

Speech of the Chairman of the Board of Management
9th General Meeting of DaimlerChrysler AG
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Check against delivery

Introduction

Mr. Kopper, as Chairman of the Supervisory Board you have watched over and helped to shape our company for the last 17 years. During this time you have shared your vast experience with our company and its management.

We have always been able to count on you as an attentive listener and an experienced advisor, especially when dealing with difficult issues.

For your support, commitment and loyalty to our company, my colleagues and I would like to express our heartfelt thanks.

Shareholders, Shareholder Representatives, Ladies and Gentlemen,

On behalf of the Board of Management and the employees of DaimlerChrysler, I welcome you to the ninth regular Annual Meeting of your company. Business developments at DaimlerChrysler paint contrasting pictures.

Three of our four divisions are in great shape or well on the way to getting there. In fact, the Mercedes Car Group, the Truck Group and Financial Services not only achieved, but exceeded their targets last year. On the other hand, the Chrysler Group experienced a setback, which has also had a negative impact on DaimlerChrysler's key performance indicators.

Despite record sales at the Mercedes Car Group and the Truck Group, DaimlerChrysler's total sales fell slightly compared to the prior year to 4.7 million vehicles. Although our 2006 revenues of 151.6 billion euros were on a par with 2005, our operating profit of 5.5 billion euros was below our original target of 6 billion euros. However, it was 6 percent higher than in the prior year.

The DaimlerChrysler Group's net income increased by 13 percent to 3.2 billion euros. At 6.9 percent, our return on net assets, (RoNA) was higher than the figure for 2005, but just under our minimum target of 7 percent. On the basis of these figures, the Board of Management and the Supervisory Board propose to the Annual Meeting that the Group distribute an unchanged dividend of 1 euro 50 per share.

Overview of strategic elements

Ladies and gentlemen, before I review the performance of our divisions in detail, I would like to give you some background information. In 2006, we systematically analyzed our company's overall situation and scrutinized our strategy for each division.

By applying the New Management Model to our administrative structures we are bringing these processes up to benchmark levels. We are reducing the administrative work of our operating units and becoming faster and leaner. As a result, we will cut 6,000 administrative jobs worldwide, and by 2009 we will reduce our total administrative costs by 1.5 billion euros. The implementation of the New Management Model is proceeding right on schedule.

As announced at last year's Annual Meeting, we have halved our capital investment in EADS but retained our influence.

We have continued to implement the CORE program at the Mercedes Car Group. CORE is enabling us to:

- lay the foundation for operational excellence;
- focus on top-quality new products;
- strengthen the brand; and
- support sustainable growth.

smart is now fully integrated into the Mercedes organization and will become profitable this year, as we previously announced.

With these measures, we will put the Mercedes Car Group back on top and achieve a 7 percent return on sales in 2007 – another goal we set for ourselves last year. However, in the meantime we've modified this target to now read “at least” 7 percent.

We have launched the Global Excellence program for the Truck Group in order to boost productivity and increase worldwide integration while maintaining maximum flexibility.

This will enable us to more effectively manage the cyclic market fluctuations that characterize the truck business, and to earn a return on sales of at least 7 percent over the entire cycle. Depending on where we are in the cycle, some years will be above and some years below this target. At a minimum, we want to continue earning our cost of capital during downturns. Our strategy will be put to the test this year, but we are convinced that we're up to the challenge.

Financial Services will set a new benchmark for efficiency, while maintaining a strong focus on its customers. In addition to providing our automotive divisions with the best possible support, we plan to post a 14 to 20 percent return on equity.

Although last year's predictions were by no means pessimistic, our performance still exceeded our expectations.

Chrysler Group

Let's now turn to the Chrysler Group. Here, we experienced a major setback and failed to meet our targets. Due to tough competition and a difficult market environment, it became necessary to accelerate the high pace of change we had achieved in recent years and to follow up with further major advancements.

The Recovery and Transformation Plan presented by the Chrysler Group in February aims to improve the cost position and boost revenues. We are confident that this plan will enable the Chrysler Group to become profitable again. Independent analysts, investors and other industry experts confirm that our plan is realistic.

As announced on February 14, we are open to all options for future collaboration with Chrysler. That statement is still true today. I know that many of you would like to have a progress report at this time. That's why I'd like to explain why we're unable to say more at this point and why we decided to examine all the options.

