

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F/A (Amendment No. 1)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

Commission file number 1-12356

DAIMLERCHRYSLER AG

(Exact name of Registrant as specified in its charter)

DAIMLERCHRYSLER AG

(Translation of Registrant's name into English)

FEDERAL REPUBLIC OF GERMANY

(Jurisdiction of incorporation or organization)

MERCEDESSTRASSE 137, 70327 STUTTGART, GERMANY

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Table with 2 columns: Title of each class, Name of each exchange on which registered. Includes Ordinary Shares, no par value and various stock exchanges.

Guarantee of the following securities of:

DaimlerChrysler North America Holding Corporation

8.50% Notes Due January 18, 2031

7 3/8% Notes Due September 15, 2006

New York Stock Exchange

New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act.

NONE

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

NONE

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Ordinary Shares, no par value. 1,018,172,696 (as of December 31, 2005)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes [X]

No []

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes []

No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X]

No []

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [X]

Accelerated filer []

Non-accelerated filer []

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 []

Item 18 [X]

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes []

No [X]

The registrant hereby amends its Annual Report on Form 20-F filed March 6, 2006, to provide certain incremental and enhanced disclosures about the adjustments made to the January 1, 2003 balance of stockholders' equity and to 2005 net income and operating profit and to provide the following condensed consolidated financial information of the European Aeronautic Defence and Space Company EADS N.V. and subsidiaries ("EADS"):

- Condensed consolidated income statement information for the years ended December 31, 2005, 2004 and 2003;
- Condensed consolidated balance sheet information as of December 31, 2005 and 2004; and
- Condensed consolidated cash flow information for the years ended December 31, 2005, 2004 and 2003.

DaimlerChrysler is providing the aforementioned disclosures about the adjustments to its January 1, 2003 stockholders' equity balance and its 2005 net income and operating profit in a revised Note 1 and Note 31 to the DaimlerChrysler 2005 consolidated financial statements. Additionally, DaimlerChrysler is providing the aforementioned condensed consolidated financial information about EADS, prepared using generally accepted accounting principles in the United States of America, in a revised Note 3 to the DaimlerChrysler 2005 consolidated financial statements.

DaimlerChrysler is filing this amendment for the sole purpose of updating "Item 18. Financial Statements," updating Exhibits 12.1, 12.2, 13.1 and 14.1 and changing the page reference under the heading "Consolidated Financial Statements" in "Item 8. Financial Information" from "F-1 through F-94" to "F-1 through F-98."

Item 18. Financial Statements.

You can find our Consolidated Financial Statements and schedule on pages F-i, F-1 through F-98.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F/A and that it has duly caused and authorized the undersigned to sign this amendment to its 2005 Annual Report on its behalf.

Date: June 30, 2006

DAIMLERCHRYSLER AG

By: /s/ DIETER ZETSCHÉ

Dr. Dieter Zetsche
Chairman of the Board of Management /
Head of Mercedes Car Group

By: /s/ BODO UEBBER

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

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Supervisory Board
DaimlerChrysler AG:

We have audited the accompanying consolidated balance sheets of DaimlerChrysler AG and subsidiaries (“DaimlerChrysler”) as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in stockholders’ equity, and cash flows for each of the years in the three-year period ended December 31, 2005. These consolidated financial statements are the responsibility of DaimlerChrysler’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DaimlerChrysler as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2005, in conformity with generally accepted accounting principles in the United States of America.

As described in Note 11 to the consolidated financial statements, DaimlerChrysler adopted FASB Interpretation No. 47, “Accounting for Conditional Asset Retirement Obligations – an interpretation of FASB Statement No. 143” in 2005. As described in Note 1 to the consolidated financial statements, DaimlerChrysler changed its method of accounting for stock-based compensation in 2003. As described in Notes 3 and 11 to the consolidated financial statements, DaimlerChrysler also adopted the required portions of FASB Interpretation No. 46 (revised December 2003), “Consolidation of Variable Interest Entities – an interpretation of ARB No. 51”, in 2003.

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Stuttgart, Germany
February 23, 2006 except for Note 3 which is as of June 2, 2006

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Consolidated Statements of Income (Loss)

(in millions of €, except per share amounts)	Note	Consolidated		
		Year ended December 31,		
		2005	2004	2003
Revenues	35.	149,776	142,059	136,437
Cost of sales	5.	(122,894)	(114,567)	(109,926)
Gross profit		26,882	27,492	26,511
Selling, administrative and other expenses	5.	(18,984)	(17,972)	(17,772)
Research and development		(5,649)	(5,658)	(5,571)
Other income	6.	966	895	689
Goodwill impairment	12.	(30)	–	–
Turnaround plan Chrysler Group	7.	36	(145)	(469)
Income before financial income		3,221	4,612	3,388
Impairment of investment in EADS		–	–	(1,960)
Other financial income (expense), net (therein loss on issuance of associated company stock of €135 million in 2004 and gain on issuance of related company stock of €24 million in 2003)		217	(1,077)	(832)
Financial income (expense), net	8.	217	(1,077)	(2,792)
Income (loss) before income taxes		3,438	3,535	596
Income tax (expense) benefit	9.	(513)	(1,177)	(979)
Minority interests		(74)	108	(35)
Income (loss) from continuing operations		2,851	2,466	(418)
Income from discontinued operations, net of taxes	10.	–	–	14
Income on disposal of discontinued operations, net of taxes	10.	–	–	882
Cumulative effects of changes in accounting principles: transition adjustments resulting from adoption of FIN 47 and FIN 46R, net of taxes	11.	(5)	–	(30)
Net income (loss)		2,846	2,466	448
Earnings per share	36.			
Basic earnings per share				
Income (loss) from continuing operations		2.80	2.43	(0.41)
Income from discontinued operations		–	–	0.01
Income on disposal of discontinued operations		–	–	0.87
Cumulative effects of changes in accounting principles		–	–	(0.03)
Net income		2.80	2.43	0.44
Diluted earnings per share				
Income (loss) from continuing operations		2.80	2.43	(0.41)
Income from discontinued operations		–	–	0.01
Income on disposal of discontinued operations		–	–	0.87
Cumulative effects of changes in accounting principles		–	–	(0.03)
Net income		2.80	2.43	0.44

The accompanying notes are an integral part of these Consolidated Financial Statements.

DAIMLERCHRYSLER AG AND SUBSIDIARIES

Consolidated Statements of Income (Loss)

Industrial Business ¹			Financial Services ^{1,2}			(in millions of €, except per share amounts)
Year ended December 31,			Year ended December 31,			
2005	2004	2003	2005	2004	2003	
134,340	128,133	122,397	15,436	13,926	14,040	Revenues
(110,326)	(103,771)	(98,937)	(12,568)	(10,796)	(10,989)	Cost of sales
24,014	24,362	23,460	2,868	3,130	3,051	Gross profit
(17,725)	(16,741)	(16,374)	(1,259)	(1,231)	(1,398)	Selling, administrative and other expenses
(5,649)	(5,658)	(5,571)	–	–	–	Research and development
921	833	637	45	62	52	Other income
(30)	–	–	–	–	–	Goodwill impairment
36	(145)	(469)	–	–	–	Turnaround plan Chrysler Group
1,567	2,651	1,683	1,654	1,961	1,705	Income before financial income
–	–	(1,960)	–	–	–	Impairment of investment in EADS
192	(1,043)	(775)	25	(34)	(57)	Other financial income (expense), net (therein loss on issuance of associated company stock of €135 million in 2004 and gain on issuance of related company stock of €24 million in 2003)
192	(1,043)	(2,735)	25	(34)	(57)	Financial income (expense), net
1,759	1,608	(1,052)	1,679	1,927	1,648	Income (loss) before income taxes
133	(442)	(352)	(646)	(735)	(627)	Income tax (expense) benefit
(63)	113	(30)	(11)	(5)	(5)	Minority interests
1,829	1,279	(1,434)	1,022	1,187	1,016	Income (loss) from continuing operations
–	–	14	–	–	–	Income from discontinued operations, net of taxes
–	–	882	–	–	–	Income on disposal of discontinued operations, net of taxes
(5)	–	(30)	–	–	–	Cumulative effects of changes in accounting principles: transition adjustments resulting from adoption of FIN 47 and FIN 46R, net of taxes
1,824	1,279	(568)	1,022	1,187	1,016	Net income (loss)
Earnings per share						
Basic earnings per share						
Income (loss) from continuing operations						
Income from discontinued operations						
Income on disposal of discontinued operations						
Cumulative effects of changes in accounting principles						
Net income						
Diluted earnings per share						
Income (loss) from continuing operations						
Income from discontinued operations						
Income on disposal of discontinued operations						
Cumulative effects of changes in accounting principles						
Net income						

1 Additional information about the Industrial Business and Financial Services is not required under U.S. GAAP and is unaudited.

2 Contains the financing and leasing business of the Financial Services segment without Mobility Management and activities of DaimlerChrysler Financial Services AG.

DAIMLERCHRYSLER AG AND SUBSIDIARIES

Consolidated Balance Sheets

(in millions of €)	Note	Consolidated		Industrial Business ¹		Financial Services ^{1,2}	
		At December 31,		At December 31,		At December 31,	
		2005	2004	2005	2004	2005	2004
Assets							
Goodwill	12.	1,881	2,003	1,822	1,945	59	58
Other intangible assets	13.	3,191	2,671	3,133	2,602	58	69
Property, plant and equipment, net	14.	36,739	34,017	36,565	33,851	174	166
Investments and long-term financial assets	20.	6,356	7,039	6,084	6,763	272	276
Equipment on operating leases, net	15.	34,238	26,711	3,629	3,099	30,609	23,612
Fixed assets		82,405	72,441	51,233	48,260	31,172	24,181
Inventories	16.	19,139	16,805	17,674	15,330	1,465	1,475
Trade receivables	17.	7,595	7,001	7,348	6,805	247	196
Receivables from financial services	18.	61,101	56,785	–	–	61,101	56,785
Other assets	19.	8,731	12,931	4,654	9,216	4,077	3,715
Securities	20.	4,936	3,884	4,502	3,474	434	410
Cash and cash equivalents	21.	7,711	7,782	6,894	6,782	817	1,000
Non-fixed assets		109,213	105,188	41,072	41,607	68,141	63,581
Deferred taxes	9.	7,249	4,213	7,060	4,071	189	142
Prepaid expenses	22.	1,391	1,030	1,299	953	92	77
Disposal group Off-Highway, assets held for sale	10.	1,374	–	1,374	–	–	–
Total assets (thereof short-term 2005: €74,909; 2004: €68,679)		201,632	182,872	102,038	94,891	99,594	87,981
Liabilities and stockholders' equity							
Capital stock		2,647	2,633				
Additional paid-in capital		8,221	8,042				
Retained earnings		31,688	30,361				
Accumulated other comprehensive loss		(6,107)	(7,514)				
Treasury stock		–	–				
Stockholders' equity	23.	36,449	33,522	26,859	25,445	9,590	8,077
Minority interests		653	909	614	885	39	24
Accrued liabilities	25.	46,682	41,938	45,389	40,864	1,293	1,074
Financial liabilities	26.	80,932	76,270	4,146	8,330	76,786	67,940
Trade liabilities	27.	14,591	12,920	14,381	12,710	210	210
Other liabilities	28.	9,053	8,745	6,561	6,110	2,492	2,635
Liabilities		104,576	97,935	25,088	27,150	79,488	70,785
Deferred taxes	9.	4,203	2,312	(2,309)	(3,854)	6,512	6,166
Deferred income	29.	8,298	6,256	5,626	4,401	2,672	1,855
Disposal group Off-Highway, liabilities held for sale	10.	771	–	771	–	–	–
Total liabilities (thereof short-term 2005: €86,399; 2004: €77,158)		165,183	149,350	75,179	69,446	90,004	79,904
Total liabilities and stockholders' equity		201,632	182,872	102,038	94,891	99,594	87,981

1 Additional information about the Industrial Business and Financial Services is not required under U.S. GAAP and is unaudited.

2 Contains the financing and leasing business of the Financial Services segment without Mobility Management and activities of DaimlerChrysler Financial Services AG.

The accompanying notes are an integral part of these Consolidated Financial Statements.

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity

(in millions of €)	Capital stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss				Treasury stock	Total
				Cumulative translation adjustment	Available-for-sale securities	Derivative financial instruments	Minimum pension liability		
Balance at January 1, 2003	2,633	7,819	30,485	465	(74)	1,065	(7,317)	–	35,076
Net income	–	–	448	–	–	–	–	–	448
Other comprehensive income (loss)	–	–	–	(1,628)	407	1,162	444	–	385
Total comprehensive income									833
Stock based compensation	–	95	–	–	–	–	–	–	95
Issuance of shares upon conversion of notes	–	1	–	–	–	–	–	–	1
Purchase of capital stock	–	–	–	–	–	–	–	(28)	(28)
Re-issuance of treasury stock	–	–	–	–	–	–	–	28	28
Dividends	–	–	(1,519)	–	–	–	–	–	(1,519)
Balance at December 31, 2003	2,633	7,915	29,414	(1,163)	333	2,227	(6,873)	–	34,486
Net income	–	–	2,466	–	–	–	–	–	2,466
Other comprehensive loss	–	–	–	(715)	(206)	(369)	(748)	–	(2,038)
Total comprehensive income									428
Stock based compensation	–	127	–	–	–	–	–	–	127
Purchase of capital stock	–	–	–	–	–	–	–	(30)	(30)
Re-issuance of treasury stock	–	–	–	–	–	–	–	30	30
Dividends	–	–	(1,519)	–	–	–	–	–	(1,519)
Balance at December 31, 2004	2,633	8,042	30,361	(1,878)	127	1,858	(7,621)	–	33,522
Net income	–	–	2,846	–	–	–	–	–	2,846
Other comprehensive income (loss)	–	–	–	2,727	(18)	(1,223)	(79)	–	1,407
Total comprehensive income									4,253
Stock based compensation	–	87	–	–	–	–	–	–	87
Issuance of new shares	14	141	–	–	–	–	–	–	155
Purchase of capital stock	–	–	–	–	–	–	–	(21)	(21)
Re-issuance of treasury stock	–	–	–	–	–	–	–	21	21
Dividends	–	–	(1,519)	–	–	–	–	–	(1,519)
Other	–	(49)	–	–	–	–	–	–	(49)
Balance at December 31, 2005	2,647	8,221	31,688	849	109	635	(7,700)	–	36,449

The accompanying notes are an integral part of these Consolidated Financial Statements.

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Consolidated Statements of Cash Flows*

(in millions of €)	Consolidated		
	Year ended December 31,		
	2005	2004	2003
Net income (loss)	2,846	2,466	448
Income (loss) applicable to minority interests	74	(108)	35
Cumulative effects of changes in accounting principles	5	–	30
Gains on disposals of shares in companies	(732)	(281)	(956)
Impairment of investment in EADS	–	–	1,960
Depreciation and amortization of equipment on operating leases	6,341	5,445	5,579
Depreciation and amortization of fixed assets	6,312	5,817	5,838
Change in deferred taxes	(809)	(593)	644
Equity (income) loss from equity method investments	(103)	933	538
Change in financial instruments	298	(275)	160
(Gains) losses on disposals of fixed assets/securities	(1,370)	(520)	(424)
Change in trading securities	(4)	(26)	71
Change in accrued liabilities	170	1,344	1,015
Turnaround plan expenses (gains) – Chrysler Group	(36)	145	469
Turnaround plan payments – Chrysler Group	(92)	(219)	(279)
Net changes in inventory-related receivables from financial services	(207)	(2,455)	(2,670)
Changes in other operating assets and liabilities:			
– Inventories, net	(1,519)	(1,393)	(293)
– Trade receivables	(443)	242	(441)
– Trade liabilities	802	1,186	1,081
– Other assets and liabilities	820	(648)	1,021
Cash provided by operating activities	12,353	11,060	13,826
Purchases of fixed assets:			
– Increase in equipment on operating leases	(20,236)	(17,678)	(15,604)
– Purchases of property, plant and equipment	(6,580)	(6,386)	(6,614)
– Purchases of other fixed assets	(272)	(514)	(303)
Proceeds from disposals of equipment on operating leases	11,643	10,468	11,951
Proceeds from disposals of fixed assets	1,098	741	643
Payments for investments in businesses	(552)	(264)	(1,021)
Proceeds from disposals of businesses	516	1,218	1,209
Investments in/collections from wholesale receivables	(5,195)	(5,978)	(10,432)
Proceeds from sale of wholesale receivables	5,288	6,331	10,260
Investments in retail receivables	(27,073)	(30,488)	(28,946)
Collections on retail receivables	21,262	17,148	16,577
Proceeds from sale of retail receivables	8,612	9,531	9,196
Acquisitions of securities (other than trading)	(10,773)	(4,211)	(5,175)
Proceeds from sales of securities (other than trading)	11,025	3,481	4,785
Change in other cash	15	(81)	(134)
Cash used for investing activities	(11,222)	(16,682)	(13,608)
Change in commercial paper borrowings and short-term financial liabilities	1,407	2,453	129
Additions to long-term financial liabilities	14,322	15,013	16,436
Repayment of long-term financial liabilities	(15,867)	(13,370)	(12,518)
Dividends paid (including profit transferred from subsidiaries)	(1,575)	(1,547)	(1,537)
Proceeds from issuance of capital stock (including minority interests)	227	30	44
Purchase of treasury stock	(27)	(30)	(36)
Cash provided by (used for) financing activities	(1,513)	2,549	2,518
Effect of foreign exchange rate changes on cash and cash equivalents (maturing within 3 months)	620	(313)	(1,069)
Net increase (decrease) in cash and cash equivalents (maturing within 3 months)	238	(3,386)	1,667
Cash and cash equivalents (maturing within 3 months)			
At beginning of period	7,381	10,767	9,100
At end of period	7,619	7,381	10,767

* For other information regarding Consolidated Statements of Cash Flows, see Note 30.

The accompanying notes are an integral part of these Consolidated Financial Statements.

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Consolidated Statements of Cash Flows* (Continued)

Industrial Business ¹			Financial Services ^{1,2}			
Year ended December 31,			Year ended December 31,			
2005	2004	2003	2005	2004	2003	(in millions of €)
1,824	1,279	(568)	1,022	1,187	1,016	Net income (loss)
63	(113)	30	11	5	5	Income (loss) applicable to minority interests
5	–	30	–	–	–	Cumulative effects of changes in accounting principles
(732)	(281)	(956)	–	–	–	Gains on disposals of shares in companies
–	–	1,960	–	–	–	Impairment of investment in EADS
667	544	609	5,674	4,901	4,970	Depreciation and amortization of equipment on operating leases
6,251	5,693	5,735	61	124	103	Depreciation and amortization of fixed assets
(356)	(1,211)	194	(453)	618	450	Change in deferred taxes
(92)	951	539	(11)	(18)	(1)	Equity (income) loss from equity method investments
297	(288)	141	1	13	19	Change in financial instruments
(1,320)	(524)	(424)	(50)	4	–	(Gains) losses on disposals of fixed assets/securities
(3)	(29)	82	(1)	3	(11)	Change in trading securities
93	1,198	1,098	77	146	(83)	Change in accrued liabilities
(36)	145	469	–	–	–	Turnaround plan expenses (gains) – Chrysler Group
(92)	(219)	(279)	–	–	–	Turnaround plan payments – Chrysler Group
(207)	(2,455)	(2,670)	–	–	–	Net changes in inventory-related receivables from financial services
(1,518)	(1,535)	(502)	(1)	142	209	Changes in other operating assets and liabilities:
(419)	210	(500)	(24)	32	59	– Inventories, net
806	1,193	1,082	(4)	(7)	(1)	– Trade receivables
989	(805)	715	(169)	157	306	– Trade liabilities
6,220	3,753	6,785	6,133	7,307	7,041	– Other assets and liabilities
(4,181)	(3,828)	(3,973)	(16,055)	(13,850)	(11,631)	Cash provided by operating activities
(6,537)	(6,298)	(6,539)	(43)	(88)	(75)	Purchases of fixed assets:
(253)	(496)	(250)	(19)	(18)	(53)	– Increase in equipment on operating leases
4,996	4,514	4,577	6,647	5,954	7,374	– Purchases of property, plant and equipment
1,066	705	606	32	36	37	– Purchases of other fixed assets
(566)	(244)	(967)	14	(20)	(54)	Proceeds from disposals of equipment on operating leases
186	1,176	1,179	330	42	30	Proceeds from disposals of fixed assets
26,963	29,911	37,346	(32,158)	(35,889)	(47,778)	Payments for investments in businesses
(27,246)	(27,849)	(34,938)	32,534	34,180	45,198	Proceeds from disposals of businesses
3,818	4,457	3,829	(30,891)	(34,945)	(32,775)	Investments in/collections from wholesale receivables
(2,824)	(3,848)	(3,206)	24,086	20,996	19,783	Proceeds from sale of wholesale receivables
(504)	(115)	(361)	9,116	9,646	9,557	Investments in retail receivables
(10,773)	(4,210)	(4,963)	–	(1)	(212)	Collections on retail receivables
11,017	3,445	4,687	8	36	98	Proceeds from sale of retail receivables
75	(189)	(207)	(60)	108	73	Acquisitions of securities (other than trading)
(4,763)	(2,869)	(3,180)	(6,459)	(13,813)	(10,428)	Proceeds from sales of securities (other than trading)
848	1,481	(1,392)	559	972	1,521	Change in other cash
2,297	2,661	5,469	12,025	12,352	10,967	Cash used for investing activities
(4,609)	(6,953)	(4,229)	(11,258)	(6,417)	(8,289)	Change in commercial paper borrowings and short-term financial liabilities
(287)	(585)	(908)	(1,288)	(962)	(629)	Additions to long-term financial liabilities
195	(255)	(220)	32	285	264	Repayment of long-term financial liabilities
(27)	(30)	(36)	–	–	–	Dividends paid (including profit transferred from subsidiaries)
(1,583)	(3,681)	(1,316)	70	6,230	3,834	Proceeds from issuance of capital stock (including minority interests)
548	(291)	(981)	72	(22)	(88)	Purchase of treasury stock
422	(3,088)	1,308	(184)	(298)	359	Cash provided by (used for) financing activities
6,381	9,469	8,161	1,000	1,298	939	Effect of foreign exchange rate changes on cash and cash equivalents (maturing within 3 months)
6,803	6,381	9,469	816	1,000	1,298	Net increase (decrease) in cash and cash equivalents (maturing within 3 months)
						Cash and cash equivalents (maturing within 3 months)
						At beginning of period
						At end of period

1 Additional information about the Industrial Business and Financial Services is not required under U.S. GAAP and is unaudited.

2 Contains the financing and leasing business of the Financial Services segment without Mobility Management and activities of DaimlerChrysler Financial Services AG.

DAIMLERCHRYSLER AG AND SUBSIDIARIES

Consolidated Fixed Assets Schedule

(in millions of €)	Acquisition or Manufacturing Costs						Balance at December 31, 2005
	Balance at January 1, 2005	Currency change	Change in consolidated companies	Additions	Reclassi- fications	Disposals	
Goodwill	3,049	361	16	176	–	520	3,082
Other intangible assets	3,477	417	–	274	169	205	4,132
Intangible assets	6,526	778	16	450	169	725	7,214
Land, leasehold improvements and buildings including buildings on land owned by others	20,995	1,145	(15)	270	377	393	22,379
Technical equipment and machinery	32,536	2,766	4	847	1,976	1,854	36,275
Other equipment, factory and office equipment	22,797	2,242	5	1,502	1,517	1,856	26,207
Advance payments relating to plant and equipment and construction in progress	4,268	494	16	4,002	(4,053)	47	4,680
Property, plant and equipment	80,596	6,647	10	6,621	(183)	4,150	89,541
Investments in affiliated companies	1,026	17	(161)	165	9	126	930
Loans to affiliated companies	247	–	(108)	47	–	48	138
Investments in associated companies	4,334	15	21	140	(14)	513	3,983
Investments in related companies	1,033	8	(22)	312	5	568	768
Loans to associated and related companies	242	10	–	11	–	190	73
Long-term securities	611	29	–	147	–	180	607
Other loans	258	–	(4)	15	201	244	226
Investments and long-term financial assets	7,751	79	(274)	837	201	1,869	6,725
Equipment on operating leases	35,080	4,425	275	20,236	(187)	14,933	44,896

1 Currency translation changes with period end rates.

The consolidated fixed assets schedule is part of the Notes to Consolidated Financial Statements.

DAIMLERCHRYSLER AG AND SUBSIDIARIES

Consolidated Fixed Assets Schedule

Balance at January 1, 2005	Currency change	Depreciation/Amortization				Balance at December 31, 2005	Book Value ¹		(in millions of €)
		Change in consolidated companies	Additions	Reclassi- fications	Disposals		Balance at December 31, 2005	Balance at December 31, 2004	
1,046	130	–	30	–	5	1,201	1,881	2,003	Goodwill
806	57	(5)	201	2	120	941	3,191	2,671	Other intangible assets
1,852	187	(5)	231	2	125	2,142	5,072	4,674	Intangible assets
9,570	465	9	671	(7)	207	10,501	11,878	11,425	Land, leasehold improvements and buildings including buildings on land owned by others
21,436	1,596	(3)	3,005	(9)	1,697	24,328	11,947	11,100	Technical equipment and machinery
15,497	1,448	3	2,351	57	1,484	17,872	8,335	7,300	Other equipment, factory and office equipment
76	15	–	12	(2)	–	101	4,579	4,192	Advance payments relating to plant and equip- ment and construction in progress
46,579	3,524	9	6,039	39	3,388	52,802	36,739	34,017	Property, plant and equipment
211	1	(8)	32	–	72	164	766	815	Investments in affiliated companies
10	–	(6)	2	–	–	6	132	237	Loans to affiliated companies
(2)	5	7	–	–	–	10	3,973	4,336	Investments in associated companies
253	–	(17)	4	–	60	180	588	780	Investments in related companies
164	–	–	1	–	164	1	72	78	Loans to associated and related companies
12	–	–	–	–	11	1	606	599	Long-term securities
64	–	(4)	3	–	56	7	219	194	Other loans
712	6	(28)	42	–	363	369	6,356	7,039	Investments and long-term financial assets
8,369	1,035	56	6,341	(41)	5,102	10,658	34,238	26,711	Equipment on operating leases

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements

BASIS OF PRESENTATION

1. Summary of Significant Accounting Policies

General. The consolidated financial statements of DaimlerChrysler AG and subsidiaries (“DaimlerChrysler” or the “Group”) have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). All amounts are presented in millions of euros (“€”).

Certain amounts reported in previous years have been reclassified to conform to the 2005 presentation. In connection with an internal investigation of certain accounts, transactions and payments, DaimlerChrysler made adjustments to its January 1, 2003 stockholders’ equity balance to correct for misstatements in years prior to 2003 and recognized charges in its 2005 consolidated financial income statement to correct for misstatements in the years 2003 and 2004 (see Note 31). DaimlerChrysler also adjusted its January 1, 2003 stockholders’ equity balance and recognized charges in its 2005 income relating to the years 2003 and 2004 to correct the accounting for certain derivative instruments that did not qualify for hedge accounting treatment, deferred income taxes of its U.S. subsidiaries, and other minor misstatements. The charges recognized for 2003 and 2004 had the effect of reducing operating profit by €55 million, financial income by €58 million, tax expense by €7 million, and 2005 net income by €106 million in the 2005 statement of income. The total adjustments relating to the years prior to 2003 had the effect of increasing stockholders’ equity as of January 1, 2003 by €72 million. 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.

The following table provides detailed information about the exact nature and related amount comprising each component of the adjustments made to correct for those misstatements:

	Effect of accumulated misstatements on stockholders' equity as of January 1, 2003	Effect of out of period adjustments on net income 2005			Effect of out of period adjustments on operating profit 2005		
		Total	Related to 2004	Related to 2003	Total	Related to 2004	Related to 2003
<i>(in millions of €)</i>							
Adjustments resulting from DaimlerChrysler's internal investigation of certain accounts, transactions and payments (see Note 31)	(306)	(89)	(53)	(36)	(50)	(30)	(20)
Derivative instruments that did not qualify for hedge accounting	291	(37)	12	(49)	—	—	—
Deferred income taxes of U.S. subsidiaries	106	20	(9)	29	—	—	—
Correction of advertising accrual	—	10	(37)	47	14	(61)	75
Deferral of supplier payments received	—	(28)	(17)	(11)	(45)	(27)	(18)
Recognition of earned supplier warrants	—	14	14	—	23	23	—
Capitalization of interest	—	4	4	—	—	—	—
Correction of retirement accrual	6	2	1	1	3	1	2
Canadian income taxes	(25)	(2)	(1)	(1)	—	—	—
Total	72	(106)	(86)	(20)	(55)	(94)	39

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)

Commercial practices with respect to certain products manufactured by DaimlerChrysler necessitate that sales financing, including leasing alternatives, be made available to the Group's customers. Accordingly, the Group's consolidated financial statements are also significantly influenced by activities of its financial services business. To enhance the readers' understanding of the Group's consolidated financial statements, the accompanying financial statements present, in addition to the audited consolidated financial statements, unaudited information with respect to the results of operations and financial position of the Group's industrial and financial services business activities. Such information, however, is not required by U.S. GAAP and is not intended to, and does not represent the separate U.S. GAAP results of operations and financial position of the Group's industrial or financial services business activities. Information concerning the financial services business activities of the Group contains the financing and leasing business of the Financial Services segment without Mobility Management and the activities of DaimlerChrysler Financial Services AG. Transactions between the Group's industrial and financial services business activities principally represent intercompany sales of products, intercompany borrowings and related interest, and other support under special vehicle financing programs. The effects of transactions between the industrial and financial services businesses have been eliminated within the industrial business columns.

Use of Estimates. Preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions related to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses for the period. Significant items related to such estimates and assumptions include recoverability of investments in equipment on operating leases, collectibility of sales financing and finance lease receivables, realizability of investments in associated companies, warranty obligations, sales incentive obligations, valuation of derivative instruments, and assets and obligations related to employee benefits. Actual amounts could differ from those estimates.

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

Risks and uncertainties. DaimlerChrysler’s financial position, results of operations, and cash flows are subject to numerous risks and uncertainties. Factors that could affect DaimlerChrysler’s future financial statements and cause actual results to vary materially from expectations include, but are not limited to, adverse changes in global economic conditions; overcapacity and intense competition in the automotive industry; dependence on suppliers of parts and services, primarily single source suppliers; the concentrations of DaimlerChrysler’s revenues derived from the United States and Western Europe; the significant portion of DaimlerChrysler’s workforce subject to collective bargaining agreements; fluctuations in currency exchange rates, interest rates and commodity prices; significant legal proceedings and environmental and other government regulations.

Principles of Consolidation. The accompanying consolidated financial statements include the financial statements of DaimlerChrysler AG and all of its material, majority-owned subsidiaries and certain variable interest entities for which DaimlerChrysler is determined to be the primary beneficiary (see Note 2).

All significant intercompany accounts and transactions relating to consolidated subsidiaries and consolidated variable interest entities have been eliminated.

