

(Translation)

Conformed Copy

SECURITIES REPORT

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

Financial Year (2005)

From: January 1, 2005
To: December 31, 2005

DaimlerChrysler AG
(0279)

SECURITIES REPORT

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

Financial Year (2005)
From: January 1, 2005
To: December 31, 2005

To: Director of Kanto Local Finance Bureau

Date of Filing: June 19, 2006

Corporate Name: DaimlerChrysler AG

Titles and Names of
Representatives: Dr. Dieter Zetsche
Chairman of the Board of Management /
Head of Mercedes Car Group

responsible
Services Bodo Uebber
Member of the Board of Management
for Finance & Controlling / Financial
division

Location of Head Office: Mercedesstrasse 137
70327 Stuttgart
Federal Republic of Germany

Name of the
Attorney-in-Fact: Yasutaka Nishikori
(Attorney-at-law)

Address of the Attorney-
in-Fact: Nishimura & Partners
Ark Mori Bldg, 12-32, Akasaka 1-chome
Minato-ku, Tokyo, Japan

Telephone: (03) 5562-8500

Administrative Personnel
to Contact: Yasutaka Nishikori
(Attorney-at-law)
Ryohei Takeuchi
(Attorney-at-law)
Daichi Takayama
(Attorney-at-law)

Place of Contact: Nishimura & Partners
Ark Mori Bldg, 12-32, Akasaka 1-chome
Minato-ku, Tokyo, Japan

Telephone of Contact: (03) 5562-8500

**Place at which Copy of the Present
Securities Report is Offered for Public Inspection**

Name of Such Office:	Tokyo Stock Exchange
Location:	2-1, Nihombashi-kabuto-cho Chuo-ku, Tokyo, Japan

(Number of Pages including front pages: 356 in Japanese)

Table of Contents

An amendment to the Securities Report is expected to be filed later.

	Japanese original	English translation
PART 1. COMPANY'S INFORMATION	2	1
I. Outline of the Legal and other Systems of the Company's Country of Incorporation	3	1
1. Outline of the Corporate System, etc.	3	1
(1) Corporate System of the Federal Republic of Germany	3	1
(2) The Corporate System as Provided for in the Articles of Incorporation of the Company	9	2
2. Foreign Exchange Control System	16	15
3. Tax Treatment	16	15
4. Legal Opinion	16	16
II. Outline of the Company	17	17
1. Changes in Major Management Accounts, etc.	17	17
2. Brief History of the Company	19	19
3. Contents of Business	20	20
4. Description of Related Companies	28	27
5. Description of Employees	32	31
III. Description of Business	34	33
1. Outline of Business Results, etc.	34	33
2. Results of Productions, Orders Received and Sales	35	34
3. Matters to be Dealt with	38	36
4. Risk Factors	39	37
5. Material Contracts Relating to Business	48	45
6. Activities on Research and Development	48	45
7. Analysis of Financial Condition and Results of Operation (MD&A)	50	47
IV. Conditions of Facilities	73	67
1. Outline of Capital Expenditure, etc.	73	67
2. Conditions of Major Facilities	75	68
3. Plans for Installation and Removal of Facilities	79	72
V. Description of the Company	80	73
1. Description of Shares, etc.	80	73
2. Dividend Policy	86	80
3. Trends in Stock Prices	86	80
4. Directors, Officers and Statutory Auditors	87	81
5. Description of Corporate Governance	92	88

VI. Financial Conditions	103	100
(See Japanese Report - English version is included there.)		
VII. Trends in Foreign Exchange Rates	347	100
VIII. Summary of Share Handling, etc. in Japan	348	100
1. Summary of Share Handling, etc. in Japan	348	100
2. Exercise of Rights of Beneficial Shareholders in Japan, etc.	349	102
IX. Reference Information	351	104
PART 2. INFORMATION CONCERNING GUARANTOR, ETC.	352	104

Notes:

1. In this Securities Report, unless otherwise noted, the term "Company" means DaimlerChrysler AG, "we," "us," "our," "DaimlerChrysler," the "DaimlerChrysler Group" or the "Group" refers to DaimlerChrysler AG and its consolidated subsidiaries, or any one or more of them, as the context may require. "Germany" means the Federal Republic of Germany.
2. In this Securities Report, unless otherwise noted, "Euro" refers to Euro. For the convenience of the Japanese reader, conversion into Japanese Yen has been made at the exchange rate of Euro 1.00 = ¥143.48 (the means of the Telegraphic Transfer Spot Selling and Buying Exchange Rates of The Bank of Tokyo-Mitsubishi UFJ, Ltd. on May 1, 2006).
3. Where figures in tables in this Securities Report have been rounded, the totals may not necessarily agree with the sum of the figures.
4. Unless otherwise indicated, "shares" in this document refer to ordinary shares of the Company.
5. This document 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; disruption of production or vehicle deliveries, 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 in section III Description of Business under “4. Risk Factors” herein and under the heading "Risk Report" in DaimlerChrysler's most recent Annual Report and under the heading "Risk Factors" in DaimlerChrysler's most recent Annual Report on Form 20-F filed with the Securities and Exchange Commission), 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.

PART 1. COMPANY'S INFORMATION

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

1. Outline of the Corporate System, etc.

(1) Corporate System of the Federal Republic of Germany

General

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

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

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

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

Establishment

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

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

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

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

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

Share Capital

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

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

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

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

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

Shareholders' Meetings

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

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

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

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

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

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

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

As a rule the shareholders' meeting decides by a majority of the votes cast. For certain purposes, such as the amendment of the Articles of Incorporation, capital increases or decreases or the dissolution of the corporation, the Stock Corporation Act prescribes that a decision may be made only by a majority of no less than 3/4 of the capital represented at the meeting at the time the resolution is voted upon. The Articles of Incorporation may provide for higher or, in some cases, lower majorities.

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

undue delay.

Board of Management

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

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

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

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

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

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

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

Supervisory Board

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

Only natural persons may be members of the Supervisory Board of a corporation. Generally a member of the Board of Management of the relevant corporation, or a deputy member of

the Board of Management or a person being otherwise authorized to represent the said corporation as a whole may not be member of the Supervisory Board of this corporation. Additionally a person who

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

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

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

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

Any changes in membership of the Supervisory Board must be published immediately in the electronic version of the Federal Gazette and the published notice filed with the Commercial Register.

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

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

Financial Statements

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

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

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

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

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

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

If objections are to be raised, the external auditor is required to issue a qualified auditor's opinion or a disclaimer. The disclaimer must be noted in the auditor statement, replacing the auditor's opinion. Qualified auditor's opinions and disclaimers must be supported by sufficient justification. Qualifications must be presented with a description of their effect on the financial statements.

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

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

financial statements of the company are final.

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

The legal representatives of companies must file with the Commercial Register at the domicile of the company the financial statements without delay following their presentation to the shareholders, together with the opinion or disclaimer of opinion of the auditors, the management report, the report of the Supervisory Board, as well as the compliance declaration according to section 161 of the German Stock Corporation Act (Aktiengesetz). These documents must first be published in the Federal Gazette; the announcement accompanied by said documents shall then be filed with the Commercial Register at the domicile of the company. The listing of shareholdings need not be published in the Federal Gazette. The court reviews whether the documents which must be filed with the Commercial Register are complete and, to the extent required, have been published in the Federal Gazette.

Allocation of distributable profit

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

Enterprise Contracts

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

Amendment of the Articles of Incorporation

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

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

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

A. Organization and Register

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

B. Corporate Governance

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

Several of the specific corporate governance provisions of DaimlerChrysler AG are summarized below, as well as in section V. Description of the Company, subsection 5. Description of Corporate Governance under (1) Corporate Governance at DaimlerChrysler and (3) Compensation Report.

C. Business Purposes

The Articles of Incorporation of DaimlerChrysler AG, effective since June 2005 and amended by the Annual Meeting of shareholders on April 12, 2006 state that its business purpose is to engage, directly or indirectly, in the business of development, production and sale of products and to render services, especially in the following lines of business:

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

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

D. Ordinary Shares

The capital stock of DaimlerChrysler AG consists solely of ordinary shares without par value (Stückaktien), which are issued in registered form. Record holders of the ordinary shares are registered in the share register (Aktienregister). Deutsche Bank AG acts as the transfer agent and registrar in Germany and various other countries and administers the share register on behalf of the company. The transfer agent and registrar in the United States is The Bank of New York. Following is a summary of significant provisions under German law and the Articles of Incorporation relating to the ordinary shares:

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

E. Dividends

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

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

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

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

F. Voting Rights

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

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

G. Shareholder Meetings

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

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

H. Directors

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

Board of Management

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

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

Supervisory Board

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

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

According to the Articles of DaimlerChrysler AG no more than two former members of the Board of Management of the corporation elected by the Annual General Meeting may be members of the Supervisory Board. Furthermore, the Annual General Meeting shall not elect any persons to the Supervisory Board who at the time of election hold executive positions or advisory roles in major competitors of the corporation or in major competitors of its subsidiaries, or, if they are also members of the Board of Management of a listed company, hold more than four other Supervisory Board mandates in listed companies outside the group in addition to the Supervisory Board mandate for the corporation.

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

A quorum of the Supervisory Board shall be constituted when notices have been issued to all its members at their last known address and at least ten members of the Supervisory Board participate in passing the resolution. Abstentions from members of the Supervisory Board are included when determining whether there is a quorum.

In justified exceptional cases, members of the Supervisory Board can, subject to the approval of the Chairman, take part in a meeting of the Supervisory Board or its committees via a telephone or video conference.

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

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

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

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

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

decide when the vote is to be repeated. If the second vote also results in an equality of votes, the Chairman of the Supervisory Board shall be given an additional casting vote.

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

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

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

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

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

I. Change in Control

The articles do not contain any specific provisions that would have an effect of delaying, deferring or preventing a change in control or that would only apply in the context of a merger, acquisition or corporate restructuring involving the company or any of its subsidiaries. On January 1, 2002, the German Takeover Act (Wertpapiererwerbs- und Übernahmegesetz) became effective. It requires, among other things, that a bidder seeking control of a company with its corporate seat in Germany and traded on a European Union stock exchange must publish advance notice of a tender offer; submit a draft offer statement to the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) for review; and obtain certification from a qualified financial institution that adequate financing is in place to complete the offer. Once a bidder has acquired shares representing 30% of the voting power, it must make an offer for all remaining shares of the target. The Takeover Act requires the Board of Management of the target to refrain from taking any measures that may frustrate the success of the takeover offer. However, the target Board of Management is permitted to take any action which a prudent and diligent management of a company that is not the target of a takeover bid would also take. Moreover, the target Board of Management may search for other bidders and, with the prior approval of the Supervisory Board, may take other defensive measures, provided that both boards act within the parameters of their general authority under the German Stock Corporation Act. The Board of Management may also adopt specific defensive measures if the Supervisory Board has approved such measures and if the measures were specifically authorized by the shareholders no later than 18 months in advance of a takeover bid by resolution of 75% of the votes cast.

J. Disclosure of Shareholdings

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

K. Basis of Potential Claims

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

L. German Corporate Governance Code Declaration

DaimlerChrysler AG, like other publicly traded companies in Germany, is subject to the German Corporate Governance Code that recommends specific corporate governance practices. The Code was issued in 2002 by a government appointed commission, and amended most recently in June 2005. The German Stock Corporation Act requires a company's Supervisory Board and Board of Management to declare annually if the Code's recommendations have been and are being met by the company or if not, which recommendations have not been or are not being applied. Shareholders must be given permanent access to such declaration. The Supervisory Board and Board of Management issued a statement declaring that DaimlerChrysler AG complies with the Corporate Governance Code, subject to the exceptions identified in the declaration. For shareholders and others who may wish to read the English translation of the declaration, the company has made it available on the website at www.daimlerchrysler.com/corpgov_e.

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

M. Financial year and accounting

The financial year is the calendar year.

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

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

N. Announcements

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

2. Foreign Exchange Control System

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

3. Tax Treatment

German Tax Treatment

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

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

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

Japanese Tax Treatment

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

4. Legal Opinion

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

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

II. Outline of the Company

1. Changes in Major Management Accounts, etc.

We have derived the selected consolidated financial data presented in the table below from our consolidated financial statements for the years ended December 31, 2005, 2004, 2003, 2002, and 2001. We prepared the audited consolidated financial statements included in this Securities Report (Consolidated Financial Statements) in accordance with generally accepted accounting principles in the United States of America which we refer to as U.S. GAAP. Our financial statements are denominated in euros, which is the currency of our home country, Germany.

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

DaimlerChrysler Group (EUR in millions)	Year ended December 31,					
	2005¹	2004¹	2003¹	2002²	2001²	05 : 04 % change
<i>Income Statement data</i>						
Revenues	149,776	142,059	136,437	147,408 ³	150,422 ³	+5
Income (loss) before financial income	3,221	4,612	3,388	3,693 ³	(1,834) ³	-30
Income (loss) from continuing operations and before cumulative effects of changes in accounting principles	2,851	2,466	(418)	5,175 ³	(694) ³	+16
Basic earnings (loss) per share	2.80	2.43	(0.41)	5.13 ³	(0.69) ³	+15
Diluted earnings (loss) per share	2.80	2.43	(0.41)	5.10 ³	(0.69) ³	+15
Income from discontinued operations	—	—	14	82	101	—
Income on disposal of discontinued operations	—	—	882	—	—	—
Total income from discontinued operations including net gain on disposals	—	—	896	82	101	—
Basic earnings per share	—	—	0.88	0.08	0.10	—
Diluted earnings per share	—	—	0.88	0.08	0.10	—
Net income (loss)	2,846	2,466	448	5,098	(593)	+15
Basic earnings (loss) per share	2.80	2.43	0.44	5.06	(0.59)	+15
Diluted earnings (loss) per share	2.80	2.43	0.44	5.03	(0.59)	+15
Operating Profit	5,185	5,754	5,686	6,827	(1,346)	-10

DaimlerChrysler Group (EUR in millions)	Year ended December 31,					05 : 04 % change
	2005	2004¹	2003¹	2002²	2001²	
<i>Balance Sheet data (end of period)</i>						
Total assets	201,632	182,872	178,450	187,527	207,616	+10
Short-term financial liabilities	36,483	33,306	28,255	30,499	34,409	+10
Long-term financial liabilities	44,449	42,964	47,056	48,325	56,986	+3
Capital stock	2,647	2,633	2,633	2,633	2,609	+1
Stockholders' equity	36,449	33,522	34,486	35,076	38,928	+9
<i>Other data</i>						
Employees (at year-end)	382,724	384,723	362,063	365,571	372,470	-1
Employees (average annual number)	386,465	379,019	370,684	370,677	379,544	+2
Research and development expenditure	5,649	5,658	5,571	5,942	5,848	-0
Investments in property, plant and equipment	6,580	6,386	6,614	7,145	8,896	+3
Cash provided by operating activities ⁴	12,353	11,060	13,826	15,909	15,944	+12
Total dividend	1,527	1,519	1,519	1,519	1,003	+1
Dividend per share (in EUR)	1.50	1.50	1.50	1.50	1.00	0
Weighted average number of shares Outstanding (basic)	1,014.7	1,012.8	1,012.7	1,008.3	1,003.2	+0
Weighted average number of shares Outstanding (diluted)	1,017.7	1,014.5	1,012.7	1,013.9	1,003.2	+0

1 We adjusted our January 1, 2003 stockholders' equity balance to correct for misstatements in years prior to 2003 which had the effect of increasing stockholders' equity as at January 1, 2003 by EUR72 million. We also recognized charges in our 2005 consolidated income statement relating to the years 2003 and 2004 to correct certain misstatements in those years. The charges had the effect of reducing 2005 income before financial income by EUR55 million, income from continuing operations and before cumulative effects of changes in accounting principles by EUR106 million, and net income by EUR106 million or EURO.10 per share (both basic and diluted). The 2003 and 2004 misstatements were not material to those years and the charges recognized in 2005 to correct the misstatements of those years were not material to the consolidated statement of income for 2005. In addition, the adjustments to January 1, 2003 stockholders' equity to correct the cumulative misstatements as of that date were not material to beginning stockholders' equity as of January 1, 2003. Please refer to Note 1 to our Consolidated Financial Statements for additional information.

2 We adjusted our consolidated income statements for the years 2002 and 2001 to correct for the misstatements referenced above. These adjustments had the effect of reducing income (loss) before financial income by EUR26 million and EUR27 million, respectively, increasing income (loss) from continuing operations before cumulative changes in accounting principles by EUR380 million and EUR69 million, respectively, and net income by EUR380 million and EUR69 million or EURO.38 and EURO.07 per share (both basic and diluted), respectively. We also adjusted our January 1, 2001 stockholders' equity balance for the effects of those misstatements relating to periods prior to 2001, which had the effect of reducing stockholders' equity as at January 1, 2001 by EUR181 million.

3 We have adjusted 2002 and 2001 figures to exclude discontinued operations. Please refer to Note 10 to our Consolidated Financial Statements for a description of discontinued operations.

4 Figure for 2001 not adjusted for the effects of inventory-related receivables from Financial Services.

2. Brief History of the Company

Organization

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

History

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

Subsequent events

Closing of sale of Off-Highway business. In March 2006, after receiving the approval of the anti-trust authorities, we concluded the sale of our off-highway activities to the Swedish financial investor, EQT, as agreed in December 2005. The disposal resulted in income of EUR 234 million that was accounted for in the first quarter of 2006.

Focusing on smart fortwo. At the end of March, we made decisions on additional measures to achieve profitability at smart as of the year 2007 and to secure the brand's long-term future. The measures planned include the consistent focus on the smart fortwo model, the discontinuation of the smart forfour, anchoring the smart fortwo as a long-term fixed and important component of DaimlerChrysler's product portfolio, and the complete integration of smart in the organization of Mercedes-Benz. The expenses required to finance these measures are likely to reach a magnitude of approximately EUR 1 billion; nearly all of this amount was taken into account in the earnings of the first quarter of 2006.

Reduction in the company's share in EADS. At the beginning of April, we decided to reduce our 30% equity interest in the European Aeronautic Defence and Space Company (EADS) to 22.5%. The market value of the 7.5% reduction amounts to approximately EUR 2.0 billion. The transaction is to be concluded in the period between January and April 2007 and will have a positive effect on net income for the year 2007 of around EUR 1 billion. This sale represents a further stage in the concentration on our core automotive business. DaimlerChrysler will continue to be an important shareholder in EADS in the future, with an equity interest of at least 15%.

3. Contents of Business

DaimlerChrysler AG is the ultimate parent company of the DaimlerChrysler Group. The Group develops, manufactures, distributes and sells a wide range of automotive products, mainly passenger cars, light trucks and commercial vehicles. We also provide financial and other services relating to our automotive business. We have four primary business segments. Our fifth segment, Other Activities, comprises all other businesses and investments in businesses not allocated to one of our primary business segments. At the beginning of 2005, we renamed our Services segment the Financial Services segment to reflect its focus on providing automotive financial services. Our segments are:

- Mercedes Car Group
- Chrysler Group
- Commercial Vehicles
- Financial Services
- Other Activities

On January 24, 2006, we presented a *new management model* designed to improve our competitiveness and promote further profitable growth. The goal of the new model is to integrate further our core functions, focus operations areas more closely on their core processes, encourage internal collaboration and reduce duplication of activities. As part of the program we expect to eliminate approximately 6,000 jobs worldwide and reduce annual administrative expenses by approximately EUR1.5 billion, including EUR0.5 billion which we plan to realize through other efficiency enhancement programs already in place.

Effective March 1, 2006, as part of the new management model, we also changed the composition of our business segments by reporting the van and bus business units with our Other Activities. As a result of these changes, our Commercial Vehicles segment will be renamed the Truck Group.

Preparations for implementing the new management model are underway and we expect to fully implement it by 2008. We expect total expenditures for implementing the program to be approximately EUR2 billion in the years 2006 through 2008.

We offer our automotive products and related financial services primarily in Europe and in the NAFTA region, which consists of the United States, Canada and Mexico. Approximately 45% of our 2005 revenues derive from sales in the United States, 14% from sales in Germany and 18% from sales in other countries of Western Europe.

In recent years, we have also taken significant steps towards increasing further our presence in the Asian markets. For example, we acquired a majority interest in the Japanese truck manufacturer Mitsubishi Fuso Truck and Bus Corporation (MFTBC) and we entered into joint ventures with Chinese partners relating to the production of passenger cars and vans in China. In December 2005, one of our joint ventures began to manufacture and distribute Mercedes-Benz E-Class and C-Class passenger cars. The production capacity of the joint venture is 20,000 units per year. The joint venture also continues to produce and sell passenger cars, such as the Jeep® Cherokee and Jeep® Grand Cherokee, under license agreements with our subsidiary DaimlerChrysler Corporation. Another joint venture under review, which is still subject to approval by the relevant Chinese authorities, will manufacture and sell Mercedes-Benz Vito/Viano and Sprinter vans. We expect production of these vans to commence in the second half of 2006 with a capacity of 40,000 units per year.