We are looking for the best possible solution for the Chrysler Group and for DaimlerChrysler. It would therefore be irresponsible not to thoroughly explore all the options or to report on initial considerations that have not yet been finalized.

We need the greatest possible flexibility so that we can identify and then professionally implement the best possible solution.

The basic requirement with all options is that the Recovery and Transformation Plan, which will lead Chrysler back to profitability, is consistently implemented. We also want to continue the shared projects between the Chrysler Group and the Mercedes Car Group that make financial sense for both sides.

We have defined clear criteria for a carefully prepared decision-making process. We want to

- enhance DaimlerChrysler's financial strength in a sustainable way and increase enterprise value,
- create the right conditions for a clear strategic focus for DaimlerChrysler,
- make the Chrysler Group's business system competitive and profitable on a sustainable basis, and
- find the best possible option for our employees.

This means that after reviewing all options, we will finally decide for the option that best meets our criteria.

In this context, I can confirm that we are talking with some of the potential partners who have shown a clear interest. But it is also true that we need to keep all options open and that I cannot disclose any details, because we need to have the maximum scope for maneuver. So far, I am satisfied with the process. Everything is going according to plan.

I would now like to describe the situation at each of our divisions in detail, beginning with the Chrysler Group.

Despite the setback in 2006, it is true to say that the Chrysler Group has made considerable progress in recent years.

- Between 2002 and 2005, productivity improved by 24 percent. This year, production time per vehicle will be less than 30 hours – a tough benchmark target we set in 2001.
- Both internal assessments and external studies confirm that we have considerably reduced costs while significantly improving quality. For example, J.D. Power reports that following a 7-year absence, the Chrysler brand has once again made it into the "Top 10" in terms of initial quality. The Chrysler Town & Country is Number 1 in the minivans segment, and the Dodge Caravan is Number 3.

Thanks to this progress, we believe that the Chrysler Group has a much more competitive structure than the other American automakers. Given this background, it's legitimate to ask why the Chrysler Group lost 1.1 billion euros last year.

The crucial factor was the unforeseeable shift in demand to smaller, more fuel-efficient vehicles triggered by increased gas prices in the U.S.

The Chrysler Group, whose traditional strengths include minivans, pickups and SUVs, was particularly affected by this development. It had to adjust its production levels and sharply cut back deliveries to dealers, in order to reduce inventories and make room for new products.

Several years ago, we began developing vehicles that can satisfy the growing demand for greater fuel efficiency. Examples include the Dodge Avenger, which you see on display here at the front, the Dodge Caliber, the Chrysler Sebring and the Jeep models Compass and Patriot, with the all-new four-cylinder World Engine. Between now and 2009, the Chrysler Group will continue its model offensive with 20 more all-new vehicles and 13 refreshed models, including a series of very economical vehicles.

Nonetheless, as a result of this structural market shift, combined with high raw material prices, a sharp downturn in net prices and the reduction in the number of vehicles delivered to dealers in the third quarter, the Chrysler Group posted an operating loss last year.

That's why we have considerably intensified and accelerated our restructuring and efficiency-building measures. In February we presented the comprehensive Recovery and Transformation Plan, which will be implemented over the next three years.

The most important levers of this plan are:

- increased revenues;
- reduced costs;
- adjusted capacities; and
- a redesigned business model for the long term.

The Recovery Plan will reduce production capacity by about 400,000 units per year. As a result, 13,000 jobs will be cut in the U.S. and Canada by the end of 2009.

The Plan is comprised of measures that will lead to financial improvements of 3.5 billion euros, resulting in a positive operating result in the coming year and a profit with a return on sales of 2.5 percent in 2009.

Our plans are very realistic. The Recovery and Transformation Plan also gives us room to offset unforeseen market developments. That's what makes it stable and feasible.

However, we won't just be reducing costs and increasing efficiency. We'll also be investing 2.3 billion euros in new engines, transmissions and axles. By doing so, we'll enable the Chrysler Group to successfully continue its product offensive with an increased focus on fuel-efficient vehicles.

In addition to the Recovery Plan, we have launched a more fundamental strategic transformation process aimed at refining the Chrysler Group's business system. The levers of this process are:

- a stronger focus on customers and brands,
- expansion of the Chrysler Group's international business operations, and
- alliances and partnerships, such as those already in place with VW and Hyundai or with BMW and GM in our hybrid joint venture.

We are convinced that this comprehensive program will put the Chrysler Group back on track. The groundwork has been done and many measures have already been implemented. Most importantly, we have the right products in the pipeline and a team that is determined to succeed.

