damage awards.

In October 2005, the Arizona Court of Appeals reversed the \$ 50 million punitive damages award and affirmed the \$ 3.75 million compensatory damages award in *Douglas v. DaimlerChrysler Corporation*, a case involving the front seat back strength of a 1996 Dodge Ram club cab pickup. DaimlerChrysler Corporation is defending approximately 25 other complaints involving vehicle seat back strength.

The U.S. Environmental Protection Agency filed a complaint in the U.S. District Court for the District of Columbia against DaimlerChrysler Corporation in December 2005 alleging defects in catalytic converters and on-board diagnostic systems in certain Chrysler Group vehicles, and failure to properly disclose defects in such converters. The parties have agreed to the terms of a consent decree in settlement of the complaint. The settlement requires DaimlerChrysler

Corporation to, among other things, extend the warranties on catalytic converters in certain 1996 – 2000 vehicles, and reprogram the powertrain control modules in certain 1996 – 1998 vehicles with updated onboard diagnostic systems calibrations. DaimlerChrysler Corporation also settled a related parallel administrative proceeding with the California Air Resources Board. The estimated cost of such remedial actions and related settlement payments is approximately \$ 95 million.

Like other companies in the automotive industry, DaimlerChrysler (primarily DaimlerChrysler Corporation) have experienced a growing number of lawsuits which seek compensatory and punitive damages for illnesses alleged to have resulted from direct and indirect exposure to asbestos used in some vehicle components (principally brake pads). Typically, these suits name many other corporate defendants and may also include claims of exposure to a variety of non-automotive asbestos products. A single lawsuit may include claims by multiple plaintiffs alleging illness in the form of asbestosis, mesothelioma or other cancer or illness. The number of claims in these lawsuits increased from approximately 14,000 at the end of 2001 to approximately 28,000 at the end of 2005. In the majority of these cases, plaintiffs do not specify their alleged illness and provide little detail about their alleged exposure to components in DaimlerChrysler's vehicles. Some plaintiffs do not exhibit current illness, but seek recovery based on potential future illness. DaimlerChrysler believes that many of these lawsuits involve unsubstantiated illnesses or assert only tenuous connections with components in its vehicles, and that there is credible scientific evidence to support the dismissal of many of these claims. Although DaimlerChrysler's expenditures to date in connection with such claims have not been material to its financial condition, it is possible that the number of these lawsuits will continue to grow, especially those alleging life-threatening illness, and

that the company could incur significant costs in the future in resolving these lawsuits.

A class action lawsuit was filed in 2002 against Mercedes-Benz USA, LLC ("MBUSA"), and its wholly-owned subsidiary Mercedes-Benz Manhattan, Inc., and is pending in the United States District Court for the District of New Jersey. The lawsuit alleges that those companies participated in a price fixing conspiracy among Mercedes-Benz dealers. MBUSA and Mercedes-Benz Manhattan continue to defend themselves vigorously.

DaimlerChrysler received a "statement of objections" from the European Commission on April 1, 1999, which alleged that the Group violated EU competition rules by impeding cross-border sales of Mercedes-Benz passenger cars to final customers in the European Economic Area. In October 2001, the European Commission found that DaimlerChrysler infringed EU competition rules and imposed a fine of approximately € 72 million. On September 15, 2005, the Court of First Instance of the European Court of Justice annulled the decision in part and reduced the fine to an amount of € 9.8 million. Neither party appealed the judgment, which is now final.

More than 80 purported class action lawsuits alleging violations of antitrust law are pending against DaimlerChrysler and several of its U.S. subsidiaries, six other motor vehicle manufacturers, operating subsidiaries of those companies in both the United States and Canada, the National Automobile Dealers Association and the Canadian Automobile Dealers Association. Some complaints were filed in federal courts in various states and others were filed in state courts. The complaints allege that the defendants conspired to prevent the sale to U.S. consumers of vehicles sold by dealers in Canada in order to maintain new car prices at artificially high levels in the U.S. They seek treble damages on behalf of everyone who bought or leased a new vehicle in the U.S. since January 1, 2001. DaimlerChrysler believes the complaints

against it are without merit and plans to defend itself against them vigorously.

