

DAIMLERCHRYSLER

DaimlerChrysler AG

Annual Report

at

December 31, 2000

The annual report and the management report of DaimlerChrysler AG and the Consolidated Statements of DaimlerChrysler AG for the year 2000 will be published in the general bulletin and deposited at the trade register of the district court Stuttgart.

Balance Sheet of DaimlerChrysler AG

ASSETS	Note	12/31/2000 in millions of €	12/31/1999 in millions of €
Fixed Assets			
Intangible assets	(1)	57	56
Property, plant and equipment incl. leased equipment	(2)	5,397	3,621
Investments and long-term financial assets	(3)	29,539	26,719
		34,993	30,396
Non-fixed Assets			
Inventories	(4)	4,248	3,704
Trade receivables	(5)	2,195	1,797
Receivables from affiliated companies	(5)	4,811	6,475
Other non-fixed assets	(5)	2,333	1,986
Securities	(6)	1,908	3,268
Cash and cash equivalents	(7)	608	1,207
		16,103	18,437
Prepaid Expenses		34	50
		51,130	48,883
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity			
Capital stock (contingent authorized capital 716 Mill.€)	(8a)	2,609	2,565
Additional paid-in capital	(8b)	11,356	11,398
Retained earnings	(8c)	3,329	4,948
Unappropriated profit		2,358	2,358
		19,652	21,269
Special account with an equity portion	(9)	2	2
Accruals			
Pension accruals	(10)	5,976	5,665
Other accrued liabilities	(11)	7,141	6,719
		13,117	12,384
Liabilities			
Trade liabilities	(12)	4,124	3,108
Liabilities to affiliated companies	(12)	8,121	8,848
Other liabilities	(12)	6,092	3,254
		18,337	15,210
Deferred Income		22	18
		51,130	48,883

Statement of Income of DaimlerChrysler AG

		2000 millions of €	1999 millions of €
Revenues	(13)	51,333	45,000
Cost of sales	(14)	(45,705)	(40,367)
Gross margin		5,628	4,633
Selling expenses	(14)	(4,710)	(4,395)
General administration expenses	(14)	(1,518)	(1,212)
Other operating income	(15)	839	657
Other operating expenses	(16)	(423)	(278)
Result from investments in affiliated and related companies	(17)	644	2,583
Result from interest	(18)	194	112
Other financial result	(19)	60	156
Result from ordinary business activity		714	2,256
Extraordinary result		-	-
Income taxes	(20)	25	(867)
Net Income	(21)	739	1,389
Withdrawal from retained earnings		1,619	969
Unappropriated profit		2,358	2,358

Notes to the Financial Statements of DaimlerChrysler AG

Basis of Presentation

The financial statements of DaimlerChrysler AG are prepared according to the accounting requirements of commercial law and shown in millions of EURO (€) compared with the figures as of December 31, 1999. The condensed items of the balance sheet and the income statement are specifically included in the notes to the statements and explained.

The profit and loss statement is accounted according to the cost of sales method.

Reporting and valuation

Intangible Assets are valued at acquisition cost less scheduled amortization. In most cases the useful life is three years.

Fixed Assets are valued at historical cost or production cost minus scheduled depreciation.

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

For scheduled depreciation, in most cases a useful life of 3 to 10 years is assumed for technical equipment and machinery, other equipment as well as factory and office equipment. Shorter periods are applied to equipment used in multishift operations. As a matter of principle, movable property with a useful life of 4 years and more is depreciated by the declining balance method. Depreciation expense is recognized using the declining balance method until the straight-line method yields larger expenses.

Extraordinary depreciation is recognized insofar as it is necessary to report smaller values.

Movable fixed assets of low value are written off immediately.

Equipment on operating lease, where the company is lessor, is

valued at acquisition cost or manufacturing cost and generally depreciated over the asset's useful life, generally five to fourteen years. Depending upon the lessee the leased equipment will be depreciated using the straight-line method or the declining balance method. The declining balance method is used until the straight-line method yields larger expenses.

In order to get a better overview of the fixed assets we have added the leased equipment position to the Balance Sheet and the fixed assets schedule.

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

Raw Materials, *Manufacturing Supplies* and *Resale Products* are valued at acquisition cost or lower current prices; *Work in Progress and Finished Goods* at manufacturing cost. Manufacturing costs comprise direct material and labor and applicable manufacturing overhead, including depreciation charges.

If inventory risks exist, e.g. due to impaired usefulness after long periods of storage or following design changes, appropriate deductions are made. The principle of loss-free valuation is applied.

Due to the principle that the treatment followed for book purposes must also be adopted in the tax balance, LIFO (last-in, first out method) is applied to the consumption of inventory. For this purpose, inventories are classed into groups of like nature and function.

Receivables and *Other Assets* are valued making allowance for all discernible risks and - if non-interest-bearing and having residual maturities of more than one year - are discounted at the balance-sheet date. A general bad-debt provision is made to cover the general credit risk.

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

The *Accrued Pension and Similar Liabilities* are valued using the projected unit credit method. This method of reporting pension obligations corresponds to the method used in the consolidated financial statements for reporting under U.S. GAAP and results in a value which is higher than that computed according to § 6a EStG (income tax law). Since reporting by the projected unit credit method records liabilities at period end based on the probability of payment, this valuation avoids underfunding of pension obligations.

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

Derivative financial transactions (particularly currency futures and currency options and interest-rate swaps) are combined with an underlying transaction into a valuation unit if a direct connection exists between the financial transaction and the underlying transaction. In these cases, the effects of currency contracts entered into for the purpose of currency hedging are only shown at the due date in income. Financial transactions for which no valuation unit has been formed are valued individually at market prices,

and any resulting unrealized losses are recognized in income.