Mercedes Car Group

I would now like to turn my attention to the Mercedes Car Group. At the Annual Meeting a year ago, I reported that the division had recorded a loss of half a billion euros.

Back then, if we had predicted record sales of 1.25 million vehicles in 2006, a 2.4 billion euros operating profit and record figures for the third and fourth quarters, you might have claimed that we were being overly optimistic.

But that's exactly what we achieved,
- thanks to the commitment and hard work of our employees,
- thanks to products that fascinate our customers,
- and thanks to the consistent implementation of our CORE program.

Mercedes-Benz improved its market share in Europe, North America and Asia. Overall, the Mercedes Car Group increased unit sales by 3 percent and, due to its improved model mix, increased revenues by 9 percent.

And the positive trend continues in 2007. Despite the C-Class model changeover, we expect first-quarter unit sales by Mercedes-Benz Passenger Cars to exceed last year's high level – even though the market as a whole is relatively weak, especially here in Germany.

Through CORE we have simultaneously:

- boosted efficiency,
- reduced costs,
- improved quality and
- increased revenues.

Within the framework of CORE, we implemented more than 20,000 measures last year. We cut our fixed costs by 7 percent and significantly reduced our material costs, despite rising raw material prices.

In terms of hours worked per vehicle, we reduced production times by 12 percent. And we're not stopping there. In the coming years we aim to achieve a 30 percent improvement.

We've also made big strides in quality. For example, we've reduced the average number of errors per vehicle by 25 percent. Our warranty and goodwill costs have decreased dramatically as a result.

2007 is CORE's third and last year. Our aim now is to lay the foundation for the period beyond. We are focusing on three factors:

- our module strategy,
- a sharpened brand profile, and
- measures that will further enhance customer satisfaction.

First, let me address our module strategy. This keyword refers to a set of approximately 100 modules that will be available to all Mercedes model series in the future.

In addition to a significant reduction in complexity, this modular approach will help us to further improve quality, reduce costs and shorten development times.

At the same time, the module strategy gives our vehicles the potential for an even more successful future, because fully developed and customer-oriented innovations will be introduced even earlier.

Our Mercedes-Benz brand – the world's most valuable premium automobile brand – is one of our most important assets. To make sure it remains so, we further enhanced its profile last year.

We did so by focusing on "appreciation." Whenever customers come into contact with Mercedes-Benz, they should experience the same appreciation that they feel for our automobiles.

And that brings me to the third issue: customer satisfaction. At the end of last year, we started a sustained offensive for our organization. That's because we also want to be a front runner in terms of customer satisfaction. We made progress here last year, but we still have some way to go before we reach our goal.

With our products, we are already making good headway:

- The new CL-Class and the GL-Class have met with a very positive response on the market.
- The new E-Class generation is once again number one in its segment.
- The S-Class remains the unchallenged market leader.

And our success isn't only based on sales figures – a whole series of awards and honors testifies to the strength of our products.

- In January, the German automobile club ADAC presented us with its "Yellow Angel" award for the best automobile brand.
- We received the Golden Steering Wheel award for the CL.
- In a survey to elect the best cars of 2007, readers of Auto Motor und Sport, a German auto magazine, voted two Mercedes models – the S-Class and the SL – into the pole position.
- What's more, the journalists at the magazine once again acclaimed the S-, E- and M-Class and the smart to be the best vehicles in their segments.

In 2007, we aim to add an even more exciting chapter to this success story. And the new C-Class, which you see here on the stage, will help us do just that. Its predecessor series was the best-selling Mercedes model ever. From its market launch in 2000, we delivered more than 2 million units to customers all over the world.

And we're optimistic that the successor model will be even more popular. That's because the new C-Class is raising the bar everywhere in its segment. The only thing that isn't going up is the price!

The model's base entry price in Germany and other European markets will remain under 30,000 euros. And for that price you get S-Class safety standards.

In fact, as far as safety and comfort are concerned, there's only one brand that can top Mercedes: Maybach.

Last year we added another engineering masterpiece to the Maybach portfolio: the new 62 S. Since the brand's renaissance in 2002, we have delivered some 1,900 Maybachs to customers worldwide – each one a unique vehicle.

Speaking of unique vehicles, ladies and gentlemen, the new smart fortwo has been available at dealerships since last Saturday. It has all the outstanding features of its predecessor – and now they're even better.