In line with our strategy of concentrating on our automotive business and related services, we disposed of several non-core business assets and expanded our core automotive activities over the past several years. In 2005, we concluded the following transactions:

Off-Highway. In December 2005, we agreed to sell substantially all of our Off-Highway business to the Swedish investor group EQT. The sale includes the MTU-Friedrichshafen Group and the off-highway businesses of Detroit Diesel Corporation and DaimlerChrysler AG. In March 2006, after receiving the approval of the anti-trust authorities, we concluded the sale. The disposal resulted in income of EUR 234 million that was accounted for in the first quarter of 2006.

MMC. In November 2005, we sold our remaining 12.4% interest in Mitsubishi Motors Corporation (MMC) for EUR970 million.

MFTBC. Under the purchase agreements entered into in 2003 and 2004 with MMC regarding our acquisition of an aggregate 65% of MFTBC, we had the right to a purchase price adjustment if the warranty reserve on the books of MFTBC proved to be inadequate. During 2004 we discovered quality issues that originated before we invested in MFTBC. In March 2005, we agreed on a settlement with MMC pursuant to which we received (1) MMC's remaining stake of 20% in MFTBC, (2) a cash payment of EUR72 million, (3) promissory notes with an aggregate face value of EUR143 million, payable in four equal installments over a four year period and (4) certain other assets and rights pertaining to the distribution of MFTBC products in one Asian market. As a result of the settlement, our controlling interest in MFTBC increased from 65% to 85%. The aggregate purchase price for our equity interest in MFTBC after giving effect to the settlement was EUR1,014 million.

For additional information on acquisitions and dispositions of businesses during the last three years, please refer to Note 4 to our Consolidated Financial Statements.

Our aggregate *capital expenditures for property, plant and equipment* were EUR6.6 billion in 2005 and EUR6.4 billion in 2004. In 2005, the United States and Germany accounted for 44% and 36% of these capital expenditures, respectively. Expenditures for equipment on operating leases were EUR20.2 billion in 2005 and EUR17.7 billion in 2004.

(a) Mercedes Car Group

The Mercedes Car Group designs, produces and sells Mercedes-Benz passenger cars, Maybach high-end luxury sedans and smart compact passenger cars. In 2005, the Mercedes Car Group contributed approximately 31% of our revenues.

In 2004, the Mercedes Car Group rolled out a broad quality improvement initiative which affected all Mercedes-Benz products. This initiative was followed in 2005 by CORE (Cost down, Revenue up, Execution), a comprehensive program designed to increase earnings through increased sales, material and fixed-cost reductions, quality improvements and improved efficiencies, and to realign the smart business. With CORE we intend to improve our competitiveness and increase profitability with the goal of achieving a return on sales of 7% by 2007.

The headcount reduction initiative currently under way at Mercedes Car Group is a result of the CORE program. The board of management set the personnel reduction target for the Mercedes-Benz business unit at 8,500 jobs to be achieved through voluntary severance arrangements. As of year end 2005, approximately 5,000 employees had accepted voluntary severance arrangements. We intend to complete these reductions in 2006. For additional information regarding these reductions and the realignment of the smart business, please refer to Note 5 and Note 35 to our Consolidated Financial Statements.

Products

Mercedes-Benz. The Mercedes-Benz passenger car product range consists of:

- *the S-Class* – The S-Class is a line of full-size luxury sedans. In September 2005, we launched the all-new S-Class line. The sedans are complemented by the CL, a top-of-the-line two-door coupe, and the SL, a two-door convertible. While we have introduced a facelift of the SL in the first quarter of 2006, we intend to introduce an all-new CL coupe in the fall of 2006. We also offer a high performance Mercedes-Benz sports car, the SLR, through McLaren Cars Ltd.
- *the E-Class* – The E-Class is a line of luxury sedans and station wagons. In mid-2006, we intend to introduce a facelifted version of the E-Class sedans and station wagons. We also offer the CLS, a four-door coupe based on the E-Class platform.
- *the C-Class* – The C-Class is a line of compact luxury sedans and station wagons. The C-Class sports coupe, the SLK (a two-seat roadster) and the CLK coupe and convertible complement the C-Class product family.
- *the A-/B-Class* – The A-Class is a front wheel drive compact. In June 2005 we launched the all-new B-Class, a front wheel drive 4-door Compact Sports Tourer (CST).
- *the M-/R-/GL-Class* – The M-Class is a line of sport utility vehicles with permanent all-wheel drive. In mid-2005, we launched the successor of the first generation M-Class. The R-Class is an all-new Grand Sports Tourer (GST) which we launched in the United States in September 2005 and offer in Europe since the first quarter of 2006. At the beginning of 2006, we introduced the all-new GL-Class, a seven seat sport utility vehicle based on the M-Class.
- *the G-Class* – The G-Class is a four-wheel drive cross country vehicle that comes in a short and a long wheelbase version and as a convertible.

Maybach. The prestigious Maybach brand represents a line of exclusive high-end luxury sedans with unsurpassed luxury, comfort, and individuality. In 2005, we launched the Maybach 57 S, a sportier version of the Maybach 57.

smart. The smart brand is a micro compact car concept. In 2005, we decided to cease production of the smart roadster. In March 2006, we announced that we are planning to focus on the smart fortwo and intend cancellation of production of the smart forfour.

Competition

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

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

Competitors of Maybach are Rolls Royce and Bentley sedans.

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

(b) Chrysler Group

Our Chrysler Group segment consists of DaimlerChrysler Motors Company LLC and its subsidiaries DaimlerChrysler Corporation, DaimlerChrysler Canada Inc., and DaimlerChrysler de Mexico S.A. de C.V., as well as other international automotive affiliates. These companies design, manufacture, assemble and sell cars and trucks under the brand names Chrysler, Jeep® and Dodge. The Chrysler Group segment contributed approximately 33% of our revenues in 2005.

Products

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

During 2005 and 2006, the Chrysler Group introduced or plans to introduce, among others, the following products:

2005 Calendar Year Introductions:

2006 Dodge Charger - standard full size car,
2006 Jeep® Commander - full size sport utility vehicle,
2006 Dodge Viper SRT10 Coupe - luxury specialty,
2006 Dodge Ram Mega Cab - large pickup,
2006 Chrysler 300C SRT8 - luxury full size car,
2006 Dodge Magnum SRT8 - sports tourer,
2006 Dodge Charger SRT8 - standard full size car,

2006 Calendar Year Introductions:

2006 Jeep® Grand Cherokee SRT8 - full size sport utility vehicle,
2007 Dodge Caliber - compact car,
2007 Jeep® Wrangler - small sport utility vehicle,
2007 Jeep® Compass - mid size sport utility vehicle,
2007 Chrysler Aspen - full size sport utility vehicle,
2007 Dodge Nitro - mid size sport utility vehicle,

Competition

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

(c) Commercial Vehicles

We manufacture and sell commercial vehicles under the brand names Mercedes-Benz, Freightliner, Sterling, Mitsubishi Fuso, Setra, Thomas Built Buses, Western Star and Orion. Our worldwide facilities provide us with a strong production and assembly network for commercial vehicles and core components. In 2005, the Commercial Vehicles segment contributed approximately 26% of our total revenues. Effective March 1, 2006, as part of the new management model described under the heading "3. Contents of Business," we changed the composition of our business segments by reporting the van and bus business units with

our Other Activities. As a result of these changes, our Commercial Vehicles segment will be renamed the Truck Group.

Products

Vans - Worldwide, we currently offer four lines of Mercedes-Benz vans between 1.9 metric tons (t) and 7.5t gross vehicle weight (GVW): the Sprinter, the Vito/Viano, the Vario and the compact multi purpose vehicle Vaneo. In the U.S. market we currently sell the Sprinter under the Freightliner and Dodge brand names. We plan to introduce a new version of the Sprinter in the spring of 2006.

Trucks - Our current European Mercedes-Benz truck lines consist of the Actros and the Axor in the heavy duty category, the Atego in the medium duty category, and the specialty vehicle Econic. Complementing our line-up is the Unimog, a four-wheel drive vehicle designed for special purpose applications. In addition, we manufacture heavy and medium duty trucks for local and export markets in Turkey and Brazil.

Our U.S. subsidiary Freightliner manufactures trucks and buses (based on truck chassis) in Classes 5 through 8 (from 16,000 lbs. GVW to 33,000 lbs. GVW and over) and sells them under the Freightliner, Sterling, Western Star, and Thomas Built Buses brand names, primarily in the NAFTA region. Freightliner also manufactures chassis for trucks, buses and motorhomes in Classes 3 through 7 (from 10,000 lbs. GVW to 33,000 lbs. GVW). In 2005, we sold our fire truck and rescue vehicles business which we conducted under the brand name American LaFrance.

Our Japanese subsidiary MFTBC manufactures three lines of trucks and tractors, primarily for the Japanese and other Asian markets: the Canter trucks (light duty), the Fighter trucks (medium duty), and the Super Great trucks (heavy duty). MFTBC also sells trucks in Western Europe and the United States. In 2006, we plan to launch the Canter Europe TD Euro 4 in European markets.

Buses - We are a full-line supplier in the worldwide bus and coach market. Our product portfolio includes city-buses, coaches, interurban buses, midi buses and bus chassis. We sell completely built-up buses under the Mercedes-Benz and Setra brands in Europe and under the Setra and Orion brand names in the United States and Canada. We also manufacture heavy, medium and small coaches, buses and bus chassis under the brand name Mitsubishi Fuso at MFTBC in Japan.

For our commercial vehicles, we produce diesel engines, axles and transmissions under the Mercedes-Benz, Mitsubishi Fuso, Detroit Diesel and Axle Alliance Company brand names.

Competition

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

In the truck segment, competitors vary in each geographic region. In Western Europe, our main competitors are MAN, Iveco, Volvo, Scania, DAF and Renault. In the NAFTA markets, our main competitors in the Class 5 through 8 truck categories are Navistar International, Paccar (Kenworth, Peterbilt), Volvo Group (Volvo, Mack, Renault), General Motors and Ford.

In Japan and the South East Asian markets, our main competitors (including buses) are Hino, Isuzu and Nissan Diesel.

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

(d) Financial Services

In 2005, we renamed our Services segment "Financial Services" to reflect its focus on financial services supporting our automotive businesses. In 2005, our financial services activities contributed approximately 9% of our revenues.

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

In an effort to refocus our financing and leasing portfolios on the automotive sector, which is our core business, we disposed of several non-automotive financial assets in recent years. In 2003, we sold portions of our capital services portfolio, which consists of non-automotive assets, for proceeds of EURO.3 billion and made minor dispositions in 2004. In 2005, we sold our equity interest in debis AirFinance B.V. (dAF) and our outstanding subordinated loans receivable and unsecured loans provided to dAF for EUR325 million in cash. Prior to the sale, we accounted for our investment in dAF using the equity method of accounting.

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

Competition

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

(e) Other Activities

Our Other Activities segment comprises our businesses, operations and investments not allocated to one of our other business segments. The segment includes our Off-Highway business, our investment in EADS, our real estate and corporate research activities, our holding companies and our finance subsidiaries through which we refinance the capital needs of our operating businesses in the capital markets. Effective March 1, 2006, as part of the new management model described above under the heading "3. Contents of Business," we changed the composition of our business segments by reporting the van and bus business units with our Other Activities.

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

Off-Highway. As of January 1, 2004, we allocated our Off-Highway business, which was previously included in Commercial Vehicles, to our Other Activities segment. Our Off-Highway business includes the MTU Friedrichshafen Group, the Off-Highway businesses of Detroit Diesel Corporation and of DaimlerChrysler AG as well as our minority investment in VM Motori S.P.A. The Off-Highway business focuses on engine applications for rail and marine products, military and industrial vehicles as well as stationary industrial and commercial applications (e.g. electric power generators).

In December 2005, we agreed to sell substantially all of our Off-Highway business (with the exception of our minority holding in VM Motori S.P.A.) to the Swedish investor group EQT. In March 2006, after receiving the approval of the anti-trust authorities, we concluded the sale. The disposal resulted in income of EUR 234 million that was accounted for in the first quarter of 2006.

MMC. Following a corporate restructuring at MMC in 2004, our interest in the voting stock of MMC was diluted from 37.0% to 24.7% and we no longer had the ability to exercise significant influence over the operating and financial policies of MMC. As a result, we ceased to account for our investment in MMC using the equity method of accounting and classified our investment in MMC as an investment in related companies, accounted for at fair value. Since then, our equity interest was further diluted and, in November 2005, we sold our remaining 12.4% interest in MMC for EUR 970 million. Please refer to the discussion in Note 4 to our Consolidated Financial Statements for further information.

Revenues from continuing operations of this segment originate mainly from our Off-Highway business unit and our real estate business.

4. Description of Related Companies

(1) Parent Company

The Company has no parent company.

(2) Important consolidated subsidiaries (as of December 31, 2005)

Name	Location	Holding Ratio (direct or indirect holding) (%) ¹	Principal Activity	Relationship
Mercedes Car Group				
smart gmbh	Boeblingen / Germany	100.0	Manufacturing company	Business transactions
Mercedes-Benz U.S. International, Inc.	Tuscaloosa/ USA	100.0	Manufacturing company	Business transactions
DaimlerChrysler India Private Limited	Pone/ India	100.0	Manufacturing and Sales company	Business transactions
DaimlerChrysler South Africa (Pty.) Ltd.	Pretoria/ Republic of South Africa	100.0	Manufacturing company	Business transactions
Chrysler Group				
DaimlerChrysler Motors Company LLC	Auburn Hills / USA	100.0	Holding company	Business transactions; Represents the segment Chrysler Group
DaimlerChrysler Canada Inc.	Windsor/ Canada	100.0	Automotive company	Business transactions
DaimlerChrysler de Mexico S.A. de C.V.	Mexico City/ Mexico	99.97	Manufacturing and Sales company	Business transactions

Commercial Vehicles				
EvoBus GmbH	Stuttgart/ Germany	100.0	Manufacturing and Holding company	Business transactions
DaimlerChrysler Espana S.A.	Madrid/ Spain	100.0	Manufacturing and Sales company	Business transactions
Detroit Diesel Corporation	Detroit/ USA	100.0	Manufacturing company	Business transactions
Freightliner LLC	Portland/ USA	100.0	Manufacturing company	Business transactions
DaimlerChrysler Vehículos Comerciales Mexico, S.A. de C.V.	Mexico-City /Mexico	100.0	Manufacturing company	Business transactions
DaimlerChrysler do Brasil Ltda.	São Bernardo do Campo/ Brazil	100.0	Manufacturing and Sales company	Business transactions
DaimlerChrysler Argentina S.A.	Buenos Aires/ Argentina	100.0	Manufacturing and Sales company	Business transactions
P.T. DaimlerChrysler Indonesia	Jakarta/ Indonesia	100.0	Manufacturing and Sales company	Business transactions
Mercedes-Benz Türk A.S.	Istanbul/ Turkey	66.9	Manufacturing and Sales company	Business transactions
Mitsubishi Fuso Truck and Bus Corporation	Tokyo/ Japan	85.0	Manufacturing and Sales company	Business transactions

Vehicle Sales Organization				
Mercedes-Benz USA, LLC	Montvale/ USA	100.0	Sales company	Sales support
DaimlerChrysler France S.A.S.	Rocquencourt / France	100.0	Sales company	Sales support
DaimlerChrysler Belgium Luxembourg S.A.	Brussels/ Belgium	100.0	Sales company	Sales support
DaimlerChrysler Nederland B.V.	Utrecht/ Netherlands	100.0	Sales company	Sales support
DaimlerChrysler UK Ltd.	Milton Keynes/ Great Britain	100.0	Sales company	Sales support
DaimlerChrysler Danmark AS	Copenhagen/ Denmark	100.0	Sales company	Sales support
DaimlerChrysler Sverige AB	Malmö/ Sweden	100.0	Sales company	Sales support
DaimlerChrysler Italia S.p.A.	Rome / Italy	100.0	Sales company	Sales support
DaimlerChrysler Schweiz AG	Schlieren/ Switzerland	100.0	Sales company	Sales support
Mercedes-Benz Hellas S.A.	Athens / Greece	100.0	Sales company	Sales support
DaimlerChrysler Japan Co. Ltd.	Tokyo /Japan	100.0	Sales company	Sales support
DaimlerChrysler Australia /Pacific Pty. Ltd.	Mulgrave/ Australia	100.0	Sales company	Sales support

Financial Services				
DaimlerChrysler Financial Services AG	Berlin/ Germany	100.0	Holding company	Business transactions; Represents the segment Financial Services
DaimlerChrysler Bank AG	Stuttgart/ Germany	100.0	Service company	Business transactions
DaimlerChrysler Services Leasing GmbH	Stuttgart/ Germany	100.0	Service company	Business transactions
DaimlerChrysler Services North America LLC	Farmington Hills / USA	100.0	Service company	Business transactions
DaimlerChrysler Insurance Company	Farmington Hills / USA	100.0	Insurance company	Business transactions
DaimlerChrysler Services Canada Inc.	Windsor / Canada	100.0	Service company	Business transactions
DaimlerChrysler Services de México S.A. de C.V.	Mexico City / Mexico	100.0	Service company	Business transactions
DaimlerChrysler Services UK Limited	Milton Keynes/ Great Britain	100.0	Service Company	Business transactions
Other Activities				
MTU Friedrichshafen GmbH	Friedrichshafen/ Germany	100.0	Manufacturing and Sales company	Business transactions
European Aeronautic Defence and Space Company EADS, N.V.	Amsterdam/ Netherlands	33.0	Manufacturing and Holding company	Business transactions

1) Relating to respective parent company.

The companies described in the table before are major subsidiaries of DaimlerChrysler Group, except the European Aeronautic Defence and Space Company EADS, N.V., in which DaimlerChrysler has a minority stake and no material managing influence.

A detailed “Statement of Investments in Affiliated, Associated and Related Companies according to sec. 313 HGB (German Commercial Code)” is available at the Group’s website under www.daimlerchrysler.com, section Investor Relations, subsection Reports. The same applies for the “Schedule about the Investments in Subsidiaries (according to sec. 285 of the German Commercial Law)” of DaimlerChrysler AG.

5. Description of Employees

At December 31, 2005, we employed a workforce of 382,724 people worldwide, which represented a decrease of 1% from year-end 2004. The decrease in 2005 resulted primarily from the workforce reduction initiative at the Mercedes Car Group (employees who had voluntarily left the company as of December 31, 2005) and productivity improvements at Chrysler Group. The following table shows the number of our employees at December 31, 2005, 2004, and 2003:

	Employees at December 31,								
	2005			2004			2003		
	Total	Germany	U.S.	Total	Germany	U.S.	Total	Germany	U.S.
Mercedes Car Group ⁵	104,345	91,556	4,472	105,857	93,679	3,409	104,151	93,756	2,191
Chrysler Group ⁵	83,130	8	63,749	84,375	2	65,169	93,062	183	73,835
Commercial Vehicles ^{1, 2, 5}	117,183	45,607	20,977	114,602	43,566	20,506	88,014	41,630	17,320
Sales organization for automotive business ⁵	48,773	27,541	1,882	48,029	28,101	1,820	45,609	27,920	1,739
Financial Services	11,129	2,779	4,602	11,224	2,984	4,679	11,035	2,825	4,756
Other Activities ^{2, 3, 4, 5}	18,164	14,569	1,798	20,636	16,822	2,536	20,192	16,425	2,550
DaimlerChrysler Group	382,724	182,060	97,480	384,723	185,154	98,119	362,063	182,739	102,391

- 1 Figures for 2005 and 2004 include employees of MFTBC.
- 2 As of January 1, 2004, we allocated the Off-Highway business previously included in our Commercial Vehicles segment to the Other Activities segment. We have adjusted the 2003 figures accordingly.
- 3 As a result of the sale of MTU Aero Engines in 2003, the employees of this business unit are not included in the year-end figures of 2003.
- 4 Including holding companies, corporate functions and the Off-Highway business.
- 5 In 2005, we reallocated certain corporate functions (mainly IT) from our Other Activities segment to the segments Mercedes Car Group, Chrysler Group, Commercial Vehicles and to the sales organization for automotive business. As a result, the Other Activities segment had 2,581 fewer employees in 2005 and Mercedes Car Group had 1,142 more employees, Chrysler Group had 761 more employees, Commercial Vehicles had 580 more employees, and the sales organization for automotive businesses had 98 more employees.

On average, we had approximately 12,300 temporary employees in 2005.