Liabilities are stated at the amounts repayable.

Foreign currencies

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

Fixed Assets Schedule of DaimlerChrysler AG

in millions of €	Acquisition or Manufacturing Costs				Balance at 12/31/2000
	Balance at 01/01/2000	Additions	Reclassi- fications	Disposals	
Intangible assets	94	27		12	109
Property, plant and equipment					
Technical equipment and machinery	1,879	561	192	53	2,579
Other equipment, factory and office equipment	1,906	566	112	162	2,422
Leased equipment	1,723	2,570	45	856	3,482
Advance payments and construction in progress	516	603	-349	173	597
	6,024	4,300	-	1,244	9,080
Financial assets					
Investments in affiliated companies	21,004	665	-4	297	21,368
Loans to affiliated companies	2,719	193	-2	1,733	1,177
Investments in associated and related companies	431	3,087	4	-	3,522
Loans to associated and related companies	-	-	-	-	-
Long-term securities	3,923	226	960 ¹	-	5,109
Other loans	47	5	2	7	47
	28,124	4,176	960	2,037	31,223
Fixed assets	34,242	8,503	960	3,293	40,412

¹ Segregated securities which were recognized in the Non-Fixed Assets before.

Depreciation/Amortization					Book Value	
Balance at 01/01/2000	Additions	Reclassi- fications	Disposals	Balance at 12/31/2000	Balance at 12/31/2000	Balance at 12/31/1999
38	26	-	12	52	57	56
944	467	-	44	1,367	1,212	935
1,198	469	-	143	1,524	898	708
261	674	-	143	792	2,690	1,462
-					597	516
2,403	1,610	-	330	3,683	5,397	3,621
1,272	256	-	-	1,528	19,840	19,732
-	4	-	-	4	1,173	2,719
131	20	-	-	151	3,371	300
-	-	-	-	-	-	-
-	-	-	-	-	5,109	3,923
2	1	-	2	1	46	45
1,405	281	-	2	1,684	29,539	26,719
3,846	1,917	-	344	5,419	34,993	30,396

Notes to the Balance Sheet of DaimlerChrysler AG

1 Intangible assets

The intangible assets include licences (EDP-software) and similar rights of € 57 Mill.

2. Property, plant and equipment and leased equipment

The additions of € 4,300 Mill. contain € 2,570 Mill. of leased equipment, mostly passenger cars. Further additions consist only of movables.

The scheduled depreciation amounts to € 1,610 Mill. (p.y.€ 911 Mill.).

The development of property, plant and equipment is shown in the Fixed Assets Schedule.

3 Investments and long-term financial assets

The interest in affiliated and related companies increased to € 23,211 Mill. (p.y. € 20,032 Mill.).

This increase is mainly due to investments in Mitsubishi Motors Corporation (34 %), in Hyundai Motor Company (9 %) as well as in TAG McLaren Holdings Ltd (40 %). Furthermore the capital investment in the new funded DCX.net Holding GmbH was a reasonable part of the financial interests. Offsetting these increases was depreciation on investments especially at DaimlerChrysler Rail Systems GmbH.

A report of the investments in subsidiaries of DaimlerChrysler AG according to § 285 No. 11 German commercial law is filed at the trade register.

The loans to affiliated companies decreased with € 1,546 Mill. This development results mainly from repayments of DaimlerChrysler Mobilien GmbH, Stuttgart.

The securities that are shown under fixed assets (€ 5,109 Mill.) are mainly securities that have been segregated and restricted to provide for pension benefits.

4 Inventories

	12/31/2000	12/31/1999
	Mill. €	Mill. €
Raw material and manufacturing supplies	712	658
Work in process	701	617
Finished goods, parts and products held for resale	2,859	2,555
Advance payments to suppliers	-	.
Inventories	4,272	3,830
Advance payments received	(24)	(126)
Total	4,248	3,704

The finished goods include also the vehicles of affiliated companies and spare parts.

The difference between the acquisition and manufacturing costs and the valuation based on the last-in, first-out method is € 704 Mill.

5 Receivables and Other assets	12/31/2000		12/31/1999	
	Mill. €	Mill. €	Mill. €	Mill. €
Trade receivables		2,195		1,797
Of which due after 1 year	17		4	
Receivables from affiliated companies		4,811		6,475
Of which due after 1 year	-		1	
Receivables from related companies		995		463
Of which due after 1 year	3		.	
Other assets		1,338		1,523
Of which due after 1 year	9		134	
Total receivables and other assets		9,339		10,258
Of which due after 1 year	29		139	

The receivables from affiliated companies contain mostly intercompany (cash) accounts receivable and trade accounts receivable.

The receivables from related companies contain mostly receivables from Deutsche Bank AG (€ 901 Mill.).

The other assets contain predominantly tax assets (€ 1,184 Mill.).

6 Securities	12/31/2000	12/31/1999
	Mill. €	Mill. €
Other Securities	1,908	3,268

The other securities contain investments in funds (€ 1,294 Mill.), debt securities (€ 450 Mill.) and equity securities (€ 164 Mill.).

During the fiscal year DaimlerChrysler AG purchased a total amount of 1,370,143 treasury stocks with a corresponding nominal value of € 3,562,372, which represents about 0.14% of the capital stock. The average purchase price of these shares was € 64.24. The purpose of the acquisition of these shares was the company's employee share purchase program. 835,663 treasury stocks (corresponding nominal value € 2,172,724) have immediately been sold to employees. Another 534,428 shares (corresponding nominal value € 1,389,513) have been sold to group companies at acquisition cost for the purpose of selling them to their employees in three steps.