Overall, we've made steady progress at smart. We've achieved our cost targets, nearly halved our fixed costs, and significantly boosted productivity.

As a result, we are convinced that smart will become profitable this year.

Starting in 2008, we will also offer smart to customers in the U.S. And the timing could hardly be better. smart's unique features – including fuel economy and low emissions – are now even stronger selling points.

Ladies and gentlemen, as you can see: the Mercedes Car Group is once again headed for success. And we'll continue down this road in our pursuit of profitable growth and sustainable added value.

We are aiming for a return on sales of at least 7 percent in 2007. That will be a significant milestone – but it won't be our final goal.

Thanks to our new products – especially the C-Class, which will also be available as a station wagon starting this fall – yet another sales record is possible in 2007.

We intend to significantly increase our return on sales in the medium term. But before we announce any new targets, we want to first reach the ones we've already set.

Truck Group

Our Truck Group – which is by far the leading commercial vehicle manufacturer worldwide – also improved its performance in 2006, setting new records for sales, revenues and earnings.

Sales reached the record figure of 537,000 vehicles, while revenues increased by 5 percent to 32 billion euros. The division also recorded its highest earnings ever, increasing operating profit from a strong 1.6 billion euros in 2005 to 2 billion euros last year.

All business units contributed to this success: Sales at Trucks Europe/Latin America remained at a high level.

- In Western Europe, particularly in Germany, we boosted sales and retained our position as the market leader in the medium-duty and heavy-duty truck segments.

- In Brazil, we defended our leading position and slightly expanded our market share to 32 percent in a contracting market.

The Trucks NAFTA unit continued to grow and set a new sales record in a very positive business environment. Although we remained the market leader in the Class 8 segment, our market share fell slightly due to capacity constraints at our plants.

At the Trucks Asia unit, last year Mitsubishi Fuso was able to regain customers' trust in Japan, the brand's home market. Sales and revenues developed positively as a result.

As you can see, our trucks are also performing well in all markets, and our Global Excellence program is having the desired effect. Here, we've made substantial progress in all four working areas – in other words, in terms of:

- market cycle management,
- Operational Excellence,
- growth,
- and future product generations.

The key objective in the first area is to reduce our susceptibility to cyclical fluctuations on the truck markets.

Our strategy will almost certainly be put to the test this year. We expect the Class 8 segment of the U.S. truck market to contract by as much as 40 percent, while in Japan the downturn is expected to be about 25 percent. In contrast, the market in Western Europe will at a minimum remain stable, which is an improvement on last year's forecasts.

The second pillar of our Truck Group efficiency program is "Operational Excellence." Here, we are focused on improving productivity and generating synergies – from development to production – in order to exploit our economies of scale as the world's leading truck manufacturer.

By combining volumes and using common components across all brands, the Truck Group is already saving 300 million euros a year. The savings will be much higher in future product generations.

Let me give you an example. Up until now, we've had eight different engine families for our five truck brands. In the future, there will only be three. In this way, we'll be able to maximize choice for our customers while minimizing complexity for us.

We also further increased productivity in 2006. For example, we reduced the production time per vehicle by 10 percent. And we improved quality by 5 percent – measured in terms of the number of complaints made by customers during the first 12 months of vehicle ownership.

These are favorable conditions for further growth in the worldwide commercial vehicle markets – the third pillar of our Global Excellence program. For us the major growth regions are China and India, as well as Eastern Europe.

In January 2007, we signed a contract in China that gives us a 24-percent interest in Foton, a Chinese truckmaker. Foton is the market leader for light trucks in China – the world's biggest truck market. And we believe that there are still excellent opportunities for future growth in the Chinese market.

The requirements for lasting market success are state-of-the-art products featuring innovative technologies – the fourth and last pillar of our Global Excellence program.

For example, this year we received the "Yellow Angel" award in the Innovation category from the German automobile club ADAC for our emergency braking system "Active Brake Assist." Last year we received the "Yellow Angel" for our BLUETEC diesel technology.

I'll tell you more about BLUETEC later on, but at this point I'll just mention that this technology is being used successfully today not only in Mercedes trucks, but also in the E-Class. This year we are putting three more outstanding new products on the road:

- the new Mercedes-Benz Unimog,
- the Fuso "Super Great,"
- and the successor to the Freightliner Columbia/Century.