Investments in Associated Companies. Significant equity investments in which DaimlerChrysler does not have a controlling financial interest, but has the ability to exercise significant influence over the operating and financial policies of the investee (“associated companies”) are accounted for using the equity method.

The excess of DaimlerChrysler’s initial investment in equity method companies over the Group’s ownership percentage in the underlying net assets of those companies is attributed to certain fair value adjustments with the remaining portion recognized as goodwill (“investor level goodwill”) which is not amortized.

A decline in fair value of an investment in any associated company below its carrying amount that is deemed to be other than temporary results in a reduction in carrying amount of the investment to fair value. The impairment is charged to earnings and a new cost basis for the investment is established.

The European Aeronautic Defence and Space Company EADS N.V. (“EADS”) represents a significant associated company. Because the financial statements of EADS are not made available timely to DaimlerChrysler in order to apply the equity method of accounting, the Group’s proportionate share of the results of operations of this associated company are included in DaimlerChrysler’s consolidated financial statements on a three month lag.

Foreign Currencies. The assets and liabilities of foreign operations where the functional currency is not the euro are generally translated into euro using period-end exchange rates. The resulting translation adjustments are recorded as a component of accumulated other comprehensive loss. The statements of income and the statements of cash flows are translated using average exchange rates during the respective periods.

The exchange rates of the U.S. dollar, as the significant foreign currency, used in preparation of the consolidated financial statements were as follows:

	2005	2004	2003
	€1 =	€1 =	€1 =
Exchange rate at December 31,	1.1797	1.3621	1.2630
Average exchange rates			
First Quarter	1.3113	1.2497	1.0735
Second Quarter	1.2594	1.2046	1.1355
Third Quarter	1.2199	1.2218	1.1248
Fourth Quarter	1.1897	1.2977	1.1885

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

The assets and liabilities of foreign operations in highly inflationary economies are translated into euro on the basis of period-end rates for monetary assets and liabilities and at historical rates for non-monetary items, with resulting translation gains and losses recognized in earnings. Further, for foreign operations in such economies, depreciation and gains and losses from the disposal of non-monetary assets are determined using historical rates. In all periods presented the Group had foreign operations in one economy that was considered highly inflationary.

Revenue Recognition. Revenue for sales of vehicles, service parts and other related products is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price of the transaction is fixed and determinable, and collectibility is reasonably assured. Revenues are recognized net of discounts, cash sales incentives, customer bonuses and rebates granted. Non-cash sales incentives that do not reduce the transaction price to the customer are classified within cost of sales. Shipping and handling costs are recorded as cost of sales in the period incurred.

DaimlerChrysler uses price discounts to adjust market pricing in response to a number of market and product factors, including: pricing actions and incentives offered by competitors, economic conditions, the amount of excess industry production capacity, the intensity of market competition, and consumer demand for the product. The Group may offer a variety of sales incentive programs at any point in time, including: cash offers to dealers and consumers, lease subsidies which reduce the consumer's monthly lease payment, or reduced financing rate programs offered to consumers.

The Group records as a reduction to revenue at the time of sale to the dealer the estimated impact of sales incentives programs offered to dealers and consumers. This estimated impact represents the incentive programs offered to dealers and consumers as well as the expected modifications to these programs in order for the dealers to sell their inventory.

The Group offers extended, separately priced warranty contracts for certain products. Revenues from these contracts are deferred and recognized into income over the contract period in proportion to the costs expected to be incurred based on historical information. In circumstances in which there is insufficient historical information, income from extended warranty contracts is recognized on a straight-line basis. A loss on these contracts is recognized in the current period if the sum of expected costs for services under the contract exceeds unearned revenue.

For transactions with multiple deliverables, such as when vehicles are sold with free service programs, the Group allocates revenue to the various elements based on their relative fair values when criteria for separation are met.

When below market rate loans under special financing programs are used to promote sales of vehicles and the Financial Services segment finances the vehicle, the effect of the rate differential at the contract origination date is deducted from revenues and recorded as unearned income in the consolidated balance sheet. The Financial Services segment amortizes the unearned income balance into earnings using the interest method over the original (contractual) life of the receivables. Upon prepayment or sale of the receivable, the unamortized unearned income is recognized into earnings.

Sales under which the Group guarantees the minimum resale value of the product, such as in sales to certain rental car company customers, are accounted for similar to an operating lease in accordance with Emerging Issues Task Force ("EITF") 95-1, "Revenue Recognition on Sales with a Guaranteed Minimum Resale Value." The guarantee of the resale value may take the form of an obligation by DaimlerChrysler to pay any deficiency between the proceeds the customer receives upon resale in an auction and the guaranteed amount or an obligation to reacquire the vehicle after a certain period of time at a set price. Gains or losses from resale of these vehicles are included in gross profit.

Revenue from operating leases is recognized on a straight-line basis over the lease term.

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

Revenue from sales financing and finance lease receivables is recognized using the interest method. Recognition of revenue is generally suspended when a finance or lease receivable becomes contractually delinquent for periods ranging from 60 to 120 days.

Sales of receivables. The Group transfers significant amounts of automotive finance receivables in the ordinary course of business to trusts in “asset-backed securitizations” and “whole loan sales” and usually remains as servicer for a servicing fee. The accounting for securitized sold receivables is based upon the financial component approach that focuses on control according to the provisions of Statement of Financial Accounting Standards (“SFAS”) 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities.”

Servicing fees are recognized on a consistent yield basis over the remaining term of the related receivables sold.

Gains and losses from the sale of finance receivables are recognized as revenues in the period in which the sale occurs. In determining the gain or loss for each qualifying sale of finance receivables, the investment in the receivable pool sold is allocated between the portion sold and the portion retained based upon their relative fair values.

Further information on the Group’s securitized sold receivables is included in Note 34.

Estimated Credit Losses. DaimlerChrysler determines its allowance for credit losses based on an ongoing systematic review and evaluation performed as part of the credit-risk evaluation process. The evaluation performed considers historical loss experience, the size and composition of the portfolios, current economic events and conditions, the estimated fair value and adequacy of collateral and other pertinent factors. Certain homogeneous loan portfolios are evaluated collectively, taking into consideration primarily historical loss experience adjusted for the estimated impact of current economic events and conditions, including fluctuations in the fair value and adequacy of collateral. Other receivables, such as wholesale receivables and loans to large commercial borrowers, are evaluated for impairment individually based on the fair value of the underlying collateral. Credit exposures deemed to be uncollectible are charged against the allowance for doubtful accounts. DaimlerChrysler generally does not originate or purchase receivables for resale. Loans that are classified as held for sale are carried at the lower of cost or market when it is determined that market price for the loan represent the estimated future cash flows on the loan.

Research and Development and Advertising. Research and development and advertising costs are expensed as incurred.

Sales of Newly Issued Subsidiary Stock. Gains and losses resulting from the issuance of stock by a Group subsidiary to third parties that reduce DaimlerChrysler’s percentage ownership (“dilution gains and losses”) and DaimlerChrysler’s share of any dilution gains and losses reported by its investees accounted for under the equity method are recognized in the Group’s consolidated statement of income in the line item “Other financial income (expense), net.”

Income taxes. Current income taxes are determined based on respective local taxable income and tax rules. In addition, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed. Deferred tax reflects the changes in deferred tax assets and liabilities except for changes recognized in other comprehensive loss. Deferred tax assets or liabilities are determined based on temporary differences between financial reporting and the tax basis of assets and liabilities including differences from consolidation, loss carry forwards and tax credits. Amortization of these differences or realization of loss carry forwards and tax credits are based on enacted local tax rules and tax rates. DaimlerChrysler recognizes a valuation allowance on deferred tax assets if it is more likely than not that the benefit from the deferred tax asset will not be realized.

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

Discontinued Operations. The results of operations of discontinued Group components and gains or losses from their disposal are each presented separately net of tax in the Group's statement of income for all periods presented. A Group component is considered a discontinued operation if its operations and cash flows have been or will be eliminated from the ongoing activities of the Group as a result of the disposal transaction, the Group will not have any significant subsequent continuing involvement with the component, and the component can be clearly distinguished operationally and for financial reporting purposes. If not disposed of by the balance sheet date, to qualify as discontinued operations, a component must also meet the conditions to be classified as held for sale. Net assets of a discontinued Group component classified as held for sale are measured at the lower of its carrying amount or fair value less cost to sell. Gains from the sale of a discontinued Group component are recognized in the period realized and reported separately.

Pension and Other Postretirement Plans. The measurement of pension and postretirement benefit liabilities is based upon the projected unit credit method in accordance with SFAS 87, "Employers' Accounting for Pensions," and SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," respectively. As permitted under SFAS 87 and SFAS 106, changes in the amount of either the projected benefit obligation (for pension plans), the accumulated benefit obligation (for other postretirement plans) or differences between actual and expected return on plan assets and from changes in assumptions can result in gains and losses not yet recognized in the Group's consolidated financial statements. The expected return on plan assets is determined based on the expected long-term rate of return on plan assets and the fair value or market-related value of plan assets. Amortization of an unrecognized net gain or loss is included as a component of the Group's net periodic benefit plan cost for a year if, as of the beginning of the year, that unrecognized net gain or loss exceeds 10 percent of the greater of (1) the projected benefit obligation (for pension plans) or the accumulated postretirement benefit obligation (for other postretirement plans) or (2) the fair value or market-related value of that plan's assets. In such case, the amount of amortization recognized by the Group is the resulting excess divided by the average remaining service period of active employees expected to receive benefits under the plan (see Note 25a).

DaimlerChrysler elected retroactive application as of January 1, 2004, to account for subsidies provided under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 ("Medicare Act"). Under certain conditions, the Medicare Act provides for subsidies related to postretirement healthcare benefits that reduce the accumulated postretirement benefit obligation ("APBO") of companies in the United States. See Note 25a for further information about the impact of the Medicare Act on the Group's consolidated financial statements.

Earnings Per Share. Basic earnings per share are calculated by dividing income from continuing operations and net income, respectively, by the weighted average number of shares outstanding. Diluted earnings per share reflect the potential dilution that would occur if all securities and other contracts to issue ordinary shares were exercised or converted (see Note 36).

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

Goodwill and Other Intangible Assets. The Group accounts for all business combinations initiated after June 30, 2001, using the purchase method of accounting. Goodwill represents the excess of the cost of an acquired entity over the fair values assigned to the assets acquired and the liabilities assumed after taking into consideration the types of acquired intangible assets that are required to be recognized and reported separately from goodwill.

Goodwill acquired and intangible assets determined to have an indefinite useful life are not amortized, but instead are tested for impairment. DaimlerChrysler evaluates the recoverability of its goodwill at least annually or when significant events occur or there are changes in circumstances that indicate the fair value of a reporting unit of the Group is less than its carrying value. The Group determines the fair value of each of its reporting units by estimating the present value of their future cash flows. In addition, any recognized intangible asset determined to have an indefinite useful life is tested at least annually for impairment until its life is determined to no longer be indefinite. Intangible assets with estimable useful lives are valued at acquisition cost, are amortized on a straight-line basis over their respective estimated useful lives (2 to 10 years) to their estimated residual values, and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset or asset group may not be recoverable.

Property, Plant and Equipment. Property, plant and equipment is valued at acquisition or manufacturing costs plus the fair value of related asset retirement costs, if any and if reasonably estimable, less accumulated depreciation. Plant and equipment under capital leases are stated at the lower of present value of minimum lease payments or fair value less accumulated amortization. Depreciation expense is recognized using the straight-line method. The costs of internally produced equipment and facilities include all direct costs and allocable manufacturing overhead including depreciation charges as well as the fair value of related asset retirement cost, if any. Costs of the construction of certain long-term assets include capitalized interest, which is amortized over the estimated useful life of the related asset. Property, plant and equipment are depreciated over the following useful lives:

Buildings	10 to 50 years
Site improvements	5 to 40 years
Technical equipment and machinery	3 to 30 years
Other equipment, factory and office equipment	2 to 33 years

Leasing. Leasing includes all arrangements that transfer the right to use specified property, plant or equipment for a stated period of time, even if the right to use such property, plant or equipment is not explicitly described in an arrangement. The Group is a lessee of property, plant and equipment and lessor of equipment, principally passenger cars and commercial vehicles. All leases that meet certain specified criteria intended to represent situations where the substantive risks and rewards of ownership have been transferred to the lessee are accounted for as capital leases. All other leases are accounted for as operating leases. Rent expense on operating lease where the Group is lessee is recognized over the respective lease terms using the straight-line method. Equipment on operating leases where the Group is lessor is carried initially at its acquisition or production cost and is depreciated over the contractual term of the lease, using the straight-line method, to its estimated residual value. The estimated residual value is initially determined using published third party information as well as projections based on historical experience about expected resale values for the types of equipment leased.

Impairment of Long-Lived Assets. Long-lived assets held and used, such as property, plant and equipment and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset or asset group to the estimated future undiscounted cash flows expected to be generated by the asset or group of assets. If

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

the carrying amount of an asset or group of assets exceeds its estimated future undiscounted cash flows, an impairment charge is recognized in the Group's financial statements by the amount by which the carrying amount of the asset or group of assets exceeds fair value of the asset or group of assets.

Assets and liabilities held for sale. Long-lived assets and disposal groups classified as held for sale (including discontinued operations) are disclosed separately. Long-lived assets held for sale are reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. See Notes 4 and 10 for further information.

Non-fixed Assets. Non-fixed assets represent the Group's inventories, receivables, securities and cash, including amounts to be realized in excess of one year. In the accompanying notes, the portion of assets to be realized in excess of one year has been disclosed.

Inventories. Inventories are valued at the lower of acquisition or manufacturing cost or market, cost being generally determined on the basis of an average or first-in, first-out method ("FIFO"). Certain of the Group's U.S. inventories are valued using the last-in, first-out method ("LIFO"). Manufacturing costs comprise direct material and labor and applicable manufacturing overheads, including depreciation charges.

Marketable Securities and Investments. Securities and certain investments are accounted for at fair value, if fair value is readily determinable. Unrealized gains and losses on trading securities, representing securities bought and held principally for the purpose of near term sales, are included in earnings. Unrealized gains and losses on available-for-sale securities are included as a component of accumulated other comprehensive loss, net of applicable taxes, until realized. All other securities and investments are recorded at cost. A decline in value of any available-for-sale security or cost method investment below cost that is deemed to be other than temporary results in an impairment charge to earnings that reduces the carrying amount of the security or the cost method investment to fair value establishing a new cost basis.

Valuation of Retained Interests in Securitized Sold Receivables. DaimlerChrysler retains residual beneficial interests in certain pools of sold and securitized retail and wholesale finance receivables. The retained interest balance represents DaimlerChrysler's right to receive collections on the transferred receivables in excess of amounts required by the securitization trust to pay the interest and principal to investors, servicing fees, and other required payments. The Group determines the value of its retained interests using discounted cash flow modeling upon the sale of receivables and at the end of each quarter. The valuation methodology considers historical and projected principal and interest collections on the securitized sold receivables, expected future credit losses arising from the collection of the securitized sold receivables, and estimated repayment of principal and interest on notes issued to third parties and secured by the sold receivables.

The Group recognizes unrealized gains or losses attributable to the change in the fair value of the retained interests, which are recorded in a manner similar to available-for-sale securities, net of related income taxes as a component of accumulated other comprehensive loss until realized. The Group is not aware of an active market for the purchase or sale of retained interests, and accordingly, determines the estimated fair value of the retained interests by discounting the estimated cash flow releases (the cash-out method) using a discount rate that is commensurate with the risks involved. In determining the fair value of the retained interests, the Group estimates the future rates of prepayments, net credit losses and forward yield curves. These estimates are developed by evaluating the historical experience of comparable receivables and the specific characteristics of the receivables sold, and forward yield curves based on trends in the economy.

An impairment adjustment to the carrying value of the retained interests is recognized in the period a decline in the estimated cash flows below the cash flows inherent in the cost basis of an individual retained interest (the pool-by-pool method) is considered to be other than temporary. Other than temporary impairment adjustments are generally recorded as a reduction of revenue.

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

Cash Equivalents. The Group's liquid assets are recorded under various balance sheet captions as more fully described in Note 21. For purposes of the consolidated statements of cash flows, the Group considers those highly liquid instruments with original maturities of three months or less to be cash equivalents.

Derivative Instruments and Hedging Activities. DaimlerChrysler uses derivative financial instruments such as forward contracts, swaps, options, futures, swaptions, forward rate agreements, caps and floors for hedging purposes. The accounting of derivative instruments is based upon the provisions of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. On the date a derivative contract is entered into, DaimlerChrysler designates the derivative as either a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge), a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge), or a hedge of a net investment in a foreign operation. DaimlerChrysler recognizes all derivative instruments as assets or accrued liabilities on the balance sheet and measures them at fair value, regardless of the purpose or intent for holding them. Changes in the fair value of derivative instruments are recognized periodically either in earnings or stockholders' equity, as a component of accumulated other comprehensive loss, depending on whether the derivative is designated as a hedge of changes in fair value or cash flows. For derivatives designated as fair value hedges, changes in fair value of the hedged item and the derivative are recognized currently in earnings. For derivatives designated as cash flow hedges, fair value changes of the effective portion of the hedging instrument are recognized in accumulated other comprehensive loss on the balance sheet, net of applicable taxes, until the hedged item is recognized in earnings. The ineffective portions of the fair value changes are recognized in earnings immediately. Derivatives not meeting the criteria for hedge accounting are marked to market and impact earnings. SFAS 133 also requires that certain derivative instruments embedded in host contracts be accounted for separately as derivatives.

Further information on the Group's financial instruments is included in Note 33.

Commitments and Contingencies. Liabilities for loss contingencies are recorded when it is probable that a liability to third parties has been incurred and the amount can be reasonably estimated. Liabilities for loss contingencies are regularly adjusted as further information develops or circumstances change.

The accrued liability for expected warranty-related costs is established when the product is sold, upon lease inception, or when a new warranty program is initiated. Estimates for accrued warranty costs are primarily based on historical experience. Because portions of the products sold and warranted by the Group contain parts manufactured (and warranted) by suppliers, the amount of warranty costs accrued also contains an estimate of recoveries from suppliers.

The accrued liability for sales incentives is based on the estimated cost of the sales incentive programs and the number of vehicles held in dealers' inventory. The majority of vehicles held in dealers' inventory are sold to consumers within the next quarter and the sales incentives accrued liability is adjusted to reflect recent actual experience.

In accordance with Financial Accounting Standards Board ("FASB") Interpretation ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others—an interpretation of FASB Statements No. 5, 57 and 107 and rescission of FASB Interpretation No. 34" DaimlerChrysler recognizes, at inception of a guarantee, a liability for the fair value of the non-contingent portion of the obligation due to the issuance of the guarantee. DaimlerChrysler applies these provisions for guarantees issued or modified after December 31, 2002. If performance under the guarantee is probable and the amount can be reasonably estimated, a liability for the contingent obligation is recognized for any guarantee regardless of its date of issuance. Further information on the Group's obligations under guarantees is included in Note 25b and 32.

DAIMLERCHRYSLER AG AND SUBSIDIARIES
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DaimlerChrysler records the fair value of an asset retirement obligation in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets and subsequently adjusts the carrying amount for changes in expected cash flows and the passage of time.

Deposits from Direct Banking Business. Demand deposit accounts are classified as financial liabilities. Interest paid on demand deposit accounts is recognized in cost of sales as incurred.

Stock-Based Compensation. DaimlerChrysler adopted the fair value recognition provisions of SFAS 123, “Accounting for Stock-Based Compensation,” prospectively to all employee awards granted, modified, or settled after January 1, 2003. Compensation expense for all stock-options granted after December 31, 2002, has been measured principally at the grant date based on the fair value of the equity award using a modified Black-Scholes option-pricing model. Compensation expense is recognized over the employee service period with an offsetting credit to equity (paid-in capital). DaimlerChrysler options granted prior to January 1, 2003, continue to be accounted for using the intrinsic value based approach under Accounting Principles Board Opinion (“APB”) No. 25, “Accounting for Stock Issued to Employees,” and related Interpretations. Compensation expense under APB 25 was measured at the grant date based on the difference between the strike price of the equity award and the fair value of the underlying stock as of the date of grant. The following table illustrates the effect on net income and earnings per share if the fair value based method had been applied to all outstanding and unvested awards in each period.

(in millions of €)	Year ended December 31,		
	2005	2004	2003
Net income	2,846	2,466	448
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	57	81	81
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(59)	(113)	(164)
Pro forma net income	<u>2,844</u>	<u>2,434</u>	<u>365</u>
Earnings per share (in €):			
Basic	2.80	2.43	0.44
Basic – pro forma	2.80	2.40	0.36
Diluted	2.80	2.43	0.44
Diluted – pro forma	2.79	2.40	0.36

Further information on stock-based compensation is included in Note 24.

New Accounting Standards Not Yet Adopted. In December 2004 the FASB issued SFAS 123 (revised 2004), “Share-Based Payment” (“SFAS 123R”). SFAS 123R establishes the accounting for transactions in which an entity exchanges its equity instruments for goods or services. SFAS 123R also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity’s equity instruments or that may be settled by the issuance of those equity instruments. Equity-classified awards are measured at grant date fair value and are not subsequently remeasured. Liability-classified awards are remeasured to fair value at each balance sheet date until the award is settled. SFAS 123R originally applied to all awards granted after July 1, 2005, and to awards modified, repurchased or cancelled after that date. The effective date of SFAS 123R was deferred by an SEC Rule until the beginning of the first annual period beginning after June 15, 2005. DaimlerChrysler will adopt SFAS 123R as of January 1, 2006, using a modified version of

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

prospective application. DaimlerChrysler expects the cumulative effect from the adoption of SFAS 123R to increase expense by €9 million in the first quarter of 2006.

In June 2005 the FASB ratified EITF 05-5, “Accounting for Early Retirement or Postemployment Programs with Specific Features (Such As Terms Specified in Altersteilzeit Early Retirement Arrangements).” EITF 05-5 provides guidance on the accounting for the German Altersteilzeit (“ATZ”) early retirement program and other types of benefit arrangements with the same or similar terms. The ATZ program is an early retirement program in Germany designed to create an incentive for employees within a certain age group, to transition from full or part-time employment into retirement before their legal retirement age. The ATZ program provides the employee with a bonus which is reimbursed by subsidies from the German government if certain conditions are met. According to EITF 05-5, the bonuses provided by the employer should be accounted for as postemployment benefits under SFAS 112, “Employer’s Accounting for Postretirement Benefits,” with compensation cost recognized over the remaining service period beginning when the individual agreement is signed by the employee and ending when the active service period ends. The government subsidy should be recognized when the employer meets the necessary criteria and is entitled to the subsidy. The effect of applying EITF 05-5 should be recognized prospectively as a change in accounting estimate in fiscal years beginning after December 15, 2005. DaimlerChrysler expects the adoption of EITF 05-5 to result in income after taxes of approximately €0.1 billion from the reduction of the related provision that will be recognized in the income of the first quarter 2006 in the Group’s consolidated financial statements.

2. Scope of Consolidation and Certain Variable Interest Entities

Scope of Consolidation. DaimlerChrysler comprises, besides DaimlerChrysler AG, 494 (2004: 485) German and non-German subsidiaries as well as 4 (2004: 4) companies (variable interest entities) that have been consolidated in accordance with the requirements of FASB Interpretation No. 46 (revised December 2003) “Consolidation of Variable Interest Entities (“FIN 46R”).” A total of 96 (2004: 105) companies are accounted for in the consolidated financial statements using the equity method of accounting. During 2005, 18 subsidiaries were included in the consolidated financial statements for the first time. A total of 9 subsidiaries were no longer included in the consolidated group. The effects of changes in the Group’s consolidated balance sheets and the consolidated statements of income, if material, are explained further in the notes to the consolidated financial statements. In addition, 3 (2004: 3) companies administering pension funds whose assets are subject to restrictions have not been included in the consolidated financial statements. The impact of non-consolidated subsidiaries (affiliated companies) and investments that were not accounted for using the equity method of accounting (associated companies) on the consolidated financial position, results of operations or cash flows of the Group was neither material for individual companies nor in the aggregate.

Variable Interest Entities. DaimlerChrysler applied the provisions FIN 46R to special purpose entities as of December 31, 2003, and to all other entities as of March 31, 2004. The implementation of FIN 46R resulted in the consolidation of several leasing arrangements that were off-balance in the past and qualify as special purpose entities as defined in FIN 46R. DaimlerChrysler is the primary beneficiary of those structures and, accordingly, consolidated them effective December 31, 2003. Under the leasing arrangements, variable interest entities were established which raised funds by issuing either debt or equity securities to third party investors. The variable interest entities used the debt and equity proceeds to purchase property and equipment, which is leased by the Group and used in the normal course of business. At the end of the lease term, DaimlerChrysler generally has the option to purchase the property and equipment or re-lease the property and equipment under new terms. Total assets of those consolidated entities amount to €0.5 billion and €0.7 billion and total liabilities amount to €0.7 billion and €0.8 billion as of December 31, 2005 and 2004, respectively. The cumulative effect of consolidating these special purpose entities on the Group’s consolidated statement of income in 2003 was €(30) million, net of taxes of €35 million (€(0.03) per share). The assets consist primarily of property, plant and

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

equipment that generally serves as collateral for the entities' long-term borrowings. The creditors of these entities do not have recourse to the general credit of the Group, except to the extent of guarantees provided.

In addition, DaimlerChrysler has equity or other variable interests in a number of other variable interest entities where it is not the primary beneficiary. Among these entities are Toll Collect, multi-seller bank conduits, and other variable interest entities. Note 3 provides disclosure about the Group's involvement in Toll Collect, while multi-seller bank conduits are discussed in Note 34. DaimlerChrysler's aggregate maximum exposure to loss arising from its investments in the other variable interest entities was €0.4 billion as of December 31, 2005.

3. Significant Equity Method Investments

EADS. At December 31, 2005, the European Aeronautic Defence and Space Company EADS N.V. ("EADS") was the most significant investment accounted for under the equity method. The Group's legal ownership percentage in EADS as of December 31, 2005, was 30%.

On July 7, 2004, DaimlerChrysler entered into a securities lending agreement with Deutsche Bank AG concerning 22,227,478 EADS shares (3% of the voting stock). The securities lending has several tranches with terms ranging between three and four years. As collateral, DaimlerChrysler received a lien on a securities account of equivalent value as the shares loaned by DaimlerChrysler. Because this transaction does not meet the criteria of a sale, the loaned shares continue to be carried as investments on the balance sheet and, accordingly, our proportionate share of EADS' income is still accounted at a percentage of 33%.

As of September 30, 2003, DaimlerChrysler determined that the decline in fair value below the carrying value of its investment in EADS was other than temporary. To evaluate the fair value of the investment the Group used the market price of a share of EADS common stock, multiplied by the number of shares owned. In making that determination, DaimlerChrysler considered the duration and severity of the decline and the reasons for the decline. Although EADS is involved in a variety of businesses, it is primarily an aircraft manufacturer because of its Airbus division, which manufactures commercial aircraft and represents more than 60% of EADS' revenues. As a consequence, EADS' share price declined as a result of the negative outlook for the airline industry in the aftermath of the terrorist attacks at September 11, 2001, the outbreak of the SARS disease, the war in Iraq and the decline of the U.S. dollar compared to the euro which further depressed market participants' expectations for the commercial airline industry. Consequently, DaimlerChrysler reduced the carrying value of its investment in EADS by €1.96 billion to its market value, based on the quoted market price, which approximated €3.5 billion at that time. As a result of the impairment a new cost basis was established.

DaimlerChrysler's equity in the earnings or losses of EADS was €324 million, €249 million and €(1,845) million in 2005, 2004 and 2003, respectively, including investor-level adjustments. DaimlerChrysler's equity in the earnings or losses of EADS is shown in the Group's statements of income within "Financial income (expense), net," except for the other than temporary impairment of €1,960 million in 2003, which is included in a separate caption within "financial income (expense), net."

The carrying amount of DaimlerChrysler's investment in EADS at December 31, 2005 and 2004 was €3,564 million and €3,854 million, respectively. DaimlerChrysler's share of the underlying reported net assets of EADS exceeded the carrying value of DaimlerChrysler's investment at December 31, 2005 and 2004, by €1,899 million, primarily as a result of the impairment recognized in the third quarter of 2003. The market value at December 31, 2005, of DaimlerChrysler's investment in EADS based on quoted market prices was €8,507 million.

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

The following table presents summarized U.S. GAAP financial information for EADS, which was the basis for applying the equity method in the Group's consolidated financial statements:

EADS

(in millions of €)

Income statement information¹

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues	32,542	30,977	27,650
Net income	980	753	348

Balance sheet information²

Fixed assets	32,462	29,331
Non-fixed assets	36,935	34,525
Total assets	<u>69,397</u>	<u>63,856</u>
Stockholders' equity	16,557	17,434
Minority interests	1,811	1,971
Accrued liabilities	10,825	9,299
Other liabilities	40,204	35,152
Total liabilities and stockholders' equity	<u>69,397</u>	<u>63,856</u>

¹ For the period October 1 to September 30.

² Balance sheet information as of September 30.

DaimlerChrysler is providing the following condensed consolidated financial information about EADS as of December 31, 2005 and 2004 and for the years ended December 31, 2005, 2004 and 2003 (in millions of €):

Condensed consolidated income statement information:

	<u>Year ended December 31, 2005</u>	<u>Year ended December 31, 2004</u>	<u>Year ended December 31, 2003</u>
Revenues	32,172	29,512	28,641
Cost of sales	(26,014)	(23,929)	(23,001)
Gross margin	6,158	5,583	5,640
Selling, administrative and other expenses	(2,217)	(2,181)	(2,444)
Research and development	(2,349)	(2,273)	(2,168)
Other income	243	355	217
Income before financial income	1,835	1,484	1,245
Financial result	83	(132)	(4)
Income before income taxes	1,918	1,352	1,241
Income taxes	(706)	(587)	(494)
Minority interests	(199)	(73)	(54)
Cumulative effects of changes in accounting principles	0	0	10
Net income	<u>1,013</u>	<u>692</u>	<u>703</u>

DAIMLERCHRYSLER AG AND SUBSIDIARIES
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Condensed consolidated balance sheet information:

	<u>At December 31, 2005</u>	<u>At December 31, 2004</u>
Goodwill	10,902	10,851
Other intangible assets	404	368
Property, plant and equipment, net	11,662	10,134
Investments and long-term financial assets	6,508	6,360
Equipment on operating leases, net	<u>2,080</u>	<u>2,458</u>
Fixed assets	31,556	30,171
Inventories	13,964	10,728
Trade receivables	3,866	3,564
Other receivables	6,025	10,998
Securities	1,040	466
Cash, and cash equivalents	<u>8,951</u>	<u>8,073</u>
Non-fixed assets	33,846	33,829
Deferred taxes	2,729	2,667
Prepaid expenses	846	941
Assets classified as held for sale	<u>881</u>	<u>0</u>
Total assets	<u>69,858</u>	<u>67,608</u>
Stockholders' equity	15,932	18,397
Minority interests	1,663	2,243
Accrued liabilities	11,282	9,609
Financial liabilities	6,299	6,205
Trade and other liabilities	<u>30,725</u>	<u>25,275</u>
Liabilities	37,024	31,480
Deferred taxes	2,167	4,058
Deferred income	1,728	1,821
Liabilities directly associated with assets held for sale	<u>62</u>	<u>0</u>
Total liabilities	<u>52,263</u>	<u>46,968</u>
Total liabilities and stockholders' equity	<u>69,858</u>	<u>67,608</u>

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

Condensed consolidated cash flow information:

	<u>Year ended</u> <u>December 31, 2005</u>	<u>Year ended</u> <u>December 31, 2004</u>	<u>Year ended</u> <u>December 31, 2003</u>
Net cash provided by operating activities	4,829	4,959	3,905
Purchases of non-current assets	(2,990)	(3,724)	(3,166)
Proceeds from disposal of non-current assets	489	152	301
Other	(546)	19	(373)
Net cash used for investing activities	(3,047)	(3,553)	(3,238)
Change in financial liabilities	(330)	337	1,199
Cash distribution to shareholders	(396)	(320)	(240)
Other	(193)	(102)	(40)
Net cash provided by (used for) financing activities	(919)	(85)	919
Effect of foreign exchange rate changes and other valuation adjustments on cash and cash equivalents	15	(2)	(79)
Net increase in cash and cash equivalents	878	1,319	1,507
Cash and cash equivalents:			
At beginning of year	8,073	6,754	5,247
At end of year	8,951	8,073	6,754

MMC. On April 22, 2004, the Board of Management and the Supervisory Board of DaimlerChrysler AG decided to withdraw from providing any financial support to Mitsubishi Motors Corporation (“MMC”) and not to participate in a recapitalization of MMC anticipated to occur in July 2004. At the time of this decision, DaimlerChrysler held 37% of MMC’s voting stock and was represented by 3 of the 8 (37.5%) of the members of MMC’s board of directors.

