

Report of the Supervisory Board

In nine meetings during the 2007 financial year, the Supervisory Board dealt in detail with Daimler's business situation, as well as the operational and strategic development of the Group and its divisions. For the first time, the Supervisory Board held a two-day strategy meeting. In addition to several personnel decisions, numerous special topics and issues requiring the consent of the Supervisory Board had to be examined and decided upon. The information and assessments provided to the Supervisory Board as a basis for its decisions were dealt with and discussed in detail together with the Board of Management. The most protracted issue by far was the action to be taken for the transfer of a majority interest in the Chrysler business operations.

Cooperation between the Supervisory Board and the Board of Management. In its meetings, the Supervisory Board regularly held extensive discussions with the Board of Management concerning the situation of the Group, particularly its business and financial development, personnel situation, investment plans and questions of fundamental business policy and strategy. Outside the meetings, the Board of Management presented the Group's key performance figures to the Supervisory Board in the form of monthly reports, and submitted in good time those issues requiring the specific approval of the Supervisory Board.

The Supervisory Board approved these issues after reviewing various documents, making inquiries, and holding intensive discussions with the members of the Board of Management. The Supervisory Board was also kept fully informed of specific matters between its meetings, and in urgent cases – following consultation with the Chairman of the Supervisory Board – it was requested to pass its resolutions in writing. In addition, the Chairman of the Board of Management informed the Chairman of the Supervisory Board in regular individual discussions about all important developments and upcoming decisions.

Issues discussed at the meetings in 2007. At the beginning of February 2007, the Supervisory Board approved the proposal made by the Board of Management that the equity interest in EADS should be reduced by 7.5% of that company's shares.

In a further meeting held in February 2007, the Supervisory Board dealt with the restructuring plan for the Chrysler Group. In this context, the financial framework, the costs and the consequences of the plan were discussed intensively. All strategic options were kept open in order to find the best solution for both Chrysler and the entire Group. The Supervisory Board also approved interim financing for a supplier company.

At the end of February 2007, the Supervisory Board dealt with the audited 2006 financial statements of the Company, the 2006 consolidated financial statements, the 2006 management report of the Company and the 2006 management report of the Group, which all together received an unqualified opinion from the independent auditor. The Supervisory Board also dealt with the proposal made by the Board of Management on the appropriation of earnings. It approved the joint-venture agreement between the Chrysler Group and the Chinese partner, Chery Motors, and dealt in detail with the agenda for the Annual Meeting and related Supervisory Board matters. Finally, the Supervisory Board dealt with the results and possibilities for improvement from the efficiency audit carried out at the end of 2006, and approved the board positions at other companies and the other business activities of the members of the Board of Management as presented at that meeting.

In April 2007, the Supervisory Board dealt with the operative planning for the years 2007 through 2009, which had been updated with the projected earnings for the Chrysler Group. In addition, the challenges relating to reducing fuel consumption and CO₂ emissions and the plan of measures to be taken by the Group in this context were discussed in detail.



Dr. Manfred Bischoff, Chairman of the Supervisory Board

In this and other meetings, the Supervisory Board dealt with current legal proceedings. In addition to the regular reporting of the Audit Committee, it also received a detailed report on the status of the investigations being made by the SEC and the US Department of Justice (DOJ). In this context, the Supervisory Board dealt among other things with the measures implemented for the development of the compliance organization, the anchoring of compliance goals in the remuneration system of the Board of Management and certain other executives, as well as related communication and training activities.

In a meeting in May, the Supervisory Board dealt in detail with the options for the disposal of the Chrysler business and the status of the related negotiations with possible transaction partners. As a result, the Supervisory Board authorized the Board of Management to enter into agreements with Cerberus Capital Management and to take the required steps for the implementation of those agreements and for the restructuring of the entire Group, including the change of name. In this context, the Supervisory Board also dealt with Board of Management matters.

In June, the Supervisory Board approved the sale of real-estate properties belonging to Mitsubishi Fuso Truck & Bus Corporation that were no longer required for operating activities.

One of the main issues of the meeting in July was the status report on the closing of the transaction with Cerberus Capital Management. The Supervisory Board also approved general conditions for the Group's possible involvement in the financing of the transaction, which later actually took place. Furthermore, the Supervisory Board dealt with the agenda of the Extraordinary Shareholders' Meeting to be held in October 2007.

In August, the Supervisory Board convened for an additional meeting to deal with the measures to be taken to optimize the Group's capital structure. Conditional upon the availability of profit reserves pursuant to Section 272, Subsection 4 of the German Commercial Code (HGB), it approved a budget to buy back nearly 10% of the outstanding shares over the next twelve months.

In September, the Supervisory Board held an extensive two-day retreat meeting, during which it dealt with the strategic possibilities for the future Daimler AG as presented by the Board of Management and received detailed information on the strategic plans of the individual divisions. Some of the subjects for discussion were the strategic positioning and orientation of the Group and its divisions in their respective competitive situations, product and personnel strategy, business models for profitable growth, and measures to be taken to reduce CO₂ emissions.