With these products in the pipeline and the measures we're taking in the Global Excellence program, the Truck Group is well positioned to stay profitable in 2007 and should cover its capital costs.

Starting in 2008, we aim to earn an average return on sales of seven percent throughout the entire market cycle. That corresponds to a Return on Net Assets of approximately 30 percent.

Buses

Turning to buses, our business in this sector is the benchmark for profitability – both inside DaimlerChrysler and throughout the industry.

With 36,000 buses and chassis sold in 2006, we not only maintained our high level of sales from the prior year, but we also retained our position as the global market leader.

Leadership in technology is the key to our buses' competitiveness – especially when it comes to comfort, safety standards and environmentally friendly drive concepts such as hybrids.

Vans

Our vans unit also had a good year, selling around 257,000 vehicles. As a result, we maintained our market share and retained our market leadership in Western Europe. And we achieved these feats despite the model changeover for the Mercedes-Benz Sprinter, which is the bread-and-butter vehicle for our vans unit.

The new Sprinter picked up right where its predecessor left off. Its exemplary safety standards and additional model variants were a big hit with customers. Accordingly, the Sprinter not only received the German Commercial Vehicle Award, but was also named Van of the Year.

Last year, in addition to further improving the quality of the Vito and Viano, we expanded the range of engines we offer. Altogether, 94,000 customers purchased one of these van models in 2006.

Financial Services

Financial Services celebrated its fifth consecutive record-breaking year in 2006. Operating profit rose significantly once again, this time by 17 percent to more than 1.7 billion euros. The key factor here was a strong increase in new business of 10 percent, which rose to a total of more than 53 billion euros on the strength of 2.1 million new leasing and financing contracts last year alone.

Additional positive returns were generated by further increases in efficiency, whereby Financial Services was able to more than offset rising interest rates and higher risk-related costs by streamlining processes and practicing a high degree of cost discipline.

By the end of 2006, we were either financing or leasing 6.5 million vehicles with a total business volume of 113 billion euros. North and South America, our biggest markets, accounted for 71 percent of this volume.

In Japan, Financial Services expanded its commercial vehicle financing activities. Since September 2006, the Fuso Financial unit has been responsible for Mitsubishi Fuso's entire dealership network in Japan. In Germany, DaimlerChrysler Bank more than tripled its portfolio in the past ten years.

All of this demonstrates the increasing importance of automotive financial services. In fact, on average only 25 percent of customers who purchase a vehicle from DaimlerChrysler – or other automakers – pay in cash. The other 75 percent finance or lease – more than half of them from us. These latter customers take on special significance because they

- purchase more often,
- buy higher-quality products, and
- are much more likely to purchase their next vehicle from us, too.

This shows why Financial Services' close partnership with our vehicle divisions is so important in terms of acquiring new customers and, above all, retaining customer loyalty.

It's also one of the reasons why we've fully integrated Financial Services into our programs for further improving customer satisfaction.

Financial Services will continue to focus on maintaining an optimal balance between its own earnings targets and supporting sales at our vehicle divisions. We will also strive to further increase efficiency and customer and dealer satisfaction.

Outlook

Now let's take a look at how these developments are affecting the overall outlook for our Group.

We expect our total sales to increase slightly in the current year. And we anticipate that our revenues should be similar to those posted last year. However, we expect our business volume to significantly increase in 2008 and 2009, with Asia constituting one of the main regions of growth.

This assessment assumes that economic and political conditions will remain stable and the demand for automobiles will show moderate growth as expected through 2009.

Thanks to the continued implementation of our efficiency-boosting programs, we expect DaimlerChrysler's profitability to increase considerably over the next three years. In the medium term, we aim to achieve a return on net assets of at least 10 percent after taxes.

This year we are adapting our bookkeeping and financial reporting systems to conform with IFRS, the International Financial Reporting Standards. I therefore hope you will understand why we cannot give you a more detailed outlook at this time. We'll provide you with this information in mid-May, when we publish our first-quarter results.

Sustainable mobility

Ladies and gentlemen, the topic of climate protection has dominated headlines in recent weeks – and the automotive industry has been subjected to particular criticism.

As the inventors of the automobile, it goes without saying that we want to be the front runners when it comes to achieving sustainable mobility.

Last year we invested 5.3 billion euros in research and development. A large part of this total was for innovations and technologies that reduce CO₂ emissions, including 1.4 billion euros invested in Europe.

Of course, passenger vehicles account for 12 percent of total CO₂ emissions. Transport as a whole is responsible for about 20 percent.