Between DaimlerChrysler’s Board vote on April 22, 2004, and the MMC shareholder meeting on June 29, 2004, MMC worked with its other significant shareholders, lenders and potential investors on a restructuring plan that included a recapitalization of MMC which was presented for vote at the June 29 shareholder meeting. DaimlerChrysler was not party to those discussions nor did DaimlerChrysler participate in any of the measures set forth in the restructuring plan; however, DaimlerChrysler’s concurrence to the measures was required as its ownership level at such time provided it with veto powers.

On June 29, 2004, the shareholders of MMC approved the restructuring plan which resulted in a new investor obtaining a 33.3% interest in MMC’s voting stock, thereby becoming MMC’s largest shareholder, and in the issuance of three classes of convertible preferred instruments to other investors and some existing MMC shareholders (not including DaimlerChrysler).

The new investor that acquired a 33.3% voting interest entered into a contractual agreement with MMC that awarded it the unilateral right to make significant operating decisions. In addition, the new shareholder acted in concert with other large institutional shareholders who together with the new shareholder own a majority of the voting stock. Accordingly, such Japanese shareholder groups who acted in concert in the recapitalization were in a position to control MMC.

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

The MMC board of directors was comprised of 12 board members in total, with DaimlerChrysler's board representation reduced to 2 board members (16.7%) which did no longer enable DaimlerChrysler to block or veto any matters coming to a vote at board level.

DaimlerChrysler's ownership interest in voting stock was diluted from 37.0% to 24.7% in the second quarter of 2004. The dilution below one-third was significant because Japanese laws require a one-third minimum quorum to afford shareholder protective rights, e.g. in cases of the dissolution of the company, the sale of all or substantial part of the business of the company, or agreements to merge with other companies. As a result, DaimlerChrysler no longer had the blocking and veto rights that DaimlerChrysler believes are essential to exercise significant influence by ownership interest. DaimlerChrysler surrendered significant rights by agreeing not to oppose the restructuring plan. Upon conversion of the mandatory convertible preferred instruments issued to other MMC investors, DaimlerChrysler's interest in MMC's voting stock would have been further diluted to below 11%.

Furthermore, all executive officers appointed by DaimlerChrysler resigned and all other DaimlerChrysler expatriates, in total more than 50 managers that were assigned to this investee, left MMC prior to June 30, 2004, and returned to DaimlerChrysler. Even prior to the June 29, 2004 shareholder meeting, an announcement was made on May 24, 2004 informing MMC employees that DaimlerChrysler's assignees had been released from their managerial responsibilities and had delegated their responsibilities to other managers, none of whom were related to DaimlerChrysler.

Based on the factors outlined above, DaimlerChrysler lost its ability to significantly influence MMC's operating and financial policies. Consequently, as of the annual shareholders' meeting of MMC on June 29, 2004, DaimlerChrysler ceased to account for its investment in MMC using the equity method and has accounted for MMC shares as a marketable security at fair value until the disposition of such shares (see Note 20).

Through June 29, 2004, the results from MMC were included in the Group's consolidated statements of income using the equity method of accounting. The Group's proportionate share in the negative results of MMC through June 29, 2004 and 2003, was €(655) million and €(281) million, respectively. The amount for 2004 includes the effects from the dilution of the Group's interest in MMC of €(135) million and related realized gains from currency hedging of the net investment of €195 million (after tax €120 million). These effects from the dilution as well as these realized gains from currency hedging are reflected in DaimlerChrysler's consolidated statement of income in the line item "financial income (expense), net".

In November 2005, DaimlerChrysler sold all of its MMC shares for €970 million in cash. Due to the gain on that sale DaimlerChrysler's financial income and net income for 2005 increased by €681 million and €502 million, respectively.

The following table presents summarized U.S. GAAP financial information for MMC, which was the basis for applying the equity method in the Group's consolidated financial statements:

MMC

(in millions of €)

Income statement information¹

	<u>2004</u>	<u>2003</u>
Revenues	9,858	27,129
Net loss	(1,730)	(759)

¹ 2004 for the period October 1, 2003 to March 31, 2004; 2003 for the period October 1, 2002 to September 30, 2003, respectively.

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Toll Collect. In 2002, our subsidiary DaimlerChrysler Financial Services AG (formerly DaimlerChrysler Services AG), Deutsche Telekom AG and Compagnie Financiere et Industrielle des Autoroutes S.A. (Cofiroute) contracted with the Federal Republic of Germany to develop and, within a joint venture company, install and operate a system for electronic collection of tolls from all commercial vehicles over 12t GVW using German highways. DaimlerChrysler Financial Services AG and Deutsche Telekom AG each hold a 45% equity interest and Cofiroute holds the remaining 10% equity interest in both the consortium (Toll Collect GbR) and the joint venture company (Toll Collect GmbH) (together “Toll Collect”). DaimlerChrysler accounts for its 45% ownership interest in Toll Collect using the equity method of accounting. The Group has a significant variable interest in Toll Collect, a variable interest entity, but determined that it is not the primary beneficiary and therefore not required to consolidate Toll Collect. In the operating agreement, each of the consortium members (including DaimlerChrysler Financial Services AG) has provided guarantees supporting the obligations of Toll Collect GmbH towards the Federal Republic of Germany. These guarantees are described in more detail below. Cofiroute’s risks and obligations are limited to €70 million. DaimlerChrysler Financial Services AG and Deutsche Telekom AG are jointly obliged to indemnify Cofiroute for amounts exceeding this limitation.

The following table presents summarized U.S. GAAP financial information for Toll Collect, which was the basis for applying the equity method in the Group’s consolidated financial statements:

Toll Collect

(in millions of €)

Income statement information for the year

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues	522	–	–
Net loss	(143)	(1,071)	(206)

Balance sheet information as of December 31

Noncurrent assets	457	458
Current assets	467	77
Total assets	924	535
Equity	(789)	(934)
Noncurrent liabilities	38	1,173
Current liabilities	1,675	296
Total liabilities and equity	<u>924</u>	<u>535</u>

During the construction period of the toll collection system, the most significant assumptions used in accounting for the investment in Toll Collect related to the launch date of the toll collection system, the estimated cost to design and construct the system, and the operation of the system.

According to the Operating Agreement, the toll collection system was to be operational no later than August 31, 2003. After a delay in the launch date of the toll collection system, which resulted in a loss of revenue for Toll Collect and in payments of contractual penalties for delays, the toll collection system was introduced on January 1, 2005, with on-board units that allowed for slightly less than full technical performance in accordance with the technical specification (phase 1). On January 1, 2006, the toll collection system was installed and started to operate with full effectiveness as specified in the Operating Agreement (phase 2). On December 20, 2005 Toll

DAIMLERCHRYSLER AG AND SUBSIDIARIES
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Collect GmbH received a preliminary operating permit as specified in the Operating Agreement. Toll Collect GmbH expects to receive a final operating permit in April 2006. Failure to obtain the final operating permit by January 1, 2007, at the latest, may lead to termination of the operating agreement by the Federal Republic of Germany.

With the successful start of phase 1, for the period beginning January 1, 2005, Toll Collect GmbH received remuneration for the infrastructure and the operation of the toll collection system from the Federal Republic of Germany. Certain immaterial penalties have been set off from the remuneration by the Federal Republic of Germany. According to the implementation agreement of April 23, 2004, the Federal Republic of Germany paid Toll Collect GmbH only 95% of the fees which would otherwise had been payable under the Operating Agreement due to the slightly reduced technical functionality during phase 1.

Failure to perform various obligations under the Operating Agreement may result in penalties, additional revenue reductions and damage claims that could become significant over time. However, penalties and revenue reductions are capped at €75 million per year until September 30, 2006, at €150 million per year thereafter until the final operating permit has been issued, and at €100 million per year following issuance of the final operating permit. These cap amounts are subject to a 3% increase for every year of operation.

During phase 1 any offsetting with claims of the Federal Republic of Germany stemming from the period before January 1, 2005, including contractual penalties and damages, was excluded. The exclusion of offsetting according to the implementation agreement does not cover damages and contractual penalties arising with the beginning of phase 1. In phase 2 there are no limitations to offsetting by the Federal Republic of Germany. In case of any offsetting Toll Collect GmbH insofar may not receive remuneration. In case of offsetting, the consortium members may be required to provide Toll Collect GmbH with sufficient liquidity.

The Operating Agreement calls for submission of all disputes related to the toll collection system to arbitration. The Federal Republic of Germany has initiated arbitration proceedings against DaimlerChrysler Financial Services AG, Deutsche Telekom AG and the consortium. According to the statement of claims received in August 2005, the Federal Republic of Germany is seeking damages, including contractual penalties and reimbursement of lost revenues that allegedly arose from delays in the operability of the toll collection system. See Note 31 for additional information.

Each of the consortium members (including DaimlerChrysler Financial Services AG) have provided guarantees supporting the obligations of Toll Collect GmbH towards the Federal Republic of Germany relating to the completion and operation of the toll collection system, which are subject to specific triggering events. In addition, DaimlerChrysler AG has guaranteed bank loans obtained by the consortium. The guarantees are described in detail below:

- *Guarantee of bank loan.* DaimlerChrysler AG issued a guarantee to third parties up to a maximum amount of €600 million, which represents a 50% share of security to bank loans obtained by the consortium.
- *Guarantee of obligations.* Towards the Federal Republic of Germany the consortium members have jointly and severally guaranteed the obligations of Toll Collect GmbH resulting from the operating agreement concerning the delivery and operation of the toll collection system. This guarantee expires one year after the successful launch of the completed toll collection system which we expect in April 2006.
- *Equity Maintenance Undertaking.* The consortium members have the obligation to contribute, on a joint and several basis, additional funds to Toll Collect GmbH as may be necessary for Toll Collect GmbH to maintain a minimum equity (based on German Commercial Code accounting principles) of 15% of total assets (so called “Equity Maintenance Undertaking”). This obligation will terminate on August 31, 2015, when the Operating Agreement expires, or earlier if the agreement is terminated. Such obligation may arise if Toll

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

Collect GmbH is subject to revenue reductions caused by underperformance, if the Federal Republic of Germany is successful in claiming lost revenues against Toll Collect GmbH for any period the system was not fully operational or if Toll Collect GmbH incurs penalties that may become payable under the above mentioned agreements. If such penalties, revenue reductions and other events reduce Toll Collect GmbH's equity to a level that is below the minimum equity percentage agreed upon, the consortium members are obligated to fund Toll Collect GmbH's operations to the extent necessary to reach the required minimum equity.

While DaimlerChrysler's maximum future obligation resulting from the guarantee of the bank loan can be determined (€600 million), the Group is unable to accurately estimate its maximum exposure to loss resulting from the guarantee of obligations and the guarantee in form of the equity maintenance undertaking due to the various uncertainties described above. Therefore, in addition to the maximum exposure from the guarantee of the bank loan and the risks already provided for under the established accruals, the Group's exceeding maximum exposure to loss could be material.

debis AirFinance. In November 1995, DaimlerChrysler assumed a 45% equity ownership interest in debis AirFinance B.V. ("dAF"), an Amsterdam registered Private Limited Liability Company that was established for purposes of leasing aircraft and related technical equipment to airlines and financial intermediaries. Several banks held the remaining ownership interests in dAF. DaimlerChrysler held significant variable interests in dAF, a variable interest entity, but determined that it was not the primary beneficiary and therefore not required to consolidate dAF. DaimlerChrysler's involvement with dAF consisted primarily of its equity interest and also subordinated loans receivable and unsecured loans provided to dAF. In the fourth quarter of 2004, DaimlerChrysler recorded impairment charges of €222 million relating to its investment which were based on estimates of the fair value of DaimlerChrysler's proportionate share of dAF's underlying equity and of the loans provided to dAF.

In June 2005, as part of the Group's ongoing strategy to focus on its core automotive business, DaimlerChrysler sold its 45% equity interest in dAF and its outstanding subordinated loans receivable and unsecured loans to dAF for €325 million in cash to Cerberus Capital Management, L.P., subject to indemnification for exposures incurred prior to the sale up to a maximum of \$30 million. The sale did not have a material impact on the Group's net income.

Prior to the sale, DaimlerChrysler accounted for its investment in dAF using the equity method of accounting.

4. Acquisitions and Dispositions

Acquisitions

MFTBC. On March 14, 2003, as part of the Group's global commercial vehicle strategy, DaimlerChrysler acquired from MMC a 43% non-controlling interest in Mitsubishi Fuso Truck and Bus Corporation ("MFTBC") for €764 million in cash plus certain direct acquisition costs. MFTBC is involved in the development, design, manufacture, assembly and sale of small, mid-size and heavy-duty trucks and buses, primarily in Japan and other Asian countries. Also, on March 14, 2003, ten Mitsubishi Group companies entered into a separate share sale and purchase agreement with MMC pursuant to which they purchased from MMC 15% of MFTBC's shares for approximately €266 million in cash. On March 18, 2004, DaimlerChrysler acquired from MMC an additional 22% interest in MFTBC for €394 million in cash, thereby reducing MMC's interest in MFTBC to a non-controlling 20%. The aggregate amount paid by DaimlerChrysler for its 65% controlling interest in MFTBC was €1,251 million, consisting of consideration paid plus direct acquisition costs in 2003 and 2004 (€770 million and €394 million, respectively), plus a re-allocation of €87 million of the initial purchase price of MMC pertaining to MFTBC and previously included in the Group's investment in MMC, which was an equity method investee of DaimlerChrysler

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when the business combination with MFTBC was consummated. DaimlerChrysler has included the consolidated results of MFTBC beginning at the consummation date in the Group's Commercial Vehicles segment. Prior to then, the Group's proportionate share of MFTBC's results was included in the Commercial Vehicles segment using the equity method of accounting (see also Note 35).

Subsequent to DaimlerChrysler's acquisition of a controlling interest in MFTBC, a number of quality problems concerning MFTBC vehicles spanning production years since July 1974 were identified. During the second and third quarters of 2004, DaimlerChrysler was able to comprehensively assess those quality issues and define necessary technical solutions and a course of action to implement them. The estimates of cost in the interim periods of 2004 were based on the status of the investigation and DaimlerChrysler's best estimate of the probable costs to be incurred to address and remedy the identified quality issues.

Of the €1.1 billion quality costs recorded in 2004 by MFTBC, (i) €0.1 billion was recognized in "Financial income (expense), net" in the statement of income representing DaimlerChrysler's proportionate share of the results of MFTBC, which was included on a one month lag relating to amounts attributed to refinements to estimates that were made before MFTBC was fully consolidated, (ii) €0.7 billion to cost of sales representing the sum of the 43% attributed to the March 2003 investment (for which the purchase price allocation period was closed) and the 35% of the costs attributed to minority shareholders of MFTBC; (iii) €0.2 billion to goodwill attributed to the 22% interest acquired in 2004; and (iv) €0.1 billion to deferred tax assets.

DaimlerChrysler assigned €95 million of the aggregate preliminary purchase price to registered trademarks that are not subject to amortization, €81 million to technology with a useful life of 10 years, €49 million to other identifiable intangible assets and €14 million to acquired in-process R&D that was expensed in the periods the investments were made. In addition, DaimlerChrysler assigned €6,206 million to tangible assets acquired and €5,469 million to liabilities assumed. The remaining €275 million was allocated to goodwill of the Commercial Vehicles segment and is not expected to be deductible for tax purposes.

During the first quarter of 2005, MFTBC finished investigating the product quality reports and finalized its conclusions about the issues that required action. The level of information reached during this process enabled DaimlerChrysler to refine its estimate of the probable cost and an additional amount of €5 million was recorded in the first quarter of 2005. MFTBC expects to be able to complete the majority of the field campaigns by the end of the first quarter of 2006.

Under the two share purchase agreements under which DaimlerChrysler acquired 43% and 22%, respectively, of MFTBC shares, DaimlerChrysler had the right to a price adjustment if the warranty reserve recorded on the books of MFTBC proved to be inadequate. Negotiations with MMC resulted in a settlement agreement on March 4, 2005, in which the parties agreed on such a price adjustment. Under the terms of the settlement agreement, DaimlerChrysler received (i) MMC's remaining 20% stake in MFTBC, (ii) a cash payment of €72 million, (iii) promissory notes having an aggregate face value of €143 million, payable in four equal installments over the next four years and (iv) certain other assets and rights pertaining to the distribution of MFTBC products in one Asian market. The parties also clarified the terms of their cooperation under other, ongoing agreements. The fair value assigned to the consideration received from MMC was €0.5 billion and has been allocated to income and goodwill consistent with DaimlerChrysler's accounting for the quality issues subsequent to the business combination. Accordingly, €0.3 billion was recognized as a reduction of cost of sales in the first quarter of 2005 based on DaimlerChrysler's proportionate after-tax loss recorded in the second and third quarter of 2004 relating to quality measures and €0.2 billion was recognized as reduction of goodwill.

As a result of the settlement with MMC, DaimlerChrysler's controlling interest in MFTBC increased from 65% to 85% and the aggregate purchase price after giving effect to the price reduction was €1,014 million. As of

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June 30, 2005, goodwill of €53 million related to final purchase price allocation of MFTBC was allocated to the Commercial Vehicles segment. The goodwill is not expected to be deductible for tax purposes.

Dispositions

Off-Highway business. In September 2005, DaimlerChrysler acquired the 11.65% interest in MTU Friedrichshafen GmbH (“MTU-F”) held by minority shareholders for €171 million in cash, including direct transaction costs. DaimlerChrysler has subsequently owned 100% of the MTU-F shares. As a result of this transaction, DaimlerChrysler recorded a preliminary goodwill of €134 million that was allocated to goodwill of the Other Activities segment.

On December 27, 2005, as part of the Group’s ongoing strategy to focus on its core automotive business, DaimlerChrysler entered into a share sale and purchase agreement with the Swedish investor group EQT regarding the sale of a major portion of its Off-Highway Business Unit, including the MTU-F Group and the Off-Highway activities of Detroit Diesel Corporation. The sale price, which still has to be determined finally, is based on an enterprise value of €1,600 million which is subject to adjustments for cash, debts, pensions and a standardized net working capital.

The closing of the transaction, which is expected to occur in the first quarter of 2006, is subject to certain closing conditions, e.g. approval of the relevant anti-trust authorities. Furthermore, the transaction has to be submitted for review by the Federal Ministry of Economics and Technology under the German Foreign Trade and Payments Act (see Note 10 for presentation).

ALF. In the third quarter of 2005, as part of the Group’s ongoing strategy to focus on its core automotive business, Freightliner, a wholly-owned U.S. subsidiary of DaimlerChrysler, entered into an agreement to sell major parts of its subsidiary American LaFrance (“ALF”), a fire-truck manufacturer, to an U.S. investment company. The sale was closed in the fourth quarter of 2005. Prior to the sale and based upon the agreed purchase price, Freightliner recorded asset impairment charges in 2005 of €87 million, related to the write-down of inventories and certain long-lived assets, which are reflected in cost of sales and other operating expenses of the Commercial Vehicles segment.

Hyundai. In May 2004, as part of the realignment of its strategic alliance with Hyundai Motor Company (“HMC”), DaimlerChrysler terminated discussions with HMC regarding the formation of a commercial vehicles joint venture. Also in May 2004, DaimlerChrysler sold its non-controlling 50% interest in DaimlerHyundai Truck Corporation (“DHTC”) to HMC for a total pretax gain of €60 million (€27 million was recognized in other income and €33 million is recognized in financial income (expense), net), which is attributed to the Commercial Vehicles segment. In August 2004, as part of the realignment of its strategic alliance with HMC, DaimlerChrysler sold its 10.5% stake in HMC for €737 million in cash, resulting in a pretax gain of €252 million that is included in financial income (expense), net.

MTU Aero Engines. On December 31, 2003, as part of the Group’s ongoing strategy to focus on its core automotive business, DaimlerChrysler sold its 100% equity interest in MTU Aero Engines GmbH (“MTU Aero Engines”) to Kohlberg, Kravis Roberts & Co. Ltd. (“KKR”), an investment company. The sales price for the operative business of MTU Aero Engines amounted to €1,450 million. Excluding cash, cash equivalents and debts, which remain at MTU Aero Engines, the net sales price amounted to €1,052 million. Consideration received by DaimlerChrysler included a note receivable from KKR and cash of €877 million. As a result of this transaction, DaimlerChrysler paid a compensation of \$250 million to United Technologies Corporation, the parent company of Pratt & Whitney, in January 2004. In 2003, DaimlerChrysler realized a gain of €882 million from this sale, net of taxes of €149 million. The operating results and cash flows from MTU Aero Engines’ business are included in

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DaimlerChrysler's consolidated financial statements through December 31, 2003. However the operating results and gain are presented as discontinued operations in accordance with SFAS 144 (see Note 10).

Other dispositions. In November 2003, as part of the Group's ongoing strategy to focus on its core automotive business, DaimlerChrysler sold a 60% interest in Mercedes-Benz Lenkungen GmbH, its 100% interest in Mercedes-Benz Lenkungen U.S. LLC and its 100% interest in the steering activities of DaimlerChrysler do Brasil Ltda. to ThyssenKrupp Automotive AG ("ThyssenKrupp") for €42 million in cash. DaimlerChrysler's remaining 40% interest in Mercedes-Benz Lenkungen GmbH was subject to put and call options held by DaimlerChrysler and ThyssenKrupp, respectively, of approximately €28 million. The sales resulted in an aggregate pretax gain of €11 million in 2003, which is included in other income of the Commercial Vehicles segment. DaimlerChrysler's remaining 40% interest in Mercedes-Benz Lenkungen GmbH was accounted for using the equity method. In November 2005, the Group exercised its Put Option to sell its remaining 40%-stake in ThyssenKrupp Presta SteerTec (formerly: Mercedes-Benz Lenkungen GmbH) to ThyssenKrupp for a purchase price of €28 million.

In September 2003, as part of the Group's ongoing strategy to focus on its core automotive business, DaimlerChrysler sold its 50% interest in CTS Fahrzeug-Dachsysteme GmbH to Porsche AG for €55 million in cash, resulting in a pretax gain of €50 million which is included in financial income (expense), net, of the Mercedes Car Group segment. Prior to the sale, DaimlerChrysler accounted for CTS Fahrzeug-Dachsysteme GmbH using the cost method.

Notes to Consolidated Statements of Income

5. Functional Costs and Other Expenses

Selling, administrative and other expenses are comprised of the following:

(in millions of €)	Year ended December 31,		
	2005	2004	2003
Selling expenses	11,960	11,403	11,763
Administration expenses	6,092	6,008	5,351
Other expenses	932	561	658
	18,984	17,972	17,772

In 2005, selling expenses include advertising costs of €2,512 million (2004: €2,748 million, 2003: €2,965 million).

Headcount reduction initiative at Mercedes Car Group. In September 2005, DaimlerChrysler initiated a program to enhance the competitiveness of the Mercedes Car Group. The program is expected to reduce headcount by 8,500 employees in Germany, primarily through voluntary termination contracts. The initiative is expected to be finalized during the second half of 2006. The individual benefits are based on age, salary levels and past service.

As of December 31, 2005, approximately 5,000 employees have signed severance contracts. For the contracts signed prior to December 31, 2005, expenditures of €670 million will be incurred; €570 million were recorded in income for 2005, primarily within cost of sales. An amount of €100 million is available under the terms of a deferred compensation fund set up under the Compensation Framework Agreement (ERA), a collective bargaining agreement in Germany. Under this agreement, DaimlerChrysler had to recognize a liability in prior years for ERA as a portion of the compensation increase in these years was to be unconditionally paid to employees at a later date. In an agreement with the worker's council of DaimlerChrysler, it was determined that the fund should be used for purposes such as termination and early retirement benefits with any unused balance distributed to employees otherwise. In 2005, €70 million were paid and €600 million remain within other liabilities at December 31, 2005.

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smart realignment. Based on the unit sales development of the smart roadster and the smart forfour and the downward revisions to forecasted sales targets, DaimlerChrysler reduced its production and notified suppliers about declining production at the beginning of 2005. These developments resulted in increased operating and cash flow losses and an expectation that losses would continue in future periods. Therefore, DaimlerChrysler evaluated the recoverability of the carrying amount of the long-lived assets that generate cash flows largely independent of other assets and liabilities of the Group. The smart roadster had been assembled in a plant in France until the decision to cease production, whereas the asset group related to the smart forfour consists of owned real estate and equipment of a Dutch plant as well as leased equipment located with suppliers, but carried on DaimlerChrysler's balance sheet. As a result of the impairment tests, DaimlerChrysler recognized charges of €444 million in 2005 in "cost of sales" representing the excess of the carrying amount of these long-lived assets over their fair value. After the impairment charge, the remaining carrying amount of the assets represented the estimated fair value of land and buildings and other assets.

As a result of the deterioration of operations in the first quarter of 2005, DaimlerChrysler decided to cease production of the smart roadster by the end of 2005 and provide incentives to dealers related to those vehicles. Thus, also included as a reduction of revenue or in "cost of sales" during 2005 were €140 million, to recognize the effects of inventory write-downs, higher incentives and lower residual values of vehicles.

Further costs related to the realignment of smart during 2005, amounting to €301 million, arose primarily from supplier claims which resulted from the discontinuation of the smart roadster and the reduction of the production volume for the smart forfour. Estimated payments to the dealer network are also included. These charges were recognized in "cost of sales" and in "selling expenses".

In connection with the activities related to the smart business unit, DaimlerChrysler also decided in 2005 not to proceed with the development of the smart SUV that was scheduled to be introduced in 2006. As a result of the decision to abandon the smart SUV, tooling and equipment located in the designated assembly plant in Brazil and equipment still under construction with suppliers for which firm purchase orders were in place, €61 million were written off in 2005 by a charge to "other expenses" to the extent those assets could not be redeployed for other purposes. Charges of €104 million were recognized during 2005 related to the liabilities arising from the cancellation of supply contracts and were recognized as "other expenses".

In addition, plans to reduce workforce at the locations in Böblingen (Germany) and Hambach (France) were approved in 2005. According to those plans, by December 31, 2005, 185 employees have been transferred to other Group operations and continue to provide services there while 236 German employees had accepted termination benefits in accordance with the terms of a collective bargaining agreement consisting of cash severance, continued pay for a period after the end of service and job placement assistance; the employee services ended with the acceptance of the termination benefits. Therefore, charges for employee termination benefits of €24 million are included in 2005. In addition, charges for consulting services have been recorded totaling to €7 million in 2005.

A goodwill impairment charge of €30 million was recognized in 2005 (see Note 12).

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All charges related to the realignment of smart, amounting to €1,111 million, relate to the Mercedes Car Group segment. The development of balances accrued in 2005, which lead to payments in subsequent periods, is summarized as follows:

(in millions of €)	Workforce reduction	Other costs	Total
Balance at January 1, 2005	—	—	—
Net charges	24	552	576
Payments	<u>(16)</u>	<u>(443)</u>	<u>(459)</u>
Balance at December 31, 2005	<u>8</u>	<u>109</u>	<u>117</u>

The Mercedes Car Group expects the remaining balance of €117 million to be paid in 2006.

Others. In 2003, DaimlerChrysler recognized an impairment charge amounting to €77 million related to certain long-lived assets (primarily property, plant and equipment) at a production facility in Brazil. The charge is included in cost of sales of the Mercedes Car Group segment.

As discussed in Note 7, the DaimlerChrysler Supervisory Board approved a multi-year turnaround plan for the Chrysler Group in February 2001. The related charges are presented as a separate line item on the accompanying consolidated statements of income (loss) and are not reflected in cost of sales or selling, administrative and other expenses.

Personnel expenses and number of employees. Personnel expenses included in the statement of income are comprised of:

(in millions of €)	Year ended December 31,		
	2005	2004	2003
Wages and salaries	19,750	18,750	18,897
Social security and payroll costs	3,371	3,294	3,178
Net pension cost (see Note 25a)	1,131	948	837
Net postretirement benefit cost (see Note 25a)	1,331	1,173	1,290
Other expenses for pensions and retirements	148	51	85
	<u>25,731</u>	<u>24,216</u>	<u>24,287</u>

Number of employees (annual average):

	2005	2004	2003
Hourly employees	232,836	229,763	226,989
Salaried employees	139,220	134,949	129,656
Trainees/apprentices	14,409	14,307	14,039
	<u>386,465</u>	<u>379,019</u>	<u>370,684</u>

Information on the remuneration to the current and former members of the Board of Management and to the current members of the Supervisory Board is included in Note 38.

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6. Other Income

Other income consists of the following:

(in millions of €)	Year ended December 31,		
	2005	2004	2003
Gains on sales of property, plant and equipment	351	94	58
Rental income, other than relating to financial services	101	100	110
Gains on sales of companies	64	128	11
Reimbursement of contract costs	—	—	17
Government subsidies	33	30	63
Other miscellaneous items	417	543	430
	966	895	689

Other miscellaneous items consist of reimbursements under insurance policies, income from licenses, reimbursements of certain non-income related taxes and customs duties, income from various employee canteens and other miscellaneous items.

Gains on sales of property, plant and equipment for the year ended December 31, 2005, include a €240 million gain on the sale of the Chrysler Group's Arizona Proving Grounds vehicle testing facility.