DaimlerChrysler Services North America LLC (“DCSNA”) settled the two previously reported class action lawsuits alleging racially discriminatory credit practices. The court approved settlements require, among other things, training programs for employees, consumer financial literacy programs, and community outreach for African-Americans and Hispanics.

The Federal Republic of Germany has initiated arbitration proceedings against DaimlerChrysler Financial Services AG, Deutsche Telekom AG and Toll Collect GbR. The statement of claims of the Federal Republic of Germany was received in August 2005. The Federal Republic of Germany is mainly seeking damages, contractual penalties and the transfer of intellectual property rights to Toll Collect GmbH. In particular, the Federal Republic of Germany is claiming lost revenues of € 3.51 billion plus interest (€ 236 million through July 31, 2005) for the period September 1, 2003, through December 31, 2004, and contractual penalties of approximately € 1.65 billion through July 31, 2005 plus interest (€ 107 million through July 31, 2005). Since some of the contractual penalties, among other things, are dependent on time and further claims for contractual penalties have been asserted by the Federal Republic of Germany, the amount claimed as contractual penalties may increase. DaimlerChrysler believes the claims of the Federal Republic of Germany are without merit and intends to defend itself vigorously against these claims.

Freightliner LLC acquired in September 2000 Western Star Trucks Holdings Ltd. Prior to its acquisition by Freightliner, Western Star had completed the sale of a truck manufacturer, ERF (Holdings) plc, to MAN AG for CAD 195 million. In September 2002, MAN filed a claim against Freightliner Ltd. (formerly Western Star) with the London Commercial Court for fraud and breach of representations and warranties in the share

purchase agreement, alleging that ERF's accounts and financial statements were misstated and seeking damages in excess of GBP 300 million. Freightliner Ltd. subsequently filed a contribution claim with that court against Ernst & Young, ERF's and Western Star's auditors. In October 2005, the court ruled that Freightliner Ltd. was vicariously liable for fraud by an employee of ERF in connection the preparation of ERF's financial accounts, and also found in favor of Ernst & Young on the contribution claim. Freightliner Ltd. has appealed both decisions on liability. In December 2005, the court awarded MAN an interim payment of GBP 250 million, based on a minimum estimate of the parties, which amount significantly exceeds Freightliner Ltd.'s net assets. A hearing to determine final damages may be deferred until resolution of the appeals. In a related matter, MAN sued Freightliner LLC in February 2005 alleging that assets were fraudulently transferred from Freightliner Ltd. while the above described proceeding was pending, and seeking payment from Freightliner LLC of the damages awarded against Freightliner Ltd. in that proceeding. The complaint, which was amended in December 2005, is pending in Multnomah County Circuit Court in the state of Oregon. Freightliner LLC intends to defend itself vigorously in this matter.

Tracinda Corporation filed a lawsuit in 2000 against DaimlerChrysler AG and some of the members of its Supervisory Board and Board of Management alleging that the defendants violated U.S. securities law and committed fraud in obtaining approval from Chrysler stockholders of the business combination between Chrysler and Daimler-Benz in 1998. On April 7, 2005, the United States District Court for the District of Delaware rendered a judgment in favor of the defendants and against Tracinda Corporation on all claims finding that there had been no fraud and no violation of U.S. securities laws. Tracinda is appealing the decision and filed its opening brief with the United

States Court of Appeals for the Third Circuit in January 2006.

A purported class action was filed against DaimlerChrysler AG and some members of its Board of Management in 2004 in the United States District Court for the District of Delaware on behalf of current or former DaimlerChrysler shareholders who are neither citizens nor residents of the United States and who acquired their DaimlerChrysler shares on or through a foreign stock exchange. On January 24, 2006, the Court granted DaimlerChrysler's motion to dismiss the complaint, declining to exercise jurisdiction over the case. The complaint, which had not yet been served on any member of DaimlerChrysler's Board of Management, contained allegations similar to those in the Tracinda complaint and the prior class action complaint. On February 17, 2006, the plaintiffs filed a notice of appeal of this decision to the United States Court of Appeals for the Third Circuit.