We must – and will – do our share to further reduce CO₂ emissions. And we are already doing everything in our power to achieve this goal.

But reducing CO₂ alone isn't enough. It's equally important to further reduce nitrogen oxides and particulates – and to conserve natural resources in general. For us at DaimlerChrysler, the emission-free automobile remains the long-term goal of our "roadmap" toward sustainable mobility. This "roadmap" has three main components:

- First, the continuous further improvement of combustion engines, with and without a hybrid option.
- Second, high-quality and alternative fuels.
- Third, emission-free driving, with the fuel cell as a long-term goal.

I'd like to talk first about combustion engines: Since 1990, we have reduced our fleet consumption and the CO2 emissions of our passenger cars in Germany by 30 percent.

During this period, we have lowered exhaust emissions by more than 70 percent and particulate emissions by more than 95 percent in some cases.

Today, just under 40 percent of new Mercedes passenger vehicles consume less than 6.5 liters of fuel per 100 kilometers, while every fifth Mercedes can travel 100 kilometers on 5 liters or less.

These are good figures – but we're working hard to make them even better.

Our strategy is to make diesel engines as clean as gasoline engines – and gasoline engines as economical as diesels.

After all, the potential of both types of engine is yet to be fully exploited.

For example, compared with its predecessor, the new C-Class requires almost 4,000 liters less gasoline over its entire life cycle, while producing around 9 tons less CO2 – that's a reduction of 15 percent in carbon dioxide emissions when compared to the C-Class models launched in 2000. Both of these figures are documented in an environmental certificate issued by TÜV, the German technical inspectorate.

Our smart cdi is not only the world's best-selling three-liter car, but also the world champion when it comes to low CO2 emissions. It emits only 88 grams of CO2 per kilometer – less than any other series-produced automobile. In our view, BLUETEC – our clean diesel technology – will play a key role in helping to further optimize combustion engines.

BLUETEC reduces all emissions – especially the last components of exhaust emissions, the nitrogen oxides that are generally higher for diesel engines than for clean gasoline engines. BLUETEC reduces nitrogen oxides by up to 80 percent, resulting in the world's cleanest diesel engine.

Since October 2006, this technology has been available in the U.S. in the E320 BLUETEC. M-, R- and G-Class models will follow in 2008. The Chrysler Group will also take advantage of BLUETEC technology. And in the European market, we will launch a BLUETEC E-Class next year, provided that low-sulfur diesel fuel is widely available.

BLUETEC is already the technology of choice in commercial vehicles, and at Mercedes-Benz it's even the standard. More than 40,000 of our trucks and buses are already equipped with BLUETEC technology. In daily operation, they are helping to make both freight and passenger transportation cleaner. What's more, unlike BLUETEC passenger cars, BLUETEC trucks can also be operated with lower grade diesel fuel.

Hybrid technology also enables us to operate combustion engines more efficiently. Here too, we've accomplished a great deal.

However, we are initially using hybrid drives where they are most effective: in urban buses.

We were already developing hybrid vehicles in the early 1990s. Today we produce more hybrid buses than any other manufacturer and have a 60 percent share of the world market. Around 1,000 of these buses are in daily use in the United States, and we already have orders for 1,500 more.

Last year we celebrated the market launch of an extremely environmentally friendly light truck: the hybrid-drive Fuso Eco Canter.

Extensive hybrid know-how already exists in our industry. In order to pool this expertise, DaimlerChrysler is collaborating with other companies. The aim is to create a “toolbox” consisting of hybrid modules that can be used flexibly in passenger cars. In some areas we are cooperating with BMW and General Motors; in others we are only working with BMW.

Our goal here is to use the modules to satisfy a broad variety of technical and model-specific requirements. In this way we will achieve economies of scale, while also producing hybrid solutions that can be adapted to meet a wide range of specific customer needs. One thing is already certain: Every new vehicle we develop will be engineered to accommodate a hybrid drive train.

In combination with an intelligent and comprehensive energy-management system, which we will gradually launch in our gasoline and diesel vehicles, we will guarantee the best possible overall efficiency in all situations. And that brings me to my second point: the development of high-grade and alternative fuels.

According to calculations carried out by the U.S. Environmental Protection Agency, if only a third of the passenger cars in the United States were equipped with advanced diesel engines, the country would no longer need to import a single drop of oil from Saudi Arabia.