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

Period	Subscription price per share (€)
March-April 2000	63,60
June-August 2000	56,64
October-December 2000	51,30

Additionally DaimlerChrysler AG granted graded benefits. An employee purchasing 5 shares received a benefit of € 76.69, the purchase of 10 to 30 shares lead to a benefit of € 153.39. Employees who bought at least 15 shares additionally received a bonus share.

52 treasury stocks (corresponding nominal value € 115) were sold at the stock exchange (share price € 67.27) in April 2000. Thus, no treasury stocks are held by DaimlerChrysler AG at the balance sheet date.

7 Cash and cash equivalents

Cash and cash equivalents amounted to € 608 Mill. and contains deposits at financial institutions as well as cash and checks on hand. The liquidity is € 2,516 Mill. and includes in addition to cash and cash equivalents other securities of € 1,908 Mill.

The receivables from Deutsche Bank AG (€ 901 Mill.), which are recorded under receivables from related companies, and a non-marketable debt issue (€ 5 Mill.), recognized under other non-fixed assets, are further liquid assets.

8 Stockholders' equity

	12/31/2000	12/31/1999
	Mill. €	Mill. €
Capital Stock	2,609	2,565
Additional paid-in capital	11,356	11,398
Retained earnings	3,329	4,948
Unappropriated profit	2,358	2,358
Stockholders' equity	19,652	21,269

a) Capital stock

	number	€
Capital stock December 31, 1999:	1,003,261,403	2,564,797,050
Increase in 2000:		
Out of Additional paid-in capital	-	43,683,051
Conversion Option Bonds	10,329 ¹	
1996/2003	87 ²	26,632
Conversion Convertible Bonds	77 ¹	
1997/2002	15 ²	236
Capital stock		
December, 31, 2000	1,003,271,911²	2,608,506,969

1) Number based on registered shares with a (rounded up) nominal value of the capital stock of 2.56 €/share – for shares issued before the ordinary shareholders' meeting of DaimlerChrysler AG at 04/19/2000

2) Number based on registered shares with a nominal value of the capital stock of 2.60 €/share.

The conversion into Euro of our accounts as the functional currency in 1999 brought the value of the capital stock of DaimlerChrysler AG to an uneven figure. In the current financial year, an increase in the subscribed capital in the amount of € 43,683,051, funded from corporate funds (additional paid-in capital), brought the par value back to an even € 2.60 per share. The capital increase was not associated with an issuance of new stock.

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

In June 1996, Daimler-Benz AG issued a convertible bond with attached warrants through DaimlerChrysler Luxemburg Capital (former Daimler-Benz Capital (Luxembourg) AG). These bonds were provided with a total of 1,200,000 attached warrants, entitling - after the merger - the owners to purchase registered shares of DaimlerChrysler AG pursuant to the conditions of these warrants. If a warrant is exercised, its owner receives 10.30527 shares of DaimlerChrysler AG, consisting of 6.44004 new shares according to conditional capital IV and 3.86523 already existing shares pursuant to a contract signed with a third party. The option price can be paid either through an exchange of the bonds or through cash payment. The option price per share is € 42.67 for a bond exchange and € 44.49 for cash payment.

During 2000, options for the subscription of 10,416 (1999: 1,517,468; 1998: 5,027,002; 1997: 1,785; 1996: 36) newly issued DaimlerChrysler Ordinary Shares have been exercised.

There were 179,964 warrants outstanding at the balance sheet date.

In June 1997 Daimler-Benz AG issued 5.75% mandatory convertible bonds maturing at June 14, 2002 at a subscription price of € 66.83. The offering which had a face value € 508 Mill. was for 7,600,000 mandatory convertible bonds, which can be exchanged by June 4, 2002. Subsequently, all unexercised warrants will be subject to a mandatory conversion. The bonds can now be exchanged for 0.86631 DaimlerChrysler shares. Upon maturity the bonds will be converted on the basis of an average stock price determined shortly before the mandatory conversion date, which is expected to range between 1.25625 and 0.86631 shares of common stock per conversion warrant.

During 2000, 92 (1999: 665, 1998: 3,713; 1997: 156) DaimlerChrysler Ordinary Shares were issued upon exercise.

As of December 31, 2000, 7,594,426 bonds had not yet been converted.

In the context of the stock based compensation arrangements offered to management, in the 1996 - 1998 period and in the financial year 2000, the Annual Shareholders' Meetings authorized several stock option plans for eligible employees.

The plans offered from 1996 to 1998 provided a select group of upper management with warrants for the purchase of stock of DaimlerChrysler AG in connection with non-transferable convertible bond issues. The convertible bond obligations, which are denominated in notes with a nominal value of € 511.29 each, mature in 10 years. The bonds bear an interest of 5.9% per year (Plan 1996), 5.3% (Plan 1997) and 4.4% (Plan 1998).

The stock option plan for 1996 entitled owners of the convertible bonds to exchange their bonds in return for shares of stock in DaimlerChrysler AG at a ratio of 1:1.005, i.e. each convertible bond with a face value of € 511.29 could be exchanged for 201 registered shares. The resulting conversion price per share was € 42.62. The exercise is contingent on the requirement that the stock price on the date prior to the conversion is at least 15% over the stated conversion price.

As of December 31, 2000 convertible bonds with a total face value of € 135.492,35, equivalent to 53,265 new DaimlerChrysler shares, had not yet been converted.