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

On February 12, 2004, the regional association of employers and the representatives of the metalworkers' union concluded a collective bargaining agreement covering the period from March 1, 2004, through February 28, 2006. The agreement provides for staggered pay

increases, the last of which provides for an aggregate 2.7% wage increase for all employees for the period March 1, 2005, through February 28, 2006. Of this increase employees received a portion as lump sum payments in March and October 2005. After deducting the lump sum payments and the amount held back to offset transition costs associated with reforming the collective framework agreement, the wage increase for that period was 2.0%. In February 2006, the association of employers and the unions began negotiating a new collective bargaining agreement.

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

At the end of September 2005, the board of management approved a package of measures to be taken to reduce personnel levels at the Mercedes Car Group in Germany by 8,500 jobs. These staff reductions are to be achieved by means of voluntary severance agreements over the next twelve months. For further information, please refer to the discussion under the heading "(a) Mercedes Car Group" in II. Outline of the Company, 3. Contents of Business.

In the United States and Canada, most of the hourly employees and 27% of the salaried employees of the Chrysler Group are represented by unions. The United Automobile, Aerospace, and Agricultural Implement Workers of America (UAW) and the National Automobile, Aerospace, Transportation and General Workers Union of Canada (CAW) represent substantially all of these represented employees.

In September 2003, DaimlerChrysler Corporation and the UAW agreed on terms for a four-year collective bargaining agreement. The agreement covers more than 56,000 hourly and salaried workers in the United States. The agreement provides that each eligible employee will receive an annual base wage increase of 2% in September 2005 and 3% in September 2006, a one-time up front lump sum payment in 2003 of \$3,000, and a one-time lump sum payment in October 2004 equal to 3% of his or her qualified earnings. The agreement also provides for increases in pension benefit rates, and changes in some health care, supplemental unemployment and other benefits. The agreement allows DaimlerChrysler Corporation to close or sell several specified facilities as an exception to a general limitation on its ability to close plants, reduce employment levels, or dispose of operations that constitute a UAW bargaining unit. It also provides flexibility in establishing job assignments and work rules in order to increase productivity in plants. Along with a national agreement, DaimlerChrysler Corporation also negotiated local agreements with UAW bargaining units at each of its facilities.

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

The numbers for the Group's worldwide average age and average service year are stated below:

- Worldwide average age 12/2005: 41.3 year old
- Worldwide average service year 12/2005: 14.4 years

III. Description of Business

1. Outline of Business results, etc.

The following table provides an overview of the profit and loss account for the fiscal year 2005:

Consolidated Statements of Income (EUR in million, except per share amounts)	2005	2004
Revenues	149,776	142,059
Cost of sales	(122,894)	(114,567)
Selling, administrative and other expenses	(18,984)	(17,972)
Research and development	(5,649)	(5,658)
Other income	966	895
Goodwill impairment	(30)	—
Turnaround plan expenses – Chrysler Group	36	(145)
Income before financial income	3,221	4,612
Impairment of investment in EADS	—	—
Other financial income (expense), net (therein loss on issuance of associated company stock of EUR135 million in 2004.)	217	(1,077)
Financial income (expense), net	217	(1,077)
Income before income taxes	3,438	3,535
Income tax (expense) benefit	(513)	(1,177)
Minority interests	(74)	108
Income from continuing operations	2,851	2,466
Income from discontinued operations, net of taxes	—	—
Income on disposal of discontinued operations, net of taxes	—	—
Cumulative effects of changes in accounting principles: transition adjustments resulting from adoption of FIN 47 and FIN 46R, net of taxes	(5)	—
Net income	2,846	2,466
Basic earnings per share		
Income from continuing operations	2.80	2.43
Income from discontinued operations	—	—
Income on disposal of discontinued operations	—	—
Cumulative effects of changes in accounting principles	—	—
Net income	2.80	2.43
Diluted earnings per share		
Income from continuing operations	2.80	2.43
Income from discontinued operations	—	—
Income on disposal of discontinued operations	—	—
Cumulative effects of changes in accounting principles	—	—
Net income	2.80	2.43

A detailed analysis of the business results is provided under the item “7. Analysis of Financial Condition and Results of Operation (MD&A)”.

2. Results of Productions, Orders Received and Sales

There is significant production overcapacity in the worldwide automotive industry which threatens continued profitability of many manufacturers. As part of our strategic planning and operations, we monitor our production capacity to ensure that overcapacity does not jeopardize our financial position. We also continually review worldwide capacity and capacity requirements and developing and anticipated industry changes, and position ourselves accordingly. As market conditions fluctuate, we make adjustments to our capacity by opening, closing, expanding, selling or downsizing production facilities. We use capacity considerations in conjunction with other business objectives, such as plant modernization and labor market conditions, to determine where, and to what extent, we should alter or shift our production capacity. In 2005, we made additional capacity adjustments in response to a variety of business considerations. As market conditions evolve, we may adjust our production capacity accordingly.

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

Supplies and Raw Materials

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

Prices for certain raw materials remained at high levels in 2005 due to increased demand, speculation, and unforeseen natural disasters. Oil prices continued to increase through the third quarter and began to moderate in the fourth quarter, but remained at high levels compared to previous years. Fuel and resin (plastics) prices developed in conjunction with oil prices. Steel prices declined in 2005 but remained at high levels compared to previous years. The higher raw material prices increased our material costs in 2005.

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

Prices of precious metals, including platinum, palladium and rhodium, which we primarily use in catalytic converters, also increased in 2005. We use derivative commodity instruments to hedge against the volatility of precious metals prices to the extent we deem appropriate. We also continue to research alternative materials and processes for use in catalytic converters and other components. In addition, we have established a corporate commodity risk management committee to provide enhanced control and oversight over our commodity price exposure.

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

Orders Received

In principle, the Group manufactures and produces its products based upon production plans which are established from time to time in a flexible manner in response to the market demands. Accordingly, it does not engage in production upon orders.

Sales Results

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

Production Results

DaimlerChrysler is a global company which is engaged in very different businesses. Based on the extreme variety of the group’s products, the production results were focused on DaimlerChrysler’s core business, its automotive divisions, which represent more than 90% of the Group’s 2005 revenues.

The following tables set forth the distribution of production volume by product segments since 2004:

Mercedes Car Group (production volume in units)	Year Ended December 31,	
	2005	2004
A-/B-Class	269,100	144,400
C-Class	388,200	472,300
of which CLK	55,500	79,800
of which SLK	60,600	55,400
E-Class / CLS	257,300	297,400
S-Class / SL / Maybach	75,500	84,600
M-Class	80,400	74,000
R-Class	15,000	—
G-Class	5,300	6,100
smart	124,100	167,900
Total	1,214,900	1,246,700

Chrysler Group (production volume in units)	Year Ended December 31,	
	2005	2004
Passenger Cars	617,800	532,200
Chrysler	306,700	299,900
Dodge	311,100	232,300
Trucks	2,142,700	2,120,000
Chrysler	452,100	411,100
Dodge	1,055,900	1,169,100
Jeep®	625,100	539,800
Contract manufacturing*	9,600	—
Total	2,760,500	2,652,200

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

Commercial Vehicles (production volume in units)	Year Ended December 31,	
	2005	2004
Trucks		
Trucks EU / Latin America	146,900	142,400
Trucks Nafta	202,900	167,000
Mitsubishi Fuso Truck and Bus Corporation ¹	189,500	119,100
Vans		
Mercedes-Benz Vans	248,800	249,400
Buses & Coaches		
DaimlerChrysler Buses & Coaches	36,900	32,600
Others	9,600	8,300

1) Since March 31, 2004 Mitsubishi Fuso Truck and Bus Corporation (MFTBC) has been included with a time lag of one month in the Commercial Vehicles Division.

3. Matters to be Dealt with

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

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

Currently, the Group is implementing the new management model and is implementing efficiency enhancement programs in all its divisions, above all the CORE program at the Mercedes Car Group. For further information, please refer to II. Outline of the Company, 3. Contents of Business.

Furthermore, the automotive industry is subject to extensive government regulation. Laws in various countries regulate the emission levels, fuel economy, noise, and safety of vehicles, as well as the levels of pollutants generated by the plants that produce them. These regulations

often impose substantial testing and certification requirements. The cost of complying with these regulations can be significant, and we expect to incur significant compliance costs in the future. We recognize, however, that leadership in environmental protection is an increasingly important competitive factor in the marketplace.

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

4. Risk Factors

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

Economic Risks

A decline in demand, in particular in our primary markets, the United States and Western Europe, could significantly adversely affect our profitability and cash flows and our strategic expansion plans.

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

Continued rising energy costs or sustained high energy prices, especially for crude oil, could significantly influence worldwide consumption and investment or lead to declines in demand if central banks try to limit inflationary pressure by substantially increasing interest rates. Both events may adversely impact automotive sales. Rising energy costs can lead to a shift to smaller, lighter, more fuel-efficient cars, which generally provide a lower gross margin than larger vehicles, as well as deferral of purchases.

Since we derive substantial revenues from the United States and Western Europe, the occurrence of any of these events, or other events that threaten consumer and investor confidence (international disputes, political instability, terrorism, etc.) may significantly adversely affect our future sales, operating results and cash flows.

In addition, an economic decline in the Asian economies could not only negatively affect future business prospects of our subsidiary MFTBC and our Mercedes-Benz passenger car sales, but also our long-term strategic expansion plans for growth in Asian markets. An economic downturn in China, in particular, could delay that expansion and could adversely impact our existing activities in these markets. Moreover, deteriorating economic conditions in Asia, especially if coupled with depreciating Asian currencies, could lead Asian competitors with excess capacity to intensify their efforts to export vehicles to North

America and Western Europe. This would not only intensify competition for market share, but also increase further the existing pressure on margins within the automotive industry.

We also maintain production facilities and sales and finance companies in other regions of the world which may be affected by local and regional adverse economic and political developments. Some of the countries in those regions may experience severe economic contraction or currency fluctuation, which could adversely affect domestic demand in those and neighboring countries as well as our production facilities. For example, our Commercial Vehicles segment maintains production facilities and sells significant numbers of vehicles in Turkey and in several South American countries, some of which have experienced such conditions in the recent past.

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

Industry and Business Risks

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

Intense price competition and overcapacity in the automotive industry could force manufacturers of passenger cars and commercial vehicles to decrease production, reduce capacity or increase sales incentives. Our ability to improve or maintain our profitability depends, among other things, on the successful implementation of cost reduction programs or efficiency optimizations, including achievement of sustainable price reductions from suppliers. Our ability to achieve such price reductions from suppliers may be limited by a combination of factors including consolidation among automotive suppliers, the use of a single supplier for certain components, and increasing supplier insolvencies. In addition, the Chrysler Group faces renewed pressure to continue its cost reduction efforts in light of the plans announced by some of its major competitors in the NAFTA region over the past several months relating to plant closures, workforce reductions and labor costs.

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

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

The rising demand in the worldwide commodities markets for raw materials that we use in our production process, such as steel and petroleum based products, have led to price increases in such materials. Continued high prices or further price increases for raw materials will lead to higher component and production costs that could in turn negatively impact our future operating results, profitability and cash flows because we may not be able to pass all of

those costs on to our customers or suppliers.

Additionally, the intense competition in the automotive industry is having a significant adverse effect on the financial position and business continuity of key suppliers. In 2005, there has been an increase in bankruptcies and other signs of financial distress among automotive suppliers. We could be severely impacted if a supplier is unable to meet our production requirements due to its financial condition or otherwise. We have provided, and in the future may be required to provide, financial support to suppliers in order to avoid prolonged interruption in the supply of components, which could negatively impact our profitability.

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

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

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

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

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

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

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

Meeting consumer demand with new vehicles developed over increasingly shorter product development cycle times is critical to the success of automobile manufacturers. Our ability to strengthen our position within our traditional product and market segments through research and development of innovative products and services while expanding into additional market segments with innovative new products will play an important role in determining our future success. A general shift in consumer preference towards smaller, lower margin vehicles, which could result from, among other things, government regulations, environmental

concerns and increasing fuel prices could have a negative effect on our profitability. Potential delays in bringing new vehicles to market, the inability to achieve defined efficiency targets without suffering from quality losses and a lack of market acceptance of our new models would adversely affect our financial condition, results of operations and cash flows.

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

A negative outcome in one or more of our pending legal proceedings could adversely affect our future financial condition, results of operations and cash flows. Please refer to the section Legal Risks hereunder and Note 31 of the Notes to the Consolidated Financial Statements.

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

Risks arising from contingent obligations could affect us adversely.

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

Financial Risks

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

Our businesses, operations and reported financial results and cash flows are exposed to a variety of market risks, including the effects of changes in the exchange rates of the U.S. dollar, the British pound, the Japanese yen and other world currencies against the euro. Moreover, in order to manage the liquidity and cash needs of our day-to-day operations, we hold a variety of interest rate sensitive assets and liabilities and we manage a substantial volume of interest rate sensitive assets and liabilities in connection with our lease and sales financing business. Changes in currency exchange rates and interest rates may have substantial adverse effects on our operating results and cash flows. For example, a strengthening of the euro against the U.S. dollar and other world currencies could significantly adversely affect our operating results and cash flows because a significant portion of our business, primarily in the case of the Mercedes Car Group, depends in part on export sales to the United States. For more information on how changes in exchange rates and interest rates may impact our operating results and cash flows, please refer to the discussion about Market Risk hereunder.

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

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

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

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

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

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

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

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

Please refer to Note 25a to our Consolidated Financial Statements for additional information on pension and other post retirement benefit accounting.

Market Risks

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

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

Any market sensitive instruments, including equity and interest bearing securities, that our pension plans hold are not included in this quantitative or qualitative analysis. Please refer to Note 25a to our Consolidated Financial Statements for additional information regarding our pension plans.

For a description of how we account for derivative financial instruments refer to Note 33 to our Consolidated Financial Statements.

As part of our risk management control systems we employ value-at-risk analyses as recommended by the Bank for International Settlements. In performing these analyses we quantify our market risk exposure to changes in foreign currency exchange rates, interest rates and equity prices on a continuous basis by predicting the potential maximum loss (or worst loss) over a target time horizon within a given confidence interval. The value-at-risk calculations we employ:

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

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

In accordance with the organizational standards of the international banking industry, we maintain our risk management control systems independent of our corporate treasury and with a separate reporting line. Please also refer to Note 33 to our Consolidated Financial Statements for additional information regarding our exposure to these market risks and the various activities and instruments we use to manage them.

Exchange Rate Risk

Transaction Risk and Currency Risk Management. The global nature of our businesses exposes our operations and reported financial results and cash flows to the risks arising from fluctuations in the exchange rates of the U.S. dollar, the British pound, the Japanese yen, and other world currencies against the euro. Our businesses are exposed to transaction risk whenever we have revenues in a currency that is different from the currency in which we incur the costs of generating those revenues. Once we convert the revenues into the currency in which we incur the costs, the revenues may be inadequate to cover the costs if the value of the currency in which we generated the revenues declined in the interim relative to the currency in which we incurred the costs. This risk exposure primarily affects our Mercedes Car Group segment, which generates a significant portion of its revenues in foreign currencies and incurs manufacturing costs primarily in euros. Our Commercial Vehicles segment is also subject to transaction risk, but only to a minor degree because of its global production network. Our Chrysler Group segment generates almost all its revenues and incurs most of its costs in U.S.

dollars. Therefore, the transaction risk of this segment is relatively low compared to that of the Mercedes Car Group segment. Our Other Activities segment is indirectly exposed to transaction risks through its equity investment in EADS, which we account for using the equity method.

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

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

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

The following table shows the period-end, high, low and average value-at-risk figures for our 2005 and 2004 portfolio of derivative financial instruments used to hedge the underlying currency exposure. We have computed the average exposure based on an end-of-quarter basis. The offsetting transactions underlying our derivative financial instruments, predominantly forecasted transactions, are not included in the following value-at-risk presentation.

Value-at-Risk	2005				2004			
	Period-End	High	Low	Average	Period-End	High	Low	Average
	(EUR in millions)							
Exchange Rate Risk	281	322	173	253	148	354	148	256

The average value-at-risk of our derivative financial instruments used to hedge exchange rate risk in 2005 is comparable to that of 2004. The increase in the period-end value-at-risk is primarily a result of a higher U.S. dollar volume in foreign exchange derivatives.

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

We have significant assets and liabilities outside the euro zone. These assets and liabilities are denominated in local currencies and reside primarily at our U.S. holding subsidiary, DaimlerChrysler North America Holding Corporation, and at our financial services companies. When we convert net asset values into euros, currency fluctuations result in period-to-period changes in those net asset values. Our equity position reflects these changes in net asset values, and we continually assess and evaluate the long-term currency risk inherent in these investments. We generally do not hedge against this type of risk, except in specific circumstances.

Interest Rate Risk

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

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

The following table shows the period-end, high, low and average value-at-risk figures for our 2005 and 2004 portfolio of interest rate sensitive financial instruments, including our leasing and sales financing business. We have computed the average exposure based on an end-of-quarter basis.

<u>Value-at-Risk</u>	<u>2005</u>			<u>2004</u>				
	<u>Period-End</u>	<u>High</u>	<u>Low</u>	<u>Average</u>	<u>Period-End</u>	<u>High</u>	<u>Low</u>	<u>Average</u>
Interest Rate Risk	89	92	86	90	73	83	68	75

(EUR in millions)

In 2005, the average and the period-end value-at risk of our portfolio of interest rate sensitive financial instruments increased, primarily due to more volatile interest rates and the weakening euro, mainly in the relation to the U.S. dollar.

Equity Price Risk

We hold investments in equity securities and equity derivatives. According to international banking standards, we do not include investments in equity securities which we classify as long term investments in our equity price risk assessment. Equity derivatives used to hedge the market price risk of investments accounted for using the equity method are also not included in this assessment. Changes in the fair market value of these derivatives essentially offset changes in the fair market value of the underlying investment. The remaining equity price risk in 2005 and 2004 was not, and is not currently, material to us. Thus, we are not presenting the value-at-risk figures for our equity price risk. Please refer to Note 33 to our Consolidated Financial Statements for additional information about our financial instruments and their fair market values.

Commodity Price Risk

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

To a minor extent, we use derivative commodity instruments to reduce some of our commodity price risk, mainly our risk associated with the purchase of precious metals. The risk resulting from these derivative commodity instruments in 2005 and 2004 was not, and is currently not significant to us. Therefore, we are not presenting the value-at-risk figures for these derivative commodity instruments.

Legal Risks

Various legal proceedings are pending against DaimlerChrysler. In our view, most of these proceedings constitute ordinary, routine litigation that is incidental to our business. However, the possibility cannot be excluded that the final resolution of some of these lawsuits could cause DaimlerChrysler to incur substantial costs and cash outflows. Although the final resolution of any such lawsuit could have a material effect on the Group's earnings in any particular period, DaimlerChrysler believes that any resulting obligations are unlikely to have a sustained effect on the Group's financial position, results of operations and cash flow. Information on various legal proceedings can be found in Note 31 of the Notes to the Consolidated Financial Statements.

5. Material Contracts Relating to Business

There are no other matters applicable than those described under:

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

6. Activities on Research and Development

Strategic Approach and Organization

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

development of fuel cell propulsion. Maintaining and securing our position among the leading companies in the area of alternative propulsion technologies is a cornerstone of our corporate strategy.

Our corporate research function:

- approaches research and development systematically and comprehensively and, in close cooperation with our business units, formulates a technological strategy for our Group as a whole;
- performs research tasks that cross divisional boundaries or require long lead times;
- works as a centralized forum for the exchange of new ideas and a think tank for the development of new technologies, materials and concepts;
- assists the product development teams of our divisions to apply new technologies in the design, development and testing of new products and production processes; and
- performs internal research audits to ensure the quality, efficiency, and effectiveness of our research programs.

On the corporate level, we conduct our research work in 12 laboratories which are assigned to three primary research areas:

- **Body and Powertrain:** combustion engines and powertrain; alternative energy and drive systems; human machine interaction, acoustics and climate control; and materials and manufacturing technology.
- **Electronics and Mechatronics:** electrics/electronics architecture and integration; ride, handling and active vehicle safety; digital product creation; software architecture and processes; and driver support and infotainment.
- **Cross technology areas:** interrelationship between society and technology; diagnostic systems; and methods for quality improvement.

Most of these research facilities are located in Germany, but we also maintain several research centers in North America and Asia. These include a research and technology center in Palo Alto, California, and a research center for information and communication technology in Bangalore, India. In addition, we participate actively in the international exchange of new ideas and concepts through cooperations and joint ventures with world renowned research institutes and exchange programs for scientists and employees.

Funding

As of December 31, 2005, our corporate research function had approximately 2,600 employees, compared to 2,900 employees in 2004. Together with the development departments of our business units, we employ a total of 28,300 scientists, engineers and technicians worldwide in our research, development and testing activities compared to 29,000 in 2004.

In 2005, we spent a total of EUR5.6 billion on research and development, including research activities at the corporate level (2004: EUR5.7 billion). Research and development costs reached 3.8% of our total revenues in 2005.