We all know that oil reserves are finite. That’s why we are preparing our engines for use with alternative fuels. In addition to natural gas and bioethanol, in cooperation with VW, Shell and Choren we are focusing on second-generation biofuels – in other words, on biomass-to-liquid fuels, or BTL for short.

These synthetic fuels, which are made from straw or waste wood, reduce our dependence on fossil fuels and have a very favorable environmental rating:

- They are largely CO₂-neutral.
- They generate up to 50 percent less particulate emissions.
- And here's the best part: BTL fuels can be used in all diesel vehicles without problems.

However, in the long term we are putting our faith in fuel cell drive, which is not only environmentally friendly but also highly efficient. Fuel cells are powered by hydrogen and are twice as efficient as conventional combustion engines.

DaimlerChrysler is a pioneer in this key technology. We presented the first-ever fuel cell vehicle back in 1994 and since then have put more than 100 fuel cell vehicles on the road. The vehicles involved range from the A-Class to the Citaro bus. No other automaker operates a larger fleet of fuel-cell vehicles.

However, the fuel cell remains a technology of the future. There’s still a long way to go and many questions remain unanswered— questions that we cannot answer on our own. Politicians, the oil industry and the automakers must work together in order to create, for example:

- an appropriate legal framework,
- the necessary infrastructure,
- a hydrogen supply network and, just as importantly,
- the requisite automotive technology.

Ladies and gentlemen, I hope I have made one thing clear: When it comes to sustainable mobility, your company is employing its innovative skills to the full.

Safety

In addition to striving to develop the emission-free automobile, we are also pursuing the vision of accident-free driving – an area, in which we have traditionally been at the forefront of developments.

Through inventions such as the airbag, ESP and ABS, we have played a key role in helping to reduce the number of traffic-related deaths in Germany from 21,000 in 1970 to 5,400 in 2005, in spite of an increase in miles driven. But that's still 5,400 too many – which is why we're working hard to improve our safety systems even further.

Pre-Safe, which is available in the current E-Class, for example, is an anticipatory occupant-protection system. It not only identifies potential accidents before they happen but also automatically initiates appropriate countermeasures.

All in all, the E-Class is not only the best-selling, but also the safest automobile in its segment.

The Truck Group organized a roadshow in summer 2006 to introduce the Mercedes-Benz "Safety Truck" in 12 major European cities. The Safety Truck combines every assistance and safety system currently available – including Active Brake Assist, the lane assistant, proximity-controlled cruise control and stability control.

A large-scale testing program has shown that these systems can reduce the number of accidents by 50 percent. These intelligent driving safety systems and innovative drive concepts are bringing us ever closer to making our vision of accident-free and emission-free driving a reality.

All of this demonstrates yet again that premium automakers are the main driving force behind groundbreaking innovations in safety, environmental protection and sustainable mobility.

Without this segment, Germany would neither be the current world champion for patents and exports – nor would it be a champion for the environment.

That's another reason why general regulations alone are inadequate. Particularly when it comes to climate protection, we need an integrated approach that includes all of the relevant actors.

However, one thing's for certain. We aim to – and will – live up to our responsibilities to you, our shareholders, as well as our obligations to our customers, our business associates, our employees and the environment. That's how we understand sustainability. And it's the foundation on which we want to shape the future of the automobile.

Corporate Value

Our corporate values provide us with a frame of reference for this endeavor.

After all, ladies and gentlemen, outstanding performance begins with the right attitude. That's another reason why the members of the Board of Management have conducted in-depth discussions about the kind of corporate culture we want to live at DaimlerChrysler.

We've defined four core values on which we must base our actions throughout the Group.

The first value is "passion" – for fascinating products and first-class service.

This passion – this willingness to go the extra mile – makes all the difference between being outstanding and being just average. We want to be outstanding.

"Respect" is our second value – respect not only for our customers and shareholders but also for our colleagues. We express respect, for example, by viewing the diversity of our employees as a key strength to be harnessed.

In Germany, for instance, we've launched a mentoring program to support women managers who have already achieved a great deal through their own efforts. The mentoring program will help them to advance even further.

And this year in Germany, working together with professional partners, we'll add room for up to 350 more children at daycare centers to improve the compatibility of family and professional life for our employees. In this way, we are showing respect in a specific and practical way – while also promoting our business interests.

Another current example involves measures to protect non-smokers.