Due to the repurchase of a note by its issuer, a gain of €53 million was realized in 2005 and is included in gains of sales on property, plant and equipment. The note was issued by MTU Aero Engines Holding AG to DaimlerChrysler in the context of the sale of MTU Aero Engines GmbH in 2003.

As result of the settlement agreement in connection with the sale of DaimlerChrysler Rail Systems GmbH (Adtranz) in 2004, a gain of €120 million which had been deferred since 2001 was realized as other income.

7. Turnaround Plan for the Chrysler Group

In 2001, the Supervisory Board of DaimlerChrysler AG approved a multi-year turnaround plan for the Chrysler Group. Key initiatives for the multi-year turnaround plan included a workforce reduction and an elimination of excess capacity.

The net gains recorded for the plan in 2005 were €36 million (€23 million net of taxes) and are presented as a separate line item on the accompanying consolidated statements of income (€34 million and €2 million would have otherwise been reflected in cost of sales and selling, administrative and other expenses, respectively). These adjustments were due to modifications of estimates related to workforce reductions and facility closures in 2005 and prior years.

The net charges recorded for the plan in 2004 were €145 million (€89 million net of taxes) and are presented as a separate line item on the accompanying consolidated statements of income (€139 million and €6 million would have otherwise been reflected in cost of sales and selling, administrative and other expenses, respectively). These adjustments were due to modifications of estimates related to workforce reductions and facility closures in 2004 and prior years.

The net charges recorded for the plan in 2003 were €469 million (€288 million net of taxes) and are presented as a separate line item on the accompanying consolidated statements of income (loss) (€462 million and €7 million would have otherwise been reflected in cost of sales and selling, administrative and other expenses, respectively). These adjustments were associated with the planned closing, significant downsizing and sale of

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certain manufacturing facilities between 2003 and 2005. The adjustments were also the result of modifications to previous estimates due to actual settlements or additional available information.

Workforce reduction charges in 2005, 2004 and 2003 were €(15) million, €154 million and €209 million respectively. The charges for the voluntary early retirement programs, accepted by 223, 503 and 1,827 employees in 2005, 2004 and 2003, respectively, were formula driven based on salary levels, age and past service. Additionally, 618, 5,417 and 1,355 employees were involuntarily affected by the plan in 2005, 2004 and 2003, respectively. The amount of involuntary severance benefits paid and charged against the liability were €30 million, €51 million and €20 million in 2005, 2004 and 2003, respectively.

The Chrysler Group recorded impairment charges of €(3) million, €43 million and €249 million in 2005, 2004 and 2003, respectively. The 2005 impairment charges represent an adjustment to prior estimates related to facility closures. The 2004 and 2003 impairment charges represent the amount by which the carrying values of the property, plant, equipment and tooling exceeded their respective fair market values.

In addition, accruals for other costs related to divestiture and closure actions included net charges and adjustments of €(18) million, €(52) million and €11 million during the years ended December 31, 2005, 2004 and 2003, respectively.

During the years ended December 31, 2005, 2004 and 2003, the Chrysler Group made cash payments of €92 million, €219 million and €279 million, respectively, for charges previously recorded.

The Chrysler Group expects to make additional cash payments of approximately \$58 million in 2006 for the previously recorded charges. The Chrysler Group may recognize additional adjustments to the turnaround plan charges in 2006 primarily relating to the closure or sale of selected operations.

As of December 31, 2005, 2004 and 2003, the Chrysler Group had workforce reduction reserves of €102 million, €160 million and €198 million, respectively. In addition, reserves for other costs were €18 million, €60 million and €148 million as of December 31, 2005, 2004 and 2003, respectively.

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8. Financial Income (Expense), net

(in millions of €)	Year ended December 31,		
	2005	2004	2003
Income from investments of which from affiliated companies €28 (2004: €36; 2003: €37)	55	86	37
Gains, net from disposals of investments and shares in affiliated and associated companies	732	291	44
Gain (loss) from the dilution of shares in affiliated companies and investments accounted for under the equity method	—	(135)	24
Impairment of investment in EADS (Note 3)	—	—	(1,960)
Write-down of investments and shares in affiliated companies	(31)	(50)	(44)
Gain (loss) from companies included at equity	103	(798)	(538)
Income (loss) from investments, net	859	(606)	(2,437)
Other interest and similar income of which from affiliated companies €33 (2004: €5; 2003: €20)	539	490	521
Interest and similar expenses of which from affiliated companies €26 (2004: €32; 2003: €16)	(1,112)	(790)	(911)
Interest expense, net	(573)	(300)	(390)
Income (loss) from securities and long-term receivables of which from affiliated companies €2 (2004: €2; 2003: €1)	200	18	(15)
Write-down of securities and long-term receivables	(5)	(122)	(19)
Other, net	(264)	(67)	69
Other financial income (loss), net	(69)	(171)	35
	217	(1,077)	(2,792)

In 2005, DaimlerChrysler sold all of its MMC shares. The gain on that sale amounted to €681 million and is included in “Gains, net from disposals of investments and shares in affiliated and associated companies”.

In 2004, the dilution of DaimlerChrysler’s interest in MMC resulted in a loss of €135 million which is reflected in “Gain (loss) from the dilution of shares in affiliated companies and investments accounted for under the equity method”. Realized gains from DaimlerChrysler’s currency hedging of the net investment in MMC of €195 million are included in “Loss from companies included at equity”.

In 2003, MTU-F created a new company, MTU CFC Solutions GmbH (“MTU CFC”), and contributed all of its fuel cell activities into a new company for 100% ownership interest. Also in 2003, MTU CFC issued new shares to RWE Fuel Cells GmbH for a capital contribution. MTU-F did not participate in this increase in share capital causing the ownership interest of MTU-F in MTU CFC to dilute to 74.9%. As a result of this transaction, DaimlerChrysler realized a gain of €24 million, which is included in “gain (loss) from the dilution of shares in affiliated companies and investments accounted for under the equity method”.

The Group capitalized interest expenses related to qualifying construction projects of €73 million (2004: €70 million; 2003: €100 million).

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9. Income Taxes

Income before income taxes consists of the following:

(in millions of €)	Year ended December 31,		
	2005	2004	2003
Germany	(103)	448	(736)
Non-German countries	3,541	3,087	1,332
	3,438	3,535	596

The income (loss) in Germany includes the income (loss) from companies included at equity if the shares of those companies are held by German companies. In 2003, the write-down of the investment in EADS of €1,960 million is also included.

Income tax expense is comprised of the following components:

(in millions of €)	Year ended December 31,		
	2005	2004	2003
Current taxes			
Germany	3	847	766
Non-German countries	1,319	923	(432)
Deferred taxes			
Germany	(309)	(502)	172
Non-German countries	(500)	(91)	473
	513	1,177	979

For German companies, the deferred taxes at December 31, 2005 were calculated using a federal corporate tax rate of 25% (2004 and 2003: 25%). Deferred taxes were also calculated with a solidarity surcharge of 5.5% for each year on federal corporate taxes plus the after federal tax benefit rate for trade tax of 12.125% for each year. Therefore, the tax rate applied to German deferred taxes amounted to 38.5% (2004 and 2003: 38.5%). For non-German companies, the deferred taxes at period-end were calculated using the enacted tax rates.

In 2004, the U.S. government enacted the American Jobs Creation Act of 2004 (“Act”), that provides for a special one-time tax deduction of 85% of certain earnings of non-U.S. subsidiaries that are repatriated to the U.S., provided certain criteria are met. DaimlerChrysler North America Holding Corporation, a wholly-owned U.S. subsidiary of DaimlerChrysler, completed in 2005 its evaluation of the Act. In 2005, DaimlerChrysler repatriated \$2.7 billion of dividends to the U.S., leading to an income tax expense of €66 million. In the reconciliation of expected income tax expense to actual income tax expense the expense is included in the line “foreign tax rate differential”.

In 2003, the German government enacted new tax legislation which, among other changes, provides that, beginning January 1, 2004, 5% of dividends received from German companies and 5% from certain gains from the sale of shares in affiliated and unaffiliated companies are no longer tax-free while losses from the sale of shares in affiliated and unaffiliated companies continue to be non-deductible. The change in tax legislation resulted in a deferred tax expense due to the deferred tax liabilities on the unrealized gains. The effect of the increase in the deferred tax liabilities of the Group’s German companies was recognized in the year of enactment and as a result, a deferred tax expense of €64 million was included in the consolidated statement of income (loss) in 2003.

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A reconciliation of expected income tax expense to actual income tax expense determined using the applicable German corporate tax rate for the calendar year of 25% (2004: 25%; 2003: 26.5%) plus a solidarity surcharge of 5.5% on federal corporate taxes payable plus the after federal tax benefit rate for trade taxes of 12.125% (2004: 12.125%; 2003: 11.842%) for a combined statutory rate of 38.5% in 2005 (2004: 38.5%; 2003: 39.8%) is included in the following table. In 2003, for the purpose of financing the flood disaster in Germany and effective only for the calendar year 2003, the increased federal corporate tax rate of 26.5% instead of 25% was used for calculating the current taxes in Germany.

(in millions of €)	Year ended December 31,		
	2005	2004	2003
Expected expense for income taxes	1,324	1,361	237
Foreign tax rate differential	(544)	(357)	(489)
Trade tax rate differential	(50)	(43)	(37)
Non-deductible impairment of investment in EADS	–	–	780
Tax effect of equity method investments	(15)	291	159
Tax-free income and non-deductible expenses	(194)	(88)	269
Effect of changes in German tax laws	–	–	64
Other	(8)	13	(4)
Actual expense for income taxes	513	1,177	979

In 2005, tax free income at foreign companies arose relating to the compensation for MFTBC, the sale of other securities and in connection with the net periodic postretirement benefit costs. The reduction of the calculated expected tax expenses on those issues is included in the line “foreign tax rate differential”. Moreover, the line “foreign tax rate differential” includes all other reconciling items between expected and actual expense for income taxes at foreign companies.

In 2005, DaimlerChrysler sold all of its MMC shares. The realized gain – with the exception of the net gains from hedging the Group’s net investment in MMC – was tax-free. The expected tax expense on the tax free gain was reversed in the line “tax free income and non-deductible expenses” with an amount of €82 million. In 2004, the non tax-deductible loss of MMC resulting from accounting under the equity method and from the dilution of DaimlerChrysler’s interest in MMC affected the line “tax effect of equity method investments” negatively by €298 million due to the missing tax benefit.

In 2004, Daimler Chrysler sold its investment in HMC and realized a tax free gain of €252 million. This led to a positive reconciling item of €97 million in the line “tax free income and non-deductible expenses”.

Tax free gains included in net periodic pension costs at the German companies also reduced the expected tax expense. Moreover, the line “tax-free income and non-deductible expenses” includes all other effects at German companies due to tax free income and non-deductible expenses.

The Group has various open income tax years unresolved with the taxing authorities in various jurisdictions. The open years are either currently under review by certain taxing authorities or not yet under examination. In 2003, the line “foreign tax rate differential” above included a tax benefit and related interest of €571 million which resulted in connection with agreements reached with the U.S. tax authorities on a claim pertaining to additional research and development credits for tax years 1986 through 1998. In 2003, the line “tax free income and non-deductible expenses” included a tax expense and related interest of €318 million pertaining primarily to tax costs associated with developments resulting from the examination by the German tax authorities of the Group’s German tax returns for the years 1994 to 1998.

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

Deferred income tax assets and liabilities are summarized as follows:

(in millions of €)	At December 31,	
	2005	2004
Intangible assets	401	55
Property, plant and equipment	520	699
Investments and long-term financial assets	3,135	2,678
Equipment on operating leases	727	651
Inventories	752	675
Receivables	749	834
Net operating loss and tax credit carryforwards	1,854	2,814
Pension plans and similar obligations	5,125	4,315
Other accrued liabilities	6,477	5,515
Liabilities	2,516	3,000
Deferred income	1,670	1,371
Other	111	95
	24,037	22,702
Valuation allowances	(640)	(573)
Deferred tax assets	23,397	22,129
Intangible assets	(932)	(852)
Property, plant and equipment	(3,987)	(3,798)
Equipment on operating leases	(7,125)	(6,699)
Receivables	(3,482)	(4,540)
Prepaid expenses	(360)	(370)
Pension plans and similar obligations	(2,479)	(2,096)
Other accrued liabilities	(311)	(148)
Taxes on undistributed earnings of non-German subsidiaries	(261)	(307)
Liabilities	(1,010)	(1,012)
Other	(404)	(406)
Deferred tax liabilities	(20,351)	(20,228)
Deferred tax assets (liabilities), net	3,046	1,901

At December 31, 2005, the Group had corporate tax net operating losses (“NOLs”) amounting to €1,528 million (2004: €1,705 million), trade tax NOLs amounting to €129 million (2004: €81 million) and tax credit carryforwards amounting to €868 million (2004: €1,640 million). The corporate tax NOLs mainly relate to losses of foreign companies and are partly limited in their use to the Group. Of the total amount of corporate tax NOLs at December 31, 2005, €25 million expire at various dates from 2006 through 2009, €704 million in 2010, €275 million expire at various dates from 2018 through 2025 and €524 million can be carried forward indefinitely. The tax credit carryforwards mainly relate to U.S. companies and are partly limited in their use to the Group. Of the total amount of credit carryforwards at December 31, 2005, €107 million expire from 2010 through 2015, €181 million expire from 2023 through 2025 and €580 million can be carried forward indefinitely. The trade tax NOLs are not limited in their use. The companies of the Off-Highway Business unit, which are shown as held for sale, are included at December 31, 2005 in the corporate and trade tax NOLs with €21 million each.

The valuation allowances, which relate to deferred tax assets of foreign companies that DaimlerChrysler believes will more likely than not expire without benefit increased by €67 million from December 31, 2004 to

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Notes to Consolidated Financial Statements – (Continued)

December 31, 2005. In future periods DaimlerChrysler's estimate of the amount of the deferred tax assets considered realizable may change, and hence the valuation allowances may increase or decrease.

Net deferred income tax assets and liabilities in the consolidated balance sheets are as follows:

(in millions of €)	At December 31, 2005		At December 31, 2004	
	Total	thereof non-current	Total	thereof non-current
Deferred tax assets	7,249	2,880	4,213	1,944
Deferred tax liabilities	(4,203)	(4,099)	(2,312)	(2,222)
Deferred tax assets (liabilities), net	3,046	(1,219)	1,901	(278)

DaimlerChrysler recorded deferred tax liabilities for non-German withholding taxes of €188 million (2004: €222 million) on €3,764 million (2004: €4,434 million) in cumulative undistributed earnings of non-German subsidiaries and additional German tax of €73 million (2004: €85 million) on the future payout of these foreign dividends to Germany because as of today, the earnings are not intended to be permanently reinvested in those operations.

The Group did not provide income taxes or non-German withholding taxes on €13,831 million (2004: €9,626 million) in cumulative earnings of non-German subsidiaries because the earnings are intended to be indefinitely reinvested in those operations. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

Including the items charged or credited directly to related components of stockholders' equity and the expense (benefit) of discontinued operations and from changes in accounting principles, the expense (benefit) for income taxes consists of the following:

(in millions of €)	Year ended December 31,		
	2005	2004	2003
Expense for income taxes of continuing operations	513	1,177	979
Expense for income taxes of discontinued operations	—	—	202
Income tax benefit from changes in accounting principles	(3)	—	(35)
Stockholders' equity for items in accumulated other comprehensive loss	(1,065)	(754)	1,055
Stockholders' equity for U.S. employee stock option expense in excess of amounts recognized for financial purposes	—	(9)	—
	(555)	414	2,201

In 2004 and 2003, tax benefits of €2 million and €105 million from the reversal of deferred tax asset valuation allowances at subsidiaries of MMC were recorded as a reduction of the investor level goodwill relating to the Group's investment in MMC.

10. Disposal Group Off-Highway, Assets and Liabilities Held for Sale and Discontinued Operations

Disposal Group Off-Highway, Assets and Liabilities Held for Sale. On December 27, 2005, DaimlerChrysler entered into a share sale and purchase agreement regarding the sale of a major portion of its Off-Highway Business Unit. The closing is expected to occur in the first quarter of 2006 (see Note 4). As a result of

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Notes to Consolidated Financial Statements – (Continued)

DaimlerChrysler's significant anticipated continuing sales of products to the Off-Highway business which are expected to continue beyond one year after disposal, the operations of the Off-Highway business have not been presented as discontinued operations in DaimlerChrysler's consolidated income statements.

However, the assets and the liabilities of the Off-Highway business that are part of the transaction have each been aggregated and presented in separate lines on the consolidated balance sheet.

The assets held for sale and liabilities held for sale are shown on a consolidated basis and are comprised of the following:

(in millions of €)	At December 31, 2005
Assets held for sale	
Intangible assets	20
Goodwill	309
Property, plant and equipment	212
Investments and long-term financial assets	80
Inventories	395
Receivables and other assets	316
Other	42
	1,374
Liabilities held for sale	
Minority interests	4
Accrued liabilities	603
Liabilities	157
Other	7
	771

Discontinued Operations. The results of MTU Aero Engines and the gain on sale are reported as discontinued operations. However, for segment reporting purposes, the revenues and operating profit of MTU Aero Engines are included in the Other Activities segment revenues and operating profit in 2003 (see Notes 4 and 35).

The operating results of the discontinued operations were as follows in 2003:

(in millions of €)	Year ended December 31, 2003
Revenues	1,933
Income before income taxes	67
Income taxes	(53)
Earnings from discontinued operations	14

11. Cumulative Effects of Changes in Accounting Principles

Conditional Asset Retirement Obligation. As of December 31, 2005, DaimlerChrysler adopted the provisions of FIN 47, "Accounting for Conditional Asset Retirement Obligations – an interpretation of FASB Statement No. 143" pertaining to the accounting for legal asset retirement obligations whose timing or method of

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Notes to Consolidated Financial Statements – (Continued)

settlement is conditional on a future event. For existing conditional asset retirement obligations whose fair value could be reasonably determined, DaimlerChrysler recognized the liability and related additional long-lived asset and adjusted the liability and the asset, respectively, for cumulative accretion and accumulated depreciation to the date of adoption. The cumulative effect of adopting FIN 47 was a reduction of net income of €5 million, net of taxes of €3 million (€0.00 per share), recognized separately in the consolidated statement of income in 2005.

Variable Interest Entities. DaimlerChrysler adopted the provisions of FIN 46R pertaining to the consolidation of variable interest entities that are special purpose entities as of December 31, 2003, and to all other entities as of March 31, 2004 (see Note 2). The cumulative effect of adopting FIN 46R was a reduction of net income of €30 million, net of taxes of €35 million (€0.03 per share), recognized in the consolidated statement of income in 2003.

Notes to Consolidated Balance Sheets

12. Goodwill

Information with respect to changes in the Group's goodwill is presented in the Consolidated Fixed Asset Schedule included herein.

The carrying amount of goodwill as of December 31, 2005, compared to the previous year, decreased by €122 million. This decrease relates to goodwill of €309 million attributable to the business unit Off-Highway and is included in the separate line item "assets held for sale" as of December 31, 2005 (see Note 10). Additions to goodwill of €134 million from the acquisition of the minority interests in MTU-F in 2005 form part of that goodwill (see Note 4). Furthermore, the goodwill of MFTBC was reduced by €200 million (see Note 4). Currency translation effects of €232 million led to an increase of goodwill.

At December 31, 2005 and 2004, the carrying value of goodwill allocated to the Group's reporting segments are (excluding investor level goodwill of €55 million and €51 million, respectively):

(in millions of €)	Mercedes Car Group	Chrysler Group	Commercial Vehicles	Financial Services	Other Activities	total
2005	199	1,035	547	63	37	1,881
2004	177	898	670	62	196	2,003

The company conducts a goodwill impairment test at least annually to identify potential goodwill impairment. In this regard, the company compares the fair value of a reporting unit with its carrying amount, including goodwill allocated to the respective reporting unit. The fair values of the reporting units are calculated using discounted future cash flows. If the carrying amount of a reporting unit exceeds its fair value, a second step of the goodwill impairment test is performed to measure the amount of goodwill impairment loss. As a result of the 2005 goodwill impairment test, a goodwill impairment charge at smart of €30 million was recognized.

13. Other Intangible Assets

Information with respect to changes in the Group's other intangible assets is presented in the Consolidated Fixed Asset Schedule included herein.

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

Other intangible assets comprise:

(in millions of €)	At December 31,	
	2005	2004
Other intangible assets subject to amortization		
Gross carrying amount	1,628	1,309
Accumulated amortization	(941)	(806)
Net carrying amount	687	503
Other intangible assets not subject to amortization	2,504	2,168
	3,191	2,671

DaimlerChrysler's other intangible assets subject to amortization represent concessions, industrial property rights and similar rights (€298 million) as well as software developed or obtained for internal use (€342 million). The additions in 2005 of €244 million (2004: €215 million) with a weighted average useful life of 6 years primarily include software developed or obtained for internal use. The aggregate amortization expense for the years ended December 2005, 2004 and 2003, was €201 million, €169 million and €178 million, respectively.

Estimated aggregate amortization expense for other intangible assets for the next five years is:

(in millions of €)	2006	2007	2008	2009	2010
Amortization expense	213	136	109	54	40

Other intangible assets not subject to amortization represent primarily intangible pension assets.

14. Property, Plant and Equipment, net

Information with respect to changes in the Group's property, plant and equipment is presented in the Consolidated Fixed Assets Schedule included herein.

Property, plant and equipment includes buildings, technical equipment and other equipment capitalized under capital lease agreements of €262 million (2004: €245 million). Depreciation expense and impairment charges on assets under capital lease arrangements were €47 million (2004: €34 million; 2003: €19 million).

Future minimum lease payments due for property, plant and equipment under capital leases at December 31, 2005 amounted to €472 million and are due as follows:

(in millions of €)	2006	2007	2008	2009	2010	there- after
Future minimum lease payments	75	72	53	33	30	209

The reconciliation of future minimum lease payments from capital lease agreements to the corresponding liabilities is as follows:

(in millions of €)	December 31, 2005
Amount of future minimum lease payments	472
Less interests included	133
Liabilities from capital lease agreements	339

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

15. Equipment on Operating Leases, net

Information with respect to changes in the Group's equipment on operating leases is presented in the Consolidated Fixed Assets Schedule included herein. Of the total equipment on operating leases, €33,644 million represent automobiles and commercial vehicles (2004: €26,017 million).

Noncancellable future lease payments due from customers for equipment on operating leases at December 31, 2005 amounted to €15,500 million and are due as follows:

(in millions of €)	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>there- after</u>
Future lease payments	7,918	4,350	2,225	738	149	120

16. Inventories

(in millions of €)	<u>At December 31,</u>	
	<u>2005</u>	<u>2004</u>
Raw materials and manufacturing supplies	1,906	1,746
Work-in-process	2,924	2,545
Finished goods, parts and products held for resale	14,414	12,805
Advance payments to suppliers	47	75
	<u>19,291</u>	<u>17,171</u>
Less: Advance payments received	<u>(152)</u>	<u>(366)</u>
	<u>19,139</u>	<u>16,805</u>

Certain of the Group's U.S. inventories are valued using the LIFO method. If the FIFO method had been used instead of the LIFO method, inventories would have been higher by €753 million (2004: €601 million).

At December 31, 2005, inventories include €322 million of company cars of DaimlerChrysler pledged as collateral to the DaimlerChrysler Pension Trust e.V. The pledge was made in 2004 due to the requirement to provide collateral for certain vested employee benefits in Germany.

17. Trade Receivables

(in millions of €)	<u>At December 31,</u>	
	<u>2005</u>	<u>2004</u>
Receivables from sales of goods and services	8,135	7,592
Allowance for doubtful accounts	(540)	(591)
	<u>7,595</u>	<u>7,001</u>

As of December 31, 2005, €115 million of the trade receivables mature after more than one year (2004: €283 million).

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Notes to Consolidated Financial Statements – (Continued)

Changes in the allowance for doubtful accounts for trade receivables were as follows:

(in millions of €)	Year ended December 31,		
	2005	2004	2003
Balance at beginning of year	591	587	629
Charged to costs and expenses	41	49	23
Amounts written off	(75)	(160)	(48)
Currency translation and other changes	(17)	115	(17)
Balance at end of year	540	591	587

18. Receivables from Financial Services

Types of receivables. Retail receivables include loans and finance leases to end users of the Group's products who purchased their vehicle either from a dealer or directly from DaimlerChrysler.

Wholesale receivables represent loans for floor financing programs for vehicles sold by the Group's automotive businesses to the dealer or loans for assets purchased by the dealer from third parties, primarily used vehicles traded in by the dealer's customer or real estate such as dealer showrooms.

Other receivables mainly represent investments in leases involving the purchase of non-automotive assets by parties other than retail customers or the Group's dealers.

Receivables from financial services are comprised of the following:

(in millions of €)	At December 31,	
	2005	2004
Receivables from:		
Retail	46,947	44,202
Wholesale	11,961	10,670
Other	3,367	3,020
	62,275	57,892
Allowance for doubtful accounts	(1,174)	(1,107)
	61,101	56,785

As of December 31, 2005, receivables from financial services with a carrying amount of €37,896 million mature after more than one year (2004: €35,598 million). Receivables from financial services are generally secured by vehicles or other assets.

Maturities. Contractual payments from the receivables from financial services at December 31, 2005 amounted to €66,235 million and are as follows:

(in millions of €)	2006	2007	2008	2009	2010	there- after
Maturities	25,600	13,338	11,014	6,701	3,533	6,049

Actual cash flows will vary from contractual maturities due to future sales of finance receivables, prepayments and write-offs.

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

Allowances. Changes in the allowance for doubtful accounts for receivables from financial services were as follows:

(in millions of €)	Year ended December 31,		
	2005	2004	2003
Balance at beginning of year	1,107	1,265	1,559
Charged to costs and expenses	559	467	553
Amounts written off	(420)	(413)	(492)
Reversals	(137)	(84)	(63)
Currency translation and other changes	65	(128)	(292)
Balance at end of year	1,174	1,107	1,265

Sales type and direct financing contracts. Finance leases consist of sales-type leases of vehicles to the Group's direct retail customers and direct-financing leases of vehicles to customers of the Group's independent dealers. Included in retail and other receivables are investments in finance leases involving minimum lease payments of €15,309 million and €14,072 million, unearned income of €2,496 million and €2,602 million, initial direct costs of €43 million and €47 million and estimated unguaranteed residual values of €623 million and €660 million at December 31, 2005 and 2004, respectively.

Leveraged lease contracts. Investments in leveraged leases are included in the line "other". Leveraged leases are comprised of the following:

(in millions of €)	At December 31,	
	2005	2004
Rentals receivable (net of principal and interest on nonrecourse debt) . .	4,586	4,039
Deferred investment tax credits	(41)	(40)
	4,545	3,999
Unguaranteed residual values	588	617
Unearned income	(1,780)	(1,638)
	3,353	2,978

As of December 31, 2005, an amount of €2,775 million (2004: €2,421 million) of deferred income tax liabilities was related to leveraged leases.

Presentation in Consolidated Statements of Cash Flows. Wholesale receivables from the sale of vehicles from the Group's inventory to independent dealers as well as retail receivables from the sale of DaimlerChrysler's vehicles directly to retail customers relate to the sale of the Group's inventory. The cash flow effects of such receivables are presented as "net changes in inventory-related receivables from financial services" within the consolidated cash flows from operating activities. All cash flow effects attributable to receivables from financial services that are not related to the sale of inventory to DaimlerChrysler's independent dealers or direct customers are classified as investing activities within the consolidated statements of cash flows.

Sale of receivables. Based on market conditions and liquidity needs, DaimlerChrysler may sell portfolios of retail and wholesale receivables to third parties, which typically results in the de-recognition of the transferred receivables from the balance sheet. Retained interests in securitized sold receivables are classified as other assets in the Group's consolidated balance sheets (see Note 19). For additional information on retained interests in sold receivables and the sale of finance receivables, see Note 34.

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Notes to Consolidated Financial Statements – (Continued)

19. Other Assets

(in millions of €)	At December 31,	
	2005	2004
Receivables from affiliated companies	696	1,174
Receivables from related companies ¹	324	588
Retained interests in sold receivables	2,215	2,202
Other receivables and other assets	5,664	9,228
	8,899	13,192
Allowance for doubtful accounts	(168)	(261)
	8,731	12,931

¹ Related companies include entities which have a significant ownership in DaimlerChrysler or entities in which the Group holds a significant investment.

As of December 31, 2005, €2,618 million of the other assets mature after more than one year (2004: €3,494 million).

Changes in the allowance for doubtful accounts related to receivables included in other assets were as follows:

(in millions of €)	Year ended December 31,		
	2005	2004	2003
Balance at beginning of year	261	888	723
Charges (releases) to costs and expenses	(18)	61	134
Amounts written off	(90)	(702)	(2)
Currency translation and other changes	15	14	33
Balance at end of year	168	261	888

20. Securities, Investments and Long-Term Financial Assets

Information with respect to the Group's total investments and long-term financial assets is presented in the Consolidated Fixed Assets Schedule included herein. The carrying amounts of participations (investments that are not accounted for under the equity method) and long-term (marketable) securities which are shown among "Investments and long-term financial assets" in the Consolidated Balance Sheets are comprised of the following:

(in millions of €)	At December 31,	
	2005	2004
Participations with a quoted market price	332	503
Participations without a quoted market price	256	277
Total participations	588	780
Long-term securities	606	599

The main changes in investments in participations were caused by the sale of the stake in MMC (see Note 3).

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Notes to Consolidated Financial Statements – (Continued)

Investments without a quoted market price were tested for impairment when an impairment indicator occurred. In 2005 and 2004, investments without a quoted market price with carrying amounts of €20 million were tested for impairment. In 2005 and 2004, no impairments were recognized.

The disclosure of short-term securities is made in the Consolidated Balance Sheets among “Securities” and is recorded separately in available-for-sale and trading:

(in millions of €)	At December 31,	
	2005	2004
Available-for-sale	4,773	3,725
Trading	163	159
Short-term securities	4,936	3,884

As of December 31, 2005, the table below shows the (amortized) costs, fair values, gross unrealized holding gains and losses per security class of investments with a quoted market price, long-term and short-term available-for-sale securities. The aggregate amounts of unrealized losses on investments which are in a continuous unrealized loss position for less than 12 months and the aggregate amounts of unrealized losses on investments which are in a continuous unrealized loss position for 12 months or longer are shown separately together with their appropriate fair values.