7. Analysis of Financial Condition and Results of Operation (MD&A)

We have five business segments: Mercedes Car Group (b); Chrysler Group (c); Commercial Vehicles (d); Financial Services (e); and Other Activities (f). In 2005, we changed the name of our Services segment to "Financial Services" to reflect its focus on automotive financial services.

Information about Operating Profit

We measure the performance of our operating segments primarily through "Operating Profit." Our consolidated operating profit (loss) is the sum of the operating profits and losses of our segments, adjusted for consolidation and elimination entries. Please refer to Note 35 to our Consolidated Financial Statements for information about how we determine segment operating profit (loss).

Overview of Business Segment Revenues and Operating Profit (Loss)

You should read the following discussion in conjunction with Notes 1 and 35 to our Consolidated Financial Statements and the discussions under III. Description of Business, 4. Risk Factors . For a discussion of the hedging instruments and hedging techniques we employ, please also refer to Note 33 to our Consolidated Financial Statements.

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

	Year Ended December 31,			
	2005		2004	
	Revenues	Operating Profit (Loss)	Revenues	Operating Profit (Loss)
(EUR in million)				
Mercedes Car Group	50,015	(505)	49,630	1,666
Chrysler Group	50,118	1,534	49,498	1,427
Commercial Vehicles ^{1, 2}	40,634	2,093	34,764	1,332
Financial Services	15,439	1,468	13,939	1,250
Other Activities ²	2,396	591	2,200	456
Eliminations	(8,826)	4	(7,972)	(377)
Total	149,776	5,185	142,059	5,754

1 As a result of consolidating the revenues of MFTBC as of March 31, 2004, with a one-month time lag, revenues in 2004 include eight months of MFTBC sales, while 2005 revenues include twelve months of MFTBC's sales.

2 Effective January 1, 2004, we allocated the Off-Highway activities previously included in our Commercial Vehicles segment to the Other Activities segment. We have adjusted prior period amounts accordingly. In December 2005, we agreed to sell substantially all of our Off-Highway business (with the exception of our minority holding in VM Motori S.P.A.) to the Swedish investor group EQT. Revenues and operating results of the Off-Highway business are included in the above table. In March 2006, after receiving the approval of the anti-trust authorities, we concluded the sale. The disposal resulted in income of EUR 234 million that was accounted for in the first quarter of 2006.

Acquisitions, dispositions and other changes in segment composition

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

Commercial Vehicles

Off-Highway. Effective January 1, 2004, we allocated the Off-Highway activities of our Commercial Vehicles segment to the Other Activities segment, and we have adjusted amounts for 2003 accordingly.

MFTBC. On March 18, 2004, we acquired an additional 22% interest in MFTBC from MMC. Since March 31, 2004, we have included the revenues and consolidated results of MFTBC with a one-month time lag in our Commercial Vehicles segment. Prior to March 31, 2004, we accounted for our proportionate share in MFTBC's results in the Commercial Vehicles segment using the equity method of accounting. Subsequent to the acquisition of the controlling interest in MFTBC in 2004, we discovered quality issues that originated before we invested in MFTBC. (See Note 4 and Note 25b to our Consolidated Financial Statements for additional information). The subsequently initiated quality measures and recall campaigns at MFTBC reduced 2004 operating profit of the Commercial Vehicle segment by EUR0.5 billion. In 2005, a settlement agreement reached with MMC regarding these quality issues and recall campaigns at MFTBC resulted in a favorable impact of EUR0.3 billion, which is included in the operating profit of the Commercial Vehicles segment.

HMC. In May 2004, as part of the realignment of our strategic alliance with Hyundai Motor Company (HMC), we sold our non-controlling 50% interest in DaimlerHyundai Truck Corporation to HMC for a total pre-tax gain of EUR0.1 billion.

American LaFrance. In 2005, we sold the fire truck and rescue vehicles business of our U.S. subsidiary American LaFrance, to a U.S. investment company. As a result of the sale, Freightliner recorded asset impairment charges of EUR0.1 billion in 2005 which negatively affected the operating profit of the Commercial Vehicles segment.

Financial Services

debis AirFinance. In 2005, we sold our equity interest in debis AirFinance B.V. (dAF) and our outstanding subordinated loans receivable and unsecured loans provided to dAF for a purchase price of EUR0.3 billion in cash. Prior to the sale, we accounted for the investment in dAF using the equity method of accounting. In 2004, we recognized a EUR0.2 billion impairment charge on the investment. The sale did not have a material impact on 2005 operating profit or net income.

Other Activities

Off-Highway. Effective January 1, 2004, we allocated the Off-Highway activities of our Commercial Vehicles segment to the Other Activities segment. In December 2005, we agreed to sell substantially all of our Off-Highway business (with the exception of our minority holding in VM Motori S.P.A.) to the Swedish investor group EQT. Revenues and operating results of the Other Activities segment include the operations of our Off-Highway business

for all periods presented. In March 2006, after receiving the approval of the anti-trust authorities, we concluded the sale. The disposal resulted in income of EUR 234 million that was accounted for in the first quarter of 2006.

MMC. Following a corporate restructuring at MMC, on June 29, 2004, we ceased to account for our investment in MMC using the equity method of accounting. Therefore, our Other Activities segment includes our share of MMC's operating results only for the periods up to June 29, 2004. In November 2005, we sold our remaining 12.4% interest in MMC for proceeds of EUR1.0 billion. The sale resulted in an after-tax gain of EUR0.5 billion (a pre-tax gain of EUR0.7 billion minus taxes of EUR0.2 billion).

The segment discussions in section (f) Other Activities describe in more detail the specific market factors which affected the operating results of our segments.

(a) DaimlerChrysler Group

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

Revenues

Our revenues increased 5% from EUR142.1 billion in 2004 to EUR149.8 billion in 2005. Following is a brief overview of year-to-year changes in revenues of our primary business segments.

Mercedes Car Group revenues increased 1% from EUR49.6 billion in 2004 to EUR50.0 billion in 2005. Revenue increases resulting from higher unit sales of Mercedes-Benz vehicles were largely offset by a shift in the product mix to lower priced vehicles and a decrease in unit sales of smart.

Chrysler Group revenues also increased 1% from EUR49.5 billion in 2004 to EUR50.1 billion in 2005, primarily as a result of increased worldwide factory unit sales. Measured in U.S. dollars, the principal functional currency for the Chrysler Group, revenues were also 1% higher than in 2004.

Commercial Vehicles revenues increased significantly from EUR34.8 billion in 2004 to EUR40.6 billion in 2005, a 17% improvement. As a result of the consolidation of MFTBC as of March 31, 2004, with a one month time lag, revenues for 2004 include eight months of MFTBC's revenues while 2005 revenues include twelve months of MFTBC revenues. Excluding MFTBC revenues in both years, revenues of our Commercial Vehicles segment increased 13%, mainly a result of higher unit sales.

Financial Services revenues increased 11% from EUR13.9 billion in 2004 to EUR15.4 billion in 2005, primarily because of a higher total portfolio value of leasing and financing contracts and the fact that operating lease contracts comprised a larger percentage of the total portfolio.

Cost of Sales

In 2005, cost of sales were EUR122.9 billion compared to EUR114.6 billion in 2004, a 7% increase. The increase in cost of sales was largely proportionate to the increase in revenues. In addition, gross margin decreased from 19.4% in 2004 to 17.9% in 2005, mainly a result of expenses incurred in connection with the realignment of the smart business model (EUR0.8 billion) and the headcount reduction program at Mercedes Car Group (EUR0.5 billion).

Selling expenses

Selling expenses were EUR12.0 billion in 2005 compared to EUR11.4 billion in 2004, a 5% increase. The increase in selling expenses primarily reflects changes in the scope of consolidation (primarily the fact that MFTBC was included in our consolidated results for only eight months during 2004 and for twelve months in 2005) and additional expenses relating to both the realignment of the smart business model (EUR0.1 billion) and the headcount reduction program at Mercedes Car Group (EUR0.1 billion). Selling expenses as a percentage of revenues were 8% in each of 2005 and 2004.

General administrative expenses

General administrative expenses reached EUR6.1 billion in 2005 compared to EUR6.0 billion in 2004, a 1% increase. Changes in the scope of consolidation (primarily MFTBC) and increased legal, regulatory and compliance costs were the primary drivers for the increase. General administrative expenses as a percentage of revenues were 4.1% in 2005, a slight decrease compared to 4.2% in 2004.

Other expenses

Other expenses were EUR0.9 billion in 2005 and EUR0.6 billion in 2004. The increase in 2005 was primarily due to EUR0.2 billion in expenses related to the realignment of the smart business model.

Research and development

Research and development expenses amounted to EUR5.6 billion in 2005 compared to EUR5.7 billion in 2004.

Other income

Other income was EUR1.0 billion in 2005 and EUR0.9 billion in 2004.

In 2005, other income included a gain of EUR0.2 billion from the sale of Chrysler Group's Arizona Proving Grounds vehicle testing facility. The prior year figure included a gain of EUR0.1 billion from the settlement of our dispute with Bombardier relating to the sale of DaimlerChrysler Rail Systems (Adtranz). You can find further details about the composition of other income in Note 6 to our Consolidated Financial Statements.

Turnaround plan expenses – Chrysler Group

We present the effects of Chrysler Group's turnaround plan, which we initiated in 2001, as a separate line item in our consolidated statements of income. In 2005, we recorded a net gain of EUR36 million. The prior year included net charges of EUR0.1 billion. You can find further details about the turnaround plan in Note 7 to our Consolidated Financial Statements.

Financial income (loss), net

We recorded net financial income of EUR0.2 billion in 2005 compared to a net financial loss of EUR1.1 billion in 2004. Financial income (loss), net, is comprised of "Income (loss) from investments, net," "Interest income (expense), net" and "Other financial income (loss), net."

Income (loss) from investments, net. In 2005, income from investments, net, amounted to EUR0.9 billion, compared to a net loss of EUR0.6 billion in 2004. This distinct improvement was primarily due to the following factors in 2005: The sale of our remaining ownership interest in MMC which resulted in a gain of EUR0.7 billion; substantially smaller losses at Toll Collect; and improved earnings at our equity investee EADS. In addition, income from investments, net, in 2004 included losses of EUR0.6 billion associated with our investment in MMC, partially offset by a gain of EUR0.3 billion from the disposal of our 10.5% equity interest in HMC.

Interest income (expense), net. In 2005, we recorded net interest expense of EUR0.6 billion (2004: EUR0.3 billion). The increase primarily reflects unrealized losses from the mark-to-market valuation of derivative financial instruments that did not qualify for hedge accounting treatment. Please refer to Note 33 to our Consolidated Financial Statements for additional information.

Other financial income (loss), net. Other financial loss, net, improved from a net loss of EUR0.2 billion in 2004 to a net loss of EUR0.1 billion in 2005. In 2005, financial income was impacted by expenses from the mark-to-market valuation of derivative hedging instruments partially offset by higher gains from the sale of securities. The prior year results included a EUR0.2 billion impairment of loans provided to debis AirFinance.

Income taxes

Income tax expense was EUR0.5 billion in 2005 and EUR1.2 billion in 2004. We computed income tax expense in 2005 based on pre-tax income of EUR3.4 billion and in 2004 based on pre-tax income of EUR3.5 billion. The effective tax rate was 14.9% in 2005 and 33.3% in 2004. In both years, we recorded profit contributions from EADS, which are largely tax-free, and non-taxable gains included in our net periodic pension costs and other post retirement benefit costs.

The comparatively low effective tax rate in 2005 primarily reflected the composition of our earnings, which included largely tax-free income from the settlement agreement associated with our investment in MFTBC, the sale of our investment in MMC and the sale of other securities. The tax benefits of these transactions were partially offset by tax expense of EUR0.1 billion arising from the repatriation of previously undistributed earnings from non-U.S. companies to our U.S. subsidiaries.

In 2004, the effective tax rate was negatively affected by non-tax deductible losses relating to our investments in MMC and debis AirFinance, offset in part by the tax-free gain realized on the sale of our 10.5% investment in Hyundai Motor Company.

Please refer to Note 9 to our Consolidated Financial Statements for more information.

Net income (loss)

Net income was EUR2.8 billion in 2005 compared to EUR2.5 billion in 2004. Basic and diluted earnings per share in 2005 were EUR2.80 each, compared to EUR2.43 each in 2004.

Consolidated Operating Profit (Loss)

In 2005, our Group operating profit was EUR5.2 billion compared to EUR5.8 billion in 2004. The table on page 47 shows the business segment contributions to Group operating profit. The segment discussions below describe in more detail the specific factors which affected the operating results of each segment.

(b) Mercedes Car Group

	Year Ended December 31,			
	2005		2004	
	Revenues (EUR in mill.)	Unit Sales (units)	Revenues (EUR in mill.)	Unit Sales (units)
Western Europe	29,103	776,600	30,452	820,700
of which Germany	14,461	354,900	15,760	386,900
NAFTA region	12,043	253,500	11,381	239,900
of which United States	10,997	231,800	10,477	222,500
Asia	5,531	107,700	4,778	93,300
of which Japan	2,212	48,300	1,996	41,400
Other markets	3,338	79,000	3,019	72,900
World / Total	50,015	1,216,800	49,630	1,226,800

Revenues of our Mercedes Car Group segment increased 1% from EUR49.6 billion in 2004 to EUR50.0 billion in 2005, while total unit sales decreased 1% from 1,226,800 to 1,216,800.

Unit sales of Mercedes-Benz vehicles increased 2% from 1,074,600 in 2004 to 1,092,500 in 2005 whereas sales of smart vehicles declined 18% to 124,300 units compared to 152,100 units in 2004. Total segment revenues increased only 1%, primarily as a result of a shift in product mix towards lower priced vehicles.

The increase in unit sales of Mercedes-Benz passenger cars was mainly driven by the launch of new models during the year. The model changeover to the new M-Class in 2005 helped increase M-Class unit sales 15%. The all new B-Class, launched in June 2005, contributed incremental unit sales of 62,200 units and A-Class unit sales increased 40% to 200,100 units sold. While S-Class sales declined for the year due to the model change in September 2005, the all-new S-Class has been strong since its introduction. E-Class sales experienced a decline of 10% because of strong competition in its market segment. The decline could not be fully offset by 51,600 additional unit sales contributed by the new CLS model. Unit sales of the C-Class declined to 398,000 units in 2005 as this model line approaches the end of its life cycle and new competitor models became available in its segment.

The 18% decline in smart unit sales was due to continued weak demand.

In Germany, Mercedes Car Group unit sales and revenues were each 8% lower than in 2004. Germany continues to be the most important market for our Mercedes Car Group segment with 2005 unit sales of 354,900 units. These sales represented 29% of the segment's worldwide unit sales, which is 2% less compared to the previous year. In the other Western European countries, Mercedes Car Group revenues remained nearly on the same level, while unit sales decreased 3% to 421,700 units. The disproportionate changes in revenues and unit sales were mainly due to the fact that in 2005 a larger portion of unit sales consisted of higher priced vehicles.

In the United States, revenues increased 5% from EUR10.5 billion in 2004 to EUR11.0 billion in 2005, while unit sales increased 4% to 231,800 units. This increase resulted primarily from the strong sales performance of the successful CLS and the new M-Class. At EUR2.2 billion, revenues in Japan were 11% higher than in the previous year compared to a 17% increase in unit sales. These improvements are the result of higher A-Class and CLS sales. In Asia (excluding Japan), revenues went up 19% compared to the previous year, reaching EUR3.3 billion, while unit sales increased 14% to 59,400 units.

In 2005, our Mercedes Car Group segment recorded an operating loss of EUR0.5 billion, a decline of EUR2.2 billion compared to the prior year. The 2005 operating result includes charges of EUR1.1 billion for the realignment of the smart business model, which primarily consisted of impairments recognized on production facilities, estimated claims from suppliers and dealers, sales incentives and write downs of vehicle inventories. Net charges of EUR0.6 billion relating to the headcount reduction program at Mercedes-Benz passenger cars for both voluntary severance agreements and early retirement arrangements also burdened operating results in 2005. Other factors contributing to the decline in 2005 were less favorable currency hedging rates, particularly for the U.S. dollar, a shift in product mix towards lower priced vehicles, increased raw material prices and the costs associated with ongoing quality improvement measures. Positive effects on earnings resulted from the slight increase in unit sales of Mercedes-Benz passenger cars and the efficiency enhancing measures implemented as part of the CORE program. Following a verdict by the European Court in the case concerning the alleged infringement of EU competition rules, we were also able to release a provision of EUR0.1 billion with a corresponding positive effect on earnings.

(c) **Chrysler Group**

	Year Ended December 31,			
	2005		2004	
	Revenues (EUR in mill.)	Unit Sales (units)	Revenues (EUR in mill.)	Unit Sales (units)
NAFTA region	45,439	2,637,800	45,183	2,609,700
of which United States	39,652	2,305,400	39,943	2,287,000
Western Europe	2,842	97,200	2,906	99,700
Other markets	1,837	78,000	1,409	70,500
World / Total	50,118	2,813,000	49,498	2,779,900

The Chrysler Group reported revenues of EUR50.1 billion in 2005 compared with revenues of EUR49.5 billion in 2004, an increase of 1.3%. Measured in U.S. dollars, the principal functional currency for the Chrysler Group, revenues were 1.1% higher than in 2004. This increase in revenues is primarily the result of increased worldwide factory unit sales.

The Chrysler Group had worldwide factory unit sales of 2,813,000 units in 2005 compared with 2,779,900 units in 2004, an increase of 1%. Worldwide factory unit sales increased primarily due to the 2005 introduction of the all-new Dodge Charger and Jeep® Commander, as well as the continued popularity of the Chrysler 300/300C, the Town & Country and Dodge Caravan minivans and the Jeep® Grand Cherokee. These unit increases were partially offset by lower shipments of Dodge Rams, Dakotas and Durangos. In the NAFTA region, total factory unit sales were 2,637,800 units in 2005 compared with 2,609,700 units in 2004, an increase of 1%. Factory unit sales outside the NAFTA region were 175,200 units in 2005 compared with 170,200 units in 2004, an increase of 3%.

The Chrysler Group's sales are principally in the U.S. and Canadian automotive markets. Retail industry sales (including fleet sales) of new cars and trucks in the U.S. and Canada were 19.1 million units in 2005, compared with 18.9 million units in 2004, an increase of 1%.

Retail and fleet sales of cars for the Chrysler Group in the U.S. market for 2005 increased 11% compared to 2004 while the total car market in the U.S. increased by 2% compared to 2004. Retail and fleet sales of trucks for the Chrysler Group in the U.S. market for 2005 increased 3% compared to 2004 while the total truck market in the U.S. remained relatively flat compared to 2004. The increase in retail and fleet sales and the related market share is primarily a result of the introduction of new products in 2005, as well as the continued popularity of the Chrysler 300/300C, the Town & Country and PT Cruiser, and Jeep® Grand Cherokee. These increases were partially offset by reduced retail and fleet sales of Dodge Rams and Durangos.

U.S. dealer inventory levels were 598,200 units, representing an 85 day supply, at December 31, 2005 compared to 600,600 units, representing an 81 day supply, at December 31, 2004.

In 2005, the Chrysler Group had an operating profit of EUR1.5 billion compared to EUR1.4 billion in 2004. Positive effects on 2005 operating profit include an increase in worldwide factory unit sales, a EUR0.2 billion gain on the sale of the Arizona Proving Grounds vehicle testing facility and a decrease in turnaround plan charges and charges for workforce reduction actions, as well as lower tooling amortization expense of EUR0.1 billion. These effects were partially offset by negative net pricing, shifts in market mix, charges of EUR0.1 billion related to financial support provided to supplier Collins & Aikman and contractual penalty and asset impairment charges of EUR0.1 billion primarily as a result of a decision to reduce contractual purchase volumes of the Chrysler Crossfire.

The Chrysler Group's 2004 operating profit was negatively impacted by restructuring charges totaling EUR0.3 billion incurred in connection with the turnaround plan and other workforce reduction charges and was favorably impacted by an adjustment of EUR0.1 billion to correct the calculation of an advertising accrual. In 2005, income of EUR36 million was recorded as a result of adjustments to prior estimates associated with the turnaround plan. For a discussion of the Chrysler Group's turnaround plan, see Note 7 to the Consolidated Financial Statements.