Several lawsuits, including putative class action lawsuits, were filed in 2002 against a large number of companies from a wide variety of industries and nationalities asserting claims relating to the practice of apartheid in South Africa. One of the lawsuits names DaimlerChrysler AG as a defendant and another one names a U.S. subsidiary of DaimlerChrysler AG as a defendant. The lawsuits were consolidated in the United States District Court for the Southern District of New York for pretrial purposes. On November 29, 2004, the Court granted a motion to dismiss filed by a group of defendants, including DaimlerChrysler. Plaintiffs filed notices of appeal of the Court's decision. The appeal has now been fully briefed. Oral argument was held in January 24, 2006.

In August 2004, the U.S. Securities and Exchange Commission ("SEC") opened a formal investigation into possible violations by DaimlerChrysler of the anti-bribery, record-keeping and internal control provisions of the U.S. Foreign Corrupt Practices Act (FCPA). The U.S. Department

of Justice ("DOJ") has also requested information in this regard. DaimlerChrysler is voluntarily sharing with the DOJ and the SEC information from its own internal investigation of certain accounts, transactions and payments, primarily relating to transactions involving government entities, and is providing the agencies with information pursuant to outstanding subpoenas and other requests. Following is a summary of information DaimlerChrysler uncovered to date in connection with its internal investigation. Further issues may arise as the company completes its investigation.

- DaimlerChrysler determined that improper payments were made in a number of jurisdictions, primarily in Africa, Asia and Eastern Europe. These payments raise concerns under the U.S. FCPA, German law, and the laws of other jurisdictions.

- In connection with its internal investigation, DaimlerChrysler has identified and self-reported potential tax liabilities to tax authorities in several jurisdictions. These tax liabilities of DaimlerChrysler AG and certain foreign affiliates result from misclassifications of, or the failure to record, commissions and other payments and expenses.

- DaimlerChrysler is taking action to address and resolve the issues identified in the course of our investigation to safeguard against the recurrence of improper conduct. This includes evaluating and revising its governance policies and internal control procedures.

DaimlerChrysler's internal investigation into possible violations of law is ongoing. If the DOJ or the SEC determines that violations of U.S. law have occurred, it could seek criminal or civil sanctions, including monetary penalties, against DaimlerChrysler and certain of its employees, as well as additional changes to its business practices and compliance programs.

DaimlerChrysler also determined that for a number of years a portion of the taxes related to compensation paid to expatriate employees was not properly reported. In connection with this

underpayment of taxes, DaimlerChrysler AG recognized charges in its income statement. DaimlerChrysler voluntarily reported potential tax liabilities resulting from these issues to the tax authorities in several jurisdictions.

In November 2004 the SEC issued a formal order of investigation concerning 13 named participants in the United Nations Oil-For-Food-Program seeking to determine whether there had been acts in violation of the provisions of the Securities Exchange Act of 1934 requiring the maintenance of books, records and accounts, the maintenance of internal accounting controls and prohibiting specified payments to foreign officials for improper purposes. In July 2005, the SEC supplemented the formal order of investigation to add DaimlerChrysler to the list of named companies. In that regard, DaimlerChrysler received an order from the SEC to provide a written statement and to produce certain documents regarding transactions in that Program. DaimlerChrysler is responding to the SEC's request. The DOJ has also requested information in this regard. In addition, the United Nations Independent Inquiry Committee (IIC) that investigated the administration and management of the United Nations Oil-for-Food-Program asked DaimlerChrysler to provide assistance in the IIC's evaluation of certain transactions under that Program. On October 27, 2005, the IIC issued its final report on the United Nations Oil-for-Food-Program, which includes a narrative describing DaimlerChrysler's alleged conduct during the Program. In its report, the IIC concludes that DaimlerChrysler knowingly made or caused to be made a kickback payment of approximately € 6,950 to the former Government of Iraq, that a DaimlerChrysler employee signed two side agreements to make additional payments, and that this conduct was in contravention of Program rules and the United Nations sanctions against Iraq. It is possible that additional payments may be identified

as a result of the ongoing SEC and DOJ investigations. If the DOJ or the SEC determines that violations of U.S. law have occurred, it could seek criminal or civil sanctions, including monetary penalties, against DaimlerChrysler and certain of its employees.