(in millions of €)	Cost	Fair value	Unrealized Gain	Unrealized Loss less 1 year		Unrealized Loss 1 year or more		Unrealized Loss total	
				Fair value	Unrealized Loss	Fair value	Unrealized Loss	Fair value	Unrealized Loss
Equity securities	279	664	388	12	3	–	–	12	3
Equity-based funds	272	273	1	–	–	–	–	–	–
Debt securities issued by the German government and other political subdivisions	205	205	–	–	–	–	–	–	–
Debt securities issued by non-German governments	778	777	–	34	1	–	–	34	1
Corporate debt securities	2,796	2,796	9	547	6	26	3	573	9
Mortgage-backed securities	318	317	1	68	1	35	1	103	2
Securities backed by other assets	190	190	–	–	–	–	–	–	–
Other debt securities	260	260	–	–	–	–	–	–	–
Debt-based funds	228	229	1	–	–	–	–	–	–
	5,326	5,711	400	661	11	61	4	722	15

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

As of December 31, 2004, these values were as follows:

(in millions of €)	Cost	Fair value	Unrealized Gain	Unrealized Loss less 1 year		Unrealized Loss 1 year or more		Unrealized Loss total	
				Fair value	Unrealized Loss	Fair value	Unrealized Loss	Fair value	Unrealized Loss
Equity securities	560	948	394	–	–	134	6	134	6
Equity-based funds	175	175	–	–	–	–	–	–	–
Debt securities issued by the German government and other political subdivisions	360	360	1	–	–	1	1	1	1
Debt securities issued by non-German governments	128	132	4	–	–	–	–	–	–
Corporate debt securities	1,718	1,726	12	96	4	–	–	96	4
Mortgage-backed securities	361	361	1	41	1	–	–	41	1
Securities backed by other assets	170	170	–	–	–	–	–	–	–
Other debt securities	819	820	1	–	–	–	–	–	–
Debt-based funds	135	135	–	–	–	–	–	–	–
	<u>4,426</u>	<u>4,827</u>	<u>413</u>	<u>137</u>	<u>5</u>	<u>135</u>	<u>7</u>	<u>272</u>	<u>12</u>

The estimated fair values of investments in debt securities (excluding debt-based funds), by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

(in millions of €)	At December 31,	
	2005	2004
Due within one year	1,164	1,157
Due after one year through five years	1,703	1,624
Due after five years through ten years	508	330
Due after more than ten years	1,170	458
	<u>4,545</u>	<u>3,569</u>

Proceeds from disposals of long-term and short-term available-for-sale securities were €10,336 million (2004: €3,702 million; 2003: €2,743 million). Gross realized gains from sales of these securities were €847 million (2004: €254 million; 2003: €8 million), while gross realized losses were €8 million (2004: €3 million; 2003: €15 million). The proceeds and realized gains from the sale of the stake in MMC in 2005 (see Note 3) and HMC in 2004 (see Note 4) are included in these figures. The proceeds from the sale of the stake in HMC are shown in the Consolidated Statements of Cash Flows among the line item “Proceeds from disposals of businesses”, the remaining proceeds are disclosed in the line item “Proceeds from sales of securities (other than trading)”.

The unrealized losses included in the 2005 statement of income related to trading securities were €6 million (2004 and 2003: -). There are no unrealized gains in these securities (2004: €2 million; 2003: €10 million).

DaimlerChrysler uses the weighted average cost method as a basis for determining cost and calculating realized gains and losses.

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

21. Liquid Assets

Liquid assets recorded under various balance sheet captions are as follows:

	At December 31,	
	2005	2004
Cash and cash equivalents ¹		
originally maturing within 3 months	7,619	7,381
originally maturing after 3 months	92	401
Total cash and cash equivalents	7,711	7,782
Securities	4,936	3,884
	12,647	11,666

¹ Cash equivalents originally maturing within 3 months include commercial papers, certificates of deposit of €5.5 billion and €3.6 billion at December 31, 2005 and 2004, cash at banks, cash on hand and checks in transit.

22. Prepaid Expenses

Prepaid expenses are comprised of the following:

(in millions of €)	At December 31,	
	2005	2004
Prepaid pension cost	595	246
Other prepaid expenses	796	784
	1,391	1,030

As of December 31, 2005, €809 million of the total prepaid expenses mature after more than one year (2004: €435 million).

As a result of the overfunded status of the accumulated pension benefit obligations of one pension plan, the prepaid pension cost increased in 2005 by €0.3 billion.

23. Stockholders' Equity

Number of Shares Issued and Outstanding as well as Treasury Stock. DaimlerChrysler had issued and outstanding 1,018,172,696 registered Ordinary Shares of no par value at December 31, 2005 (2004: 1,012,824,191). This increase relates to the issuance of new Ordinary Shares upon exercises in connection with the Stock Option Plan 2000 (tranche 2003). Each share represents a nominal value of €2.60 of capital stock.

In 2005, DaimlerChrysler purchased approximately 0.7 million (2004: 0.8 million; 2003: 1.3 million) Ordinary Shares in connection with an employee share purchase plan, of which 0.7 million (2004: 0.8 million; 2003: 1.3 million) were re-issued to employees.

Authorized and Conditional Capital. On April 6, 2005, the annual meeting authorized DaimlerChrysler through October 6, 2006, to acquire treasury stocks for certain defined purposes up to a maximum nominal amount of €263 million of capital stock, representing nearly 10% of the issued and outstanding capital stock.

On April 9, 2003, the annual meeting authorized the Board of Management through April 8, 2008, upon approval of the Supervisory Board, to increase capital stock by issuing new, no par value registered shares in

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exchange for cash contributions totaling €500 million as well as by issuing new, no par value registered shares in exchange for non-cash contributions totaling €500 million and to increase capital stock by issuing Ordinary Shares to employees totaling €26 million.

Furthermore, the Board of Management, with the consent of the Supervisory Board, was authorized to issue convertible bonds and / or notes with warrants with a total face value up to €15 billion and with a maturity of no more than twenty years prior to April 5, 2010, and to grant conversion or option rights for new shares in DaimlerChrysler with an allocable portion of the capital stock of up to €300 million as more closely defined in the fixed terms and conditions.

From the Stock Option Plan 1996 on December 31, 2005, outstanding rights in a nominal volume of €0.1 million could result in 22,110 new shares of DaimlerChrysler AG. In 2005, 2004 and 2003, no options were exercised from this Plan.

Comprehensive Income/(Loss). The changes in the components of accumulated other comprehensive loss are as follows:

(in millions of €)	Year ended December 31, 2005			Year ended December 31, 2004			Year ended December 31, 2003		
	Pretax	Tax effect	Net	Pretax	Tax effect	Net	Pretax	Tax effect	Net
Unrealized gains (losses) on securities (incl. retained interests):									
Unrealized holding gains (losses)	511	(136)	375	277	(10)	267	731	(146)	585
Reclassification adjustments for (gains) losses included in net income	(512)	119	(393)	(592)	119	(473)	(255)	77	(178)
Unrealized gains (losses) on securities	(1)	(17)	(18)	(315)	109	(206)	476	(69)	407
Unrealized gains (losses) on derivatives hedging variability of cash flows:									
Unrealized derivative gains (losses)	(3,552)	1,270	(2,282)	2,339	(900)	1,439	4,406	(1,682)	2,724
Reclassification adjustments for (gains) losses included in net income	1,517	(458)	1,059	(2,957)	1,149	(1,808)	(2,506)	944	(1,562)
Unrealized derivative gains (losses)	(2,035)	812	(1,223)	(618)	249	(369)	1,900	(738)	1,162
Minimum pension liability adjustments	(170)	91	(79)	(1,224)	476	(748)	662	(218)	444
Foreign currency translation adjustments	2,548	179	2,727	(635)	(80)	(715)	(1,598)	(30)	(1,628)
Changes in other comprehensive income/(loss)	342	1,065	1,407	(2,792)	754	(2,038)	1,440	(1,055)	385

Exchange rate effects on the components of other comprehensive loss principally are shown within changes of the cumulative translation adjustment.

Effective October 1, 2004, the Chrysler Group prospectively changed the functional currency of DaimlerChrysler Canada Inc. ("DCCI"), its Canadian subsidiary, from the U.S. dollar to the Canadian dollar. This change resulted from several significant economic and operational changes within DCCI, including a reduction of U.S. sourced components. The initial implementation of this change in functional currency had the effect of increasing the value of the net assets of the Group and the accumulated other comprehensive loss by €179 million in 2004.

Miscellaneous. Under the German corporation law (Aktiengesetz), the amount of dividends available for distribution to shareholders is based upon the unappropriated accumulated earnings of DaimlerChrysler AG (parent company only) as reported in its statutory financial statements determined in accordance with the German commercial code (Handelsgesetzbuch). For the year ended December 31, 2005, DaimlerChrysler management has

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proposed a distribution of €1,527 million (€1.50 per share) of the 2005 earnings of DaimlerChrysler AG as a dividend to the stockholders.

24. Stock-Based Compensation

As of December 31, 2005, the Group has awards outstanding that were issued under a variety of plans including (1) the 2005 Performance Phantom Share Plan, (2) the 2000 and 1996 stock option plans, (3) various stock appreciation rights (“SARs”) plans and (4) the medium term incentive awards.

As discussed in Note 1, DaimlerChrysler adopted the provisions of SFAS 123 prospectively for all awards granted after December 31, 2002. Awards granted in previous periods will continue to be accounted for using the provisions of APB 25 and related interpretations.

Performance Phantom Share Plan. In 2005 the Group adopted the “Performance Phantom Share Plan” under which virtual shares (phantom shares) are granted to eligible employees entitling them to receive cash paid out after four years. The amount of cash paid to eligible employees is based on the number of phantom shares that vest (determined over a three year performance period) times the quoted price of DaimlerChrysler’s Ordinary Shares (determined as an average price over a specified period at the end of the four-year service). The number of phantom shares that vest will depend on the achievement of Group performance goals as compared with competitive and internal benchmarks (return on net assets and return on sales). The Group will not issue any common shares in connection with the Performance Phantom Share Plan.

Analysis of the phantom shares issued is as follows:

	Number of phantom shares (in millions)
Outstanding at the beginning of the year	—
Granted phantom shares	3.6
Forfeitures/Disposals	—
Outstanding at year end	3.6

In 2005 the group recognized €30 million of compensation expenses related to the Performance Phantom Share Plan. The Group considers the Performance Phantom Share Plan in the accrued liabilities. Because the payment per vested phantom share depends on the quoted price of one DaimlerChrysler Ordinary Share, the quoted price represents the fair value of each phantom share. The proportionate compensation expense for 2005 is determined based on the year-end quoted price of DaimlerChrysler Ordinary Shares as well as the estimated target achievement grades as of December 31, 2005.

Stock Option Plans. In April 2000, the Group’s shareholders approved the DaimlerChrysler Stock Option Plan 2000 which provides for the granting of stock options for the purchase of DaimlerChrysler Ordinary Shares to eligible employees. Options granted under the Stock Option Plan 2000 are exercisable at a reference price per DaimlerChrysler Ordinary Share determined in advance plus a 20% premium. The options become exercisable in equal installments on the second and third anniversaries from the date of grant. All unexercised options expire ten years from the date of grant. If the market price per DaimlerChrysler Ordinary Share on the date of exercise is at least 20% higher than the reference price, the holder is entitled to receive a cash payment equal to the original exercise premium of 20%.

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The table below shows the basic terms of options issued (in millions):

Year of grant	Reference price	Exercise price	Options granted	At December 31, 2005	
				Options outstanding	Options exercisable
2000	€62.30	€74.76	15.2	13.3	13.3
2001	€55.80	€66.96	18.7	16.7	16.7
2002	€42.93	€51.52	20.0	18.5	18.5
2003	€28.67	€34.40	20.5	13.8	4.3
2004	€36.31	€43.57	18.0	17.3	—

In 2005, no options were granted under the Stock Option Plan 2000.

DaimlerChrysler established, based on shareholder approvals, the 1998, 1997 and 1996 Stock Option Plans (former Daimler-Benz plans), which provided for the granting of options for the purchase of DaimlerChrysler Ordinary Shares to certain members of management. The options granted under the plans 1997 and 1998 were evidenced by non-transferable convertible bonds with a principal amount of €511 per bond due ten years after issuance. During certain specified periods each year, each convertible bond could have been converted into 201 DaimlerChrysler Ordinary Shares, if the market price per share on the day of conversion was at least 15% higher than the predetermined conversion price and the options had been held for a 24 month waiting period.

In the second quarter of 1999, DaimlerChrysler converted all options granted under the 1998 and 1997 Stock Option Plans into SARs. All terms and conditions of the new SARs are identical to the stock options which were replaced, except that the holder of a SAR has the right to receive cash equal to the difference between the exercise price of the original option and the fair value of the Group's stock at the exercise date rather than receiving DaimlerChrysler Ordinary Shares.

All terms and conditions of the options granted under the plan 1996 are identical to the stock options which were granted under the plans 1997 and 1998, except that the plan 1996 includes no waiting period. The options granted under the plan 1996 were not converted into SARs.

The basic terms of the bonds and the related stock options/SARs issued (in millions) under these plans are as follows:

Bonds granted in	Stated interest rate	Conversion price	Related stock options granted	Stock options/SARs At December 31, 2005	
				outstanding	exercisable
1996	5.9%	€42.62	0.9	—	—
1997	5.3%	€65.90	7.4	4.6	4.6
1998	4.4%	€92.30	8.2	5.3	5.3

The Group will not issue any common shares in connection with the plans 1997 and 1998.

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Analysis of the stock options issued is as follows (options in millions; per share amounts in €):

	2005		2004		2003	
	Number of stock options	Average exercise price per share	Number of stock options	Average exercise price per share	Number of stock options	Average exercise price per share
Balance at beginning of year	86.5	52.78	71.6	55.18	53.1	63.40
Options granted	—	—	18.0	43.57	20.5	34.40
Exercised	(5.3)	34.40	—	—	—	—
Forfeited	(0.3)	41.42	(1.4)	40.79	(1.2)	51.83
Expired	(1.3)	60.13	(1.7)	65.92	(0.8)	74.76
Outstanding at year-end	79.6	53.92	86.5	52.78	71.6	55.18
Exercisable at year-end	52.8	60.82	40.2	65.92	23.1	71.71

For the year ended December 31, 2005, the Group recognized compensation expense on stock options (before taxes) of €87 million (2004: €119 million; 2003: €95 million).

The fair values of the DaimlerChrysler stock options issued in 2004 and 2003 were measured at the grant date (beginning of April) based on a modified Black-Scholes option-pricing model, which considers the specific terms of issuance. For options granted to the Board of Management in 2004 and for which – according to the recommendations of the German Corporate Governance Code – the Presidential Committee can impose a limit or reserve the right to impose such a limit in the case of exceptional and unpredictable developments, are calculated with the intrinsic value at December 31. The table below presents the underlying assumptions as well as the resulting fair values and total values (in millions of €):

	2004	2003
Expected dividend yield	4.4%	5.6%
Expected volatility	33%	35%
Risk-free interest rate	2.6%	2.9%
Expected lives (in years)	3	3
Fair value per option	€7.85	€6.00
Total value by award	131.9	123.0

Unearned compensation expense (before taxes) of all outstanding and unvested stock options as of December 31, 2005, that are not subject to a possible limitation according the recommendation of the German Corporate Governance Code, totals €35 million (2004: €125 million; 2003: €122 million).

Stock Appreciation Rights Plans. In 1999, DaimlerChrysler established a stock appreciation rights plan (the “SAR Plan 1999”) which provides eligible employees of the Group with the right to receive cash equal to the appreciation of DaimlerChrysler Ordinary Shares subsequent to the date of grant. The stock appreciation rights granted under the SAR Plan 1999 vest in equal installments on the second and third anniversaries from the date of grant. All unexercised SARs expire ten years from the grant date. The exercise price of a SAR is equal to the fair market value of DaimlerChrysler’s Ordinary Shares on the date of grant. On February 24, 1999, the Group issued 11.4 million SARs at an exercise price of €89.70 each (\$98.76 for Chrysler employees), of which 8.2 million SARs are outstanding and exercisable at December 31, 2005.

As discussed above (see “Stock Option Plans”), in the second quarter of 1999 DaimlerChrysler converted all options granted under its existing stock option plans from 1997 and 1998 into SARs.

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In conjunction with the consummation of the merger between Daimler-Benz and Chrysler in 1998, the Group implemented a SAR plan through which 22.3 million SARs were issued at an exercise price of \$75.56 each, of which 10.0 million SARs are outstanding and exercisable at December 31, 2005. The initial grant of SARs replaced Chrysler fixed stock options that were converted to DaimlerChrysler Ordinary Shares as of the consummation of the merger. SARs which replaced stock options that were exercisable at the time of the consummation of the merger were immediately exercisable at the date of grant. SARs related to stock options that were not exercisable at the date of consummation of the merger became exercisable in two installments; 50% on the six-month and one-year anniversaries of the consummation date.

A summary of the activity related to the Group's SAR plans as of and for the years ended December 31, 2005, 2004 and 2003 is presented below (SARs in millions; per share amounts in €):

	2005		2004		2003	
	Number of SARs	Weighted-average exercise price	Number of SARs	Weighted-average exercise price	Number of SARs	Weighted-average exercise price
Outstanding at beginning of year . . .	32.5	71.37	36.3	74.24	40.3	79.13
Granted	—	—	—	—	—	—
Exercised	—	—	—	—	—	—
Forfeited	(4.5)	67.16	(3.8)	72.54	(4.0)	75.00
Outstanding at year-end	<u>28.0</u>	<u>76.65</u>	<u>32.5</u>	<u>71.37</u>	<u>36.3</u>	<u>74.24</u>
SARs exercisable at year-end	<u>28.0</u>	<u>76.65</u>	<u>32.5</u>	<u>71.37</u>	<u>36.3</u>	<u>74.24</u>

Compensation expense or benefit (representing the reversal of previously recognized expense) on SARs is recorded based on changes in the market price of DaimlerChrysler Ordinary Shares. For the years ended December 31, 2005, 2004 and 2003, the Group recognized no compensation expense in connection with SARs, because the options underlying exercise prices were greater than the market price for DaimlerChrysler Ordinary Shares at December 31, 2005.

Medium Term Incentive Awards. The Group granted medium term incentives to certain eligible employees with three year performance periods. The amount ultimately earned in cash at the end of a performance period is primarily based on the degree of achievement of corporate goals derived from competitive and internal planning benchmarks and the value of DaimlerChrysler Ordinary Shares at the end of three year performance periods. The benchmarks are return on net assets and return on sales. In 2005 no medium term incentive awards (2004: 0.7 million awards; 2003: 1.3 million awards) were issued.

The Group considers the medium term incentive awards with their fair value in the accrued liabilities and recognized €25 million gains (2004: €12 million expenses; 2003: €35 million expenses) from the valuation of this accrued liability.

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25. Accrued Liabilities

Accrued liabilities are comprised of the following:

(in millions of €)	At December 31, 2005		At December 31, 2004	
	Total	Due after one year	Total	Due after one year
Pension plans and similar obligations (see Note 25a)	15,482	12,845	13,923	12,634
Income and other taxes	3,396	1,166	3,344	1,884
Other accrued liabilities (see Note 25b)	27,804	11,839	24,671	8,771
	46,682	25,850	41,938	23,289

a) Pension Plans and Similar Obligations

Pension plans and similar obligations are comprised of the following components:

(in millions of €)	At December 31,	
	2005	2004
Pension liabilities (pension plans)	5,275	5,606
Other postretirement benefits	9,825	8,021
Other benefit liabilities	382	296
	15,482	13,923

The decrease of the pension liabilities of €0.3 billion resulted primarily from the transfer of the Group's Off-Highway pension liabilities to "Disposal Group Off-Highway, Liabilities Held for Sale" (see Note 10).

The increase in accrued other postretirement benefits of €1.8 billion resulted mainly from currency exchange rate effects and from the annual increase of the accruals less payments to beneficiaries.

Pension Plans

The Group provides pension benefits to substantially all of its hourly and salaried employees. Plan benefits are principally based upon years of service. Certain pension plans are based on salary earned in the last year or last five years of employment while others are fixed plans depending on ranking (both wage level and position).

Funded Status. The following information with respect to the Group's pension plans is presented by German Plans and non-German Plans (principally comprised of plans in the U.S.). The funded status of the projected benefit obligations is as follows:

(in millions of €)	At December 31, 2005			At December 31, 2004		
	Total	German Plans	Non-German Plans	Total	German Plans	Non-German Plans
Projected benefit obligations	41,514	15,163	26,351	34,448	12,628	21,820
Less fair value of plan assets	(34,348)	(10,590)	(23,758)	(27,804)	(9,019)	(18,785)
Funded status	7,166	4,573	2,593	6,644	3,609	3,035

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A reconciliation of the funded status to the amounts recognized in the consolidated balance sheets is as follows:

(in millions of €)	At December 31, 2005			At December 31, 2004		
	Total	German Plans	Non-German Plans	Total	German Plans	Non-German Plans
Funded status	7,166	4,573	2,593	6,644	3,609	3,035
Amounts not recognized:						
Unrecognized actuarial net losses	(13,270)	(5,299)	(7,971)	(11,356)	(4,166)	(7,190)
Unrecognized prior service cost	(2,470)	(2)	(2,468)	(2,143)	(2)	(2,141)
Net assets recognized	(8,574)	(728)	(7,846)	(6,855)	(559)	(6,296)
Amounts recognized in the consolidated balance sheets consist of:						
Prepaid pension cost	(595)	–	(595)	(246)	–	(246)
Accrued pension liability	5,275	3,141	2,134	5,606	2,927	2,679
Disposal group off-highway, liabilities held for sale	321	321	–	–	–	–
Intangible assets	(2,375)	–	(2,375)	(2,074)	–	(2,074)
Accumulated other comprehensive loss	(11,200)	(4,190)	(7,010)	(10,141)	(3,486)	(6,655)
Net assets recognized	(8,574)	(728)	(7,846)	(6,855)	(559)	(6,296)

In 2005 DaimlerChrysler used the rates from the 2005 Heubeck mortality tables G for the valuation of the German pension obligations. Previously, DaimlerChrysler used the rates from 1998 Heubeck mortality tables. The new mortality tables reflect longer living expectation for current employees and lower living expectation for retirees, which resulted in a minor increase of projected benefit obligations for 2005.

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The development of the projected benefit obligation and the plan assets in 2005 and 2004 is as follows:

(in millions of €)	At December 31, 2005			At December 31, 2004		
	Total	German Plans	Non-German Plans	Total	German Plans	Non-German Plans
Change in projected benefit obligations:						
Projected benefit obligations at beginning of year	34,448	12,628	21,820	32,132	11,165	20,967
Foreign currency exchange rate changes	3,391	–	3,391	(1,351)	–	(1,351)
Service cost	739	296	443	681	256	425
Interest cost	1,874	588	1,286	1,878	586	1,292
Plan amendments	233	–	233	67	–	67
Actuarial losses	2,923	2,163	760	2,146	1,110	1,036
Acquisitions and other	53	53	–	852	58	794
Settlement / curtailment loss	49	–	49	134	3	131
Benefits paid	<u>(2,196)</u>	<u>(565)</u>	<u>(1,631)</u>	<u>(2,091)</u>	<u>(550)</u>	<u>(1,541)</u>
Projected benefit obligations at end of year	<u>41,514</u>	<u>15,163</u>	<u>26,351</u>	<u>34,448</u>	<u>12,628</u>	<u>21,820</u>
Change in plan assets:						
Fair value of plan assets at beginning of year	27,804	9,019	18,785	26,328	8,183	18,145
Foreign currency exchange rate changes	3,038	–	3,038	(1,252)	–	(1,252)
Actual return on plan assets	3,951	1,518	2,433	2,854	664	2,190
Employer contributions	1,661	534	1,127	1,649	638	1,011
Plan participant contributions	18	–	18	19	–	19
Acquisitions and other	–	–	–	188	–	188
Benefits paid	<u>(2,124)</u>	<u>(481)</u>	<u>(1,643)</u>	<u>(1,982)</u>	<u>(466)</u>	<u>(1,516)</u>
Fair value of plan assets at end of year	<u>34,348</u>	<u>10,590</u>	<u>23,758</u>	<u>27,804</u>	<u>9,019</u>	<u>18,785</u>

Plan Assets. At December 31, 2005, plan assets were invested in diversified portfolios that consisted primarily of debt and equity securities. Assets and income accruing on all pension trust and relief funds are used solely to pay pension benefits and administer the plans. The Group's pension asset allocation at December 31, 2005 and 2004, and target allocation for the year 2006, are presented in the following table:

(in % of plan assets)	Plan Assets German Plans			Plan Assets Non-German Plans		
	2006 planned	2005	2004	2006 planned	2005	2004
Equity securities	56	56	56	61	61	61
Debt securities	35	36	36	24	25	28
Alternative investments	4	2	1	9	7	5
Real estate	3	2	2	5	5	4
Other	2	4	5	1	2	2

Alternative investments consist of private equity and debt investments and, beginning in 2005 investments in commodities and hedge funds.

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Every 3-5 years, or more frequently if appropriate, DaimlerChrysler conducts asset-liability studies for its major pension funds. DaimlerChrysler uses the expertise of external investment and actuarial advisors. These studies are intended to determine the optimal long-term asset allocation with regard to the liability structure. The resulting Model Portfolio allocation is intended to minimize the economic cost of defined benefit schemes and to limit the risks to an appropriate level.

The Model Portfolio is then expanded to a medium term Benchmark Portfolio. The Benchmark Portfolio matches the asset class weights in the Model portfolio, but expands the asset classes by adding of sub-asset-classes with corresponding weights and assigning specific capital market indices to each sub-asset class.

Modern Portfolio Theory is then applied to determine an optimal one-year target allocation, the performance of which is tracked against the Benchmark Portfolio.

The entire process is overseen by investment committees which consist of senior financial management from treasury and certain appropriate executives. The investment committees meet regularly to approve the asset allocations, review the risks and results of the major pension funds and approve the selection and retention of external managers of specific portfolios.

The majority of investments are in international blue chip equities and high quality government and corporate bonds. To maintain a wide range of diversification and to improve return opportunities, up to approximately 20% of assets are allocated to private equity, high yield debt, convertible instruments, emerging markets, commodities and hedge funds. Internal controlling units monitor all investments regularly. External depositary banks provide safekeeping of securities and reporting of transactions and assets.

Assumptions. The measurement date for the Group's pension obligations and plan assets is generally December 31. The measurement date for the Group's net periodic pension cost is principally January 1. Assumed discount rates and rates of increase in remuneration used in calculating the projected benefit obligations together with long-term rates of return on plan assets vary according to the economic conditions of the country in which the pension plans are situated.

The following weighted average assumptions were used to determine benefit obligations:

	German Plans			Non-German Plans		
	2005	2004	2003	2005	2004	2003
(in %)						
Average assumptions:						
Discount rate	4.0	4.8	5.3	5.4	5.8	6.2
Rate of long-term compensation increase	3.0	3.0	3.0	4.4	4.5	4.5

The following weighted average assumptions were used to determine net periodic pension cost:

	German Plans			Non-German Plans		
	2005	2004	2003	2005	2004	2003
(in %)						
Average assumptions:						
Discount rate	4.8	5.3	5.8	5.8	6.2	6.7
Expected return on plan assets (at the beginning of the year)	7.5	7.5	7.5	8.5	8.5	8.5
Rate of long-term compensation increase	3.0	3.0	3.0	4.5	4.5	5.4

Expected Return on Plan Assets. The expected rate of return for German and non-German plan assets is primarily derived from asset allocation of pension funds and expected future returns for the various asset classes

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in portfolios. The investment committees survey banks and large asset portfolio managers about their expectations of future returns of the relevant market indices. The allocation weighted average return expectations serves an initial indicator for the expected rate of return on plan assets for each pension fund.

In addition, we consider long-term actual portfolios results and historical market returns in evaluation in order to reflect the long-term character of the expected rate.

From January 1, 2003 to December 31, 2005, the expected rate of return was 7.5% and 8.5% for German and non-German plans, respectively. For 2006, the expected rates of return on plan assets for German and non-German plans are the same as the respective rates used in 2005.

Net Pension Cost. The components of net pension cost were for the years ended December 31, 2005, 2004 and 2003 as follows:

	2005			2004			2003		
	Total	German Plans	Non-German Plans	Total	German Plans	Non-German Plans	Total	German Plans	Non-German Plans
(in millions of €)									
Service cost	739	296	443	681	256	425	600	256	344
Interest cost	1,874	588	1,286	1,878	586	1,292	2,029	632	1,397
Expected return on plan assets	(2,377)	(673)	(1,704)	(2,339)	(614)	(1,725)	(2,379)	(509)	(1,870)
Amortization of:									
Unrecognized net actuarial (gains) losses	600	183	417	372	141	231	226	173	53
Unrecognized prior service cost	279	—	279	292	—	292	287	—	287
Net periodic pension cost	1,115	394	721	884	369	515	763	552	211
Settlement / curtailment loss	16	—	16	64	—	64	74	50	24
Net pension cost	<u>1,131</u>	<u>394</u>	<u>737</u>	<u>948</u>	<u>369</u>	<u>579</u>	<u>837</u>	<u>602</u>	<u>235</u>

Contributions. Employer contributions to the Group's defined benefit pension plans were €1,661 million and €1,649 million for the years ended December 31, 2005 and 2004, respectively. Employer cash contributions to the Group's defined benefit pension plans are expected to approximate €1.9 billion in 2006, of which €0.5 billion is estimated to be needed to satisfy minimum funding and contractual requirements and an additional €1.4 billion is expected to be contributed at the Group's discretion.

Estimated Future Pension Benefit Payments. Pension benefits pertaining to the Group's German and non-German plans were €565 million and €1,631 million, respectively during 2005, and €550 million and €1,541 million, respectively during 2004. The total estimated future pension benefits to be paid by the Group's pension plans for the next 10 years approximates €25.4 billion and are expected to be paid as follows:

	2006	2007	2008	2009	2010	2011-2015
(in billions of €)						
German Plans	0.6	0.6	0.6	0.7	0.7	3.9
Non-German Plans	1.7	1.8	1.8	1.8	1.9	9.3
Total	2.3	2.4	2.4	2.5	2.6	13.2

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

Accumulated Benefit Obligation. For all pension plans that have an accumulated benefit obligation in excess of plan assets, information pertaining to the accumulated benefit obligation and plan assets are presented as follows:

	<u>At December 31,</u> <u>2005</u>	<u>At December 31,</u> <u>2004</u>	<u>At December 31,</u> <u>2003</u>
(in millions of €)			
Projected benefit obligation	41,099	33,749	31,487
Accumulated benefit obligation	39,379	32,627	30,547
Plan Assets	33,953	27,141	25,660

The pretax increase of the minimum pension liability in 2005 resulted in a reduction of stockholder's equity by €170 million (2004: €1,224 million) and is included in other comprehensive loss.

Other Postretirement Benefits

Certain DaimlerChrysler operations in the U.S. and Canada provide postretirement health and life insurance benefits to their employees. Upon retirement from DaimlerChrysler, the employees may become eligible for continuation of these benefits. The benefits and eligibility rules may be modified.