(d) **Commercial Vehicles**

	Year Ended December 31,			
	2005		2004	
	Revenues (EUR in mill.)	Unit Sales (units)	Revenues (EUR in mill.)	Unit Sales (units)
Western Europe	15,134	277,000	14,455	274,400
of which Germany	7,552	110,600	7,013	110,600
NAFTA region	12,770	217,800	10,471	177,100
of which United States	10,561	182,900	8,888	150,700
South America	1,932	61,800	1,462	55,800
of which Brazil	1,205	35,100	917	36,000
Asia (incl. Australia)	6,794	181,000	5,134	130,100
of which Japan	3,963	60,300	2,674	43,000
Other markets	4,004	87,300	3,242	74,800
World / Total	40,634	824,900	34,764	712,200

Our Commercial Vehicles segment increased revenues significantly from EUR34.8 billion in 2004 to EUR40.6 billion in 2005, a 17% improvement. This was the result of continued strong demand in our core markets Western Europe, NAFTA and South America and the consolidation of MFTBC. Worldwide unit sales of our Commercial Vehicles segment increased 16% from 712,200 vehicles in 2004 to 824,900 units in 2005 which in part may be attributable to accelerated purchases in advance of changes in emission control regulations. As a result of the consolidation of unit sales and revenues of MFTBC as of March 31, 2004 with a one-month time lag, revenues and unit sales in 2004 include eight months of MFTBC sales, while 2005 revenues and unit sales include twelve months of MFTBC sales. Excluding MFTBC sales of 178,900 units (2004: 118,100 units) and MFTBC revenues of EUR5.5 billion (2004: EUR3.7 billion), 2005 unit sales and revenues increased 9% and 13%, respectively.

Total truck unit sales increased 24% from 403,300 units to 501,300 units and bus unit sales rose 18% from 37,400 units to 44,200 units in part due to the consolidation of MFTBC and in part due to overall strong market demand. Sales of vans were 2% higher with 267,200 units in 2005 compared to 260,700 units in 2004.

In Germany, the most important market for our Mercedes-Benz and Setra commercial vehicles, revenues increased 8% from EUR7.0 billion in 2004 to EUR7.6 billion in 2005, while unit sales remained stable at 110,600 vehicles. This increase resulted from a 23% improvement in truck unit sales, partially offset by a 5% decrease in van unit sales and a modest decline in bus unit sales. In the rest of Western Europe (excluding Germany), revenues increased 2% to EUR7.6 billion in 2005 as overall unit sales increased 2% to 166,400 units, primarily due to higher sales of Mercedes-Benz trucks. Unit sales in Germany represented 13% and the remaining Western European market 20% of our total 2005 commercial vehicle sales.

In the NAFTA region, revenues were EUR12.8 billion, an increase of 22% compared to 2004. Total unit sales climbed 23% to 217,800 units. The significant increase in unit sales was primarily the result of markedly higher sales of Class 8 trucks.

Our sales in Asia (including Australia) rose from 130,100 units in 2004 to 181,000 units in 2005 and revenues in that region increased from EUR5.1 billion in 2004 to EUR6.8 billion in 2005. This was largely due to the inclusion of twelve months of MFTBC sales in 2005 compared to only eight months in 2004, even though MFTBC's calendar year 2005 sales were lower than its calendar year 2004 sales due to the negative impact of past quality issues.

As economic conditions improved in Argentina and Venezuela and conditions in Brazil remained comparable to 2004, we were able to increase sales in South America by 11% from 55,800 units in 2004 to 61,800 units in 2005. Revenues in that region improved 32% to EUR1.9 billion in 2005.

In 2005, our Commercial Vehicles segment reported an operating profit of EUR2.1 billion compared to an operating profit of EUR1.3 billion in 2004, a 57% improvement. This is primarily the result of higher unit sales resulting from favorable market conditions and high demand for our broad range of products, a EUR0.3 billion gain from the settlement reached with MMC regarding the cost of quality improvement actions and recall campaigns at MFTBC, and efficiency improvements. These positive effects were partially offset by the negative impact of higher raw material prices, less favorable hedging rates and currency translation effects, expenses for new product projects and an impairment charge of EUR0.1 billion recognized in 2005 relating to the sale of the fire truck and rescue vehicle business of our U.S. subsidiary American LaFrance. Operating profit in 2004 was negatively affected by charges of EUR0.5 billion arising at MFTBC relating to quality improvement actions and recall campaigns, while a gain resulting from the discontinuation of the engine joint venture with Hyundai Motor Company contributed EUR0.1 billion to the segment's operating profit in 2004.

(e) Financial Services

Revenues (EUR in million)	Year Ended December 31,	
	2005	2004
Western Europe	6,127	5,671
of which Germany	4,394	4,057
NAFTA region	8,609	7,581
of which United States	7,177	6,412
Other markets	703	687
World / Total	15,439	13,939

Revenues of our Financial Services segment increased from EUR13.9 billion in 2004 to EUR15.4 billion in 2005. This increase was primarily the result of a higher total portfolio value of leasing and financing contracts and the fact that operating lease contracts comprised a larger percentage of the total portfolio.

Activities of our Financial Services segment in the NAFTA region contributed EUR8.6 billion or 56% of total segment revenues in 2005, which is close to last year's level of 54%. Revenues generated in Germany were EUR4.4 billion or 28% of total revenues in 2005 compared to EUR4.1 billion or 29% of total revenues in 2004. Revenues derived from financial services activities in Western Europe (excluding Germany) amounted to EUR1.7 billion or 11% of total revenues compared to EUR1.6 billion or 12% in 2004.

In 2005, the Financial Services segment originated new leasing and finance contracts with a total value of EUR48.2 billion compared to EUR50.9 billion in 2004. Substantially all of this 5% decrease is due to the fact that in 2005 we reduced our use of sales incentives favorable to the Financial Services business. At December 31, 2005, our Financial Services segment managed a portfolio of leasing and finance contracts of EUR117.7 billion, a 15% increase compared to the portfolio of EUR102.4 billion managed at December 31, 2004. Excluding foreign currency translation effects, the portfolio volume in 2005 was 3% above last year's level.

Operating profit of Financial Services was EUR1.5 billion in 2005, compared to EUR1.3 billion in 2004.

The increased portfolio value for leasing and financing contracts and a positive development of risk costs (e.g., a lower default rate in all markets and improved credit approval policies) had a positive effect on operating profit. Increases in interest rates, especially in the United States, however, had a negative effect on operating results.

The increase in operating profit resulted from lower charges from our involvement in Toll Collect (EUR0.1 billion of losses in 2005 compared to EUR0.5 billion of losses in 2004). This reduction reflects the start of revenue generating operations at Toll Collect on January 1, 2005, and decreased start up costs incurred in 2005 compared to 2004. Last year's operating profit also included an impairment of EUR0.1 billion on the sale of our investment in debis AirFinance.

(f) Other Activities

Revenues (EUR in million)	Year Ended December 31,	
	2005 ¹	2004 ¹
Western Europe	1,190	1,258
of which Germany	735	798
NAFTA region	466	351
of which United States	398	320
Asia	357	333
Other markets	383	258
World / Total	2,396	2,200

¹ As of January 1, 2004, we allocated the Off-Highway business previously included in our Commercial Vehicles segment to the Other Activities segment. We have adjusted prior year amounts accordingly.

This segment includes our Off-Highway business, our real estate activities, the holding companies and financing subsidiaries through which the Group refinances the capital needs of its operating businesses in the capital markets and the expenses of our corporate research activities. The segment also includes our share in the operating results of our equity investee EADS. Following a corporate restructuring at MMC, we ceased to account for our investment in MMC using the equity method of accounting on June 29, 2004. Therefore, our Other Activities segment includes our share of MMC's operating results only for the periods up to June 29, 2004.

Revenues reported in our Other Activities segment originated primarily from our Off-Highway business and from our real estate business. In 2005, revenues were EUR2.4 billion compared to EUR2.2 billion in 2004.

In 2005, our Other Activities segment recorded an operating profit of EUR0.6 billion which was EUR0.1 billion higher than in 2004. The improvement in operating profit primarily reflects a higher positive contribution from our investment in EADS, largely due to increased Airbus deliveries and improved results in EADS' Aerospace division. The Off-Highway business also made a higher contribution to the operating profit of the segment. These positive contributions were partially offset by increased headquarters costs and corporate level joint venture costs.

In December 2005, as part of our ongoing strategy to focus on our core automotive business, we agreed to sell substantially all of our Off-Highway business (with the exception of our minority holding in VM Motori S.P.A.) to the Swedish investor group EQT. In March 2006, after receiving the approval of the anti-trust authorities, we concluded the sale. The disposal resulted in income of EUR 234 million that was accounted for in the first quarter of 2006.

(g) Discussion of Liquidity and capital resources

In 2005, as in 2004, our sources of cash came from operations, external borrowings, and sales of finance receivables in securitization transactions. We used these funds primarily to finance our working capital and capital expenditure requirements and the cash needs of our lease and sales financing business. We typically finance our lease and sales financing activities with a high proportion of debt and through the sale of finance receivables from our financial services business (securitization transactions).

We believe the funds available from these and other sources will be sufficient to satisfy our working capital needs and to service our debt in the foreseeable future. We also believe that our liquidity and capital resources give us adequate flexibility to manage our planned capital spending programs and are appropriate to address short-term changes in business conditions. Our capital needs depend primarily on the size and the timing of our capital expenditures and investments as set forth in our business plans. We expect to increase our capital expenditures in property, plant and equipment slightly in 2006 compared to 2005.

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

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

(EUR in billion)	Year Ended December 31,	
	2005	2004
Cash and cash equivalents	7.7	7.8
Securities	4.9	3.9
Liquidity	12.6	11.7

Cash and cash equivalents include assets with an original maturity of three months or less (2005: EUR7.6 billion; 2004: EUR7.4 billion), and assets originally maturing after three months (2005: EUR0.1 billion; 2004: EUR0.4 billion).

We hold our cash and cash equivalents primarily in U.S. dollars and euros. As of December 31, 2005, U.S. dollar denominated liquid assets represented 64% and euro denominated liquid assets represented 27% of total liquid financial assets. Liquid financial assets as a whole were 6.2% of total assets compared to 6.3% at the end of 2004. Please refer to Note 21 to the Consolidated Financial Statements for additional information.

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

Analysis of Cash Flow Statement

(EUR in billion)	Year Ended December 31,	
	2005	2004
Net cash provided by operating activities	12.4	11.1
Net cash provided by (used for) investing activities	(11.2)	(16.7)
Net cash provided by (used for) financing activities	(1.5)	2.5

Cash provided by operating activities of EUR12.4 billion was EUR1.3 billion above the prior year's level of EUR11.1 billion. The following factors contributed to this increase:

- inventory related receivables from financial services increased less in 2005 (by EUR0.2 billion) than in 2004 (by EUR2.5 billion), resulting in a lower reduction to cash provided by operating activities, primarily as a result of a lower increase in dealer floor plan financing in 2005 as compared to 2004;
- lower income taxes paid in 2005 (EUR0.7 billion) than in 2004 (EUR1.4 billion); and
- a shift from sales financing transactions to operating leases in our financial services business. This shift resulted in increased cash flow from operating activities because we recognize the entire operating lease payment in cash flow from operating activities, while we only recognize the interest portion of the sales financing payment in cash flow from operating activities, and recognize the balance in cash flow from investing activities.

The positive factors described above were partially offset by a period-to-period increase of trade receivables in 2005 (compared to a period-to-period decrease in 2004); a smaller increase in trade liabilities in 2005 compared to 2004; increased cash outflows relating to other accrued liabilities, including quality actions; and cash outflows relating to the realignment of the smart business model.

Cash used for investing activities decreased by EUR5.5 billion to EUR11.2 billion. The following factors contributed to this decrease:

- investments in receivables from our retail sales financing and finance lease activities decreased by EUR6.6 billion compared to 2004, reflecting a reduction in new sales financing and finance lease contracts and higher cash inflows from existing sales financing and finance lease contracts, partially offset by lower proceeds from the sale of such receivables in 2005; and
- a net cash inflow from the acquisition and sale of securities, primarily as a result of the cash inflow of EUR1.0 billion arising from the sale of our remaining interest in MMC, compared to a net cash outflow in 2004.

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

- increased spending (net of proceeds from disposals) for equipment on operating leases by EUR1.4 billion to EUR8.6 billion;
- increased capital expenditures for property, plant and equipment from EUR6.4 billion in 2004 to EUR6.6 billion in 2005;
- increased expenditures (by EUR0.3 billion) for the acquisition of businesses, primarily the outstanding shares held by minority holders in our subsidiary MTU Friedrichshafen in anticipation of the sale of our Off-Highway activities; and
- lower proceeds from the disposal of businesses compared to 2004 (proceeds in 2004 included EUR0.7 billion from the disposal of our shares in Hyundai Motor Company).

Cash used by financing activities was EUR1.5 billion in 2005, compared to cash provided by financing activities of EUR2.5 billion in 2004. This change was mostly due to decreased borrowings and increased repayments of financial liabilities, which were the result of decreased funding requirements.

Cash and cash equivalents with an original maturity of three months or less increased by EUR0.2 billion, a result of the cash flows mentioned above and positive currency translation effects of EUR0.6 billion. In 2004, cash and cash equivalents with an original maturity of three months or less decreased by EUR3.4 billion. Total liquidity, which also includes long-term investments and securities, increased from EUR11.7 billion in 2004 to EUR12.6 billion in 2005.

At December 31, 2005, our financial liabilities were EUR80.9 billion of which EUR36.5 billion are due within one year. This compares to financial liabilities of EUR76.3 billion at the end of 2004, of which EUR33.3 billion were due within one year. The 2005 increase in financial liabilities resulted primarily from currency translation effects, primarily as a result of the appreciation of the U.S. dollar against the euro. The extent to which we are able to use external financing in the future as a means of growing our industrial and financial services businesses will depend in large part on our credit ratings, which we discuss in more detail below.

We have investments in various leveraged lease transactions. Please refer to Note 18 to our Consolidated Financial Statements for further information. The U.S. Internal Revenue Service (IRS) has challenged the tax treatment of certain leveraged leases known as Lease In, Lease Out (LILOs) and Sale In, Lease Out (SILOs) transactions by various companies, including DaimlerChrysler, and we are currently in discussions with the IRS. Although we believe that our tax treatment is appropriate and in compliance with applicable tax law and regulations, the resolution of this matter could have a significant negative impact on our cash flows.

Funding Policies

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

In accordance with the guidelines established by the Bank for International Settlements, we separate our corporate treasury function organizationally, physically and in its technical systems from the administrative functions of settlement, financial accounting and controlling.

Financial Liabilities

We use a variety of short and long-term financial instruments, principally notes/bonds, commercial paper and borrowings from financial institutions. The following table presents the carrying values of the primary instruments as of December 31, 2005 and 2004:

Carrying values (EUR in billion)	Year Ended December 31,	
	2005	2004
Notes and bonds	47.4	44.7
Commercial paper	9.1	6.8
Borrowings from financial institutions	17.5	17.7

As of December 31, 2005, the breakdown by currency of the financial liabilities presented in the table above was as follows: 57% in U.S. dollars, 21% in euros, 8% in Canadian dollars, and 3% each in British pounds and Japanese yen. In most cases, our subsidiaries borrow money in their functional currency. In 2005, the aggregate borrowing rate of these financial liabilities was 5.25%, and approximately 73% of these financial liabilities were at fixed rates.

Total financial liabilities recognized in our consolidated financial statements, which also include deposits from our direct banking business as well as liabilities from residual value guarantees and capital lease transactions, amounted to EUR80.9 billion (2004: EUR76.3 billion). Our total financial liabilities represented 40% of total stockholders' equity and liabilities in 2005 and 42% in 2004. Please refer to Note 26 to our Consolidated Financial Statements for information on the amounts, maturities, and interest rates of our financial liabilities.

On a stand alone basis, our financial services entities (excluding mobility management and other non-core activities of DaimlerChrysler Financial Services AG) had financial liabilities of EUR76.8 billion in 2005 and EUR67.9 billion in 2004. Both amounts include intercompany financial liabilities with members of our Group. We eliminate these intercompany amounts upon consolidation into our Group financial statements. The liabilities incurred by our financial services entities closely correspond to the assets they finance, for example vehicles which are loan-financed or on lease. These assets totaled EUR91.7 billion in 2005 and EUR80.4 billion in 2004. Sales of receivables are a significant source of funding for us, principally in the United States. For further information about the transactions underlying the sales of receivables and the effects on our Consolidated Financial Statements refer to Note 34 to our Consolidated Financial Statements.

In the United States, DaimlerChrysler North America Holding Corporation has a \$25.0 billion debt securities shelf registration on file with the U.S. Securities and Exchange Commission, of which \$22.9 billion remained unused as of February 10, 2006.

In Canada, DaimlerChrysler Canada Finance Inc. has a CAD 5.0 billion medium term note shelf registration on file with the Canadian securities authorities, of which CAD 2.3 billion remained unused as of February 10, 2006.

In the Euro-Market we have a \$25 billion Euro-Medium Term Note Program, permitting DaimlerChrysler AG and several of its subsidiaries to issue notes and bonds. Of this program, \$2.3 billion remained unused as of February 10, 2006.

In 2005, the weighted average interest rate payable under our notes and bonds was 5.70%.

Credit Lines

At December 31, 2005 and 2004, we had short and long-term credit lines available of EUR35.4 billion and EUR35.2 billion, respectively, of which EUR17.9 billion and EUR18.3 billion were unused as of such dates. In 2005, the weighted average interest rate payable under our lines of credit was 4.54%. Our credit lines include an \$18 billion revolving credit facility with a syndicate of international banks. This facility includes three elements:

- a multi currency revolving credit facility which allows us (DaimlerChrysler AG) to borrow up to \$5 billion until December 2009, and \$4.8 billion until December 2010,
- a U.S. dollar revolving credit facility which allows our wholly owned subsidiary DaimlerChrysler North America Holding Corporation to borrow up to \$6 billion until May 2006, and
- a multi currency revolving credit facility for working capital purposes which allows us (DaimlerChrysler AG) and several of our subsidiaries to borrow up to \$7 billion until May 2008.

A portion of the \$18 billion facility serves as a back-up for commercial paper drawings.

Included in the borrowings from financial institutions were loans of approximately EUR0.7 billion from the European Investment Bank (EIB), which contain a rating trigger. If any two or more of the three rating agencies Standard & Poor's Rating Services, Fitch Ratings and Moody's Investor Service assign a BBB/Baa2 rating to our senior unsecured long-term debt, or any one of these three rating agencies assigns a rating lower than BBB/Baa2 to our senior unsecured long-term debt, then EIB has the right to demand collateralization after consulting with us. For information about our current short-term and long-term debt ratings, see the discussion below under the heading "Credit Ratings."

To support our asset backed commercial paper program in North America, a group of financial institutions has provided contractually committed liquidity facilities aggregating \$6.2 billion which expire in October 2006, and are subject to annual renewal. These liquidity facilities can only be drawn upon by the special purpose entity to which our North American financial services companies may sell receivables under this program. As of December 31, 2005, none of the liquidity facilities have been utilized.

Commercial Paper Programs

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

The multi currency commercial paper program and the asset backed commercial paper program are for maximum amounts of EUR10 billion and \$6.2 billion, respectively, and, as of February 10, 2006, the unused portions under these programs were EUR8.3 billion and \$1.9 billion, respectively.

In 2005, the weighted average interest rate payable under our commercial paper programs was 4.08%.

Credit Ratings

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

	S&P	Moody's	Fitch	Dominion
Short-term debt	A-2	P-2	F2	R-1(low)
Long-term debt	BBB	A-3	BBB+	A(low)

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

S&P Ratings. During the year 2005, S&P kept its long-term rating of BBB and its short-term rating of A-2 unchanged. The outlook on the long-term rating remained stable.

Moody's Ratings. On August 1, 2005 Moody's confirmed the A-3 long-term and the P-2 short-term rating but changed the outlook on 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 U.S. 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 A-3/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 and Moody's expectation that DaimlerChrysler will continue to evidence strengthening its operating performance.

Fitch Ratings. On July 19, 2005, Fitch revised the outlook on DaimlerChrysler's BBB+ long-term 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 and cash surpluses were used to repay industrial debt.

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

Convertible bonds and notes with attached warrants

We may issue ordinary shares of our company or bonds convertible into our ordinary shares as another potential source of funding. Our board of management may issue up to EUR500 million, in nominal amount, of new ordinary shares for cash until April 8, 2008, if our supervisory board approves the issuance.

The board of management, with the consent of the supervisory board, may also issue up to EUR15 billion, in nominal amount, of convertible bonds and/or notes with attached warrants, with a term of up to 20 years, prior to April 5, 2010. The convertible bonds and/or notes with attached warrants may grant to the holders or creditors up to EUR300 million, in nominal amount of capital stock, in option or conversion rights for newly issued DaimlerChrysler shares.

Contractual obligations and commercial commitments

The table below presents our on- and off-balance sheet contractual obligations as of December 31, 2005:

Contractual Cash Obligations (EUR in million)	Payments due by period				
	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Long-Term Debt	58,127	15,427	25,032	7,125	10,543
Capital Lease Obligations	472	75	125	63	209
Operating Leases	3,576	805	989	648	1,134
Purchase and Investment Obligations	24,721	20,794	2,530	312	1,085
Other Long-Term Obligations	4,672	2,417	1,532	451	272
Total Contractual Obligations	91,568	39,518	30,208	8,599	13,243

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

do not reflect our pension benefit and other post-retirement benefit obligations. For the estimated future pension benefit payments and the estimated future other post-retirement benefit payments, please refer to Note 25a to our Consolidated Financial Statements.