Schedule of the remaining Stock Option Plan 1996 issued to Management:

	Face Value in €	Number
Subscribed Convertible Bonds	2,272,692.41	889,000
Repayments	81,806.70	32,000
Exchange in Shares		
1996		
1997	1,684,706.75	659,000
1998	255,645.94	100,000
1999	89,476.08	35,000
2000	25,564.59	10,000
	-	-
Balance at 12/31/2000	135,492.35	53,000

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

The Stock Option Plan 2000 is structured as a Premium Priced Plan. The allocated options entitle the owner to purchase one DaimlerChrysler AG ordinary share with each exercised option. The strike price which must be paid for exercising the option is € 74.76 per share (The strike price includes a 20% surcharge on the reference price of € 62.30). If the stock price (last closing stock price quoted in Xetra trading on the Frankfurt Stock Exchange prior to the exercise) is equal to at least € 74.76 (profit target), the participant receives an additional variable payment of € 12.46 for each exercised option. The options can be exercised beginning on April 22, 2002. The maturity period of the Stock Option Plan 2000 is ten years, at end of this period the unexercised options will lapse. As of December 31, 2000 15.217.192 options are outstanding.

The tables below provide an overview of the conditional and authorized capital of DaimlerChrysler AG.

Conditional Capital

Nummer	I	II	III	IV	V	VI	Total
Conditional Capital December 31, 1999, €	102,258,376	43,715,456	40,034,154	39,834,411	40,008,462	-	265,850,859
Used before 04/19/2000, €	-	-	-	26,603	-	-	26,603
Conditional Capital at April 19, 2000, number	40,000,000	17,100,000	15,660,000	15,571,461	15,649,950	-	103,981,411
Conditional Capital at April 19, 2000, €	102,258,376	43,715,456	40,034,154	39,807,808	40,008,462	-	265,824,256
Modification through the shareholders' meeting at 04/19/2000	Old Conditional Capital I deleted, new Conditional Capital I defined	Conditional Capital increase per share from € 2.56 (rounded up) to € 2.60				Defined	
Used from 04/20/2000 to 12/31/2000, €	-	-	-	265	-	-	265
Balance at 31/12/2000, number	115,384,615	17,100,000	15,660,000	15,571,359	15,649,950	96,000,000	275,365,924
Balance at 12/31/2000, €	300,000,000	44,460,000	40,716,000	40,485,533	40,689,870	249,600,000	715,951,403
Purpose	New Convertible Notes	Existing Convertible Notes	Existing Stock Options	Existing Convertible Notes	Existing Stock Options	New Stock Options	

The tranches II and III as well as the amount of € 40,551,381 of the tranche V of the conditional capital are no longer available.

Authorized Capital in €

Number	I	II	Total
Original	255,645,941	25,564,594	281,210,535
Used	-	-	-
Remaining	255,645,941	25,564,594	281,210,535
Time limit	04/30/2003	04/30/2003	
Purpose	Capital Increases	Employee Stock	

b) Additional paid-in capital

The amount of the additional paid-in capital is € 11.356 Mill. This position contains received premiums resulting from conversions of Option Bonds, Convertible Bonds and Stock Option Plans 1996. In 2000 € 44 Mill. have been transferred from additional paid-in capital to capital stock (increase of capital stock).

c) Retained earnings

	12/31/2000	12/31/1999
	Mill. €	Mill. €

Other retained earnings	3,329	4,948
Retained earnings	3,329	4,948

Before appropriation of the income the Retained Earnings amounts to 4.948. As of 12/31/2000 € 1,619 Mill. have been transferred from retained earnings to unappropriated profit.

9 Special account with an equity portion

	12/31/2000	12/31/1999
	Mill. €	Mill. €

	2	2
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The special account with an equity portion includes the revaluation of securities of € 2 Mill., that became necessary because of the requirement to reinstate original values pursuant to § 280 (1) HGB. Due to changes in the German tax legislation, the creation of this item is obligatory according to the provisions of § 52 (16) EStG. In 2000 this account has been reduced with € 0.6 Mill.

10 Accruals for pension liabilities and similar obligations

	12/31/2000	12/31/1999
	Mill.€	Mill.€

Pension liabilities	5,976	5,665
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The valuation of pension liabilities is based upon the projected unit credit method in accordance with US Generally Accepted Accounting Principles (SFAS 87).

The assumptions used in calculating the actuarial values for the pension liabilities were a long-term rate of increased remuneration of 3.0 %, an increase in living cost of 2.0%, a discount rate of 6.0% and an expected long-term rate of return on plan assets of 7.7%.

11 Other accruals

	12/31/2000	12/31/1999
	Mill.€	Mill.€

Income and other taxes	1,135	1,260
Other accrued liabilities	6,006	5,459
	7,141	6,719

The accruals set up for income and other taxes concern mainly income taxes for 1999 and previous years not finally assessed.

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

12 Liabilities

	12/31/2000		12/31/1999	
	Mill. €	Mill.€	Mill. €	Mill.€
Trade Liabilities		4,124		3,108
Of which due in less than 1 year	4,123		3,108	
Liabilities to affiliated companies		8,121		8,848
Of which due in less than 1 year	8,012		8,094	
Of which due in more than 5 years	-		-	
Bonds		2,918		545
Of which due in less than 1 year	-		-	
Of which due in more than 5 years	145		38	
Of which are convertible	508		545	
Commercial Papers		2,016		1,447
Of which due in less than 1 year	2,016		1,447	
Liabilities to financial institutions		65		93
Of which due in less than 1 year	44		86	
Of which due in more than 5 years	21		7	
Liabilities to related companies		73		60
Of which due in less than 1 year	73		60	
Other Liabilities		1,020		1,109
Of which due in less than 1 year	1,005		1,108	
Of which due in more than 5 years			-	
Of which are tax liabilities	116		97	
Of which are obligations concerning social security	269		240	
Total liabilities		18,337		15,210
Of which due in less than 1 year	15,273		13,903	
Of which due in more than 5 years	166		45	

The liabilities to affiliated companies include mainly intercompany (cash) accounts payable and accounts payable for goods and services.