Funded Status. The funded status of the accumulated postretirement benefit obligations is as follows:

	<u>At December 31,</u>	
	<u>2005</u>	<u>2004</u>
(in millions of €)		
Accumulated postretirement benefit obligations	17,711	14,355
Less fair value of plan assets	(1,912)	(1,547)
Funded status	<u>15,799</u>	<u>12,808</u>

A reconciliation of the funded status to the liability recognized for accrued postretirement health and life insurance benefits in pension plans and similar obligations is as follows:

	<u>At December 31,</u>	
	<u>2005</u>	<u>2004</u>
(in millions of €)		
Funded status	15,799	12,808
Amounts not recognized:		
Unrecognized actuarial net losses	(6,189)	(4,721)
Unrecognized prior service cost	215	(66)
Net liability recognized	<u>9,825</u>	<u>8,021</u>

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

The development of the accumulated postretirement benefit obligations and the plan assets in 2005 and 2004 is as follows:

	<u>At December 31,</u>	
	<u>2005</u>	<u>2004</u>
(in millions of €)		
Change in accumulated postretirement benefit obligations:		
Accumulated postretirement benefit obligations at beginning of year	14,355	14,910
Foreign currency exchange rate changes	2,280	(1,053)
Service cost	273	255
Interest cost	917	863
Plan amendments	(289)	4
Actuarial losses	1,004	127
Settlement/curtailment loss	15	46
Benefits paid	(844)	(797)
Accumulated postretirement benefit obligations at end of year	<u>17,711</u>	<u>14,355</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	1,547	1,531
Foreign currency exchange rate changes	241	(132)
Actual gains (losses) on plan assets	134	160
Plan participant contributions	1	–
Benefits paid	(11)	(12)
Fair value of plan assets at end of year	<u>1,912</u>	<u>1,547</u>

Plan Assets. At December 31, 2005, plan assets were invested in diversified portfolios that consisted primarily of debt and equity securities. Assets and income accruing on all pension trust and relief funds are used solely to pay benefits and administer the plans. The Group's other benefit plan asset allocation at December 31, 2005 and 2004, and target allocations for 2006 are as follows:

	<u>2006</u> <u>planned</u>	<u>2005</u>	<u>2004</u>
(in % of plan assets)			
Equity securities	65	67	68
Debt securities	35	33	32
Real estate	–	–	–

Asset allocation is based on a Benchmark Portfolio designed to diversify investments among the following primary asset classes: U.S. Equity, International Equity and U.S. Fixed Income. The objective of the Benchmark Portfolio is to achieve a reasonable balance between risk and return.

The investment process is overseen by Investment Committees which consist of senior financial management and other appropriate executives. The Investment Committees meet regularly to approve the asset allocations and review the risks and results of the funds and approve the selection and retention of external managers of specific portfolios.

The majority of investments reflect the asset classes designated by the Benchmark Portfolio. To maintain a wide range of diversification and improve return possibilities, a small percentage of assets (approximately 5%) is allocated to highly promising markets such as High Yield Debt and Emerging Markets. Internal controlling units

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

monitor all investments regularly. External depository banks provide safekeeping of securities as well as reporting of transactions and assets.

Estimated Future Subsidies due to Medicare Act. The total estimated future subsidies due to Medicare Act for the next 10 years approximate €717 million and are expected to be received as follows:

(in millions of €)	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011- 2015</u>
Medicare Act	53	57	61	65	69	412

Contributions. DaimlerChrysler did not make any contributions to its other postretirement plans in 2005 or 2004 and does not expect to make any contributions in 2006.

Assumptions. The measurement date for the Group’s accumulated other postretirement benefit obligations and plan assets is generally December 31. The measurement date for the Group’s net periodic postretirement benefit cost is principally January 1. Assumed discount rates and rates of increase in remuneration used in calculating the accumulated postretirement benefit obligations together with long-term rates of return on plan assets vary according to the economic conditions of the country in which the plans are situated.

The weighted average assumptions used to determine the benefit obligations of the Group’s postretirement benefit plans at December 31 were as follows (in %):

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Average assumptions:			
Discount rate	5.7	6.0	6.3
Health care inflation rate in following (or “base”) year	7.4	8.0	8.0
Ultimate health care inflation rate (2011/2011/2008)	5.0	5.0	5.0

The weighted average assumptions used to determine the net periodic postretirement benefit cost of the Group’s postretirement benefit plans were as follows (in %):

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Average assumptions:			
Discount rate	6.0	6.3	6.8
Expected return on plan assets (at the beginning of the year)	8.5	8.5	8.5
Health care inflation rate in following (or “base”) year	8.0	8.0	10.0
Ultimate health care inflation rate (2011)	5.0	5.0	5.0

U.S. postretirement benefit plan assets utilize an asset allocation substantially similar to that of the pension assets so the expected rate of return is the same for both pension and postretirement benefit plan asset portfolios. Accordingly, the information about the expected rate of return on pension plan assets described above also applies to postretirement plan assets. For 2006 the expected rate of return on plan assets is the same as the rate applied in 2005.

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

The assumptions have a significant effect on the amounts reported for the Group's health care plans. The following schedule presents the effects of a one-percentage-point change in assumed ultimate health care cost inflation rates as from 2011:

	<u>1-Percentage- Point Increase</u>	<u>1-Percentage- Point Decrease</u>
(in millions of €)		
Effect on total of service and interest cost components	191	(129)
Effect on accumulated postretirement benefit obligations	2,223	(1,805)

Net Postretirement Benefit Cost. The components of net periodic postretirement benefit cost for the years ended December 31, 2005, 2004 and 2003 were as follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
(in millions of €)			
Service cost	273	255	278
Interest cost	917	863	983
Expected return on plan assets	(155)	(159)	(217)
Amortization of:			
Unrecognized net actuarial (gains) losses	301	208	220
Unrecognized prior service cost	(8)	3	24
Net periodic postretirement benefit cost	1,328	1,170	1,288
Settlement/curtailment loss	3	3	2
Net postretirement benefit cost	<u>1,331</u>	<u>1,173</u>	<u>1,290</u>

Estimated Future Postretirement Benefit Payments. Postretirement benefits paid pertaining to the Group's plans were €844 million and €797 million during 2005 and 2004, respectively. The total estimated future postretirement benefits to be paid by the Group's plans for the next 10 years approximate €11.6 billion and are expected to be paid as follows:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011- 2015</u>
(in billions of €)						
Expected payments	1.0	1.0	1.1	1.1	1.2	6.2

Prepaid Employee Benefits. In 1996 DaimlerChrysler established a Voluntary Employees' Beneficiary Association ("VEBA") trust for payment of non-pension employee benefits. At December 31, 2005 and 2004, the VEBA trust had a balance of €2,392 million and €2,023 million, respectively, of which the long-term assets in the VEBA trust of €1,835 million and €1,474 million, respectively, are reported as plan assets for the accumulated postretirement benefit obligations and not reported in DaimlerChrysler's Consolidated Balance Sheets. The short-term assets in the VEBA trust are classified as cash and marketable securities in DaimlerChrysler's Consolidated Balance Sheets. No contributions to the VEBA trust were made in 2005, 2004 and 2003. DaimlerChrysler does not expect to make any contributions to the VEBA trust in 2006.

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

b) Other Accrued Liabilities

Other accrued liabilities consisted of the following:

	<u>At December 31,</u>	
	<u>2005</u>	<u>2004</u>
(in millions of €)		
Product guarantees	11,632	10,877
Accrued sales incentives	5,381	4,680
Accrued personnel and social costs	3,219	2,938
Derivative financial instruments	1,706	326
Other	5,866	5,850
	<u>27,804</u>	<u>24,671</u>

The Group issues various types of product guarantees under which it generally guarantees the performance of products delivered and services rendered for a certain period or term (see Note 32). The accrued liability for these product guarantees covers expected costs for legally and contractually obligated warranties as well as expected costs for policy coverage, recall campaigns and buyback commitments. The liability for buyback commitments represents the expected costs related to the Group's obligation, under certain conditions, to repurchase a vehicle from a customer. Buybacks may occur for a number of reasons including litigation, compliance with laws and regulations in a particular region and customer satisfaction issues.

The changes in provisions for those product guarantees are summarized as follows:

	<u>2005</u>	<u>2004</u>
(in millions of €)		
Balance at January 1	10,877	9,230
Currency change and change in consolidated companies	767	334
Utilizations and transfers	(5,587)	(4,712)
Product guarantees issued in respective year	5,012	4,807
Changes from prior period product guarantees issued	563	1,218
Balance at December 31	<u>11,632</u>	<u>10,877</u>

The amount included in the line item "Product guarantees issued in respective year" represents the additions to the accruals for product guarantees recognized in the corresponding year for products sold in this year.

In 2005, "Changes from prior period product guarantees issued" are partly offset by payments received from suppliers in settlement of claims for recovery of the costs for recall campaigns.

The Group also offers customers the opportunity to purchase separately priced extended warranty and maintenance contracts. The revenue from these contracts is deferred at the inception of the contract and recognized into income over the contract period in proportion to the costs expected to be incurred based on

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

historical information. Included in “Deferred income” on the Consolidated Balance Sheets, the deferred revenue from these contracts is summarized as follows:

	2005	2004
(in millions of €)		
Balance at January 1	1,115	1,129
Currency change and transfers	226	(147)
Deferred revenue current period	694	611
Earned revenue current period	(487)	(478)
Balance at December 31	<u>1,548</u>	<u>1,115</u>

The provisions for derivative financial instruments are mainly due to exchange rate risks from financial liabilities and future sales revenues. The deviation from previous year is especially attributable to the changed currency relation of the Euro in relation to the U.S. dollar.

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

26. Financial Liabilities

	<u>At December 31,</u>	
	<u>2005</u>	<u>2004</u>
(in millions of €)		
Short-term:		
Notes/Bonds	12,530	10,760
Commercial paper	9,104	6,824
Liabilities to financial institutions	9,860	10,309
Liabilities to affiliated companies	417	438
Deposits from direct banking business	3,045	2,945
Loans, other financial liabilities	27	608
Liabilities from capital lease and residual value guarantees	1,500	1,422
Short-term financial liabilities (due within one year)	36,483	33,306
Long-term:	Maturities	
Notes/Bonds	2007-	
of which due in more than five years	2097	
€10,939 (2004: €10,492)		34,902 33,919
Liabilities to financial institutions	2007-	
of which due in more than five years	2019	
€1,469 (2004: €1,265)		7,612 7,355
Liabilities to affiliated companies		
of which due in more than five years		
€– (2004: €–)		76 –
Deposits from direct banking business		
of which due in more than five years		
€9 (2004: €9)		160 179
Loans, other financial liabilities		
of which due in more than five years		
€– (2004: €–)		– 69
Liabilities from capital lease and residual value guarantees		
of which due in more than five years		
€210 (2004: €210)		1,699 1,442
Long-term financial liabilities		44,449 42,964
		80,932 76,270

Weighted average interest rates for notes/bonds, commercial paper, liabilities to financial institutions and deposits from direct banking business are 5.70%, 4.08%, 4.54% and 2.24%, respectively, at December 31, 2005.

Commercial papers are primarily denominated in euros and U.S. dollars and include accrued interest. Liabilities to financial institutions are partly secured by mortgage conveyance, liens and assignment of receivables of approximately €2,219 million (2004: €2,232 million).

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Notes to Consolidated Financial Statements – (Continued)

Aggregate nominal amounts of financial liabilities maturing during the next five years and thereafter are as follows:

	2006	2007	2008	2009	2010	thereafter
(in millions of €)						
Financial liabilities	36,601	13,474	11,760	4,169	2,370	12,482

At December 31, 2005, the Group had unused short-term credit lines of €7,099 million (2004: €9,278 million) and unused long-term credit lines of €10,806 million (2004: €8,981 million). The credit lines include an \$18 billion revolving credit facility with a syndicate of international banks. The credit agreement is comprised of a multi-currency revolving credit facility which allows DaimlerChrysler AG to borrow up to \$5 billion until December 2009 and \$4.8 billion until December 2010, respectively, an U.S. dollar revolving credit facility which allows DaimlerChrysler North America Holding Corporation, a wholly-owned subsidiary of DaimlerChrysler AG, to borrow up to \$6 billion available until May 2006, and a multi-currency revolving credit facility for working capital purposes which allows DaimlerChrysler AG and several subsidiaries to borrow up to \$7 billion until May 2008. A part of the \$18 billion facility serves as back-up for commercial paper drawings.

27. Trade Liabilities

	At December 31, 2005			At December 31, 2004		
	Total	Due after one and before five years	Due after five years	Total	Due after one and before five years	Due after five years
		(in millions of €)				
Trade liabilities	14,591	1	–	12,920	2	–

28. Other Liabilities

	At December 31, 2005			At December 31, 2004		
	Total	Due after one and before five years	Due after five years	Total	Due after one and before five years	Due after five years
	(in millions of €)					
Liabilities to affiliated companies	334	–	224	354	10	–
Liabilities to related companies .	96	5	–	77	–	–
Other liabilities	8,623	260	139	8,314	542	166
	<u>9,053</u>	<u>265</u>	<u>363</u>	<u>8,745</u>	<u>552</u>	<u>166</u>

As of December 31, 2005, other liabilities include tax liabilities of €1,147 million (2004: €803 million) and social benefits due of €808 million (2004: €774 million).

29. Deferred Income

As of December 31, 2005, €3,105 million of the total deferred income is to be recognized after more than one year (2004: €2,088 million).

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

Notes to Consolidated Statements of Cash Flows

30. Consolidated Statements of Cash Flows

The following cash flows represent supplemental information with respect to net cash provided by operating activities:

(in millions of €)	Year ended December 31,		
	2005	2004	2003
Interest paid	3,652	3,092	3,207
Income taxes paid	700	1,373	937

For the year ended December 31, 2005, net cash provided by financing activities included payments / (proceeds) of early terminated cross currency hedges, related to financial liabilities, of €72 million (2004: €(1,304) million; 2003: €(556) million).

Other Notes

31. Legal Proceedings

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

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

In October 2005, DaimlerChrysler Australia/Pacific Pty. Ltd. (“DCAuP”) settled the previously reported actions filed in the Supreme Court of New South Wales by National Australia Bank Limited and the liquidator in connection with the financial failure of a customer. The settlement agreement provides for payment by DCAuP of AUD55 million and a release from all further claims.

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

In 1999, former shareholders of Daimler-Benz AG instituted a valuation proceeding (Spruchstellenverfahren) against DaimlerChrysler AG at Stuttgart district court. These proceedings relate to the merger of Daimler-Benz AG

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

and DaimlerChrysler AG in connection with the business combination of Daimler-Benz and Chrysler Corporation in 1998. In the course of the merger, 1.8% of all shares in Daimler-Benz AG were involuntarily exchanged for DaimlerChrysler shares. Some shareholders claim that the ratio used in the course of the merger did not correspond to the actual value of the Daimler-Benz shares. An expert commissioned by the court presented his report in December 2005. In it, he has calculated various alternative values for payments to be made. These alternatives range from confirming the appropriateness of the ratio used to considerable payments to be made to the former Daimler-Benz shareholders with respect to the involuntarily exchanged shares. DaimlerChrysler continues to view the exchange ratio set by the company at the time as appropriate, and the alternative values calculated by the court expert as unfounded. We intend to continue defending ourselves vigorously against these claims.

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

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

Three purported class action lawsuits are pending in various U.S. courts that allege that the paint applied to 1982-1997 model year Chrysler, Plymouth, Jeep® and Dodge vehicles delaminates, peels or chips as the result of defective paint, paint primer, or application processes. Plaintiffs seek compensatory and punitive damages, costs of repair or replacement, attorneys' fees and costs. Seven other previously reported class action lawsuits regarding paint delamination have been dismissed.

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

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

The U.S. Environmental Protection Agency filed a complaint in the U.S. District Court for the District of Columbia against DaimlerChrysler Corporation in December 2005 alleging defects in catalytic converters and on-board diagnostic systems in certain Chrysler Group vehicles, and failure to properly disclose defects in such converters. The parties have agreed to the terms of a consent decree in settlement of the complaint. The settlement requires DaimlerChrysler Corporation to, among other things, extend the warranties on catalytic converters in certain 1996 - 2000 vehicles, and reprogram the powertrain control modules in certain 1996 - 1998 vehicles with updated on-board diagnostic systems calibrations. DaimlerChrysler Corporation also settled a related parallel

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Notes to Consolidated Financial Statements – (Continued)

administrative proceeding with the California Air Resources Board. The estimated cost of such remedial actions and related settlement payments is approximately \$95 million.

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

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

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

More than 80 purported class action lawsuits alleging violations of antitrust law are pending against DaimlerChrysler and several of its U.S. subsidiaries, six other motor vehicle manufacturers, operating subsidiaries of those companies in both the United States and Canada, the National Automobile Dealers Association and the Canadian Automobile Dealers Association. Some complaints were filed in federal courts in various states and others were filed in state courts. The complaints allege that the defendants conspired to prevent the sale to U.S. consumers of vehicles sold by dealers in Canada in order to maintain new car prices at artificially high levels in the U.S. They seek treble damages on behalf of everyone who bought or leased a new vehicle in the U.S. since January 1, 2001. DaimlerChrysler believes the complaints against it are without merit and plans to defend itself against them vigorously.

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

The Federal Republic of Germany has initiated arbitration proceedings against DaimlerChrysler Financial Services AG, Deutsche Telekom AG and Toll Collect GbR. The statement of claims of the Federal Republic of Germany was received in August 2005. The Federal Republic of Germany is mainly seeking damages, contractual penalties and the transfer of intellectual property rights to Toll Collect GmbH. In particular, the Federal Republic

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of Germany is claiming lost revenues of €3.51 billion plus interest (€236 million through July 31, 2005) for the period September 1, 2003, through December 31, 2004, and contractual penalties of approximately €1.65 billion through July 31, 2005 plus interest (€107 million through July 31, 2005). Since some of the contractual penalties, among other things, are dependent on time and further claims for contractual penalties have been asserted by the Federal Republic of Germany, the amount claimed as contractual penalties may increase. DaimlerChrysler believes the claims of the Federal Republic of Germany are without merit and intends to defend itself vigorously against these claims.

Freightliner LLC acquired in September 2000 Western Star Trucks Holdings Ltd. Prior to its acquisition by Freightliner, Western Star had completed the sale of a truck manufacturer, ERF (Holdings) plc, to MAN AG for CAD195 million. In September 2002, MAN filed a claim against Freightliner Ltd. (formerly Western Star) with the London Commercial Court for fraud and breach of representations and warranties in the share purchase agreement, alleging that ERF's accounts and financial statements were misstated and seeking damages in excess of GBP300 million. Freightliner Ltd. subsequently filed a contribution claim with that court against Ernst & Young, ERF's and Western Star's auditors. In October 2005, the court ruled that Freightliner Ltd. was vicariously liable for fraud by an employee of ERF in connection with the preparation of ERF's financial accounts, and also found in favor of Ernst & Young on the contribution claim. Freightliner Ltd. has appealed both decisions on liability. In December 2005, the court awarded MAN an interim payment of GBP250 million, based on a minimum estimate of the parties, which amount significantly exceeds Freightliner Ltd.'s net assets. A hearing to determine final damages may be deferred until resolution of the appeals. In a related matter, MAN sued Freightliner LLC in February 2005 alleging that assets were fraudulently transferred from Freightliner Ltd. while the above described proceeding was pending, and seeking payment from Freightliner LLC of the damages awarded against Freightliner Ltd. in that proceeding. The complaint, which was amended in December 2005, is pending in Multnomah County Circuit Court in the state of Oregon. Freightliner LLC intends to defend itself vigorously in this matter.

Tracinda Corporation filed a lawsuit in 2000 against DaimlerChrysler AG and some of the members of its Supervisory Board and Board of Management alleging that the defendants violated U.S. securities law and committed fraud in obtaining approval from Chrysler stockholders of the business combination between Chrysler and Daimler-Benz in 1998. On April 7, 2005, the United States District Court for the District of Delaware rendered a judgment in favor of the defendants and against Tracinda Corporation on all claims finding that there had been no fraud and no violation of U.S. securities laws. Tracinda is appealing the decision and filed its opening brief with the United States Court of Appeals for the Third Circuit in January 2006.

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

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

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In August 2004, the U.S. Securities and Exchange Commission (“SEC”) opened a formal investigation into possible violations by DaimlerChrysler of the anti-bribery, record-keeping and internal control provisions of the U.S. Foreign Corrupt Practices Act (“FCPA”). The U.S. Department of Justice (“DOJ”) has also requested information in this regard. DaimlerChrysler is voluntarily sharing with the DOJ and the SEC information from its own internal investigation of certain accounts, transactions and payments, primarily relating to transactions involving government entities, and is providing the agencies with information pursuant to outstanding subpoenas and other requests. Following is a summary of information DaimlerChrysler uncovered to date in connection with its internal investigation. Further issues may arise as the company completes its investigation.

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

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

–DaimlerChrysler determined that certain payable accounts related to consolidated subsidiaries were not eliminated during consolidation.

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

In connection with these issues, DaimlerChrysler recognized charges in its 2005 consolidated statement of income to correct misstatements relating to the years 2003 and 2004 which had the effect of reducing 2005 operating profit by €16 million and reducing 2005 net income by €64 million. In addition, DaimlerChrysler adjusted stockholders’ equity as at January 1, 2003 to correct accumulated misstatements in the periods 1994 through 2002 which had the effect of reducing the January 1, 2003 balance of stockholders’ equity by €222 million. DaimlerChrysler recognized a charge of €125 million in the third quarter of 2005 with respect to tax liabilities that had been identified in the course of the internal investigation by the date the unaudited interim financial statements for the third quarter 2005 were issued. Following its continued investigation of the misstatements discussed above, DaimlerChrysler subsequently determined that any adjustments for pre-2003 periods should be reflected in the January 1, 2003 balance of stockholders’ equity. Accordingly, DaimlerChrysler reversed €100 million of the €125 million charge originally recognized in the third quarter 2005. This amount is reflected in the €222 million reduction of the January 1, 2003 balance of stockholders’ equity.

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

DaimlerChrysler also determined that for a number of years a portion of the taxes related to compensation paid to expatriate employees was not properly reported. In connection with this underpayment of taxes, DaimlerChrysler recognized charges in its 2005 consolidated statement of income to correct corresponding overstatements relating to the years 2003 and 2004 which had the effect of reducing 2005 operating profit by €34 million and reducing 2005 net income by €25 million. In addition, DaimlerChrysler adjusted stockholders’ equity as at January 1, 2003 to correct accumulated overstatements of net income in the periods 1994 through 2002 which had the effect of reducing the January 1, 2003 balance of stockholders’ equity by €84 million.

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DaimlerChrysler voluntarily reported potential tax liabilities resulting from these issues to the tax authorities in several jurisdictions.

The following table provides detailed information about the exact nature and related amount comprising each component of the adjustments made to correct for the misstatements related to the internal investigation and the expatriate employee compensation:

(in millions of €)	Effect of accumulated misstatements on stockholders' equity as of January 1, 2003	Effect of out of period adjustments on net income 2005			Effect of out of period adjustments on operating profit 2005		
		Total	Related to 2004	Related to 2003	Total	Related to 2004	Related to 2003
Self-reported potential tax liabilities	(265)	(65)	(34)	(31)	(21)	(9)	(12)
Intercompany accounts not properly eliminated in consolidation	37	(15)	(18)	3	(16)	(20)	4
Consolidation of controlled entities previously not consolidated	6	16	10	6	21	14	7
Subtotal—Internal investigation into possible violations of law	(222)	(64)	(42)	(22)	(16)	(15)	(1)
Unreported taxes related to compensation of expatriate employees	(84)	(25)	(11)	(14)	(34)	(15)	(19)
DaimlerChrysler's internal investigation of certain accounts, transactions and payments	(306)	(89)	(53)	(36)	(50)	(30)	(20)

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

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

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

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

32. Contingent Obligations and Commercial Commitments

Contingent Obligations. Obligations from issuing guarantees as a guarantor (excluding product warranties) are as follows:

(in millions of €)	At December 31, Maximum potential future obligations		At December 31, Amount recognized as a liability	
	2005	2004	2005	2004
Guarantees for third party liabilities	1,819	2,653	412	486
Guarantees under buy-back commitments	1,499	1,646	406	536
Other contingent obligations	249	273	125	178
	3,567	4,572	943	1,200

Guarantees for third party liabilities principally represent guarantees of indebtedness of non-consolidated affiliated companies and third parties and commitments by Group companies as to contractual performance by joint venture companies and certain non-incorporated companies, partnerships, and project groups. The terms under these arrangements generally cover the range of the related indebtedness of the non-consolidated affiliated companies and third parties or the contractual performance period of joint venture companies, non-incorporated companies, partnerships, and project groups. The parent company of the Group (DaimlerChrysler AG) provides guarantees for certain obligations of its consolidated subsidiaries towards third parties. At December 31, 2005, these guarantees amounted to €54.0 billion. To a lesser extent, consolidated subsidiaries provide guarantees to third parties of obligations of other consolidated subsidiaries. All intercompany guarantees are eliminated in consolidation and therefore are not reflected in the above table.

DaimlerChrysler AG provides a guarantee to Deutsche Bank AG to cover the obligations of employees that are participating in its corporate credit card program for corporate travel expenses which is operated by Deutsche Bank AG. To date, DaimlerChrysler has not incurred any significant payments from that guarantee which

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amounted to €651 million as of December 31, 2004. In March 2005, DaimlerChrysler AG and Deutsche Bank AG concluded an additional agreement that supplements the existing framework agreement, limiting the guarantee for current and future credit card obligations arising from that program to €20 million.

Guarantees under buy-back commitments principally represent arrangements whereby the Group guarantees specified trade-in or resale values for assets or products sold to non-consolidated affiliated companies and third parties. Such guarantees provide the holder with the right to return purchased assets or products back to the Group, partially also in connection with a future purchase of products or services. The table above excludes residual value guarantees related to arrangements for which revenue recognition is precluded due to the Group's obligation to repurchase assets sold to unrelated guaranteed parties.

Other contingent obligations principally include pledges or indemnifications related to the quality or timing of performance by third parties or participations in performance guarantees of consortiums. Performance guarantees typically provide the purchaser of goods or services with the right to be reimbursed for losses incurred or other penalties if the third party or the consortium fails to perform. Amounts accrued under performance guarantees reflect estimates of probable losses resulting from a third party's failure to perform under obligating agreements.

DaimlerChrysler AG and its wholly owned subsidiary DaimlerChrysler Financial Services AG have provided various guarantees towards third parties with respect to the investment in Toll Collect. See Note 3 for detailed information regarding Toll Collect including the guarantees issued. Of the guarantees mentioned in Note 3, only the €600 million guarantee for the bank loan is reflected in the above table in the line "Guarantees for third party liabilities". The other guarantees are not reflected in the above table since the maximum potential future obligation resulting from the remaining guarantees cannot be accurately estimated. Accruals established in this regard are also not included in the above table.

When circumstances indicate that payment is probable and the amount is reasonably estimable, guarantees made by the Group are recognized as a liability in the consolidated balance sheet in accordance with SFAS 5 "Accounting for Contingencies", with an offsetting amount recorded as an expense (contingent obligation). For guarantees issued or modified after December 31, 2002, the Group records guarantees at fair value, unless a higher amount must be accrued for in accordance with SFAS 5 (non-contingent obligations). Both contingent obligations and non-contingent obligations are included in the column "Amount recognized as a liability" in the table above.

In accordance with FIN 45, the obligations associated with product warranties are not reflected in the above table. See Note 25b for accruals relating to such obligations.

Commercial Commitments. In addition to the above guarantees and warranties, in connection with certain production programs, the Group has committed to purchase various levels of outsourced manufactured parts and components over extended periods at market prices. The Group has also committed to purchase or invest in the construction and maintenance of various production facilities. Amounts under these guarantees represent commitments to purchase plant or equipment at market prices in the future. As of December 31, 2005, commitments to purchase outsourced manufactured parts and components or to invest in plant and equipment are approximately €10.1 billion. These amounts are not reflected in the above table.

Collins & Aikman Corporation ("C&A"), a major tier one supplier to the automotive industry, initiated bankruptcy reorganization proceedings in the U.S. and similar proceedings in England. During 2005, DaimlerChrysler Corporation, along with other major customers of C&A, agreed to provide price increases and financing to C&A. DaimlerChrysler's portion of the 2005 price increases and funding commitment was \$120 million and is included in cost of sales on the accompanying consolidated statements of income (loss). DaimlerChrysler agreed to provide an additional \$70 million of price increases for calendar year 2006.

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DaimlerChrysler also agreed to accelerate payments for tooling and to fund other DaimlerChrysler program specific capital expenditures in 2005 and 2006, as well as to fund launch costs as needed throughout 2005. In addition, DaimlerChrysler also provided financial support of €13 million in Europe in 2005 to support the continuation of component deliveries, to finance specific investments and to secure launch costs.

DaimlerChrysler would be significantly adversely affected in the near term by a sudden and prolonged interruption in the supply of components from C&A. Such an interruption would affect production of nearly all Chrysler Group vehicles as well as the Mercedes Car Group's M-Class and R-Class vehicles in Alabama, and all Commercial Vehicle Division vans in Europe. It would also delay the launch of future vehicle projects in our Vans business unit.

The Group also enters into noncancellable operating leases for facilities, plant and equipment. Total rentals under operating leases charged to expense in 2005 in the statement of income amounted to €946 million (2004: €902 million; 2003: €747 million). Future minimum lease payments under noncancellable lease agreements as of December 31, 2005 are as follows:

(in millions of €)	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>thereafter</u>
Operating leases	805	588	401	344	304	1,134

Future payments to be received from the subleasing of these facilities, plant and equipment to third parties total €297 million.

In 2003, DaimlerChrysler signed an agreement with the City of Hamburg, Germany, a holder of approximately 6% of the common shares of DaimlerChrysler Luft- und Raumfahrt Holding Aktiengesellschaft ("DCLRH"), a majority-owned subsidiary of the Group. Pursuant to the terms of the agreement and upon execution of the agreement, DaimlerChrysler holds a call option for the City's interest in DCLRH, exercisable on or after January 1, 2005, and the City of Hamburg holds a put option exercisable at the earlier of October 1, 2007, or upon the occurrence of certain events which are solely within the control of DaimlerChrysler. DaimlerChrysler believes the likelihood that these certain events will occur is remote. Upon exercise of either option, the City of Hamburg would have received a minimum consideration of its interest in DCLRH of €450 million in cash or shares of EADS or a combination of both. The agreement was amended in July 2004 with respect to the exercise price of the put option, so that the City of Hamburg may only put its interest in DCLRH to the Group for €450 million in cash. As a consideration for the amendment, the City of Hamburg is entitled to receive an additional payment upon execution of the option equal to 10% of the appreciation of EADS shares in excess of a share price of €21 up to a share price of €26.

33. Information about Financial Instruments and Derivatives

a) Use of Financial Instruments

The Group conducts business on a global basis in numerous international currencies and is therefore exposed to fluctuations in foreign currency exchange rates. The Group uses, among others, bonds, medium-term-notes, commercial paper and bank loans in various currencies. As a consequence of using these types of financial instruments, the Group is exposed to risks from changes in interest and foreign currency exchange rates. DaimlerChrysler holds financial instruments, such as money market investments, variable-and fixed-interest bearing securities, and to a lesser extent, equity securities for managing excess liquidity that subject the Group to risks from changes in interest rates and market prices. DaimlerChrysler manages the various types of market risks by using, among others, derivative financial instruments. In addition, equity investments in publicly traded companies also expose the Group to equity price risk, which, if deemed appropriate, DaimlerChrysler hedges through the use of derivative financial instruments. Without these derivative financial instruments the Group's

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exposure to these market risks would be higher. DaimlerChrysler does not use derivative financial instruments for purposes other than risk management.