Benefit Plan Obligations and Costs

The obligations and expenses recognized in our Consolidated Financial Statements for our employee benefit plans are not necessarily indicative of our projected obligations and cash funding requirements. The reason is that we normally experience actual results that differ from the assumptions used in the actuarial determination of our benefit plan obligations and cost. Under U.S. GAAP we subsequently recognize the accumulated differences in our Consolidated Financial Statements through amortization over future periods when certain conditions are met. Please refer to Note 25a to our Consolidated Financial Statements for further information regarding pension benefit and other post retirement benefit obligations, the significant assumptions used, and the sensitivity of those assumptions to our Consolidated Financial Statements.

Pension benefit obligations

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

The funded status of our pension benefit obligations expresses the extent to which plan assets are available to satisfy our obligations. At December 31, 2005, our pension plans had an underfunded status of EUR7.2 billion compared to an underfunded status of EUR6.6 billion at December 31, 2004. The increase of the underfunded status of our pension benefit plans in 2005 is mainly attributable to the reduction of the discount rates assumed for all significant plans in 2005 and currency exchange rate effects. These effects were partly offset by the increase of the plan assets due to the total contribution of EUR1.7 billion in 2005 and the favorable performance of the equity markets in 2005.

U.S. GAAP accounting rules applicable due to the underfunded status of our accumulated pension benefit obligations required us to recognize an additional minimum pension liability. The initial recognition and subsequent changes in the additional minimum pension liability do not affect our consolidated statements of income, but have an impact on other comprehensive loss and thus lead to a corresponding reduction of stockholders' equity of EUR0.1 billion after taxes in 2005. The sum of our plan assets of EUR34.3 billion and our pension accruals of EUR5.3 billion is EUR39.6 billion, while our total pension benefit obligations amount to EUR41.5 billion as of December 31, 2005.

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

Future pension expense. Our 2005 total pension benefit expense was EUR1.1 billion. We estimate that our total pension benefit expense in 2006 will increase by EUR0.2 billion. This is a result of higher amortization of unrecognized actuarial losses in 2006, mainly caused by the lower discount rates used in 2005.

Other postretirement benefit obligations

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

The funded status of our other post-retirement benefit obligations expresses the extent to which plan assets are available to satisfy our obligations. At December 31, 2005, our other post-retirement benefit obligations had an underfunded status of EUR15.8 billion compared to an underfunded status of EUR12.8 billion at December 31, 2004. The increase of the underfunded status of our other post-retirement benefit obligations is mainly caused by currency exchange rate effects and lower assumed discount rates. The sum of our plan assets of EUR1.9 billion and our other post-retirement accruals of EUR9.8 billion is EUR11.7 billion, while our total other post-retirement obligations amount to EUR17.7 billion as of December 31, 2005.

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

Future post retirement benefit expense. Our 2005 total other post retirement benefit expense was EUR1.3 billion. We estimate that our total other post-retirement benefit expenses will increase by EUR0.1 billion in 2006. This is the result of higher amortization of unrecognized net actuarial losses in 2006 mainly caused by lower discount rates used in 2005.

IV. Conditions of Facilities

1. Outline of Capital Expenditures, etc.

The DaimlerChrysler Group invested a total of EUR6.6 billion in property, plant and equipment in 2005 (2004: EUR6.4 billion). Research and development expenditure totaled EUR5.6 billion in 2005 (2004: EUR5.7 billion).

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

(EUR in millions)	Capital Expenditure		R&D Expenses	
	Year Ended December 31,		Year Ended December 31,	
	2005	2004	2005	2004
Mercedes Car Group	1,629	2,343	2,418	2,634
Chrysler Group	3,083	2,647	1,710	1,570
Commercial Vehicles	1,743	1,184	1,281	1,226
Financial Services	45	91	—	—
Other Activities	109	134	240	228
Eliminations	(29)	(13)	—	—
DaimlerChrysler Group	6,580	6,386	5,649	5,658

Mercedes Car Group. The Mercedes Car Group spent EUR1.6 billion on capital expenditures for fixed assets in 2005. The focus was on preparing for the production of the new M-Class and R-Class at the plant in Tuscaloosa, USA, the new V6 and V8 engines and the successors to the C-Class and the smart fortwo.

In 2005, the Mercedes Car Group's most important R&D projects were the successor models for the C-Class and the smart fortwo. Total R&D expenses for the division amounted to EUR2.4 billion for the year 2005.

Chrysler Group. The main areas for the EUR3.1 billion of capital expenditures spent at Chrysler Group were the preparation of production facilities for new model introductions and further improvements in plant efficiency and flexibility.

Research and development work at the Chrysler Group was once again influenced by the product offensive, in particular the renewal and extension of the Jeep® and Dodge model ranges. Total R&D expenses were at EUR1.7 billion for the 2005 financial year.

Commercial Vehicles. With EUR1.7 billion, the volume of investment in the Commercial Vehicles division was significantly higher than in the prior year. This was primarily due to preparations for the production startup of the new Sprinter and investments related to new truck generations and new low-emission engines fulfilling worldwide emission regulations.

In addition, the division spent EUR1.3 billion on research and development. The Commercial Vehicles division's key projects included the new generation of trucks for Europe, the United States and Japan, and various new low-emission engines.

Some additional areas of the Group's R&D activities were new drive-system technologies, especially hybrid drive and fuel-cell drive, and electronic systems designed to enhance traffic safety.

2. Conditions of Major Facilities

At December 31, 2005, we had 105 manufacturing facilities worldwide, of which 22 are located in Germany and 38 in the United States. Most of the remaining facilities are in Brazil, Canada, France, Japan, Mexico and, South Africa, Spain and Turkey. We also have other properties, including office buildings, spare parts centers, retail outlets, research laboratories, test tracks and warehouses, mainly in Germany and in the United States. We own most of these manufacturing facilities and other properties.

The following table shows a list of our principal production and other facilities worldwide at December 31, 2005:

<u>Mercedes Car Group</u>	
<u>Area</u>	<u>Area of Activity/Main product</u>
<u>GERMANY</u>	
Berlin	Manufacturing plant for engines and components
Bremen	Bodywork and assembly plant
Hamburg	Manufacturing plant for axles and components
Rastatt	Bodywork and assembly plant
Sindelfingen	Bodywork and assembly plant
Stuttgart-Untertuerkheim	Manufacturing plant for engines, axles and gearboxes
<u>UNITED STATES</u>	
Tuscaloosa, Alabama	Bodywork and assembly plant
<u>BRAZIL</u>	
Juiz de Fora	Bodywork and assembly plant
<u>FRANCE</u>	
Hambach	Bodywork and assembly plant
<u>SOUTH AFRICA</u>	
East London	Bodywork and assembly plant

<u>Chrysler Group</u>	
Area	Area of Activity/Main product
<u>UNITED STATES</u>	
Belvidere, Illinois	Bodywork, assembly and stamping plant
Detroit, Michigan	Bodywork and assembly plants, manufacturing plants for engines and axles
Fenton, Missouri	Bodywork and assembly plants
Kenosha, Wisconsin	Manufacturing plant for engines
Kokomo, Indiana	Transmission plants, aluminum die castings plant
Newark, Delaware	Bodywork and assembly plant
Sterling Heights, Michigan	Bodywork and assembly plant, stamping and subassembly plant
Toledo, Ohio	Bodywork and assembly plant, machining plant for components
Trenton, Michigan	Manufacturing plant for engines
Twinsburg, Ohio	Stamping and subassembly plant
Warren, Michigan	Bodywork and assembly plant, stamping and subassembly plant
<u>CANADA</u>	
Brampton	Bodywork, assembly and stamping plant
Toronto	Aluminum die casting plant
Windsor	Bodywork and assembly plants
<u>MEXICO</u>	
Saltillo	Bodywork and assembly plant, manufacturing plant for engines
Toluca	Bodywork and assembly plant
<u>Venezuela</u>	
Valencia	Bodywork and assembly plant

Commercial Vehicles

Area Area of Activity/Main product

GERMANY

Duesseldorf	Bodywork and assembly plant
Gaggenau	Manufacturing plant for axles and transmissions
Kassel	Manufacturing plant for axles
Ludwigsfelde	Bodywork and assembly plant
Mannheim	Bodywork and assembly plant, manufacturing plant for engines
Ulm	Bodywork and assembly plant
Woerth	Bodywork and assembly plant

UNITED STATES

Cleveland, North Carolina	Bodywork and assembly plant
Gastonia, North Carolina	Manufacturing plant for parts
High Point, North Carolina	Bodywork and assembly plant
Mt. Holly, North Carolina	Bodywork and assembly plant
Portland, Oregon	Bodywork and assembly plant
Redford, Michigan	Assembly plant, manufacturing plant for engines

ARGENTINA

Buenos Aires	Bodywork and assembly plant
--------------	-----------------------------

BRAZIL

São Bernardo do Campo	Bodywork and assembly plant
-----------------------	-----------------------------

CANADA

St. Thomas	Bodywork and assembly plant
------------	-----------------------------

JAPAN

Kawasaki	Bodywork and assembly plant, manufacturing plant for engines, transmissions and axles, research and development center
----------	------------------------------------------------------------------------------------------------------------------------

MEXICO

Santiago Tianguistenco	Assembly plant
------------------------	----------------

South Africa

Atlantis	Foundry
----------	---------

SPAIN

Vitoria	Bodywork and assembly plant
---------	-----------------------------

TURKEY

Aksaray	Bodywork and assembly plant
---------	-----------------------------

Hosdere	Assembly plant
---------	----------------

Other Activities

Area	Area of Activity/Main product
------	-------------------------------

GERMANY

Friedrichshafen	Manufacturing plant for diesel engines
-----------------	----------------------------------------

Other Facilities

Area	Area of Activity/Main product
------	-------------------------------

GERMANY

Berlin	Potsdamer Platz real estate, including DaimlerChrysler Financial Services headquarters
--------	----------------------------------------------------------------------------------------

Boeblingen	smart headquarters
------------	--------------------

Sindelfingen	Mercedes-Benz technology center
--------------	---------------------------------

Stuttgart-Moehringen	DaimlerChrysler headquarters
----------------------	------------------------------

Stuttgart-Untertuerkheim	Mercedes Car Group and Commercial Vehicles headquarters, research and development center
--------------------------	------------------------------------------------------------------------------------------

Ulm	Research center
-----	-----------------

UNITED STATES

Auburn Hills, Michigan	DaimlerChrysler headquarters and technology center
------------------------	----------------------------------------------------

JAPAN

Tokyo	Headquarters of Mitsubishi Fuso Truck and Bus Corporation
-------	-----------------------------------------------------------

In September 2005, our wholly owned subsidiary DaimlerChrysler Corporation (DCC) closed its foundry operations in Indianapolis, Indiana. DCC continues to own the facility.

At year-end 2005, the total amount of indebtedness secured by mortgages and other security interests on our principal facilities was EUR2.2 billion. These mortgages and other security interests related primarily to the Potsdamer Platz real estate in Berlin, Germany.

Our property, plant and equipment includes buildings, technical equipment, and other equipment capitalized under capital lease agreements. For more details please refer to Note 14 to our Consolidated Financial Statements. We believe that our principal manufacturing facilities and other significant properties are in good condition and that they are adequate to meet our needs.

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

3. Plans for Installation and Removal of Facilities

During the planning period of 2006 through 2008, DaimlerChrysler expects to invest a total of approximately EUR19 billion on property, plant and equipment. At the Mercedes Car Group, the focus of investment will be on advance expenditure for the successor models to the present C-Class and E-Class. Principle investments by the Chrysler Group will be in the modernization of its plants and the continuation of the product offensive. At the Commercial Vehicles division, major investments are planned in connection with the new modular platforms for heavy-duty and medium-duty trucks and for a new family of engines for heavy-duty trucks. DaimlerChrysler also plans to invest substantial funds in the further expansion of its business activities in China.

V. Description of the Company

1. Description of Shares, Etc.

(a) Total Number of Shares, Etc.

(i) Total Number of Shares

Authorized number of Shares:	1,634,474,140
Issued and outstanding Shares: (as of December 31, 2005)	1,018,172,696
Shares not yet issued:	616,301,444
	192,307,692 (authorized capital I)
	192,307,692 (authorized capital II)
	10,000,000 (authorized capital III)
	115,384,615 (conditional capital I)
	90,651,495 (conditional capital II)
	15,649,950 (residually conditional capital III)

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

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

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

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

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

Conditional Capital II: The capital stock of the corporation shall be conditionally increased by an amount not to exceed EUR 235,693,887.00 through the issuance of up to 90,651,495 no par value registered shares. The conditional capital increase shall be undertaken only to the extent that the holders of option rights, issued by DaimlerChrysler AG in the period up to April 18, 2005, in conformity with the resolution passed at the Annual Meeting held on April 19, 2000, actually exercise their options and the corporation does not grant any of its own shares in fulfillment of the options.

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

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

(ii) Issued and outstanding shares

Kind:	registered ordinary shares, no par value
Number of shares:	1,018,172,696
Stock Exchanges on which the Shares are listed or Securities Dealers Associations with which the Securities are registered:	The principal trading markets for DaimlerChrysler ordinary shares are the Frankfurt Stock Exchange and the New York Stock Exchange. The ordinary shares are also listed on the other German stock exchanges in Berlin-Bremen, Duesseldorf, Hamburg, Hanover, Munich and Stuttgart, on the Chicago Stock Exchange, the NYSE Arca (formerly the Pacific Stock Exchange) and the Philadelphia Stock Exchange, on the stock exchanges in Paris, Tokyo and on the Swiss stock exchange.
Reference:	N/A

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

<u>Date or time</u>	<u>Increase in share capital</u>	<u>Total share capital after the increase/change</u>	<u>Remarks</u>
	in EUR	in EUR (ten thousand Yen)	
Balance as of Dec. 31, 1999	(1,003,261,403 shares)	2,564,797,050.36 (36,799,708)	End of fiscal 1999
January 1 to April 18, 2000	26,405.67 (10,329 shares)	2,564,823,456.03 (36,800,087)	Exercise 4 1/8% Notes of 1996/2003 with warrants
January 1 to April 18, 2000	196.84 (77 shares)	2,564,823,652.87 (36,800,090)	Conversion of convertible bonds 5 3/4% (Mandatory shares of 1997/2002)
Balance as of April 19, 2000	(1,003,271,809 shares)	2,564,823,652.87 (36,800,090)	
Capital Increase	43,683,050.53	2,608,506,703.40 (37,426,854)	To reach a theoretical par value of EUR 2.60
April 19 to Dec. 31, 2000	226.20 (87 shares)	2,608,506,929.60 (37,426,857)	Exercise 4 1/8% Notes of 1996/2003 with warrants

<u>Date or time</u>	<u>Increase in share capital</u>	<u>Total share capital after the increase/change</u>	<u>Remarks</u>
	in EUR	in EUR	
		(ten thousand Yen)	
April 19 to Dec. 31, 2000	39.00 (15 shares)	2,608,506,968.60 (37,426,858)	Conversion of convertible bonds 5 3/4% (Mandatory shares of 1997/2002)
Balance as of Dec. 31, 2000	(1,003,271,911 shares)	2,608,506,968.60 (37,426,858)	End of fiscal 2000
Fiscal 2001	226.20 (87 shares)	2,608,507,194.80 (37,426,861)	Conversion of convertible bonds 5 3/4% (Mandatory shares of 1997/2002)
Balance as of Dec. 31, 2001	(1,003,271,998 shares)	2,608,507,194.80 (37,426,861)	End of fiscal 2001
Fiscal 2002	24,763,466.00 (9,524,410 shares)	2,633,270,660.80 (37,782,167)	Conversion of convertible bonds 5 3/4% (Mandatory shares of 1997/2002)
Fiscal 2002	130.00 (50 shares)	2,633,270,790.80 (37,782,169)	Exercise 4 1/8% Notes of 1996/2003 with warrants
Fiscal 2002	18,291.00 (7,035 shares)	2,633,289,081.80 (37,782,432)	Stock Option Plan 1996/2006
Balance as of Dec. 31, 2002	1,012,803,493 shares	2,633,289,081.80 (37,782,432)	End of fiscal 2002
Fiscal 2003	53,814.80 (20,698 shares)	2,633,342,896.60 (37,783,204)	Exercise 4 1/8% Notes of 1996/2003 with warrants
Balance as of Dec. 31, 2003	1,012,824,191 shares	2,633,342,896.60 (37,783,204)	End of fiscal 2003
Fiscal 2004	—	—	—
Total as of Dec. 31, 2004	1,012,824,191 shares	2,633,342,896.60 (37,783,204)	End of fiscal 2004
Fiscal 2005	13,906,113.00 (5,348,505 shares)	2,647,249,009.60 (37,982,729)	Exercise of stock options
Total as of Dec. 31, 2005	1,018,172,696 shares	2,647,249,009.60 (37,982,729)	End of fiscal 2005

(c) Distribution of Share by Holders

As of December 31, 2005, we had approximately 1.5 million stockholders. Approximately 255,000 were U.S. holders, of which approximately 65,000 were record holders. Based on our share register, U.S. holders held approximately 17% of our ordinary shares as of that date.

As of December 31, 2005, the current members of our supervisory board and our board of management, as a group, owned 200,736 of our ordinary shares (0.02% of all outstanding shares) and had the right to acquire 7,547,800 ordinary shares pursuant to options granted under the plans described below.

In 2000, we instituted a shareholder approved stock option plan for board of management members and other levels of management. We granted options under this plan in 2000, 2001, 2002, 2003 and 2004. Our predecessor, Daimler-Benz AG, instituted a shareholder approved stock option plan for management board members and other senior executives in 1996. For a description of these stock option plans and further details, such as the exercise prices, please refer to Note 24 to our Consolidated Financial Statements.

As part of our value based management approach, we support employee stock ownership. We offer the opportunity to purchase our ordinary shares to employees of our companies incorporated in Germany, Austria, France, Italy, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom. In 2005, each eligible employee of our companies incorporated in Germany had the right to acquire up to 90 shares with a maximum aggregate discount of EUR135 plus one bonus share. Employees of our German companies acquired a total of approximately 723,000 shares in 2005. The programs established for employees in other European countries follow the German program except for changes resulting from different national legal requirements. In these countries, employees acquired a total of approximately 23,500 shares in 2005.

The tables below provide a breakdown of the shareholder structure by both the type of shareholder and the major regions as of December 31, 2005:

	December 31, 2005
By type of shareholder	
Kuwait Investment Authority	7.2%
Institutional Investors	70.4%
Retail Investors	22.4%
	December 31, 2005
By region	
Germany	47.5%
Europe excl. Germany	26.7%
USA	16.5%
Rest of World	9.3%

Please refer to Notes 1 and 24 to our Consolidated Financial Statements for additional information.

(d) Major shareholders

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

Under the German Securities Trading Act (Wertpapierhandelsgesetz), shareholders of a listed German company must notify the company of the level of their holding whenever it reaches, exceeds, or falls below specified thresholds. These thresholds are 5%, 10%, 25%, 50% and 75% of a company's outstanding voting rights.

As of December 31, 2005, the Kuwait Investment Authority as agent for the Government of the State of Kuwait, held 73,169,320 shares or 7.2% of our outstanding shares. It was the only shareholder holding more than 5% of our ordinary shares as of that date. Deutsche Bank AG, which held 11.8% of our ordinary shares as of December 31, 2004, significantly reduced its holding in the course of 2005 to less than 5% of our outstanding shares.

(e) Related party transactions

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

Deutsche Bank AG, which held 11.8% of our ordinary shares as of December 31, 2004, significantly reduced its holding in the course of 2005 to less than 5% of our outstanding shares. During 2005, Deutsche Bank AG and its subsidiaries provided us with various financial and other services for which we paid them reasonable and customary fees. We have guaranteed the obligations of our employees under our corporate credit card program for corporate travel expenses with Deutsche Bank AG in the event the employees default on their obligations to Deutsche Bank AG. This guarantee, which amounted to EUR651 million as of December 31, 2004, was reduced to EUR20 million during 2005. We have never incurred nor do we expect to incur any significant losses under this guarantee. In 2004, we entered into a securities lending agreement with Deutsche Bank AG concerning 22,227,478 of our shares in EADS (approximately 3% of the voting stock). As collateral, we received a lien on a securities account of a value equivalent to the shares loaned by us.

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

In recent years, we initiated several cooperation projects with MMC. In November 2005, we sold our remaining 12.4% equity interest in MMC. Current cooperation projects are not affected by the sale, and will continue as previously agreed. Examples of such projects are the joint development and production of engines, the shared use of vehicle architecture and the joint production of passenger cars, sports utility vehicles and pickup trucks in Europe, North America, China and South Africa.