The bonds concern convertible bonds according to the Stock Option Plans 1996 (€ 0.1 Mill.), 1997 (€ 17 Mill.) and 1998 (€ 20 Mill.) as well as subsidiary mandatory convertible bonds (€ 508 Mill.) and the Yen-bond issued in 2000 (€ 2,373 Mill.)

The other liabilities include predominantly obligations to employees, withholding taxes on wages and salaries, withholding taxes on dividends and option premiums as well as certain other liabilities to third parties.

Notes to the Income Statement of DaimlerChrysler AG

13 Revenues	2000	1999
	Mill.€	Mill.€
Revenues classified by type:		
Passenger cars	39,215	33,837
Commercial vehicles	12,118	11,163
	51,333	45,000
Revenues classified by region:		
Domestic	20,055	18,268
Foreign	31,278	26,732
	51,333	45,000
Allocation of foreign revenues:		
EU-Member countries	12,999	12,064
Rest of Europe	2,176	1,645
North America	10,403	8,395
Asia	4,110	3,239
Africa	644	599
Latin America	567	448
Australia	379	342

14 Functional Costs

In the income statement functional costs are shown classified as cost of sales and selling and general administration expenses.

Cost of sales is made up of the manufacturing costs of goods sold. These costs include mainly the costs of production materials, purchased services, and the personnel expenses of the production departments. Research and development aggregated € 2,767 Mill. Cost of sales also include the result of hedging activities.

Selling costs are comprised of the technical and personnel expenses of the selling and distribution organization and of advertising and marketing expenses.

15 Other operating income

Other operating income, which aggregated € 839 Mill., includes income from charged-out costs, other deliveries and services and income from the release of accruals.

Other operating income includes € 236 Mill. of income allocable to prior financial periods.

16 Other operating expenses

Other operating expenses, which aggregated € 423 Mill., are comprised primarily of the costs of accrual additions and asset disposals. Other operating expenses includes € 45 Mill. of income allocable to prior financial periods. Other taxes are included with € 57 Mill., herein € Mill.49 allocable to prior financial periods.

17 Result from investments in affiliated and related companies

	Mill.€	2000 Mill.€	1999 Mill.€
Income from profit and loss transfer agreements		1,158	2,472
Thereof: DaimlerChrysler Services AG	298		
DC-Grund DaimlerChrysler Verwaltungsgesellschaft für Grundbesitz mbH	289		
DaimlerChrysler Luft- und Raumfahrt Holding AG	273		
EHG Elektroholding GmbH	138		
Income from tax allocations		388	510
Income from affiliated companies		944	460
Income from related companies		13	9
Expenses related to loss assumption		(1,589)	(972)
Depreciation of investments in affiliated and related companies		(275)	(202)
Result from disposals of investments in affiliated and related companies		5	306
		644	2,583

The investment income is characterized by the income from the profit transfer of DaimlerChrysler Services AG, DC-Grund DaimlerChrysler Verwaltungsgesellschaft für Grundbesitz mbH and DaimlerChrysler Luft- und Raumfahrt Holding AG. Offsetting effects are loss transfers especially from Micro Compact Cars smart GmbH and depreciation of investments especially at DaimlerChrysler Rail Systems GmbH.

18 Result from Interest

		2000 Mill.€	1999 Mill.€
Income from securities and financial assets		196	18
Thereof from affiliated companies	20		15
Other interest and similar income		607	664
Thereof from affiliated companies	318		293
Interest and similar expenses		(609)	(570)
Thereof to affiliated companies	(433)		(420)
		194	112

The result from interest was mainly caused by distributions of special funds. It was negatively effected by increased interest expense relating to liabilities against affiliated companies.

19 Other financial result	2000	1999
	Mill. €	Mill. €
Gains from sales of securities	72	292
Write-downs of securities	(125)	(42)
Other income / expenses	113	(94)
	60	156

20 Income Taxes

DaimlerChrysler AG in its capacity of parent company is also a tax payor with respect to the management and profit sharing agreements concluded with its affiliated companies. The most important affiliated companies with existing aforementioned agreements are DaimlerChrysler Luft- und Raumfahrt Holding AG, DaimlerChrysler Services AG, DC-Grund DaimlerChrysler Verwaltungsgesellschaft für Grundbesitz mbH, Micro Compact Cars smart GmbH, DaimlerChrysler Mobilien GmbH and EHG Elektroholding GmbH.

Taxes on income and earnings, which aggregated € 25 Mill., included € 491 Mill. from the distribution credit on to the dividend of € 2.35 paid each share of common stock. Offsetting items were € 439 Mill. from additions to tax accruals for 2000 and previous years, and € 27 Mill. for foreign investment income withholding tax.

21 Net Income

The net income for the year aggregated € 739 Mill. After withdrawal from retained earnings totalling € 1,619 Mill. unappropriated profit amounts € 2,358 Mill. It has been recommended to the General Shareholders' Meeting to distribute the unappropriated profit in total.

Other Notes

Personnel expenses/ Employees	2000 Mill.€	1999 Mill.€
Wages and salaries	7,468	7,206
Social levies	1,284	1,256
Pension cost	525	826
	9,277	9,288
Personnel (annual average)		
Hourly employees	99,493	99,254
Salaried employees	49,707	47,642
Trainees/Apprentices	8,562	8,228
Annual average	157,762	155,124
Employees as of 31.12.	159,010	154,496

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

The pension cost includes the current pension payments and the current year's additions to pension accruals.