The BaFin (German Federal Financial Supervisory Authority) is investigating whether DaimlerChrysler AG's public ad hoc disclosure on July 28, 2005 that Professor Schrempp will leave the company at the end of 2005 was timely. If the BaFin determines that the company improperly filed such disclosure, it could fine DaimlerChrysler up to € 1 million. In a related matter, the District Attorney's Office in Stuttgart closed the previously reported investigation of alleged insider trading in DaimlerChrysler shares by two DaimlerChrysler senior executives prior to the ad hoc disclosure. In January 2006 the District Attorney's Office also opened an investigation of alleged insider tipping by the Chairman of our Supervisory Board in advance of such disclosure. In February 2006, shareholders of DaimlerChrysler who claim damages based on the alleged unduly delayed ad hoc disclosure filed an application for a model case pursuant to German law (KapMuG).

Litigation is subject to many uncertainties and DaimlerChrysler cannot predict the outcome of individual matters with assurance. It is reasonably possible that the final resolution of some of these matters could require the Group to make expenditures, in excess of established reserves, over an extended period of time and in a range of amounts that DaimlerChrysler cannot reasonably estimate. Although the final resolution of any such matters could have a material effect on the Group's consolidated operating results for a particular reporting period, DaimlerChrysler believes that it should not materially affect its consolidated financial position.

Overall Risk

There are no discernible risks that, either alone or in combination with other risks, could jeopardize the continued existence of the company.

Outlook

The statements made in the Outlook section are based on the operative planning of DaimlerChrysler for the years 2006 through 2008. This planning is based on premises regarding the economic situation resulting from assessments made by renowned economic institutes, as well as the ambitious targets of our business units. The forecasts for future business developments are oriented towards the opportunities and risks offered by the anticipated market conditions and the competitive situation during the planning period.

Our planning for the next years assumes that the value of the euro will rise against the US dollar and against the British pound compared to the average rate for 2005, while remaining nearly constant against the Japanese yen.

The World Economy

The general economic conditions and global sentiment indicators among consumers, companies and investors point nearly constant world economic growth at the previous year's level for 2006. As in the previous year, the world economy as a whole is expected to grow by just over 3 %, which is in line with the long-term trend. Risks to the world economy include rising raw materials prices, particularly for oil, and a possible correction of the US foreign trade deficit, related to a weakening of the US economy, which would lead to a significant devaluation of the US dollar.

Continued stable growth in the USA will contribute to world economic growth, although interest rates there will rise further and more sharply than in other regions and domestic demand is thus expected to weaken slightly.

Western Europe could gain some slight economic momentum from its currently weak starting level.

On the other hand, expectations remain low for Germany in 2006. Domestic demand is not expected to pick up to any considerable extent.

In Japan there is still uncertainty as to whether the economic weaknesses have actually been overcome; however, Japan is predominantly characterized by opportunities.

Growth in the newly industrializing countries is expected to lose momentum slightly in 2006. Key factors are the somewhat lower impetus in the Chinese economy, which is still growing rapidly, and slightly lower growth rates in South America and in the Near East. Northeast Asia will remain the region with the highest growth, followed closely by India and Eastern Europe. Accelerated growth is to be expected in the new East European EU member states, especially in 2006.

Automotive Markets

In line with the development of the world economy, growth in global demand for automobiles in 2006 will be at about the same rate as in 2005. Whereas demand for passenger cars in nearly all of the emerging markets is likely to increase significantly, the best that can be expected for the North American market for passenger cars and light trucks and the Western European markets for passenger cars is that volumes will remain at the same level as in 2005. Slight growth is anticipated for Japan, the world's second-largest market for passenger cars, as a result of further improvements in economic conditions in Japan.

Global demand for commercial vehicles should remain at a high level for the year 2006 as a whole, but is likely to weaken towards the end of the year for cyclical reasons. As a result of purchases brought forward to avoid new emission regulations due to come into force in the year 2007, the North American market for heavy trucks could expand again slightly in full-year 2006. A similar pattern of demand is emerging in Japan. In

Western Europe, however, a slight reduction in demand for commercial vehicles must be expected following the repeated increase in the year 2005. For the year 2007, we anticipate a significantly lower market volume due to the cyclical weakening of the major markets for commercial vehicles, exacerbated by stricter emission regulations in the United States and Japan.