We have an agreement with McLaren Cars Ltd., a wholly owned subsidiary of McLaren Group Ltd., for the production of the Mercedes McLaren SLR super sports car. We own a 40% equity interest in McLaren Group Ltd.

We incurred expenses of approximately \$800,000 in 2005 for advertising and related marketing activities with Black Enterprise magazine. Earl G. Graves, a member of our supervisory board, is the chairman, chief executive officer and sole stockholder of the magazine's ultimate parent company.

Dr. Mark Wössner, a member of our supervisory board, received payments for premises leased to our wholly owned subsidiary Westfalia Van Conversion GmbH amounting to EUR1 million in 2005.

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

We engage in commercial transactions negotiated at arms length with our equity investee EADS. We do not consider these transactions to be material to us either individually or in the aggregate. Mr. Lagardère, a member of our supervisory board, is also one of two chairmen of the board of directors of EADS.

In July 2005, DaimlerChrysler Corporation and Haden Prism, LLC (Haden) entered into an agreement under which Haden will construct and operate a vehicle paint facility within the Chrysler Group's manufacturing complex in Toledo, Ohio, as part of a supplier co-location project scheduled to begin operation in 2006. Haden Prism is an indirect subsidiary of Haden International Group, Inc., which is 75% owned by Palladium Equity Partners (Palladium), a private investment firm with investments in several other companies. Robert J. Lanigan, a member of our supervisory board, is a partner and investor in Palladium. The parties are in negotiations, following a default declared by DCC, pursuant to which DCC would acquire the paint facility from Haden in exchange for assuming related indebtedness and releasing Haden and its affiliates, including Palladium and its partners, from any related claims. Mr. Lanigan has not participated in any negotiations with the company concerning these matters.

DaimlerChrysler Canada Inc. paid CAD1.2 million to a subsidiary of Mosaic Sales Solutions Holding Company for field marketing services pursuant to a competitively bid contract awarded in April 2005. The chief executive officer of the subsidiary, Tony LaSorda, is the brother of Thomas LaSorda, a member of our board of management who assumed responsibility for the Chrysler Group in September 2005.

2. Dividend Policy

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

On April 12, 2006, the annual meeting resolved to distribute from the unappropriated profit of EUR1,527 million for the 2005 financial year a dividend of EUR1.50 per share.

3. Trends in Stock Prices

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

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

Year	Price per Share	
	<u>High</u>	<u>Low</u>
	(Euro(Yen))	
2001	58.19 (8,349.1012)	27.24 (3,908.3952)
2002	55.44 (7,954.5312)	28.16 (4,040.3968)
2003	37.58 (5,391.9784)	23.71 (3,401.9108)
2004	39.41 (5,654.5468)	31.63 (4,538.2724)
2005	45.65 (6,549.8620)	30.20 (4,333.0960)

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

<u>Year</u>	Price per Share	
	<u>High</u>	<u>Low</u>
	(Yen)	
2001	7,030	3,500
2002	7,010	3,530
2003	5,900	3,260
2004	6,000	3,900
2005	6,980	4,200

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

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

<u>Month/Year</u>	Price per Share	
	<u>High</u>	<u>Low</u>
	(Euro(Yen))	
July 2005	40.12 (5,756.4176)	33.06 (4,743.4488)
August 2005	42.69 (6,125.1612)	40.06 (5,747.8088)
September 2005	45.65 (6,549.8620)	40.49 (5,809.5052)
October 2005	45.48 (6,525.4704)	39.77 (5,706.1996)
November 2005	44.08 (6,324.5984)	41.15 (5,904.2020)
December 2005	43.60 (6,255.7280)	42.10 (6,040.5080)

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

<u>Year/Month</u>	Price per Share	
	<u>High</u>	<u>Low</u>
	(Yen)	
July 2005	5,330	4,520
August 2005	5,800	5,350
September 2005	6,200	5,460
October 2005	6,200	5,530
November 2005	6,980	5,700
December 2005	6,900	5,780

4. Directors, Officers and Statutory Auditors

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

The principal function of the supervisory board is to supervise our board of management. The supervisory board is also responsible for appointing and removing members of the board of management. The supervisory board may not make management decisions. In accordance with the German Stock Corporation Act, however, our supervisory board has determined that several matters not in the ordinary course of business that are of fundamental importance require the approval of the supervisory board.

The board of management, which acts under the principle of collective responsibility,

manages our day-to-day business in accordance with the German Stock Corporation Act and our memorandum and articles of association (Satzung). The board of management is authorized to represent us (DaimlerChrysler AG) and to enter into binding agreements with third parties on our behalf.

(a) The Supervisory Board

As required by the German Stock Corporation Act, the German Co-determination Act (Mitbestimmungsgesetz) and our articles of association, our supervisory board consists of twenty members. Ten members are elected by our shareholders at the Annual General Meeting of shareholders and ten members are elected by our employees. Any member of our supervisory board elected by our shareholders may be removed by a majority of the votes cast at a general meeting of shareholders. Any member of our supervisory board elected by our employees may be removed by three quarters of the votes cast by the relevant class of employees.

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

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

The current shareholder representatives of the supervisory board were elected at the Annual General Meeting in April 2004. Robert J. Lanigan was elected for a term of office of two years, which expired at the end of the annual meeting of stockholders on April 12, 2006. Hilmar Kopper was elected for a term of office of three years. All other shareholder representatives were elected for the maximum permissible term of five years. The term of all employee representatives will expire at the end of the annual meeting 2008. Effective April 6, 2005, Prof. Victor Halberstadt resigned from his position as a shareholder representative on the supervisory board. The stockholders elected Arnaud Lagardère at the annual meeting in April 2005 as his successor. Mr. Lagardère's term of office will expire at the end of the annual meeting 2010. At the annual meeting on April 12, 2006, the shareholders elected Dr. Manfred Bischoff, a former member of our board of management and a Co-Chairman of the Board of Directors of European Aeronautic Defense and Space Company EADS N.V., as a shareholder representative to the Supervisory Board. The term of Dr. Bischoff will expire at the close of the annual meeting of the shareholders resolving on the ratification of the actions of the Board of Management and the

Supervisory Board for the 2010 financial year.

The following table shows the members of our supervisory board as of December 31, 2005. Employee representatives are identified by an asterisk.

Name (Birthday)	Position/ Responsibility at the Company	Brief Resume (Date of first appointment as Supervisory Board member)
Prof. Dr. Heinrich FLEGEL* (10/13/1948)	—	Director Research Materials and Manufacturing, DaimlerChrysler AG; Chairman of the Management Representative Committee, DaimlerChrysler Group (04/09/2003)
Nate GOODEN* (04/14/1938)	—	Vice President of the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) (06/26/2002)
Earl G. GRAVES (01/09/1935)	—	Publisher, Black Enterprise Magazine; Managing Director, Black Enterprise/Greenwich Street Corporate Growth Partners (04/12/2001)
Hilmar KOPPER (03/13/1935)	Chairman of the Supervisory Board	Chairman of the Supervisory Board of DaimlerChrysler AG (05/18/1999)
Dr. Thomas KLEBE* (08/14/1948)	—	Director Department for General Shop Floor Policy and Codetermination, German Metalworkers' Union (04/09/2003)
Erich KLEMM* (06/25/1954)	Deputy Chairman of the Supervisory Board,	Chairman of the Corporate Works Council, DaimlerChrysler AG and DaimlerChrysler Group (12/15/1998)
Arnaud LAGARDÈRE (03/18/1961)	—	General Partner and CEO of Lagardère SCA (04/06/2005)
Jürgen LANGER* (11/07/1954)	—	Chairman of the Works Council of the Frankfurt/Offenbach Dealership, DaimlerChrysler AG (04/09/2003)

Robert J. LANIGAN (4/26/1928)	—	Chairman Emeritus of Owens Illinois, Inc.; Founding Partner, Palladium Equity Partners (05/18/1999)
Helmut LENSE* (11/26/1951)	—	Chairman of the Works Council, Stuttgart- Untertürkheim Plant, DaimlerChrysler AG (12/15/1998)
Peter A. MAGOWAN (04/05/1942)	—	President of San Francisco Giants (05/18/1999)
William A. OWENS (5/8/1940)	—	President and Chief Executive Officer of Nortel Networks Corporation (11/04/2003)
Gerd RHEUDE* (4/5/1945)	—	Chairman of the Works Council, Wörth Plant, DaimlerChrysler AG (5/1/1999)
Udo RICHTER* (07/26/1946)	—	Chairman of the Works Council, Bremen Plant, DaimlerChrysler AG (12/14/2001)
Wolf Jürgen RÖDER* (9/7/1947)	—	Member of the Executive Board, German Metalworkers' Union (11/14/2000)
Dr. rer. pol. Manfred SCHNEIDER (12/21/1938)	—	Chairman of the Supervisory Board of Bayer AG (05/18/1999)
Stefan SCHWAAB* (5/9/1952)	—	Vice Chairman of the Works Council, Gaggenau Plant, DaimlerChrysler AG; Vice Chairman of the Corporate Works Council, DaimlerChrysler AG and DaimlerChrysler Group (10/26/2000)
Bernhard WALTER (03/03/1942)	—	Former Spokesman of the Board of Management of Dresdner Bank AG (05/18/1999)
Lynton R. WILSON (04/03/1940)	—	Chairman of the Board of CAE Inc.; Chairman Emeritus, Nortel Networks Corporation (05/18/1999)

Dr. Ing. Mark WÖSSNER (10/14/1938)	—	Former CEO and Chairman of the Supervisory Board of Bertelsmann AG (05/18/1999)
------------------------------------------	---	---------------------------------------------------------------------------------------

Newly elected in 2006

Dr. Manfred BISCHOFF (04/22/1942)	—	Co-Chairman of the Board of Directors of European Aeronautic Defense and Space Company EADS N.V. (04/12/2006)
-----------------------------------------	---	------------------------------------------------------------------------------------------------------------------------

* Employee representatives.

The supervisory board held five meetings in 2005. It has established and maintains the following committees responsible for audit and compensation matters:

- The Presidential Committee is responsible for deciding the terms of the service contracts and other contractual arrangements between us and members of our board of management. In particular, the Presidential Committee determines salaries and incentive compensation awards for members of the board of management and establishes corporate goals for our performance based compensation plans. In 2005, the members of the Presidential Committee were Hilmar Kopper, Erich Klemm, Dr. Thomas Klebe and Dr. Manfred Schneider. The Presidential Committee held six meetings in 2005.

The Supervisory Board of DaimlerChrysler AG elected Dr. Manfred Bischoff to the Presidential Committee of the Control Organ in its meeting on April 27, 2006. Dr. Manfred Bischoff will join the four-member committee with equal shareholder-employee representation as successor of Dr. Manfred Schneider.

- The Audit Committee (Prüfungsausschuss) according to German law nominates our independent auditors and our supervisory board recommends their appointment to the Annual General Meeting of our shareholders. After our shareholders appoint the independent auditors, the Audit Committee formally engages them, determines their compensation and reviews the scope of the external audit. The Audit Committee also reviews our annual, half-year and quarterly reports and financial statements, taking into account the results of the audits and/or reviews performed by the independent auditors. The committee also maintains procedures for dealing with complaints regarding accounting, internal controls or auditing matters and procedures for the confidential and anonymous submission of communications from employees of the company concerning questionable accounting and auditing matters. The current members of the Audit Committee are Bernhard Walter, Erich Klemm, Hilmar Kopper and Stefan Schwaab. The Audit Committee held nine meetings in 2005.

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

(b) The Board of Management

Our articles of association require our board of management to have at least two members. Our supervisory board determines the size of the board of management and appoints its members and deputy members, all of whom have the same rights and duties. Our board of management currently has nine members.

Our supervisory board appoints each member of the board of management for a maximum term of five years. The supervisory board may reappoint members of the board of management for one or more additional terms of up to five years each. Once a member of our board of management has reached age 60, the supervisory board may reappoint that member only in one-year increments, except in special circumstances. The supervisory board may remove a member of the board of management prior to the expiration of his term if he commits a serious breach of duty, if the member is incapable of carrying out his duties or if there is a vote of no confidence by a majority of the votes cast at an Annual General Meeting of shareholders.

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

The table below shows each current member of our board of management as of March 1, 2006. The table also reflects the following changes on our board of management that occurred in 2005 and January 2006 following decisions by our supervisory board and its presidential committee:

- The area of responsibility of Bodo Uebber was renamed Finance & Controlling / Financial Services. In February 2006, our supervisory board reappointed Mr. Uebber for an additional five year term effective December 16, 2006, with unchanged responsibility for the area of "Finance & Controlling / Financial Services."
- Thomas Weber was reappointed for an additional five year term, effective January 1, 2006.
- The term of office of Jürgen Hubbert, who was responsible for the Executive Automotive Committee, expired on April 6, 2005.
- The supervisory board approved the resignation of Jürgen E. Schrempp, effective December 31, 2005, as Chairman of the board of management.
- Dieter Zetsche was reappointed as member of the board of management for an additional term of five years and was newly appointed Chairman of the board of management, effective January 1, 2006. Effective September 1, 2005, Mr. Zetsche assumed responsibility for the Mercedes Car Group, following the resignation of Eckhard Cordes, effective August 31, 2005.
- Thomas W. LaSorda became a full member of the board of management effective August 1, 2005 and assumed responsibility for Chrysler Group, effective September 1, 2005.
- Eric R. Ridenour became a member of the board of management in his capacity as Chief Operating Officer of Chrysler Group, effective September 1, 2005.
- Effective March 1, 2006, the area of responsibility of Rüdiger Grube was renamed Corporate Development, the area of responsibility of Andreas Renschler was renamed Truck Group and the area of responsibility of Thomas Weber was renamed Group Research and Mercedes Car Group Development.

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

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

For information regarding the compensation of our supervisory board and board of management, please read (3) Compensation Report under 5. Description of corporate Governance hereunder and refer to Note 38 to our Consolidated Financial Statements.

For further information regarding stock based compensation and incentives, please refer to Notes 1 and 24 to our Consolidated Financial Statements.

5. Description of Corporate Governance

(1) Corporate Governance at DaimlerChrysler

The Board of Management and the Supervisory Board of DaimlerChrysler are committed to the principles of good corporate governance. National and international investors rightly expect the company to be managed and supervised responsibly, transparently, and with a long-term orientation.

We orient our actions towards these expectations and have therefore designed our system of corporate governance to reflect international standards and to be transparent. Further information can be found on our website at www.daimlerchrysler.com/corpgov_e.

(a) General Conditions

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

As our shares are listed on stock exchanges outside Germany, and in particular on the New York Stock Exchange (NYSE), we also have to adhere to those countries' capital-market legislation and the listing requirements applicable at those stock exchanges. We are therefore in favor of the convergence of international stock-exchange regulations.

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

(b) DaimlerChrysler's corporate bodies

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

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

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

Supervisory Board. In accordance with the German Codetermination Act, the Supervisory

Board of DaimlerChrysler AG comprises 20 members. Half of them are elected by the shareholders at the Annual Meeting. The other half comprises members who are elected by the company's employees in Germany. The members representing the shareholders and the members representing the employees are equally obliged by law to act in the company's best interests.

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

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

The *Presidential Committee* has particular responsibility for the contractual affairs of the members of the Board of Management and determines their compensation. It also supports and advises the Chairman of the Supervisory Board and his deputy and prepares the meetings of the Supervisory Board.

The *Audit Committee* deals with questions of accounting and risk management. It discusses the effectiveness of the internal control systems and regularly receives reports on the work of the Corporate Audit department. It also discusses the interim financial statements and the annual financial statements, individual and consolidated, of DaimlerChrysler AG. The Audit Committee makes recommendations concerning the selection of independent auditors, assesses such auditors' suitability and independence, and, after the independent auditor is elected by the Annual Meeting, commissions it to conduct the annual audit of the individual and consolidated financial statements, negotiates an audit fee and determines the focuses of that audit. The Audit Committee receives reports from the independent auditors on any accounting matters that might be regarded as critical and on any differences of opinion with the Board of Management. In addition, it makes recommendations to the Supervisory Board, concerning the appropriation of distributable profits and capital measures for example. Finally, the Audit Committee approves services provided by the independent auditors or affiliated companies to DaimlerChrysler AG or to companies of the DaimlerChrysler Group that are not directly related to the annual audit.

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

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

Board of Management. As of December 31, 2005, the Board of Management of DaimlerChrysler AG comprised ten members. The duties of the Board of Management include setting the Group's strategic focus and managing its business. It is also responsible for preparing the individual and consolidated annual financial statements and the quarterly

financial statements, and for installing and monitoring a risk-management system. The Rules of Procedure define the areas of responsibility of the Board of Management and its members; these are described on pages 83 and 84 of this report.

(c) Principles guiding our activities

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

Already in the year 2003, the Audit Committee of the Supervisory Board established a Business Practices Office (BPO) at the DaimlerChrysler Group with two contact centers in Stuttgart and Auburn Hills. Employees can submit confidential complaints to the BPO concerning suspected violations of accounting regulations or the Integrity Code.

In addition, the Corporate Compliance Operations department was established at the beginning of 2006 with the objective of securing a uniform compliance organization throughout the Group. This organization will ensure that DaimlerChrysler's business practices in the entire Group are examined in detail and that guidelines are updated and implemented as necessary. Possible violations of anti-corruption laws, internal guidelines and rules of conduct are examined; necessary countermeasures are initiated and their implementation is monitored. Compliance managers will be deployed in DaimlerChrysler subsidiaries and certain regions. In addition, training programs will be designed with a focus on corporate compliance and will be executed worldwide. The Corporate Compliance organization will report directly to the Chairman of the Board of Management of DaimlerChrysler.

The Sales Practices Hotline, which was established in 2005, is also allocated to the Corporate Compliance organization. Our officers have again been notified in several events and written communications of the special significance of the Integrity Code to our company. The Sales Practices Hotline is particularly responsible for replying to questions from sales personnel regarding the correct business approach to public-sector institutions, and in this context also accepts information on any questionable events for further investigation.

Reports are regularly submitted to the Audit Committee of the Supervisory Board on the complaints received by the BPO and the Sales Practices Hotline and the processing of such complaints.

Code of Ethics. In July 2003, we approved a "Code of Ethics". This code addresses the members of the Board of Management and a large number of senior officers who have a significant influence on planning and reporting in the context of the annual and interim financial statements. The provisions of the code aim to prevent mistakes by the persons addressed and to promote ethical behavior as well as the complete, appropriate, accurate, timely and clear disclosure of information on the Group. The wording of the Code of Ethics can be seen on our website at www.daimlerchrysler.com/corpgov_e.

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

Accounting principles. The consolidated financial statements of the DaimlerChrysler Group are prepared in accordance with the United States Generally Accepted Accounting Principles (US GAAP). Details of US GAAP can be found in the Notes to the Consolidated Financial Statements (see Note 1).

The annual financial statements of DaimlerChrysler AG, which is the parent company, are prepared in accordance with the accounting guidelines of the German Commercial Code (HGB). Both sets of financial statements are audited by independent auditors.

Transparency. DaimlerChrysler regularly informs its shareholders, financial analysts, shareholders' associations, the media and the interested public on the situation of the Group and on any significant changes in its business. We have posted an overview of all the significant information disclosed in the year 2005 on our website at www.daimlerchrysler.com/ir/annualdoc05.

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

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

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

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

Shares held by the Board of Management and the Supervisory Board. As of December 31, 2005, the members of the Board of Management held a total of 8.5 million shares, options or stock appreciation rights of DaimlerChrysler AG (0.833% of the shares issued). As of the same date, the members of the Supervisory Board held a total of 0.1 million shares, options or stock appreciation rights of DaimlerChrysler AG (0.012% of the shares issued).

Directors' Dealings. In 2005, securities transactions took place involving members of the Board of Management and the Supervisory Board and certain senior officers who regularly have access to inside information and who are authorized to make significant business decisions (and, in accordance with the provisions of the German Securities Trading Act, involving persons in a close relationship with the aforementioned persons). DaimlerChrysler discloses these transactions without delay after receiving notification of them. This information is available on our website at www.daimlerchrysler.com/corpgov_e.

(2) Description of Audit Activities

(a) Organization and Procedures of Internal Audit Activities

Corporate Audit is an independent, objective assurance and consulting function that assists management by evaluating, monitoring and helping to improve the effectiveness of the Company's risk management, control and governance processes. The head of Corporate Audit reports directly to the Chairman of the Board of Management of DaimlerChrysler and provides reports to the Company's Audit Committee on demand. Corporate Audit has approximately 220 staff members worldwide. All engagements are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

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

(b) Interrelationships between the Company and the Independent Auditors

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

In 2003, our Audit Committee adopted a policy requiring management to obtain the Committee's approval before engaging our independent auditors to provide any other audit or permitted non-audit services to us or our subsidiaries. Pursuant to this policy, which is designed to assure that such engagements do not impair the independence of our auditors, the Audit Committee pre-approves annually a catalog of specific audit and non-audit services in the categories Audit Services, Audit Related Services, Tax Services, and Other Services that may be performed by our independent auditors. In addition, the Audit Committee limited the aggregate amount in fees our independent auditors may receive during the 2005 fiscal year for non-audit services in certain categories.