Cost of materials	2000 Mill.€	1999 Mill.€
Cost of raw materials, supplies, and purchased merchandise	31,820	26,694
Cost of purchased services	5,128	3,254
	36,948	29,948

Derivative Instruments

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

	Nominal value	
	2000 Mill.€	1999 Mill.€
Commodity futures contracts	73	-
Currency hedging contracts	26,079	36,270
Interest hedging contracts	1,172	2,481
	27,324	38,688

Currency hedging contracts are comprised mainly of currency futures contracts and currency options. They are used primarily for hedging of receivables and payables that are already recorded in the balance sheet and for hedging of foreseeable transactions in the currencies of large industrialized countries. Interest note hedging contracts relate mainly to interest swaps, forward rate agreements and futures, and to the related options. Options are utilized in order to minimize the interest fluctuation risk. The nominal values represent the gross (unnetted) total of all purchase and sales contracts of derivative financial transactions.

	2000		1999	
	Book Value Mill.€	Market Value Mill.€	book value Mill.€	market value Mill.€
Asset accounts				
Commodity futures contracts	-	5	-	-
Currency hedging contracts	21	511	45	614
Interest hedging contracts	3	23	1	10
	24	539	46	624
Liability accounts				
Commodity futures contracts	-	-	-	-
Currency hedging contracts	(364)	(1,308)	(518)	(2,077)
Interest hedging contracts	(3)	(16)	(40)	(13)
	(367)	(1,324)	(558)	(2,090)
Total	(343)	(785)	(512)	(1,466)

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

Contingent liabilities	2000 Mill.€	1999 Mill.€
Guarantees in favour of the holders of the issued Bonds and Euro-Medium-Term-Notes of the DaimlerChrysler North America Holding Corporation, Southfield, USA	32,004.0	8,889
Guarantees in favour of the holders of the issued Bonds of the Chrysler Financial Company L.L.C., Auburn Hills, USA	5,775.2	9,503.0
Guarantees in favour of the holders of the issued Bonds and Euro-Medium-Term-Notes of the DaimlerChrysler Canada Finance Inc., Montreal, Canada	2,000.0	143.0
Guarantees in favour of the holders of the issued Bonds and in favour of the European Investment Bank of the DaimlerChrysler Coordination Center SA, Brussels, Belgium	1,992.7	1,572.0
Guarantees in favour of the holders of the issued Bonds of the DaimlerChrysler Corporation, Auburn Hills, USA	1,961.3	1,818.0
Guarantees in favour of the holders of the issued Bonds and Euro-Medium-Term-Notes of the DaimlerChrysler UK Holding plc, London, England	1,016.7	1,286.0
Indemnities in favour of Chubb Insurance Company of Europe S.A. for the commitment of the DaimlerChrysler Rail System, Hennigsdorf	809.9	5.0
Guarantees in favour of the European Investment Bank of the issued Bonds of the Mercedes-Benz do Brasil SA, Sao Bernardo do Campo, Brazil	604.8	253.0
Guarantees in favour of the holders of the issued Bonds, Promissory Notes and Euro-Medium-Term-Notes of the DaimlerChrysler International Finance B.V., Utrecht, Netherlands	564.9	786.0
Guarantees in favour of the European Investment Bank of the issued Bonds of the Daimler-Benz AG & Co. „Optima“ Grundstücksvermietung Potsdamer Platz OHG, Stuttgart, Germany	511.3	511.0
Guarantee in favour of the holders of the issued Bonds of the DaimlerChrysler Holding Ltd., Tokio, Japan	477.0	243.0
Guarantees in favour of the holders of the issued Bonds of the DaimlerChrysler Australia/Pacific Pty. Ltd., Mulgrave, Australia	475.7	299.0
Guarantee in favour of the holders for the commitment of the Micro Compact Car smart GmbH, Renningen, Germany	328.3	312.0
Guarantee in favour of the holders of the issued Bonds of the DaimlerChrysler Luxembourg Capital S.A., Luxembourg	178.3	178.0
Guarantees in favour of the holders of the issued Bonds and Euro-Medium-Term-Notes of the DaimlerChrysler Luxembourg Finanz S.A., Luxembourg	170.8	205.0
Guarantees in favour of the holders for the commitment of the DaimlerChrysler Leasing Arrendamento Mercantil S.A., Sao Paulo/Brasilien	107.5	99.5
Guarantee in favour of the holders for the commitment of the DaimlerChrysler Rail Systems (North America) Inc., Pittsburgh, USA	105.4	98.0
Guarantees in favour of the holders for the commitment of the Airbus Finance Company Ltd., Dublin, Ireland	81.5	207.0
Other Guarantees	319.7	291.5
Contingent liabilities from other warranty agreements	56.1	51.0
Guarantees against domestic and foreign subsidiaries	1,513.5	1,168
As well as to third parties thereof to affiliated companies	-	-
Notes payable	-	-

Due to the significant growth in the financial services sector, the medium- and long-term money market transactions of DaimlerChrysler North America Holding Corporation, DaimlerChrysler UK Holding plc, DaimlerChrysler Japan Holding Ltd., DaimlerChrysler Australia / Pacific Pty. Ltd., DaimlerChrysler Coordination Center SA and DaimlerChrysler Canada Finance Inc. have been expanded. DaimlerChrysler is liable on behalf of the co-shareholders of Dornier GmbH for all future non-estimable equalization payments guaranteed by DADC Luft- und Raumfahrt Beteiligungs AG for 2001 and subsequent years. Claims on future non-estimable equalization payments for 2001 and subsequent years are in existence for the minority shareholders of DaimlerChrysler Luft- und Raumfahrt Holding AG and for the shareholders of MTU Motoren- und Turbinen-Union Friedrichshafen GmbH.

Other financial Commitments

Other financial commitments aggregated € 21,181 Mill. and include € 17,561 Mill. of other financial commitments to affiliated companies.