In December, the operative planning for the years 2008 through 2010 and the financing limits for the 2008 financial year were dealt with and decided upon. The planning data was backed up with extensive documentation. In this meeting, the Board of Management reported to the Supervisory Board on the Company's financial target system and risk monitoring system and on the risks identified. Furthermore, the Supervisory Board agreed to the establishment of an automotive fuel cell cooperation, and approved a joint venture of the Daimler Trucks division in India and the sale of the equity interest in Wohnstätten Sindelfingen GmbH, a real-estate company. Another subject was the disposal of real-estate properties at Potsdamer Platz in Berlin. Finally, the Supervisory Board dealt with corporate governance issues and requirements relating to the efficiency analysis of the Supervisory Board, to be executed for the first time with external support.

Corporate governance. The Supervisory Board dealt with corporate governance issues in several meetings. The meeting in February 2007 dealt with a letter of intent regarding the proposal of a candidate for election as the future Chairman of the Supervisory Board. This procedure was oriented towards a recommendation of the German Corporate Governance Code, which states that the shareholders are to be informed about candidates proposed for election as Chairman of the Supervisory Board. In the December meeting, pursuant to Section 161 of the German Stock Corporation Act (AktG), the 2007 declaration of compliance with the German Corporate Governance Code as amended on June 14, 2007 was approved, as were the latest amendments to the rules of procedure for the Supervisory Board, and a Supervisory Board Nomination Committee was established.

Supervisory Board members are obliged to disclose potential conflicts of interest to the entire Board and not to participate in discussions or voting on topics for which a potential conflict of interest exists.

One member of the Supervisory Board, Mr. Arnaud Lagardère, attended fewer than half of the meetings held in 2007 due to other urgent commitments.

Report on the work of the committees. The Presidential Committee convened four times during 2007, and dealt with various Board of Management issues as well as remuneration issues. In February 2007, the Presidential Committee decided to include compliance targets in the target agreements for Board of Management members. The committee also dealt with Board of Management issues connected with the separation from Chrysler, prepared the plenary meetings of the Supervisory Board, and dealt with questions of corporate governance and compliance, including individual discussions between the Chairman of the Presidential Committee and the Group's independent Compliance Adviser.

The Audit Committee met eight times in 2007. Details of these meetings are given in a separate report of this committee (see page 130). The Mediation Committee, a body required by the provisions of the German Codetermination Act, had no occasion to take any action in 2007. The Supervisory Board was continually informed about the committees' work, and especially about their decisions.

Personnel changes in the Supervisory Board. Following the expiry of Mr. Hilmar Kopper's period of membership of the Supervisory Board at the end of the Annual Meeting on April 4, 2007, the Annual Meeting voted in favor of the proposal to elect Dr. Clemens Börsig as a member of the Supervisory Board representing the shareholders for a period of five years. In the Supervisory Board meeting following that Annual Meeting, Dr. Manfred Bischoff was elected as Chairman of the Supervisory Board. In the same meeting, Dr. Manfred Schneider was elected as a member of the Presidential Committee and Dr. Clemens Börsig was elected as a member of the Audit Committee, both representing the shareholders.

In August 2007, Mr. Ron Gettelfinger, President of the International Union, United Automobile, Aerospace and Agricultural Implement Workers trade union (UAW) in the United States, stepped down from his position by mutual consent with the Supervisory Board and the Board of Management effective September 1, 2007. On November 21, 2007, he was succeeded by way of a court successor appointment by Mr. Valter Sanches, Secretary General of the Brazilian trade union Confederação Nacional dos Metalúrgicos/CUT. As of October 1, 2007, Mr. Uwe Werner, Chairman of the Employee Council of the Bremen plant, succeeded by way of a court successor appointment Mr. Udo Richter, who took early retirement and therefore stood down from the Supervisory Board. Effective December 31, 2007, Mr. Earl G. Graves and Mr. Peter A. Magowan stood down from their positions in amicable agreement with the Chairman of the Supervisory Board and the Board of Management. In December, the Supervisory Board expressed its consent to the planned court appointment of Ms. Sari Maritta Baldauf and Dr. Jürgen Hambrecht and to the proposal of those two persons for subsequent election by the Annual Meeting in 2008, both representing the shareholders.

Personnel changes in the Board of Management. In May 2007, the Supervisory Board consented to the premature departure from the Daimler Board of Management of Mr. Thomas W. LaSorda, Mr. Eric R. Ridenour and Mr. Thomas W. Sidlik, and approved the new distribution of responsibilities within the Board of Management, each change taking effect at the same time as the closure of the Chrysler transaction.

Audit of the 2007 financial statements. The Daimler AG financial statements and management report for 2007 were audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Berlin, and were given an unqualified audit opinion. The same applies to the consolidated financial statements prepared according to IFRS, which were supplemented with a group management report and additional notes. The financial statements and the appropriation of earnings proposed by the Board of Management, as well as the auditors' reports, were submitted to the Supervisory Board and discussed in the presence of the auditors, who reported on the results of their audit. The Supervisory Board has declared itself to be in agreement with the results of the audit and has established that there are no objections to be made. The Supervisory Board has approved the financial statements presented by the Board of Management. The financial statements are thereby adopted. Finally, the Supervisory Board has examined the appropriation of earnings proposed by the Board of Management and is in agreement with this proposal.

Appreciation. The Supervisory Board thanks all of the employees of the Daimler Group and the Chrysler Group, the management and the departing members of the Supervisory Board and the Board of Management for their commitment and achievements during the year 2007. Particular gratitude is expressed to Mr. Hilmar Kopper for his outstanding personal commitment to the Group in more than 17 years as Chairman of the Supervisory Board.

Stuttgart, February 2008

The Supervisory Board



Dr. Manfred Bischoff
Chairman