Based on regulations issued by regulatory authorities for financial institutions, the Group has established guidelines for risk controlling procedures and for the use of financial instruments, including a clear segregation of duties with regard to operating financial activities, settlement, accounting and controlling of financial instruments.

Market risks are quantified according to the “value-at-risk” method which is commonly used among banks. Using historical variability of market data, potential changes in value resulting from changes of market prices are calculated on the basis of statistical methods.

DaimlerChrysler is also exposed to market price risks associated with the purchase of commodities. To a minor degree, DaimlerChrysler uses derivative instruments to reduce market price risks, primarily with respect to precious metals. The risk resulting from derivative commodity instruments is not significant to the Group and thus not included in the following discussion.

The contract volumes at December 31 of derivative financial instruments used for hedging currency- and interest rate risks are shown in the table below. The contract or notional amounts shown do not always represent amounts exchanged by the parties and are not necessarily a measure for the exposure of DaimlerChrysler through its use of derivatives.

	At December 31,	
	2005	2004
(in millions of €)		
Currency contracts	25,082	20,226
Interest rate contracts	42,407	38,313

b) Fair Value of Financial Instruments

The fair value of a financial instrument is the price at which one party would assume the rights and/or duties of another party pertaining to such instrument. The fair values of financial instruments have been determined with reference to market information available at the balance sheet date and the valuation methodologies discussed below. Considering the variability of their value-determining factors, the fair values presented herein are only an indication of the amounts that the Group could realize under current market conditions.

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The carrying amounts and fair values of the Group's financial instruments are as follows:

(in millions of €)	At December 31, 2005		At December 31, 2004	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial instruments (other than derivative instruments):				
Assets:				
Financial assets	1,361	1,361	1,610	1,610
Receivables from financial services	61,101	61,246	56,785	57,558
Securities	4,936	4,936	3,884	3,884
Cash and cash equivalents	7,711	7,711	7,782	7,782
Liabilities:				
Financial liabilities	80,932	82,129	76,270	78,244
Derivative instruments:				
Assets:				
Currency contracts	181	181	1,287	1,287
Interest rate contracts	546	546	2,667	2,667
Equity contracts	73	73	90	90
Liabilities:				
Currency contracts	646	646	152	152
Interest rate contracts	867	867	196	196
Equity contracts	209	209	65	65

Derivative instruments representing assets are included in other assets (see Note 19) at fair value, while derivative instruments representing liabilities are included in other accrued liabilities (see Note 25b) at fair value.

The methods and assumptions used to determine the fair values of financial instruments are summarized below:

Financial Assets and Securities. The fair values of securities are determined using quoted market prices. The Group has certain equity investments in related and affiliated companies which are not presented in the table since they are not publicly traded and determination of fair values is impracticable. In addition, equity investments in associated companies are also not considered in this presentation. For a presentation of the carrying amount and fair value of EADS, the most significant investment of DaimlerChrysler in associated companies, please refer to Note 3.

Receivables from Financial Services. The carrying amounts of variable rate finance receivables approximate their fair values since the contract rates of those receivables approximate current market rates. The fair values of fixed rate finance receivables were determined by discounting expected cash flows, using the current interest rates at which comparable loans with identical maturity could be borrowed as of December 31, 2005 and 2004.

Cash and Other assets. The carrying amounts of Cash and Other assets approximate fair values due to the short-term maturities of these instruments.

Financial Liabilities. The fair value of publicly traded debt was determined using quoted market prices. The fair values of other long-term bonds were determined by discounting future cash flows, using market interest rates

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over the remaining term. The carrying amounts of commercial paper and borrowings under revolving credit facilities were assumed to approximate fair value due to their short maturities.

Currency Contracts. The fair values of forward foreign exchange contracts were based on European Central Bank reference exchange rates adjusted for the respective interest rate differentials (premiums or discounts). Currency options were valued based on quoted market prices or option pricing models.

Interest Rate Contracts. The fair values of instruments to hedge interest rate risks (e. g. interest rate swap agreements, cross currency interest rate swap agreements) were determined by discounting expected cash flows, using market interest rates over the remaining term of the instrument. Interest rate options are valued based on quoted market prices or option pricing models.

Equity Contracts. The fair values of instruments to hedge equity price risk were determined on the basis of quoted market prices or option pricing models.

c) Credit Risk

The Group is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. DaimlerChrysler manages the credit risk exposure to financial institutions through diversification of counterparties and review of each counterparty's financial strength. Based on the rating of the counterparties performed by established rating agencies, DaimlerChrysler does not have a significant exposure to any individual counterparty. DaimlerChrysler Financial Services has established detailed guidelines for the risk management process related to the exposure to financial services customers. Additional information with respect to receivables from financial services and allowance for doubtful accounts is included in Note 18.

d) Accounting for and Reporting of Financial Instruments (Other than Derivative Instruments)

The income or expense arising from the Group's financial instruments (other than derivative instruments), is recognized in financial income, net, with the exception of receivables from financial services and financial liabilities related to leasing and sales financing activities. Interest income on receivables from financial services and gains and losses from sales of receivables are recognized as revenues. Interest expense on financial liabilities related to leasing and sales financing activities are recognized as cost of sales. The carrying amounts of the financial instruments (other than derivative instruments) are included in the consolidated balance sheets under their corresponding captions.

e) Accounting for and Reporting of Derivative Instruments and Hedging Activities

Foreign Currency Risk Management. As a consequence of the global nature of DaimlerChrysler's businesses, its operations and its reported financial results and cash flows are exposed to the risks associated with fluctuations in the exchange rates of the U.S. dollar and other world currencies against the euro. The Group's businesses are exposed to transaction risk whenever revenues of a business are denominated in a currency other than the currency in which the business incurs the costs relating to those revenues. The Mercedes Car Group segment is primarily exposed to such risk. The Mercedes Car Group generates its revenues mainly in the currencies of the countries in which cars are sold, but it incurs manufacturing costs primarily in euros. The Commercial Vehicles segment is subject to transaction risk to a lesser extent because of its global production network. At Chrysler Group, revenues and costs are principally generated in U.S. dollars, resulting in a relatively low transaction risk for this segment. The Other Activities segment is indirectly exposed to transaction risk through its equity investment in EADS, which is accounted for using the equity method.

To mitigate the impact of currency exchange rate fluctuations, DaimlerChrysler continually assesses its exposure to currency risks and hedges a portion of those risks through the use of derivative financial instruments. Responsibility for managing DaimlerChrysler's currency exposures and use of currency derivatives is centralized

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within the Group's Currency Committee. The Currency Committee consists of members of senior management from Corporate Treasury, each of the operating businesses as well as from Risk Controlling. Corporate Treasury implements the decisions concerning foreign currency hedging taken by the Currency Committee. Risk Controlling regularly informs the Board of Management of the actions of Corporate Treasury based on the decisions of the Currency Committee.

Interest Rate and Equity Price Risk Management. DaimlerChrysler holds a variety of interest rate sensitive assets and liabilities to manage the liquidity and cash needs of its day-to-day operations. In addition a substantial volume of interest rate sensitive assets and liabilities is related to the leasing and sales financing business which is operated by DaimlerChrysler Financial Services. In particular, the Group's leasing and sales financing business enters into transactions with customers, primarily resulting in fixed rate receivables. DaimlerChrysler's general policy is to match funding in terms of maturities and interest rates. However, for a limited portion of the receivables portfolio, funding does not match in terms of maturities and interest rates. As a result, DaimlerChrysler is exposed to risks due to changes in interest rates. DaimlerChrysler coordinates funding activities of the industrial business and financial services on the Group level. The Group uses 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 Group assesses interest rate risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. The Group maintains risk management control systems independent of Corporate Treasury to monitor interest rate risk attributable to DaimlerChrysler's outstanding interest rate exposures as well as its offsetting hedge positions. The risk management control systems involve the use of analytical techniques, including value-at-risk analyses, to estimate the expected impact of changes in interest rates on the Group's future cash flows.

Excess liquidity invested in equity securities and the corresponding risks of derivative financial hedging instruments for equities were not material to the Group in the reporting periods presented. To a certain extent, the equity price risk from investments in publicly traded companies is hedged through derivative financial instruments.

Fair Value Hedges. Gains and losses from fluctuations in the fair value of recognized assets and liabilities and firm commitments of operating transactions as well as gains and losses arising from derivative financial instruments designated as fair value hedges of these recognized assets and liabilities and firm commitments are recognized currently in revenues or cost of sales, if the transactions being hedged involve sales (including the leasing and sales financing business) or production of the Group's products. When the hedged items are recognized in financial income, net, net gains and losses from fluctuations in the fair value of both recognized financial assets and liabilities and derivative financial instruments designated as fair value hedges of these financial assets and liabilities are also recognized in financial income, net.

For the year ended December 31, 2005, net losses of €58 million (2004: net losses of €49 million) were recognized in operating and financial income, net, representing principally the component of the derivative instruments' gain or loss excluded from the assessment of hedge effectiveness and the amount of hedging ineffectiveness.

Cash Flow Hedges. Changes in the value of forward foreign currency exchange contracts and currency options designated and qualifying as cash flow hedges are reported in accumulated other comprehensive loss. These amounts are subsequently reclassified into operating income in the same period the underlying transactions affect operating income. Changes in the fair value of derivative hedging instruments designated as hedges of variability of cash flows associated with variable-rate long-term debt are also reported in accumulated other comprehensive loss. These amounts are subsequently reclassified into the income statement as a yield

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adjustment in the same period in which the related interest on the floating-rate debt obligations affect earnings. If the interest sensitive hedged items affect operating income (including the leasing and sales financing business), the effects from the hedging instruments are also recognized in operating income. If the interest sensitive hedged items affect financial income, net, the corresponding effects from the hedging instruments are likewise classified in financial income, net.

For the year ended December 31, 2005, €41 million losses (2004: losses of €6 million), representing principally the component of the derivative instruments' gain/loss excluded from the assessment of the hedge effectiveness and the amount of hedge ineffectiveness, were recognized in operating and financial income, net.

During 2005, DaimlerChrysler recorded expenses of €1 million as a result of the discontinuance of cash flow hedges (2004: no gains and losses were recorded).

It is anticipated that €90 million of net gains included in accumulated other comprehensive loss at December 31, 2005, will be reclassified into earnings during the next year.

As of December 31, 2005, DaimlerChrysler held derivative financial instruments with a maximum maturity of 27 months to hedge its exposure to the variability in future cash flows from foreign currency forecasted transactions.

Hedges of the Net Investment in a Foreign Operation. In specific circumstances, DaimlerChrysler hedges the currency risk inherent in certain of its long-term investments where the functional currency is other than the euro, through the use of derivative and non-derivative financial instruments. For the year ended December 31, 2005, net gains of €213 million (2004: €120 million) from hedging the Group's net investment in MMC were reclassified into the income statement. For further information, also see the discussion in Note 3. In addition, net losses of €8 million from hedging the Group's net investments in foreign operations were included in the cumulative translation adjustment without affecting DaimlerChrysler's net income in 2004.

34. Retained Interests in Securitized Sold Receivables and Sale of Finance Receivables

DaimlerChrysler uses securitization transactions to improve shareholder returns and diversify its funding sources. In the ordinary course of the business the Group sells significant portions of its automotive finance receivables to trusts and third-party entities in "asset-backed securitizations" and "whole loan sales". The information given below relates only to transfers of finance receivables which qualified for de-recognition according to the criteria in SFAS 140.

Description of Securitization Transactions. Asset-backed securitizations ("ABS") involve the sale of financial assets by DaimlerChrysler to trusts that are Special Purpose Entities ("SPEs"). The SPEs purchase the assets with cash raised through the issuance of beneficial interests (usually debt instruments) to third-party investors. The sold financial assets consist of retail receivables with an expected average lifetime of several months at the time of the securitization and short-term wholesale receivables which are securitized using a revolving-period structure. The investors in the beneficial interests have recourse to the assets in the trusts and benefit from credit enhancements, such as overcollateralization. In a subordinated capacity, the Group retains residual beneficial interests in the sold receivables designed to absorb substantially all credit, prepayment, and interest-rate risk of the receivables transferred to the trusts. The retained interest balance represents DaimlerChrysler's right to receive collections on the transferred receivables in excess of amounts required by the trust to pay interest and principal to investors, servicing fees, and other required payments. To support the European ABS-program DaimlerChrysler also provided a subordinated loan to one trust. The Group's maximum exposure to loss as a result of its involvement with these entities is limited to the amount of the carrying value of retained interests and the provided subordinated loan.

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The Group also transfers automotive finance receivables to third-party trusts in transactions wherein it does not retain a beneficial interest in the transferred receivables (whole loan sales). In whole loan sales, all risk of loss related to the sold receivables is transferred from DaimlerChrysler to the purchaser.

The Group generally remains as servicer for the sold receivables.

Trusts and Third-Party Entities. Trusts sponsored by DaimlerChrysler are considered Qualifying Special Purpose Entities (“QSPEs”) under SFAS 140 and are not consolidated by the Group. The third-party entities are multi-seller and multi-collateralized bank conduits. These trusts are considered to be variable interest entities (“VIEs”) under FIN 46R. A bank conduit generally receives substantially all of its funding from issuing asset-backed securities that are cross-collateralized by the assets held by the entity. Although its interest in these VIEs is significant, DaimlerChrysler has concluded that it is not the primary beneficiary of these bank conduits and therefore is not required to consolidate them under FIN 46R.

Assumptions in Measuring the Retained Interests and Sensitivity Analysis. At December 31, 2005 and 2004, significant assumptions used in measuring the residual interest resulting from the sale of retail and wholesale receivables were as follows (weighted average rates for securitizations completed during the respective year):

	Retail		Wholesale	
	2005	2004	2005	2004
Prepayment speed assumption (monthly rate)	1.25%-1.5%	1.5%	1	1
Lifetime (in months)	18	18	3	3
Estimated lifetime net credit losses (an average percentage of sold receivables)	1.9%	2.3%	0.0%	0.0%
Residual cash flows discount rate (annual rate)	12.0%	12.0%	12.0%	12.0%

¹ For the calculation of wholesale gains, the Group estimated that all sold wholesale loans would be liquidated within 210 days.

Actual and projected net lifetime credit losses for retail receivables securitized were as follows:

<u>Actual and projected credit losses</u> <u>Percentages as of</u>	Receivables securitized in			
	2002	2003	2004	2005
December 31, 2005	1.8%	1.6%	1.8%	1.9%
December 31, 2004	1.9%	2.0%	2.3%	
December 31, 2003	2.4%	2.5%		
December 31, 2002	2.6%			

Static pool losses are calculated by summing the actual and projected future credit losses and dividing them by the original balance of each pool of assets. The amount shown above for each year is a weighted average for all securitizations during that year and outstanding at December 31, 2005.

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At December 31, 2005, the significant assumptions used in estimating the residual cash flows from sold receivables and the sensitivity of the current fair value to immediate 10% and 20% adverse changes are as follows:

(in millions of €)	Assumption percentage	Impact on fair value based on adverse	
		10% change	20% change
Prepayment speed, monthly	1.5%	(8)	(14)
Expected remaining net credit losses as a percentage of receivables sold	0.9%	(23)	(45)
Residual cash flow discount rate, annualized	12.0%	(16)	(32)

The effect of a 10% and 20% adverse change in the discount rate used to compute the fair value of the retained subordinated securities would be a decrease of €2 million and €3 million, respectively. Similar changes to the monthly prepayment speed and the expected remaining net credit losses as a percentage of receivables sold for the retained subordinated securities would have no adverse effect on the fair value of the retained subordinated securities.

These sensitivities are hypothetical and should be used with caution. The effect of a variation in a particular assumption on the fair value of the retained interests is calculated without changing any other assumption; in reality, changes in one assumption may result in changes in another, which might magnify or counteract the sensitivities.

Retained Beneficial Interests in Securitized Sold Receivables. As there is no active market for retained interests, the Group determines the value of its retained interests using discounted cash flow modeling upon the sale of receivables. The valuation methodology considers historical and projected principal and interest collections on the sold receivables, expected future credit losses arising from the collection of the sold receivables, and estimated repayment of principal and interest.

For more details on the valuation of retained interests in securitized sold receivables please see Note 1.

The fair value of retained interests in securitized sold receivables was as follows:

(in millions of €)	At December 31,	
	2005	2004
Fair value of estimated residual cash flows, net of prepayments, from sold receivables, before expected future net credit losses	2,266	2,190
Expected future net credit losses on sold receivables	(286)	(369)
Fair value of net residual cash flows from sold receivables	1,980	1,821
Retained subordinated securities	233	379
Other retained interests	2	2
Retained interests in sold receivables	<u>2,215</u>	<u>2,202</u>

At December 31, 2005, the Group also recognized a subordinated loan with a carrying value of €25 million to a trust related to the European ABS-platform.

The fair value of Retained Interests in sold receivables and the subordinated loan are included in other assets (see Note 19).

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Sale of Finance Receivables. During the year ended December 31, 2005, DaimlerChrysler sold in asset-backed securitization transactions €10,059 million (2004: €9,329 million) and €33,922 million (2004: €35,414 million) of retail and wholesale receivables, respectively. From these transactions, the Group recognized gains of €11 million (2004: €79 million) and €169 million (2004: €157 million). During the year ended December 31, 2005, the Group sold €1,516 million (2004: €965 million) of retail receivables in whole loan sales and recognized gains of €2 million (2004: €14 million). As of December 31, 2005, the outstanding balance of receivables serviced in connection with whole loan sales was €1,931 million (2004: €1,361 million).

The cash flows in connection with the mentioned transactions between DaimlerChrysler and the securitization trusts were as follows:

	2005	2004
(in millions of €)		
Proceeds from new securitizations	15,093	11,360
Proceeds from collections reinvested in previous wholesale securitizations	33,892	35,393
Amounts reinvested in previous wholesale securitizations	(33,922)	(35,414)
Servicing fees received	214	183
Receipt of cash flows on retained interests in sold receivables	998	686

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The outstanding balance, delinquencies and net credit losses of sold receivables and other receivables, of those companies that sell receivables, as of and for the years ended December 31, 2005 and 2004, respectively, were as follows:

	Outstanding balance at		Delinquencies > 60 days at		Net credit losses for the year ended	
	2005	2004	2005	2004	2005	2004
(in millions of €)						
Managed retail receivables	48,216	38,963	111	116	428	390
Managed wholesale receivables	18,979	15,142	8	6	6	3
Total receivables managed	67,195	54,105	119	122	434	393
Less: Retail receivables sold	(14,677)	(14,287)	(32)	(24)	(155)	(144)
Less: Wholesale receivables sold	(8,703)	(5,880)	—	—	(3)	—
Total receivables sold	(23,380)	(20,167)	(32)	(24)	(158)	(144)
Retail receivables recognized in balance sheets	33,539	24,676	79	92	273	246
Wholesale receivables recognized in balance sheets	10,276	9,262	8	6	3	3
Receivables recognized in balance sheets	43,815	33,938	87	98	276	249

The following summarizes the outstanding balance of the receivables sold to the QSPEs and VIEs and the corresponding retained interest balances as of December 31, 2005:

(in millions of €)	Receivables sold	Retained interest in sold receivables
Variable interest entities	3,815	367
Qualifying special purpose entities	19,565	1,848
	<u>23,380</u>	<u>2,215</u>

Servicing Assets and Servicing Liabilities. Servicing assets (Servicing liabilities) represent the present value derived from retaining the right (obligation) to service securitized receivables compared to adequate servicer compensation. During the year ended December 31, 2005, the Group recognized servicing assets of €7 million (2004: €1 million) and related amortization of €2 million (2004: €2 million). The Group also recognized servicing liabilities of €10 million (2004: €8 million) and related amortization of €13 million (2004: €11 million). At December 31, 2005, the fair value of servicing assets on sold receivables was €6 million (2004: €1 million), and the fair value of servicing liabilities was €15 million (2004: €15 million). These values were determined by discounting expected cash flows at current market rates.

Liquidity Facilities of Special Purpose Entities. To support the Group's 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 September 2006, and are subject to annual renewal. These liquidity facilities can only be drawn upon by the special purpose entity to which the Group's North American financial services companies will sell receivables under this program. As of December 31, 2005, none of the liquidity facilities have been utilized.

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35. Segment Reporting

Information with respect to the Group's reportable segments follows:

Mercedes Car Group. This segment includes activities related mainly to the development, design, manufacture, assembly and sale of passenger cars and off-road vehicles under the brand names Mercedes-Benz, smart and Maybach as well as related parts and accessories.

Chrysler Group. This segment includes the development, design, manufacture, assembly and sale of cars and trucks under the brand names Chrysler, Jeep® and Dodge and related automotive parts and accessories.

Commercial Vehicles. This segment is involved in the development, design, manufacture, assembly and sale of vans, trucks, buses and Unimogs as well as related parts and accessories. The products are sold mainly under the brand names Mercedes-Benz, Setra, Freightliner, and Mitsubishi and Fuso.

Financial Services. The activities in this segment primarily extend to the marketing of services related to financial services (principally retail and lease financing for vehicles and dealer financing) and insurance brokerage. This Segment is also engaged in toll collection. In 2005, DaimlerChrysler renamed its Services segment to Financial Services, to emphasize its focus on the financial services business.

Other Activities. This segment comprises businesses, operations and investments not allocated to one of DaimlerChrysler's other business segments. It includes the Group's equity method investment EADS, the business unit DC Off-Highway which is primarily comprised of the MTU-F Group and the Off-Highway activities of Detroit Diesel Corporation, the real estate and corporate research activities, the holding companies and financing subsidiaries through which the Group refinances the capital needs of the operating businesses in the capital markets. The Group's equity investment in MMC is included in this segment using the equity method of accounting through June 29, 2004, and thereafter as an investment in related companies, accounted for at fair value. In November 2005, DaimlerChrysler sold all of its MMC shares (see also Note 3). Through December 31, 2003, this segment includes the MTU Aero Engines business unit. On December 27, 2005, DaimlerChrysler entered into a share sale and purchase agreement with the Swedish investor group EQT regarding the sale of a major portion of its Off-Highway Business Unit. The closing is expected to occur in the first quarter of 2006 (see also Note 4). On January 24, 2006, DaimlerChrysler presented a new management model. As part of the new management model, DaimlerChrysler intends to change the composition of its business segments by reporting the van and bus business units with its Other Activities. As a result of these changes, the Commercial Vehicles segment will be renamed the Truck Group.

Management Reporting and Controlling Systems. The Group's management reporting and controlling systems use accounting policies that are substantially the same as those described in Note 1 in the summary of significant accounting policies (U.S. GAAP), except for revenue recognition between the automotive business segments and the Services segment in certain markets.

The Group measures the performance of its operating segments through "operating profit". DaimlerChrysler's consolidated operating profit (loss) is the sum of the operating profits and losses of its reportable segments adjusted for consolidation and elimination entries. Segment operating profit (loss) is computed starting with income (loss) before income taxes, minority interests, discontinued operations, and the cumulative effect of changes in accounting principles, and then adjusting that amount to 1) exclude pension and postretirement benefit income or expenses, other than current and prior year service costs and settlement/curtailment losses, 2) exclude gains from the sale of the 12.4% stake in MMC in 2005 and the 10.5% stake in HMC in 2004, impairment of investment in EADS in 2003, 3) exclude interest and

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similar income and interest and similar expenses, 4) exclude other financial income (loss), net and 5) include or exclude certain miscellaneous items. In addition, this result is further adjusted to a) include pre-tax income (loss) from discontinued operations, adjusted to exclude or include the reconciling items 1 to 5 described above, b) include pre-tax gain (loss) on the disposal of discontinued operations, and c) include the Group's share of all of the above reconciling items included in the net earnings (losses) of investments accounted for at equity.

Intersegment sales and revenues are generally recorded at values that approximate third-party selling prices.

Revenues are allocated to countries based on the location of the customer. Long-lived assets are disclosed according to the physical location of these assets.

Capital expenditures represent the purchase of property, plant and equipment.

Segment information as of and for the years ended December 31, 2005, 2004 and 2003 follows:

(in millions of €)	Mercedes Car Group	Chrysler Group	Commercial Vehicles	Financial Services	Other Activities	Total Segments	Discontinued Operations/ Eliminations	Consolidated
2005								
Revenues	46,429	50,086	38,356	12,798	2,107	149,776	–	149,776
Intersegment sales	3,586	32	2,278	2,641	289	8,826	(8,826)	–
Total revenues	<u>50,015</u>	<u>50,118</u>	<u>40,634</u>	<u>15,439</u>	<u>2,396</u>	<u>158,602</u>	<u>(8,826)</u>	<u>149,776</u>
Operating Profit (Loss)	(505)	1,534	2,093	1,468	591	5,181	4	5,185
Identifiable segment assets	27,081	55,372	21,712	99,635	29,251	233,051	(31,419)	201,632
Capital expenditures	1,629	3,083	1,743	45	109	6,609	(29)	6,580
Depreciation and amortization	2,418	3,336	1,313	5,757	168	12,992	(381)	12,611
2004								
Revenues	46,082	49,485	32,940	11,646	1,906	142,059	–	142,059
Intersegment sales	3,548	13	1,824	2,293	294	7,972	(7,972)	–
Total revenues	<u>49,630</u>	<u>49,498</u>	<u>34,764</u>	<u>13,939</u>	<u>2,200</u>	<u>150,031</u>	<u>(7,972)</u>	<u>142,059</u>
Operating Profit (Loss)	1,666	1,427	1,332	1,250	456	6,131	(377)	5,754
Identifiable segment assets	26,945	45,869	20,156	88,036	26,526	207,532	(24,660)	182,872
Capital expenditures	2,343	2,647	1,184	91	134	6,399	(13)	6,386
Depreciation and amortization	1,854	3,368	1,058	4,976	164	11,420	(308)	11,112
2003								
Revenues	48,025	49,321	25,304	11,997	3,723	138,370	(1,933)	136,437
Intersegment sales	3,421	–	1,502	2,040	361	7,324	(7,324)	–
Total revenues	<u>51,446</u>	<u>49,321</u>	<u>26,806</u>	<u>14,037</u>	<u>4,084</u>	<u>145,694</u>	<u>(9,257)</u>	<u>136,437</u>
Operating Profit (Loss)	3,126	(506)	811	1,240	1,329	6,000	(314)	5,686
Identifiable segment assets	24,199	47,147	14,713	83,239	31,227	200,525	(22,075)	178,450
Capital expenditures	2,939	2,487	958	76	169	6,629	(15)	6,614
Depreciation and amortization	1,789	3,927	890	5,087	196	11,889	(290)	11,599

Mercedes Car Group. In 2005, the operating profit (loss) of the Mercedes Car Group segment includes charges of €570 million for the headcount reduction initiative at Mercedes Car Group. Of this amount, €70 million were already cash effective in 2005 (see Note 5).

An accrual established in connection with a case alleging infringement of EU competition law was reduced by €60 million as a result of a favorable decision by the Court of First Instance of the European Court of Justice. This

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amount is included in selling expenses in the consolidated statement of income and in the operating results of the Mercedes Car Group segment in 2005.

The operating profit (loss) of the Mercedes Car Group segment for 2005 includes charges of €1,111 million associated with the realignment of the business model for smart. Thereof €535 million are attributable to impairment charges and write-downs and €576 million are attributable to expected payments in the current or future periods (see Note 5).

In 2003, operating profit of the Mercedes Car Group includes a non-cash impairment charge amounting to €77 million related to certain long-lived assets (primarily property, plant and equipment) at a production facility in Brazil.

Chrysler Group. In 2005, the Chrysler Group recorded a €240 million gain on the sale of its Arizona Proving Grounds vehicle testing facility and a €36 million benefit as a result of adjustments to prior estimates associated with the Chrysler Group turnaround plan (see also Note 7), which were partially offset by charges of €99 million related to the financial support provided to supplier Collins & Aikman (see Note 32).

In 2004, the Chrysler Group's operating results were negatively impacted by a €145 million charge related to the turnaround plan, a €138 million charge for early retirement incentives and other workforce reductions, partially offset by an adjustment of €95 million to correct the calculation of an advertising accrual to more accurately reflect expected payments.

In 2003, the Chrysler Group's operating results were negatively impacted by a €469 million charge related to the turnaround plan. Also during 2003, the Chrysler Group and Financial Services segments agreed to an arrangement regarding the sharing of risks associated with the residual values of certain leased vehicles. In addition, the Chrysler Group and Financial Services segments negotiated reduced pricing on certain retail financing programs offered by the Chrysler Group as sales incentives in 2003. The adjusted pricing reflected the then current favorable funding environment as well as Financial Services becoming the exclusive provider of selected discount consumer financing for the Chrysler Group. Both arrangements resulted in a favorable impact of €244 million on the 2003 operating profit of the Chrysler Group, and a corresponding decrease of €244 million on the 2003 operating profit of Financial Services. Neither arrangement had any effect on the Group's consolidated operating results.

Commercial Vehicles. As discussed in Note 4, on March 18, 2004, DaimlerChrysler acquired an additional 22% interest in MFTBC from MMC for €394 million in cash, thereby increasing the Group's ownership interest in MFTBC to a controlling 65%. As a result of the acquisition and first time consolidation of MFTBC in March 2004, the identifiable segment assets of the Commercial Vehicles segment increased by €4.3 billion.

Subsequent to the acquisition of the controlling interest in MFTBC, a number of quality problems of MFTBC vehicles that were produced before DaimlerChrysler first acquired a stake in MFTBC were identified (see Note 4 for additional information). As of December 31, 2004, DaimlerChrysler made a true-up based on the preliminary evaluation of the probable costs associated with the quality measures and recall campaigns at MFTBC which substantially confirmed the estimates made in the third quarter 2004. Total expenses arising from the recall issues reduced 2004 operating profit of the Commercial Vehicle segment by €475 million. The reduction in operating profit consisted of €70 million classified as financial income (expense), net, in the Group's 2004 statement of operations and €735 million classified as cost of sales, net of €330 million attributed to the minority interests' share in those costs. As expenses attributed to minority interests are not allocated to operating profit, they are included in the line "Miscellaneous items, net" in the reconciliation of total segment operating profit to consolidated income before income taxes, minority interests, and discontinued operations. The following

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settlement with MMC associated with the quality issues and recall campaigns at MFTBC resulted in a favorable impact of €276 million, which is included in the operating profit of the Commercial Vehicles segment in 2005.

Financial Services. In 2005, 2004 and 2003, the Financial Services segment recorded charges of €54 million, €472 million and €241 million related to the participation in Toll Collect. The charges in 2004 were mainly the result of revaluing the system's total costs and extra operating expenses required to guarantee the start of the system on January 1, 2005.

In 2004, the operating profit of the Financial Services segment includes non-cash impairment charges of €102 million associated with the investment made in dAF.

Capital expenditures for equipment on operating leases for 2005, 2004 and 2003 for the Financial Services segment amounted to €16,055 million, €13,850 million and €11,631 million, respectively.