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

On average, other financial commitments relating to rental and lease agreements aggregate € 2,032 Mill. per year; the average contractual terms are 8 years. A large share of the intangible assets and equipment of the former Daimler-Benz AG was transferred to DaimlerChrysler Mobilien GmbH, Stuttgart, as of June 30, 1998, followed by a subsequent lease-back of the equipment totalling € 7,534 Mill. by the latter to DaimlerChrysler AG. More over, leasing agreements are in existence with 19 property companies at Potsdamer Platz, on which DaimlerChrysler AG can expect costs of € 2,840 Mill. in the future. Rental expense totalling € 5,615 Mill. must be paid to the real estate management firms of Mercedes-Benz AG & Co. OHG, Ludwigsfelde, and Daimler-Benz AG & Co. OHG, Ludwigsfelde.

Other financial commitments, particularly order commitments for capital expenditures, are within the usual range.

DaimlerChrysler AG is liable as joint and several debtor on investments in 36 general partnerships and one partnership under the Civil Code.

Some co-shareholders of joint ventures are provided with tender rights for their shares. Since the value of these rights is contingent on future profits, no valuation is possible.

Organs/Executive body

The remuneration to the Board of Management of DaimlerChrysler AG amounts to 37.294.321 € those to the Supervisory Board 1.174.703 € in 2000. The remuneration to retired Board members and to their bereaved family aggregated 13.331.078 €. In the Annual Report DaimlerChrysler accrued 91.884.127 € for Pension liabilities to retired Board members and their bereaved family.

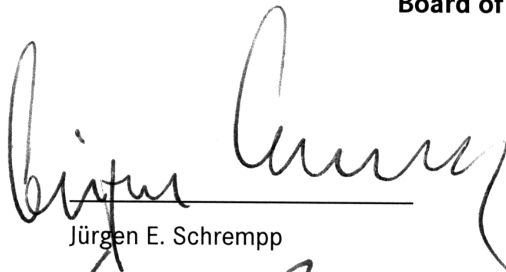
The Management Board Membership and Supervisory Board Membership are listed on pages 25 to 32.

Proposal on appropriation of retained earnings

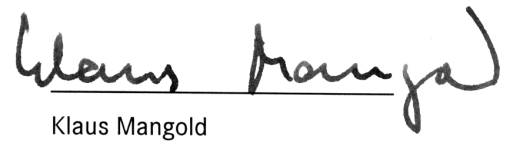
The unappropriated profit of DaimlerChrysler AG at 12/31/2000 is 2,357,688,990,85 €. The proposal on appropriation of this amount to the Annual General Meeting is:

	€
Distribution of € 2.35 Dividend each share	2,357,688,990,85
Addition to retained earnings	-
Profit carry forward	-
Unappropriated profit	2,357,688,990,85

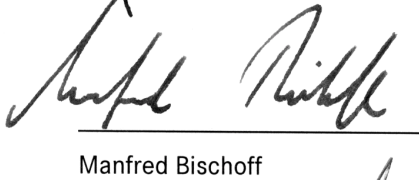
Board of Management



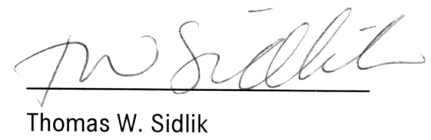
Jürgen E. Schrempp



Klaus Mangold



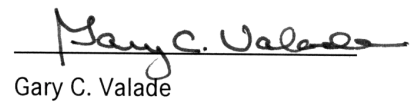
Manfred Bischoff



Thomas W. Sidlik



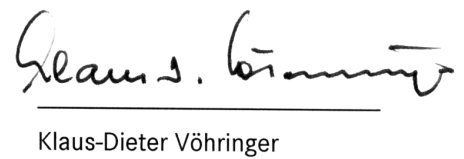
Eckhard Cordes



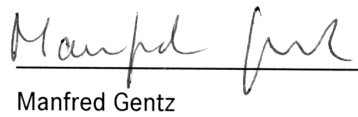
Gary C. Valade



Günther Fleig



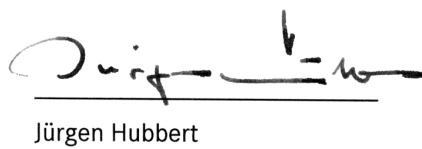
Klaus-Dieter Vöhringer



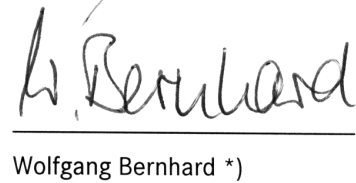
Manfred Gentz



Dieter Zetsche



Jürgen Hubbert



Wolfgang Bernhard *)

*) Deputy member of the Board of Management

Auditor's report to the annual financial statements

We have audited the annual financial statements, together with the bookkeeping system, and the management report of DaimlerChrysler AG, Stuttgart, for the business year from January 1 to December 31, 2000. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the management report based on our audit.

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

Our audit has not led to any reservations.

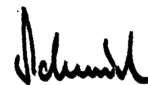
In our opinion, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of DaimlerChrysler AG in accordance with accounting principles generally accepted in Germany. Taken as a whole, the management report provides a suitable understanding of the Company's position and suitably presents the risks of future development.

Stuttgart, February 09, 2001

KPMG
Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft



(Prof. Dr. Wiedmann)
Wirtschaftsprüfer



(Schmid)
Wirtschaftsprüfer

Board of Management

Members of the Board of Management

Supervisory Board Memberships/ Directorships

Jürgen E. Schrempp
Stuttgart
Chairman of the Board
of Management
Appointed until 2003

Allianz AG
Bayerische Hypo- und Vereinsbank AG
DaimlerChrysler Corporation (Chairman)
DaimlerChrysler Services (debis) AG (Chairman)
DaimlerChrysler South Africa (Pty) Ltd. (Chairman)
Freightliner Corporation (Chairman)
New York Stock Exchange (NYSE)
South African Coal, Oil and Gas Corporation Ltd.
(Sasol)
Vodafone Airtouch plc.