Most of the growth in worldwide demand for vehicles in the coming years will continue to be in the emerging markets of Asia, in South America, and increasingly in Central and Eastern Europe, due to the dynamic growth in purchasing power, improved infrastructures and the generally increasing need for mobility in those regions.

DaimlerChrysler assumes that competitive pressure will intensify due to the industry's worldwide over-capacity. Additional factors are stricter safety and environmental regulations, the fulfillment of which will cause substantial costs for all producers. Therefore, one of the factors for success in the future will be the ability to achieve competitive advantages through innovative products and strong brands. In this context, it will also become increasingly important to have a worldwide market presence with the possibility to participate in the growth of the emerging markets.

The difficult economic conditions also impact on the earnings and financial performance of DaimlerChrysler AG. Nevertheless, our expectations for 2006 and 2007 are that we will continue to bring our sales and revenue levels up from the present levels. The announced headcount reduction measures will impact negatively on earnings in the initial period.

Mercedes-Benz Passenger Cars

We expect to see improvements in sales and revenues in the next years when the second Mercedes-Benz Passenger Car model offensive –

above all for the new S-Class – takes full effect. The development of new markets such as China and new market segments, such as the Sports Tourer segment with the new B-Class and R-Class, will contribute to this. The positive effects of the CORE efficiency improvements program and the sustained continuation of the quality offensive will help us to raise our earning power.

Mercedes-Benz Commercial Vehicles

Following very high demand in previous years, the Commercial Vehicles division expects a moderate drop in sales and revenues in 2006 and 2007. An increase is expected from 2008 onwards. In 2006, the successful Sprinter will be replaced by a successor model. We are also endeavoring to counter possible negative effects due to high raw materials prices through further cost savings and efficiency improvement measures, such as Global Excellence. In 2006, we will also be introducing a new management model in the Commercial Vehicles division. (See page 3)

Investments in Property, Plant and Equipment

DaimlerChrysler AG expects to invest over € 7 billion in property, plant and equipment in the 2006–2008 plan period. Investments in the Passenger Cars division will focus on preparations for the successor models for the C-Class. At the Commercial Vehicle division, major investments are also planned for the successor model to the Sprinter and the new family of engines for heavy trucks due to the new emission legislation.

Research and Development

During the next three years we expect to invest over € 8 billion in research and development, thus maintaining the high level of recent years.

The focus of research and development expenditures at DaimlerChrysler AG is on the new models in the Passenger Car division and

Commercial Vehicle division. Important projects in the passenger car area are the successor models for the C-Class and E-Class. Important projects at Commercial Vehicles are new engines which conform to the future emission regulations in the USA, Western Europe and Japan, and a new platform for the successor models for the Actros, Atego and Axor.

Significant investment is also planned for new technologies for improving the safety, environmental compatibility and fuel economy of road vehicles.

Forward-looking statements in this Management Report:

This Management Report contains forward-looking statements that reflect management's current views with respect to future events. The words »anticipate«, »assume«, »believe«, »estimate«, »expect«, »intend«, »may«, »plan«, »project« and »should« and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties, including, but not limited to: an economic downturn in Europe or North America; changes in currency exchange rates, interest rates and in raw material prices; introduction of competing products; increased sales incentives; the effective implementation of our New Management Model, and the CORE program, including the new business model for smart, at the Mercedes Car Group; renewed pressure to reduce costs in light of restructuring plans announced by our major competitors in NAFTA; supply interruptions of production materials, resulting from shortages, labor strikes or supplier insolvencies; the resolution of pending governmental investigations; and decline in resale prices of used vehicles. If any of these or other risks and uncertainties occur (some of which are described under the heading »Risk Report« on pages 22 and the following in this Management Report), or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. We do not intend or assume any obligation to update any forward-looking statement, which speaks only as of the date on which it is made.

The Annual Financial Statements and the Management Report of DaimlerChrysler AG and the Consolidated Statements of DaimlerChrysler AG for the year 2005 will be published in the general bulletin and deposited at the trade register of the district court Stuttgart.

These documents are the English translation of the German “Jahresabschluss” and “Lagebericht”, which are the sole authoritative version.