With respect to two agreements entered into in 2003 with the Chrysler Group segment, the 2003 operating profit of Financial Services were unfavorably impacted by €244 million. See discussion at Chrysler Group above.

Other Activities. In 2005, operating profit of the Other Activities segment includes primarily the Group's share in the gains of EADS of €757 million (see Note 3). In 2004 and 2003, the proportionate results of the investments in EADS and MMC together amounted to €548 million and €278 million, respectively. The 2004 amount also included the results from the dilution of the Group's interest in MMC (loss of €135 million) and related currency hedging effects (gain of €195 million). Due to the loss of significant influence on MMC at June 29, 2004, the Group's share in the losses of MMC is only included for the corresponding period (see Note 3 for additional information).

As a result of the repurchase of a note by MTU Aero Engines Holding AG, a gain of €53 million is included in the operating profit of the Other Activities segment for 2005 (see Note 6).

At December 31, 2005, the identifiable assets of the Other Activities segment include €3,564 million related to the carrying values of the investment in EADS. In 2004 and 2003, the carrying values of the investments in EADS and MMC together amounted to €4,313 million and €4,542 million, respectively.

In connection with the sale of Adtranz in 2001, a settlement agreement with Bombardier was reached in 2004 with respect to all claims asserted. This settlement resulted in a favorable impact of €120 million on the 2004 operating profit of the Other Activities segment.

In addition, the operating profit of 2004 of the Other Activities segment includes non-cash impairment charges of €70 million associated with the investment made in dAF.

The 2003 operating profit of Other Activities includes a gain of €1,031 million from the sale of MTU Aero Engines. Following the sale transaction, effective December 31, 2003, MTU Aero Engines' assets and liabilities were deconsolidated. Revenues, operating profit, capital expenditures, and depreciation and amortization of the Other Activities segment include MTU Aero Engines through December 31, 2003 (see also Notes 4 and 10).

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The reconciliation of total segment operating profit to consolidated income before income taxes, minority interests, discontinued operations and cumulative effects of changes in accounting principles is as follows:

(in millions of €)	<u>2005</u>	<u>2004</u>	<u>2003</u>
Total segment operating profit	5,181	6,131	6,000
Elimination and consolidation amounts	4	(377)	(314)
Total Group operating profit	5,185	5,754	5,686
Pension and postretirement benefit expenses, other than current and prior service costs and settlement/curtailment losses	(1,175)	(845)	(870)
Gain from the sale of the 12.4% stake in MMC	681	–	–
Gain from the sale of the 10.5% stake in HMC	–	252	–
Impairment of investment in EADS	–	–	(1,960)
Interest and similar income	539	490	521
Interest and similar expenses	(1,112)	(790)	(911)
Other financial income (loss), net	(69)	(171)	35
Miscellaneous items, net	(149)	(384)	(308)
Pre-tax income from discontinued operations, adjusted to exclude or include the above reconciling items	–	–	(84)
Pre-tax income on disposal of discontinued operations	–	–	(1,031)
The Group's share of the above reconciling items included in the net losses of investments accounted for at equity	(462)	(771)	(482)
Consolidated income before income taxes, minority interests, cumulative effects of changes in accounting principles and discontinued operations	3,438	3,535	596

Revenues from external customers presented by geographic region are as follows:

(in millions of €)	<u>Germany</u>	<u>Western Europe¹</u>	<u>United States</u>	<u>Other American countries</u>	<u>Asia</u>	<u>Other countries</u>	<u>Discontinued operations</u>	<u>Consolidated</u>
2005	20,948	26,389	67,015	13,919	12,525	8,980	–	149,776
2004	22,315	26,530	64,232	11,295	10,093	7,594	–	142,059
2003	24,182	26,975	64,757	10,399	6,786	5,271	(1,933)	136,437

¹ Excluding Germany.

Germany accounts for €20,682 million of long-lived assets (2004: €21,209 million; 2003: €21,164 million), the United States for €44,007 million (2004: €35,250 million; 2003: €36,430 million) and other countries for €17,716 million (2004: €15,982 million; 2003: €13,102 million).

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36. Earnings (Loss) per Share

The computation of basic and diluted earnings (loss) per share for “Income (loss) from continuing operations” is as follows:

	Year ended December 31,		
	2005	2004	2003
(in millions of € or millions of shares, except earnings (loss) per share)			
Income (loss) from continuing operations – basic	2,851	2,466	(418)
Interest expense on convertible bonds and notes (net of tax)	—	—	—
Income (loss) from continuing operations – diluted	2,851	2,466	(418)
Weighted average number of shares outstanding – basic	1,014.7	1,012.8	1,012.7
Dilutive effect of stock options in 2005 and 2004	3.0	1.7	—
Weighted average number of shares outstanding – diluted	1,017.7	1,014.5	1,012.7
Earnings (loss) per share from continuing operations			
Basic	2.80	2.43	(0.41)
Diluted	2.80	2.43	(0.41)

Because the Group reported a loss from continuing operations for the year ended December 31, 2003 the diluted loss per share does not include the antidilutive effects of convertible bonds and notes. Had the Group reported income from continuing operations for the year ended December 31, 2003 the weighted average number of shares outstanding would have potentially been diluted by 0.5 million shares resulting from the conversion of bonds and notes.

Stock options to acquire 65.7 million, 67.1 million and 71.6 million DaimlerChrysler Ordinary Shares that were issued in connection with the 2000 Stock Option Plan were not included in the computation of diluted earnings (loss) per share for 2005, 2004 and 2003, respectively, because the options’ underlying exercise prices were higher than the average market prices of DaimlerChrysler Ordinary Shares in these periods.

37. Related Party Transactions

The Group purchases materials, supplies and services from numerous suppliers throughout the world in the ordinary course of its business. These suppliers include companies in which the Group holds an ownership interest and companies that are affiliated with some members of DaimlerChrysler AG’s Supervisory Board or Board of Management.

In recent years, DaimlerChrysler initiated several cooperation projects with MMC. In November 2005, DaimlerChrysler sold its remaining 12.4% interest in MMC. Current cooperation projects will not be 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.

DaimlerChrysler has an agreement with McLaren Cars Ltd., a wholly owned subsidiary of McLaren Group Ltd., for the production of the Mercedes McLaren super sports car, which DaimlerChrysler launched into the markets in 2004. The Group owns a 40% equity interest in McLaren Group Ltd.

As described in more detail in Note 3, DaimlerChrysler provides a number of guarantees with respect to Toll Collect, a joint venture in which DaimlerChrysler holds an equity interest of 45%. Mr. Bernhard Walter, a member

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

of the Supervisory Board of DaimlerChrysler AG, is also a member of the Supervisory Board of Deutsche Telekom AG, one of the other investors in Toll Collect.

In 2003, DaimlerChrysler sold 60% of its equity interest in Mercedes-Benz Lenkungen GmbH to ThyssenKrupp Automotive AG. Since then, DaimlerChrysler accounted for its remaining 40% equity interest in the company using the equity method of accounting. Mr. Bernhard Walter, a member of DaimlerChrysler's Supervisory Board, abstained from the voting for the approval of the sale since he is also a member of the Supervisory Board of ThyssenKrupp AG, the parent company of ThyssenKrupp Automotive AG. As described in Note 4, DaimlerChrysler sold its remaining 40% equity interest in the company to ThyssenKrupp Automotive AG. The Group continues to purchase products from this company.

In May 2002, our wholly owned subsidiary DaimlerChrysler Corporation ("DCC") sold its Dayton Thermal Products Plant to Behr Dayton, a joint venture company with Behr America Inc. As of May 1, 2004, DCC sold its remaining minority interest in the joint venture to Behr America Inc. DCC is required to purchase products from the former joint venture at competitively-based prices under a supply agreement entered into in connection with the sale. The supply agreement is valid from April 2002 through April 2008. Product pricing was based on the existing cost structure of the Dayton Thermal Products Plant and was comparable to pricing in effect prior to the transaction.

In 2004, Dr. Mark Wössner, a member of DaimlerChrysler's Supervisory Board, received payments for the rental of premises to Westfalia Van Conversion GmbH, a wholly owned subsidiary of DaimlerChrysler AG, in the amount of €1 million.

DaimlerChrysler engages in commercial transactions negotiated at arms length with its equity investee EADS. DaimlerChrysler does not consider these transactions to be material to us either individually or in the aggregate. Mr. Lagardère, a member of the Supervisory Board of DaimlerChrysler AG, is also one of two chairmen of the board of directors of EADS.

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

The following represent transactions with shareholders. DaimlerChrysler incurred expenses of approximately \$800,000 in 2005 for advertising and related marketing activities with a U.S. magazine. Earl G. Graves, member of DaimlerChrysler's Supervisory Board and shareholder of DaimlerChrysler AG, is the Chairman, Chief Executive Officer and sole stockholder of the magazine's ultimate parent company.

In July 2005, DCC 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 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 the Supervisory Board of DaimlerChrysler AG, is a partner and an investor in Palladium.

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 the Board of Management of DaimlerChrysler AG who assumed responsibility for the Chrysler Group in September 2005.

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During 2005, Deutsche Bank AG reduced its 11.8% share ownership as of December 31, 2004, and now holds less than 5% of our outstanding shares. Deutsche Bank AG and its subsidiaries provided the Group with various financial and other services for which they were paid reasonable and customary fees. DaimlerChrysler also guarantees the obligations of its employees under the company's 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 €651 million as of December 31, 2004, was reduced to €20 million during 2005. DaimlerChrysler so far has not incurred any major payments to Deutsche Bank AG from that guarantee.

On July 7, 2004, DaimlerChrysler entered into a securities lending agreement with Deutsche Bank AG concerning 22,227,478 of its shares in EADS (approximately 3% of the voting stock). As collateral, DaimlerChrysler received a lien on a securities account of equivalent value as the shares loaned by DaimlerChrysler.

38. Compensation of the Members of the Board of Management and the Supervisory Board and Further Additional Information Concerning German Corporate Governance Code

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

Thereof €9.3 million account for fixed, €24.6 million for short-term and mid-term and €1.0 million for long-term incentive compensation components. This is correspondent to a sum of €34.9 million in 2005.

In 2005, 454,914 phantom shares were granted to the members of the Board of Management from the long-term share-based compensation component. The cash pay-out for these shares will be effective in 2009 in the event of continuous service on the Board of Management and dependent on the achievement of internal and external goals. The information on the pay-out will be part of the performance-oriented compensation disclosure for the business year 2009. For detailed information on stock-based compensation programs, see Note 24.

In 2005, stock options granted in 2003 were exercisable. In this context, Members of the Board of Management exercised 167,500 stock options.

Board of Management Members, whose term of office expired 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 €23.8 million.

The aggregate amount of expenditures paid by DaimlerChrysler for the year ended December 31, 2005, to provide pension, retirement and similar benefits for former members of the board of management and their survivors was €16.9 million. An amount of €292.9 million has been accrued for pension obligations to former members of the Board of Management and their survivors.

The compensation paid in 2005 to the members of the Supervisory Board of DaimlerChrysler AG for services in all capacities to the Group amounted to €2.0 million. The individual compensation paid to the members of the Supervisory Board is disclosed as part of the compensation report in accordance with a recommendation of the German corporate governance code. Except for the compensation paid to 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 activities, in particular for advisory or agency services.

As of December 31, 2005, no advances or loans existed to members of the Board of Management or Supervisory Board of DaimlerChrysler AG.

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

Transactions with Related Parties. For transactions with related parties, which are shareholders of DaimlerChrysler AG, see the last section of Note 37.

Third Party Companies. At December 31, 2005, DaimlerChrysler was shareholder of a significant company, that meet the criteria of a third party company according German Corporate Governance Codex:

Name of the company	Tata Motors Limited
Headquarters	Mumbai, India
Stake in % ¹	6.8
Equity in millions of € ²	828
Net income in millions of € ²	253

1 As of December 31, 2005

2 Based on national consolidated financial statements for the year ended March 31, 2005.

39. Principal Accountant Fees and Services

The fees, billed by the independent auditors KPMG for professional services in 2005, 2004 and 2003 are comprised of:

(in millions of €)	Year ended December 31,		
	2005	2004	2003
Audit fees	42	39	34
Audit-related fees	11	14	7
Tax fees	5	6	6
All other fees	4	5	3
	<u>62</u>	<u>64</u>	<u>50</u>

40. Condensed Consolidating Financial Information

DaimlerChrysler AG, the parent company of the Group, fully and unconditionally guarantees certain publicly issued debt of its 100% owned subsidiary DaimlerChrysler North America Holding Corporation. The condensed consolidating financial information for DaimlerChrysler AG, DaimlerChrysler North America Holding Corporation and all other subsidiaries on a combined basis set forth below is intended to provide investors with meaningful and comparable financial information about DaimlerChrysler AG and its subsidiary issuer. Investments and long-term financial assets include the investments in consolidated subsidiaries recorded under the equity method for purposes of the condensed consolidating financial information. Financial income, net includes the income or loss related to such investments.

DAIMLERCHRYSLER AG AND SUBSIDIARIES
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2005 (in millions of €)	DaimlerChrysler AG (parent company)	DaimlerChrysler North America Holding	Other subsidiaries (combined)	Consolidating adjustments	DaimlerChrysler AG (consolidated)
Assets					
Goodwill and other intangible assets	83	–	4,989	–	5,072
Property, plant and equipment, net	7,500	–	29,244	(5)	36,739
Investments and long-term financial assets	33,424	51,346	11,968	(90,382)	6,356
Equipment on operating leases, net	5,279	–	29,264	(305)	34,238
Fixed assets	<u>46,286</u>	<u>51,346</u>	<u>75,465</u>	<u>(90,692)</u>	<u>82,405</u>
Inventories	6,065	–	14,203	(1,129)	19,139
Trade, finance and other receivables	14,446	1,271	78,559	(16,849)	77,427
Securities	1,853	1,656	1,427	–	4,936
Cash and cash equivalents	297	4,955	2,459	–	7,711
Non-fixed assets	<u>22,661</u>	<u>7,882</u>	<u>96,648</u>	<u>(17,978)</u>	<u>109,213</u>
Deferred taxes and prepaid expenses	3,525	–	9,280	(4,165)	8,640
Disposal group Off-Highway, assets held for sale	–	–	1,478	(104)	1,374
Total assets	<u><u>72,472</u></u>	<u><u>59,228</u></u>	<u><u>182,871</u></u>	<u><u>(112,939)</u></u>	<u><u>201,632</u></u>
Liabilities and stockholders' equity					
Stockholders' equity	36,449	14,718	69,913	(84,631)	36,449
Minority interests	–	–	653	–	653
Accrued liabilities	12,501	627	33,702	(148)	46,682
Financial liabilities	14,401	42,486	43,148	(19,103)	80,932
Trade liabilities	3,943	–	10,648	–	14,591
Other liabilities	2,432	1,316	9,195	(3,890)	9,053
Liabilities	<u>20,776</u>	<u>43,802</u>	<u>62,991</u>	<u>(22,993)</u>	<u>104,576</u>
Deferred taxes and deferred income	2,746	81	14,792	(5,118)	12,501
Disposal group Off-Highway, liabilities held for sale	–	–	820	(49)	771
Total liabilities	<u>36,023</u>	<u>44,510</u>	<u>112,958</u>	<u>(28,308)</u>	<u>165,183</u>
Total liabilities and stockholders' equity	<u><u>72,472</u></u>	<u><u>59,228</u></u>	<u><u>182,871</u></u>	<u><u>(112,939)</u></u>	<u><u>201,632</u></u>
Revenues	59,188	–	134,315	(43,727)	149,776
Cost of sales	(49,810)	–	(114,263)	41,179	(122,894)
Gross margin	<u>9,378</u>	<u>–</u>	<u>20,052</u>	<u>(2,548)</u>	<u>26,882</u>
Selling, administrative and other expenses	(7,424)	(12)	(13,077)	1,529	(18,984)
Research and development	(2,960)	–	(2,799)	110	(5,649)
Other income	761	–	1,165	(960)	966
Goodwill impairment	–	–	(30)	–	(30)
Turnaround plan – Chrysler Group	–	–	36	–	36
Income (loss) before financial income	<u>(245)</u>	<u>(12)</u>	<u>5,347</u>	<u>(1,869)</u>	<u>3,221</u>
Financial income (expense), net	3,021	895	8	(3,707)	217
Income (loss) before income taxes	<u>2,776</u>	<u>883</u>	<u>5,355</u>	<u>(5,576)</u>	<u>3,438</u>
Income taxes	71	736	(1,363)	43	(513)
Minority interests	–	–	(74)	–	(74)
Income (loss) from continuing operations	<u>2,847</u>	<u>1,619</u>	<u>3,918</u>	<u>(5,533)</u>	<u>2,851</u>
Income from discontinued operations	–	–	–	–	–
Cumulative effects of changes in accounting principle	(1)	–	(4)	–	(5)
Net income (loss)	<u><u>2,846</u></u>	<u><u>1,619</u></u>	<u><u>3,914</u></u>	<u><u>(5,533)</u></u>	<u><u>2,846</u></u>
Cash provided by (used for) operating activities	<u>1,360</u>	<u>(530)</u>	<u>9,407</u>	<u>2,116</u>	<u>12,353</u>
Increase in equipment on operating leases	(3,225)	–	(17,305)	294	(20,236)
Purchases of property, plant, equipment and other fixed assets	(2,083)	–	(4,769)	–	(6,852)
Proceeds from disposals of equipment on operating leases	2,729	–	8,914	–	11,643
Proceeds from disposals of fixed assets	141	–	957	–	1,098
Payments for investments in businesses	(811)	–	(774)	1,033	(552)
Proceeds from disposals of businesses	422	–	1,127	(1,033)	516
(Increase) decrease in receivables from financial services, net	(165)	–	3,057	2	2,894
Disposition (acquisitions) of securities (other than trading), net	1,063	(1,121)	310	–	252
Other	(205)	4,742	(1,043)	(3,479)	15
Cash used for investing activities	<u>(2,134)</u>	<u>3,621</u>	<u>(9,526)</u>	<u>(3,183)</u>	<u>(11,222)</u>
Change in financial liabilities	346	(1,101)	2,078	(1,461)	(138)
Dividends paid	(1,519)	(884)	(3,309)	4,137	(1,575)
Other	200	–	1,609	(1,609)	200
Cash provided by (used for) financing activities	<u>(973)</u>	<u>(1,985)</u>	<u>378</u>	<u>1,067</u>	<u>(1,513)</u>
Effect of foreign exchange rate changes on cash	–	568	52	–	620
Net increase (decrease) in cash and cash equivalents	<u><u>(1,747)</u></u>	<u><u>1,674</u></u>	<u><u>311</u></u>	<u><u>–</u></u>	<u><u>238</u></u>
Cash and cash equivalents					
At beginning of period	2,044	3,281	2,056	–	7,381
At end of period	<u>297</u>	<u>4,955</u>	<u>2,367</u>	<u>–</u>	<u>7,619</u>

DAIMLERCHRYSLER AG AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

2004 (in millions of €)	DaimlerChrysler AG (parent company)	DaimlerChrysler North America Holding	Other subsidiaries (combined)	Consolidating adjustments	DaimlerChrysler AG (consolidated)
Assets					
Goodwill and other intangible assets	97	–	4,577	–	4,674
Property, plant and equipment, net	7,130	–	26,897	(10)	34,017
Investments and long-term financial assets	30,170	45,891	10,464	(79,486)	7,039
Equipment on operating leases, net	4,955	–	22,013	(257)	26,711
Fixed assets	<u>42,352</u>	<u>45,891</u>	<u>63,951</u>	<u>(79,753)</u>	<u>72,441</u>
Inventories	6,395	–	11,236	(826)	16,805
Trade, finance and other receivables	11,166	3,968	75,829	(14,246)	76,717
Securities	1,951	410	1,523	–	3,884
Cash and cash equivalents	2,409	3,281	2,092	–	7,782
Non-fixed assets	<u>21,921</u>	<u>7,659</u>	<u>90,680</u>	<u>(15,072)</u>	<u>105,188</u>
Deferred taxes and prepaid expenses	<u>2,076</u>	<u>8</u>	<u>9,312</u>	<u>(6,153)</u>	<u>5,243</u>
Total assets	<u><u>66,349</u></u>	<u><u>53,558</u></u>	<u><u>163,943</u></u>	<u><u>(100,978)</u></u>	<u><u>182,872</u></u>
Liabilities and stockholders' equity					
Stockholders' equity	33,338	11,961	63,435	(75,212)	33,522
Minority interests	–	–	909	–	909
Accrued liabilities	10,824	135	31,118	(139)	41,938
Financial liabilities	14,054	41,066	37,255	(16,105)	76,270
Trade liabilities	4,206	–	8,714	–	12,920
Other liabilities	1,680	149	9,571	(2,655)	8,745
Liabilities	<u>19,940</u>	<u>41,215</u>	<u>55,540</u>	<u>(18,760)</u>	<u>97,935</u>
Deferred taxes and deferred income	<u>2,247</u>	<u>247</u>	<u>12,941</u>	<u>(6,867)</u>	<u>8,568</u>
Total liabilities	<u>33,011</u>	<u>41,597</u>	<u>100,508</u>	<u>(25,766)</u>	<u>149,350</u>
Total liabilities and stockholders' equity	<u><u>66,349</u></u>	<u><u>53,558</u></u>	<u><u>163,943</u></u>	<u><u>(100,978)</u></u>	<u><u>182,872</u></u>
Revenues	56,553	–	125,089	(39,583)	142,059
Cost of sales	(46,000)	–	(105,691)	37,124	(114,567)
Gross margin	<u>10,553</u>	<u>–</u>	<u>19,398</u>	<u>(2,459)</u>	<u>27,492</u>
Selling, administrative and other expenses	(6,995)	(12)	(12,458)	1,493	(17,972)
Research and development	(3,179)	–	(2,581)	102	(5,658)
Other income	748	–	824	(677)	895
Turnaround plan expenses – Chrysler Group	–	–	(145)	–	(145)
Income (loss) before financial income	<u>1,127</u>	<u>(12)</u>	<u>5,038</u>	<u>(1,541)</u>	<u>4,612</u>
Financial income (expense), net	2,005	1,348	(416)	(4,014)	(1,077)
Income (loss) before income taxes	<u>3,132</u>	<u>1,336</u>	<u>4,622</u>	<u>(5,555)</u>	<u>3,535</u>
Income taxes	(666)	492	(1,065)	62	(1,177)
Minority interests	–	–	108	–	108
Income (loss) from continuing operations	<u>2,466</u>	<u>1,828</u>	<u>3,665</u>	<u>(5,493)</u>	<u>2,466</u>
Income from discontinued operations	–	–	–	–	–
Net income (loss)	<u><u>2,466</u></u>	<u><u>1,828</u></u>	<u><u>3,665</u></u>	<u><u>(5,493)</u></u>	<u><u>2,466</u></u>
Cash provided by (used for) operating activities	3,124	(932)	12,034	(3,166)	11,060
Increase in equipment on operating leases	(3,278)	–	(14,623)	223	(17,678)
Purchases of property, plant, equipment and other fixed assets	(2,244)	–	(4,658)	2	(6,900)
Proceeds from disposals of equipment on operating leases	2,492	–	7,976	–	10,468
Proceeds from disposals of fixed assets	203	–	538	–	741
Payments for investments in businesses	(465)	–	162	39	(264)
Proceeds from disposals of businesses	875	–	382	(39)	1,218
(Increase) decrease in receivables from financial services, net	3	–	(4,058)	599	(3,456)
Disposition (acquisitions) of securities (other than trading), net	(454)	(103)	(173)	–	(730)
Other	(2,344)	(1,691)	(505)	4,459	(81)
Cash used for investing activities	<u>(5,212)</u>	<u>(1,794)</u>	<u>(14,959)</u>	<u>5,283</u>	<u>(16,682)</u>
Change in financial liabilities	2,927	1,325	188	(344)	4,096
Dividends paid	(1,519)	–	(1,952)	1,924	(1,547)
Other	–	–	3,697	(3,697)	–
Cash provided by (used for) financing activities	<u>1,408</u>	<u>1,325</u>	<u>1,933</u>	<u>(2,117)</u>	<u>2,549</u>
Effect of foreign exchange rate changes on cash	–	(236)	(77)	–	(313)
Net increase (decrease) in cash and cash equivalents	<u>(680)</u>	<u>(1,637)</u>	<u>(1,069)</u>	<u>–</u>	<u>(3,386)</u>
Cash and cash equivalents					
At beginning of period	2,724	4,918	3,125	–	10,767
At end of period	<u>2,044</u>	<u>3,281</u>	<u>2,056</u>	<u>–</u>	<u>7,381</u>

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Notes to Consolidated Financial Statements – (Continued)

2003 (in millions of €)	DaimlerChrysler AG (parent company)	DaimlerChrysler North America Holding	Other subsidiaries (combined)	Consolidating adjustments	DaimlerChrysler AG (consolidated)
Revenues	56,248	–	117,777	(37,588)	136,437
Cost of sales	(44,808)	–	(100,369)	35,251	(109,926)
Gross margin	<u>11,440</u>	<u>–</u>	<u>17,408</u>	<u>(2,337)</u>	<u>26,511</u>
Selling, administrative and other expenses	(7,327)	(17)	(11,645)	1,217	(17,772)
Research and development	(3,382)	–	(2,295)	106	(5,571)
Other income	532	–	785	(604)	713
Turnaround plan expenses – Chrysler Group	–	–	(469)	–	(469)
Income (loss) before financial income	<u>1,263</u>	<u>(17)</u>	<u>3,784</u>	<u>(1,618)</u>	<u>3,412</u>
Impairment of investment in EADS	(1,960)	–	(1,960)	1,960	(1,960)
Other financial income (expense), net	1,225	425	(211)	(2,295)	(856)
Financial income (expense), net	(735)	425	(2,171)	(335)	(2,816)
Income (loss) before income taxes	<u>528</u>	<u>408</u>	<u>1,613</u>	<u>(1,953)</u>	<u>596</u>
Income taxes	(946)	544	(627)	50	(979)
Minority interests	–	–	(35)	–	(35)
Income (loss) from continuing operations	<u>(418)</u>	<u>952</u>	<u>951</u>	<u>(1,903)</u>	<u>(418)</u>
Income from discontinued operations	14	–	14	(14)	14
Income on disposal of discontinued operations	882	–	888	(888)	882
Cumulative effects of changes in accounting principle	(30)	–	(30)	30	(30)
Net income (loss)	<u>448</u>	<u>952</u>	<u>1,823</u>	<u>(2,775)</u>	<u>448</u>
Cash provided by (used for) operating activities	<u>6,217</u>	<u>891</u>	<u>9,508</u>	<u>(2,790)</u>	<u>13,826</u>
Increase in equipment on operating leases	(2,934)	–	(12,813)	143	(15,604)
Purchases of property, plant, equipment and other fixed assets	(2,507)	–	(4,422)	12	(6,917)
Proceeds from disposals of equipment on operating leases	2,277	–	9,674	–	11,951
Proceeds from disposals of fixed assets	297	–	346	–	643
Payments for investments in businesses	(912)	–	(414)	305	(1,021)
Proceeds from disposals of businesses	298	–	1,216	(305)	1,209
(Increase) decrease in receivables from financial services, net	–	–	(3,580)	235	(3,345)
Disposition (acquisitions) of securities (other than trading), net	179	(88)	(481)	–	(390)
Other	(1,077)	(1,207)	3,453	(1,303)	(134)
Cash used for investing activities	<u>(4,379)</u>	<u>(1,295)</u>	<u>(7,021)</u>	<u>(913)</u>	<u>(13,608)</u>
Change in financial liabilities	(696)	2,647	(1,725)	3,821	4,047
Dividends paid	(1,519)	(442)	(1,601)	2,025	(1,537)
Other	1	–	2,150	(2,143)	8
Cash provided by (used for) financing activities	<u>(2,214)</u>	<u>2,205</u>	<u>(1,176)</u>	<u>3,703</u>	<u>2,518</u>
Effect of foreign exchange rate changes on cash	–	(865)	(204)	–	(1,069)
Net increase (decrease) in cash and cash equivalents	<u>(376)</u>	<u>936</u>	<u>1,107</u>	<u>–</u>	<u>1,667</u>
Cash and cash equivalents					
At beginning of period	3,100	3,982	2,018	–	9,100
At end of period	<u>2,724</u>	<u>4,918</u>	<u>3,125</u>	<u>–</u>	<u>10,767</u>

**Certification of the Chairman of the Board of Management
Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002
CERTIFICATIONS**

I, Dr. Dieter Zetsche, certify that:

1. I have reviewed this annual report on Form 20-F, as amended by this Amendment No.1 on Form 20-F/A, of DaimlerChrysler AG;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 30, 2006

/s/ DIETER ZETSCHÉ

Dr. Dieter Zetsche
Chairman of the Board of Management /
Head of Mercedes Car Group
DaimlerChrysler AG

**Certification of the Member of the Board of Management
Responsible for Finance & Controlling / Financial Services
Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

CERTIFICATIONS

I, Bodo Uebber, certify that:

1. I have reviewed this annual report on Form 20-F, as amended by this Amendment No.1 on Form 20-F/A, of DaimlerChrysler AG;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 30, 2006

/s/ BODO UEPPER

Bodo Uebber
Member of the Board of Management
Finance & Controlling / Financial Services
DaimlerChrysler AG

**Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 20-F of DaimlerChrysler AG (the "Company") for the year ended December 31, 2005 as filed with the Securities and Exchange Commission on March 6, 2006 and amended by Amendment No.1 on Form 20-F/A on the date hereof (the "Report"), Dr. Dieter Zetsche, as Chairman of the Board of Management of the Company, and Bodo Uebber, as Member of the Board of Management, Finance & Controlling / Financial Services, of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DIETER ZETSCHÉ

Name: Dr. Dieter Zetsche

Title: Chairman of the Board of Management /
Head of Mercedes Car Group

Date: June 30, 2006

/s/ BODO UEPPER

Name: Bodo Uebber

Title: Member of the Board of Management
Finance & Controlling/Financial Services

Date: June 30, 2006

This certification is furnished as an exhibit to the Report and accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Supervisory Board
DaimlerChrysler AG

We consent to the incorporation by reference in the registration statement (No. 333-123535, which includes Post-Effective Amendment No. 1 to Registration Statement No. 333-13160) on Form F-3 of DaimlerChrysler North America Holding Corporation and the registration statements on Form S-8 (Nos. 333-5074, 333-7082, 333-8998, 333-86934 and 333-86936) of DaimlerChrysler AG of our report dated February 23, 2006, except for Note 3 which is as of June 2, 2006, with respect to the consolidated balance sheets of DaimlerChrysler AG as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2005, which report appears in DaimlerChrysler AG's 2005 Annual Report on Form 20-F. Our report refers to the change in DaimlerChrysler's method of accounting for conditional asset retirement obligations in 2005, the change in DaimlerChrysler's method of accounting for stock-based compensation in 2003, and DaimlerChrysler's adoption of FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities—an interpretation of ARB No. 51," in 2003.

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Stuttgart, Germany
June 30, 2006