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

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

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

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

- Subsection 1. Description of Shares, etc.; (e) Related party transactions,
- Subsection 4. Directors, Officers and Statutory Auditors; subsection (a) The Supervisory Board. Information regarding,
- and subsection 5. Description of Corporate Governance; subsection (1) Corporate Governance at DaimlerChrysler.

(c) Description of Independent Auditors

In the annual meeting held on April 6, 2005, the shareholders of DaimlerChrysler AG appointed KPMG Deutsche Treuhand Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main to serve as independent auditors for the 2005 fiscal year. The lead audit engagement partner is Mr. Hans-Dieter Krauss, who is subject to the partner rotation rules established by the U.S. Securities and Exchange Commission and by German Commercial Law. The other partners and managers within the audit engagement team are mainly German and U.S. certified public accountants who supervise a number of senior and junior auditors. The audit engagement team further includes specialists in IT and taxes. Some of the partners within the engagement team are also subject to partner rotation rules in Germany and the U.S.

(d) Principal Accountant Fees and Services

In the annual meeting held on April 6, 2005, our shareholders appointed KPMG Deutsche Treuhand Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (KPMG DTG), Berlin and Frankfurt am Main to serve as our independent auditor for the 2005 fiscal year. The following table summarizes fees charged in connection with professional services provided by KPMG DTG and other independent member firms within the international KPMG network for each of the last two fiscal years.

	<u>Year Ended</u>	
	<u>December 31,</u>	
	<u>2005</u>	<u>2004</u>
	(EUR in millions)	
Audit Fees.....	42	39
Audit-Related Fees.....	11	14
Tax Fees.....	5	6
All Other Fees.....	4	5
Total.....	62	64

"Audit Fees" are the aggregate fees billed or expected to be billed for the audit of our consolidated and annual financial statements, reviews of interim financial statements, attestation services that are provided in connection with statutory and regulatory filings or engagements as well as business system controls audits. "Audit Related Fees" are fees billed for services rendered during the respective fiscal years for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under "Audit Fees." This category comprises fees for the audit of employee benefit plans and pension schemes, agreed-upon procedure engagements and other attestation services subject to regulatory requirements, advisory services associated with our financial reporting, as well as attestation services pertaining to our internal controls over financial reporting. "Tax Fees" are fees billed for services rendered during the respective fiscal years for tax compliance services, tax advice on actual or contemplated transactions, tax consulting associated with international transfer prices, and expatriate employee tax services. Fees disclosed under the category "All Other Fees" are fees billed for services rendered during the respective fiscal years for advisory services in connection with our internal controls over financial reporting. This category also includes other immaterial support services.

(3) Compensation Report

As an element of the Corporate Governance Report, the Compensation Report summarizes the principles that are applied to determine the compensation of the Board of Management of DaimlerChrysler AG and explains the level and structure of its members' compensation.

Furthermore, the principles and level of the compensation of the Supervisory Board are also described.

(a) Compensation of the Board of Management

Responsibility. Responsibility for determining the structure and level of compensation of the Board of Management of DaimlerChrysler AG is delegated by the Supervisory Board to the Presidential Committee. The principles to be applied have been laid down by the Supervisory Board in the Rules of Procedure for the Presidential Committee. If requested by the Committee, the Supervisory Board also holds discussions on the structure of the compensation system for the Board of Management and regularly reviews this structure.

Goals. The aim of the compensation system for the Board of Management is to compensate the members of the Board of Management commensurately with their areas of activity and responsibility when compared internationally. The system should also clearly and directly reflect in the variability of compensation the joint and individual performance of the Board of Management members and the success of the Group.

For this purpose, the compensation system comprises a base salary, an annual bonus and an element of stock-based compensation as variable compensation with a long-term incentive effect and risk component.

In order to ensure the competitiveness and appropriateness of Board of Management compensation, its structure, the individual components and the total compensation are reviewed each year in relation to a benchmark group of companies in the United States and Europe. For this purpose, the Presidential Committee is regularly assisted by external consultants.

Structure of Board of Management compensation. Board of Management compensation in 2005 comprised three components, set out below:

- *The fixed base salary*, paid in twelve monthly installments, is related to the area of responsibility of each Board of Management member.
- *The annual bonus* is variable cash compensation, the level of which is related to the fixed base salary and varies in relation to the degree to which DaimlerChrysler's planned operating profit is achieved. Additional targets may also be taken into account, such as the development of total shareholder return in relation to comparable automotive companies. When setting the level of the annual bonus, the Presidential Committee of the Supervisory Board also has the possibility to reflect the Board of Management members' individual performance, which is not directly reflected in the performance of the Group, with a supplementary payment or deduction of up to 25%. The operating-profit target is determined annually in advance on the basis of the planning approved by the Supervisory Board.

As of the 2006 financial year, the level of the annual bonus is related not only to the achievement of the operating-profit target, but in equal measure also to the comparison of the achieved operating profit with the respective prior-year result.

- The new model of *stock-based compensation*, which was applied for the first time in the 2005 financial year, is the so called Performance Phantom Share Plan. This plan is linked to the long-term development of corporate value and is based on the factors of performance orientation, benchmark comparison and share ownership. This new component of compensation replaced the two components granted in 2004 for the last time, the medium-term incentive plan and the stock option plan.

The new model takes into consideration all of the key criteria recommended in connection with good corporate governance. With a term of four years, the plan is oriented toward mid-term performance targets, while also having a long-term effect through the obligation to hold shares. With this model, target achievement is measured in terms of the return on net assets that is actually achieved by the Group and its return on sales compared with the relevant competitors, which are BMW, Ford, GM, Honda, Iveco, Toyota, Volvo and VW. Due to the allocation of phantom shares at the beginning of the four-year period, the development of DaimlerChrysler's share price is taken into consideration; these phantom shares are also entitled to a dividend during the four year period. After three years, the final number of phantom shares is calculated from the degree of target achievement. These phantom shares must then be held for one more year. After four years, the amount to be paid out is calculated by multiplying the number of phantom shares by the share price relevant at that time. The members of the Board of Management have to use a quarter of this gross amount paid out to purchase "real" DaimlerChrysler shares, so that the stipulations arising from the guidelines for share ownership are fulfilled (see below).

No retroactive change in the defined performance targets or the comparative parameters is possible in connection with allocating the stock-based compensation.

Guidelines for share ownership. As a supplement to these three components of Board of Management compensation, the Presidential Committee of the Supervisory Board of DaimlerChrysler AG has approved Stock Ownership Guidelines for the Board of Management, under which the members of the Board of Management are required to invest a portion of their private assets in DaimlerChrysler shares within a period of several years and to hold these shares until the end of their Board of Management membership. The real shares acquired in the context of the new stock-based compensation are generally to be used to fulfill the provisions of these guidelines, but the shares can also be acquired in a different way.

Total Board of Management compensation in 2005. The total compensation paid by Group companies to the members of the Board of Management of DaimlerChrysler AG is calculated from the amount of compensation paid in cash and from the non-cash benefits in kind.

EUR9.3 million was paid as fixed compensation, EUR24.6 million as short-term and medium-term performance-related compensation, and EUR1.0 million as long-term performance-related compensation. This totaled an amount of EUR34.9 million in 2005.

In 2005, the members of the Board of Management were granted a total of 454,914 phantom shares within the framework of the long-term stock-based compensation, the so-called Performance Phantom Share Plan. Payment is made for these phantom shares, depending on internal and external performance targets for continuous activity in the Board of Management, in the year 2009. The reference share price for the allocation of the phantom shares is the average price of DaimlerChrysler shares between January 1, 2005 and the day before the first meeting of the Presidential Committee in which the allocation is decided upon. This value was EUR35.41 per phantom share in 2005. Disclosure of those amounts will then take place in connection with the performance-related compensation for the year

2009.

Stock options were exercised in 2005 relating to the stock option plans of previous years. Members of the Board of Management exercised a total of 167,500 options from the Stock Option Plan 2003.

Further details of directors' dealings can be found in section (1) (c) above and on our website at www.daimlerchrysler.com/corpgov_e. Information on stock-based compensation is given in Note 24 of the Notes to the Consolidated Financial Statements.

Board of Management Members whose term of office ended in 2005 were entitled to receive compensation earned before the respective retirement date from current mid-term and the new 2005 long-term share-based remuneration components calculated on a pro-rata basis. We also had expenditures in connection with certain previously accrued retirement benefit obligations of other Board of Management members. The aggregate amount of both items is EUR23.8 million.

Pensions. The pension agreements of the Board of Management members with DaimlerChrysler AG in 2005 included a commitment to an annual retirement pension, which is calculated as a percentage of the fixed annual base salary.

In 2005, disbursements to former members of the Board of Management of DaimlerChrysler AG and their survivors amounted to EUR16.9 million. An amount of EUR292.2 million has been accrued for pension obligations to former members of the Board of Management and their survivors.

As of the 2006 financial year, the pension agreements of the Board of Management members with DaimlerChrysler AG have been changed over to defined-contribution pension plans.

Sideline activities of the Board of Management members. Members of the Board of Management require the consent of the Supervisory Board before commencing any sideline activities. This ensures that neither the time required nor the compensation paid for such activities lead to any conflict with the members' duties to the Group.

Insofar as such sideline activities are memberships of other supervisory boards or comparable boards, these are disclosed in the annual financial statements of DaimlerChrysler AG and on the Internet.

No compensation is paid to Board of Management members for other positions held at companies of the Group.

(b) Compensation of the Supervisory Board

Supervisory Board compensation in 2005. The compensation of the Supervisory Board is determined by the Annual Meeting of DaimlerChrysler AG and is governed by the company's Articles of Incorporation. The current regulation specifies that the members of the Supervisory Board receive, in addition to the refund of their expenses and the costs of any value-added tax incurred by them in the performance of their office, a fixed compensation of EUR75,000, three times this amount for the Chairman of the Supervisory Board, twice this amount for the Deputy Chairman of the Supervisory Board and the Chairman of the Audit Committee, 1.5 times this amount for the chairmen of other Supervisory Board committees and 1.3 times this amount for members of Supervisory Board committees. If a member of the Supervisory Board exercises several of the aforementioned functions, he shall be remunerated solely for the function with the highest compensation. The individual compensation of the members of the Supervisory Board is shown in the table below.

The members of the Supervisory Board and its committees receive a meeting fee of EUR1,100 for each Supervisory Board meeting and committee meeting that they attend.

Except for the compensation paid to the employee representatives within the Supervisory Board in accordance with their contracts of employment, no compensation was paid for services provided personally beyond the aforementioned board and committee activities, in particular for advisory or agency services.

The compensation paid in 2005 to the members of the Supervisory Board of DaimlerChrysler AG for their services to the Group therefore totaled EUR2.0 million.

Loans to members of the Board of Management or the Supervisory Board. In 2005, no advances or loans existed to members of the Board of Management or the Supervisory Board of DaimlerChrysler AG.

Compensation of the Members of the Supervisory Board		
Name	Position	Total 2005 (in EUR)
Hilmar Kopper	Chairman of the Supervisory Board	243,700
Erich Klemm ¹	Deputy Chairman of the Supervisory Board	168,700
Heinrich Flegel ¹	Member of the Supervisory Board	80,500
Nate Gooden ²	Member of the Supervisory Board	79,400
Earl G. Graves	Member of the Supervisory Board	77,200
Victor Halberstadt	Member of the Supervisory Board (retired April 6, 2005)	20,826
Thomas Klebe ^{1,3}	Member of the Supervisory Board and of the Presidential Committee	107,400

Arnaud Lagardère ⁵	Member of the Supervisory Board (since April 6, 2005)	56,579
Jürgen Langer ¹	Member of the Supervisory Board	80,500
Robert J. Lanigan	Member of the Supervisory Board	80,500
Helmut Lense ¹	Member of the Supervisory Board	80,500
Peter A. Magowan	Member of the Supervisory Board	80,500
William A. Owens	Member of the Supervisory Board	80,500
Gerd Rheude ¹	Member of the Supervisory Board	80,500
Udo Richter ¹	Member of the Supervisory Board	80,500
Wolf Jürgen Röder ¹	Member of the Supervisory Board	80,500
Manfred Schneider	Member of the Supervisory Board and of the Presidential Committee	106,300
Stefan Schwaab ¹	Member of the Supervisory Board and of the Audit Committee	111,800
Bernhard Walter	Member of the Supervisory Board and Chairman of the Audit Committee	164,300
Lynton R. Wilson ⁴	Member of the Supervisory Board	80,500
Mark Wössner	Member of the Supervisory Board	80,500

- 1 The members representing the employees have stated that their board compensation will be transferred to the Hans-Böckler Foundation, in accordance with the guidelines of the German Trade Union Federation. The Hans-Böckler Foundation is a German not-for-profit organization of the German Trade Union Federation.
- 2 Mr. Gooden abstained from his compensation and meeting fees. At his request, these amounts were transferred to the Hans-Böckler Foundation.
- 3 Mr. Klebe received meeting fees of EUR2,000 for his board services at DaimlerChrysler Luft- und Raumfahrt Holding AG.
- 4 Mr. Wilson also received EUR18,900 for his Board services at Mercedes-Benz Canada Inc. and DaimlerChrysler Canada Inc.
- 5 Mr. Lagardère also receives compensation in his capacity as Chairman of the Board of Directors of EADS N.V. For 2004, the total amount was EUR320,000. Due to variable compensation components, the respective amount for 2005 is not yet available.

VI. Financial Conditions

The consolidated financial statements, prepared according to US GAAP, and additional explanations required under Japanese law have been omitted. They are included on pages 103 to 346 of the original Japanese version.

VII. Trends in Foreign Exchange Rates

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

VIII. Summary of Share Handling, etc. in Japan

1. Summary of Share Handling, etc. in Japan

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

There is no transfer handling place or transfer agent for the shares of the Company in Japan. The shares of the Company belonging to Japanese shareholders will be deposited with the Deutsche Börse Clearing Aktiengesellschaft (the "Custodian") in Germany in the name of JSCC or its nominee, (Japanese holders of shares of DaimlerChrysler in the name of Japan Securities Clearing Corporation ("JSCC"), (Japanese holders of shares of DaimlerChrysler AG are hereinafter called "Beneficial Shareholders".) Mitsubishi UFJ Trust and Banking Co. has been appointed Share-Handling Agent in accordance with the Regulations regarding the Notice of the Issuer, etc. of the Tokyo Stock Exchange.

Transactions on the Exchange in shares of the Company will be settled by transfer between the respective Foreign Securities Transactions Accounts of the buyer and seller, if they are clients of the same member securities company or between the accounts of the respective securities companies with JSCC, if the buyer and seller are clients of different securities companies. In these cases the number of shares held by the Custodian in Germany will not change. In case shares of the Company are bought from or sold to investors outside Japan the number of shares held by the Custodian for JSCC will increase or decrease correspondingly.

A Summary of the matters concerning shareholding, including the right of Beneficial Shareholders to receive dividends and exercise voting rights indirectly through JSCC is stated herein below, based, inter alia, upon a Custody Agreement and Memorandum Concerning Custody Agreement both between JSCC and the Custodian, a Service Agreement among JSCC, the Share Handling Agent and the Company, a Paying Agreement and Memorandum Concerning Paying Service both among JSCC, the paying banks and the Company, and a Foreign Securities Transactions Account Agreement among the member securities company and the respective Beneficial Shareholders, which are scheduled to be executed (except for the Custody Agreement and Memorandum Concerning Custody Agreement which have been already executed).

(2) Special Privileges to Shareholders

Not applicable.

(3) Restrictions on the Transfer of the Shares

Not applicable.

(4) Other Matters Concerning the Handling of Shares

(a) Close of Accounts:

December 31, each year.

(b) Annual Shareholders' Meeting:

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

(c) Record Dates:

The Beneficial Shareholders entitled to receive dividends are those Beneficial Shareholders who are recorded in the list of Beneficial Shareholders prepared by the Share-Handling Agent as of the day when the Shareholders entitled thereto are determined in Germany, which resolves the payment of the said dividend.

(d) Denominations of Share Certificates:

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

(e) Charges Respecting Share Holdings:

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

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

The Company will publish notices regarding specific matters such as the notice to shareholders concerning shareholders' meetings in the Nihon Keizai Shimbun published in Japan.

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

(1) Exercise of Voting Rights of Beneficial Shareholders

The Beneficial Shareholders will be notified of a shareholders' meeting by a mail thereto of notice of a shareholders' meeting, etc. or by a publication in the Nihon Keizai Shimbun, which will include information as to what they must do in order to exercise their voting rights. JSCC will not exercise voting rights on behalf of a Beneficial Shareholder except upon instruction from such Beneficial Shareholder.

(2) Distribution of Dividends, etc.

Upon receipt from the Company of the notice of a dividend payment, the Share-Handling Agent will inform the Beneficial Shareholders accordingly.

The Company will pay the required sum to the Custodian on behalf of JSCC, which will transfer it to The Mitsubishi UFJ Trust and Banking Corporation, as paying bank, which will, in turn, distribute the same through post offices or through bank accounts directly to Beneficial Shareholders or indirectly via other paying banks. The Beneficial Shareholders are those shown upon the list of Beneficial Shareholders, prepared by the Share-Handling Agent.

In case of a distribution of shares, such shares will be credited to the accounts of the Beneficial Shareholders through JSCC or sold by JSCC and the proceeds of the sale transferred to the Beneficial Shareholders through the Share-Handling Agent. Shares numbering less than the number of shares prescribed by the Stock Exchange as a trading unit of shares of the Company will in any case be sold and the resulting proceeds will be distributed to the Beneficial Shareholders through the Share-Handling Agent.

Subscription rights to new shares will in general be sold by the Custodian in Germany on behalf of JSCC and the resulting proceeds will be paid by the Share-Handling Agent to those Beneficial Shareholders entitled thereto.

(3) Method of Transfer of Shares

In Germany, the shares of the Company may be transferred by agreement between seller and buyer and upon surrender of the certificate or certificates for such shares.

In Japan, the Beneficial Shareholder will not hold certificates of shares of the Company, nor will the receipts to be issued to the Beneficial Shareholder with regard to his Foreign Securities Transactions Account by the securities companies which are members of the Stock exchange be transferable under the Clearing System. Any Beneficial Shareholder may transfer his rights with respect to shares of the Company by means of trading on the Stock Exchange. In this case, trading will be cleared by means of a book transfer between accounts opened with a given securities company or between accounts of securities companies opened with the Clearing Corporation.

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

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

(a) Dividends

Individual Income Taxpayers:

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

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

Corporate Income Taxpayers:

With regard to Japanese corporations, the full amount of dividends after grossing up the German withholding tax and the Japanese withholding tax will be subject to the Japanese corporate income tax. In such case, a foreign tax credit may be claimed in accordance with the Tax Convention between Germany and Japan and the Japanese tax laws with respect to the amount of income taxes withheld in Germany. In addition, the amount of the Japanese income tax withheld from dividends received by the taxpayer corporation is creditable against corporate income tax. Japanese corporations may treat the amount of the German withholding income tax and/or the Japanese withholding income tax as deductible costs rather than tax credits.

(b) Capital Gain and Loss

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

(c) Inheritance Tax

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

(5) Other Notices and Reports

The Share-Handling Agent will, upon receipt of an adequate number of copies distribute the Summary Annual Report and the Interim Reports of the Company to the Beneficial Shareholders.

IX. Reference Information

1. Information about Parent Company, etc.

Not Applicable

2. Other Reference Information

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

- 1 Securities Report and its attachments filed with the Director General of the Kanto Local Finance Bureau on June 29, 2005.
(For the fiscal year from January 1, 2004 through December 31, 2004)

- 2 Semi-Annual Report filed with the Director General of the Kanto Local Finance Bureau on September 30, 2005.
(For the period from January 1, 2005 through June 30, 2005)

- 3 Extraordinary Report

Extraordinary Report filed with the Director General of the Kanto Local Finance Bureau on June 22, 2005 (pursuant to Article 24-5, Paragraph 4 of the Securities and Exchange Law of Japan and Article 19, Paragraph 2, Item 4 of the Cabinet Office Ordinance Concerning Disclosure of the Contents, etc. of Companies).

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

- 4 Amendment

An Amendment Report (an amendment report to the Securities Report described in 1 above) filed with the Director General of the Kanto Local Finance Bureau on August 4, 2005.

PART 2. INFORMATION CONCERNING GUARANTOR, ETC.

Not applicable.