Passive smoking exposes people to substantial health risks. That's why, out of respect for our colleagues, we must ban smoking at all of our business locations. Starting on July 1, smoking will no longer be permitted in any DaimlerChrysler building.

The third value is "integrity" – in other words, ensuring that our behavior complies with the highest ethical standards.

To ensure our performance in this area, we have set up a corporate compliance organization, the head of which reports directly to me. Through our local compliance managers, we ensure that all of our daily business activities comply with our regulations.

And here I'd like to once again emphasize what I said at last year's Annual Meeting: No business transaction can ever justify putting DaimlerChrysler's reputation at risk.

But for us integrity also means taking our social responsibility seriously. Worldwide we employ approximately 9,400 apprentices. In Germany - in spite of a smaller workforce - we've increased the number of our apprentices by 5% both in this and last year, even though it exceeds our own needs. We're giving as many young people as possible a solid start in their careers.

Our fourth corporate value is "discipline" – especially when it comes to implementing approved measures. That doesn't mean we are promoting a culture of "enforced agreement." We want to have open discussions as we pursue the best solutions. But we want these discussions to take place before decisions are made, not afterward.

These are our four corporate values: passion, respect, integrity and discipline. And here let me draw your attention to one more point that I consider important, because it's sometimes misunderstood.

Having values does not mean that we are incapable of making tough decisions. Sometimes these values require us to make such decisions – especially if it's the only way to safeguard the future of our company and the vast majority of the jobs it provides.

It's not a sign of respect to close our eyes to uncomfortable truths – if only to discover at a later date that remedial action is much more painful.

However, our corporate values do require that we implement our decisions, especially the tough ones, in a fair and honorable way. That's yet another reason why we have made our corporate values explicit.

We want these values to help us create a culture of top performance. Of course, that means putting them into practice on a daily basis. And that starts at the top of the company.

Ladies and gentlemen, the key to our sustained success is our employees. We couldn't produce our fascinating vehicles without the people "behind the brands."

Last year in particular, our workforce demonstrated its ability for outstanding performance, even in difficult times. I would like to take this opportunity on behalf of the entire Board of Management to thank our employees for their tremendous commitment to our company. Without their know-how and their dedication, last year's successes wouldn't have been possible.

Our progress in 2006 was the result of a team effort. And team effort will enable us to continue to move forward in the future. We know that we've still got a long way to go. But we are determined to continue along this path.

End

Ladies and gentlemen, your company invented the automobile and has played a crucial role in its success story ever since.

We have everything it takes to continue shaping the future of the automobile. And I can't imagine a more rewarding task. After all,

- our competitors first learn of many innovations from DaimlerChrysler.
- And our enthusiasm for building automobiles is exceeded only by our customers' enthusiasm for driving them.

With your support, ladies and gentlemen, we can – and will – lead DaimlerChrysler into a successful future. Your company can look back on a long history of success, and I am convinced that our greatest success still lies ahead. And now, I look forward to our discussion.

This document contains forward-looking statements that reflect our current views about future events. The words “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “project”, “should” and similar expressions are used to identify forward looking statements. These statements are subject to many risks and uncertainties, including an economic downturn or slow economic growth, especially in Europe or North America; changes in currency exchange rates and interest rates; the introduction of competing products and possible lack of acceptance of our products or services; competitive pressures which may limit our ability to reduce sales incentives and raise prices; price increases in fuel, raw materials, and precious metals; disruption of production or delivery of new vehicles due to shortages of materials, labor strikes, or supplier insolvencies; the ability of the Chrysler Group to reduce costs, especially in light of restructuring activities underway at some of our major competitors in the NAFTA region, and to respond to shifts in market demand towards smaller, more fuel-efficient vehicles; effective implementation of cost-reduction and efficiency-optimization programs, including our new management model; the business outlook of our equity investee EADS, including the financial impact of delays in and potentially lower volume of future aircraft deliveries; changes in laws, regulations and government policies, particularly those relating to vehicle emissions, fuel economy and safety, the resolution of pending governmental investigations and the outcome of pending or threatened future legal proceedings; a decline in resale prices of used vehicles; and other risks and uncertainties, some of which we describe in the current Annual Report under the heading “Risk Report”. If any of these risks and uncertainties materialize, or if the assumptions underlying any of our forward looking statements prove incorrect, then our actual results may be materially different from those we express or imply by such statements. We do not intend or assume any obligation to update these forward looking statements. Any forward looking statement speaks only as of the date on which it is made.