Dr. rer. pol. Manfred Bischoff
Stuttgart
Aerospace & Industrial Businesses,
Board Member Mitsubishi
Motors Corporation
Appointed until 2003

DaimlerChrysler Aerospace AG (Chairman)
DaimlerChrysler Luft- und Raumfahrt Holding AG
(Chairman)
DaimlerChrysler Rail Systems GmbH (Chairman)
Deutsche Bank AG
DFS Deutsche Flugsicherung GmbH
European Aeronautic Defence and Space Company –
EADS (Chairman)
G.I.E. Airbus Industrie (Chairman)
Gerling Konzern, Versicherungs-Beteiligungs-AG,
Globale Rückversicherungs-AG
J.M. Voith AG
Lagardère-Sociétés S.A.
LBI-Landesverband der Bayerischen Industrie e.V.
MTU Aero Engines GmbH (Chairman)
TEMIC TELEFUNKEN microelektronik GmbH
(Chairman)

Dr. rer. pol. Eckhard Cordes
Stuttgart
Commercial Vehicles
Appointed until 2003

DaimlerChrysler Aerospace AG
DaimlerChrysler Corporation
DaimlerChrysler Luft- und Raumfahrt Holding AG
DaimlerChrysler Rail Systems GmbH
Detroit Diesel Corporation
EHG Elektroholding GmbH (Chairman)
MTU Motoren- und Turbinen-Union Friedrichshafen
GmbH
Rheinmetall AG
TAG McLaren Holdings Ltd.

Günther Fleig
Stuttgart
Human Resources & Labor
Relations Director
Appointed until 2004

DaimlerChrysler Unterstützungskasse GmbH
Wohnstätten Sindelfingen GmbH (Chairman)

Board of Management

Members of the Board of Management

Dr. iur. Manfred Gentz
Stuttgart
Finance & Controlling
Appointed until 2003

Supervisory Board Memberships/ Directorships

BEWAG
DaimlerChrysler Aerospace AG
DaimlerChrysler Corporation
DaimlerChrysler Espana Holding S.A.
DaimlerChrysler France Holding S.A.
DaimlerChrysler Luft- und Raumfahrt Holding AG
DaimlerChrysler Mexico Holding, S.A. de C.V.
DaimlerChrysler North America Holding Corporation (Chairman)
DaimlerChrysler Rail Systems GmbH
DaimlerChrysler Schweiz Holding AG
DaimlerChrysler Services (debis) AG
DaimlerChrysler Venture GmbH
Deutsche Hypothekenbank AG
Deutsche Investment GmbH
EHG Elektroholding GmbH
Frankfurt-Hamburg AG
Hannoversche Lebensversicherungs-AG (Deputy Chairman)
Zürich Agrippina Versicherung AG

Prof. Jürgen Hubbert
Stuttgart
Mercedes-Benz Passenger Cars & smart
Appointed until 2003

Augsburg AG
Chrysler Jeep Automotive S.A.
DaimlerChrysler Corporation
DaimlerChrysler France S.A.S. (Chairman)
DaimlerChrysler Japan Co., Ltd.
DaimlerChrysler South Africa (Pty) Ltd.
DaimlerChrysler UK Ltd. (Chairman)
Industriewerke Karlsruhe AG
McLaren International Ltd.
Mercedes-AMG GmbH
Mercedes-Benz Espana, S.A.
Mercedes-Benz Italia S.p.A. (Deputy Chairman)
Mercedes-Benz USA Inc. (Deputy Chairman)
Philipp Holzmann AG
TAG McLaren Holdings Ltd.
TÜV Süddeutschland Holding AG

Board of Management

Members of the Board of Management

Supervisory Board Members/ Directorships

Dr. iur. Klaus Mangold
Stuttgart
Services
Appointed until 2003

Brauerei Beck & Co.
Chrysler Financial Company LLC
Chubb Corporation (International Advisory Board)
debis Systemhaus GmbH (Chairman)
Jenoptik AG
Mercedes-Benz Credit Corporation (Chairman)
Mercedes-Benz Finanz GmbH (Chairman)
Süddeutsche Bodencreditbank AG
TESSAG (Technische Systeme und Services AG)

Thomas W. Sidlik
Auburn Hills
Procurement & Supply Chrysler Group & Jeep Operations,
Board Member Hyundai Motor Company
Appointed until 2003

Gary C. Valade
Auburn Hills
Global Procurement & Supply
Appointed until 2003

Chrysler Institute of Engineering
Chrysler International Corporation
DaimlerChrysler Aviation Services, Inc. (Chairman)
DaimlerChrysler Corporation
DaimlerChrysler Corporation Fund
DaimlerChrysler Motors Corporation
DaimlerChrysler de Mexico, S.A. de C.V.

Prof. Klaus-Dieter Vöhringer
Stuttgart
Research & Technology
Appointed until 2003

DaimlerChrysler Rail Systems GmbH
British Petroleum Amoco Technology Advisory Council
DaimlerChrysler Aerospace AG
DaimlerChrysler Luft- und Raumfahrt Holding AG
DaimlerChrysler South Africa (Pty.) Ltd.
DaimlerChrysler Venture GmbH
EADS Deutschland GmbH
MTU Motoren- und Turbinen-Union Friedrichshafen GmbH
XCELLSiS GmbH (Chairman)
Carl Zeiss Stiftung Oberkochen
Gottlieb Daimler und Karl Benz Stiftung

Board of Management

Members of the Board of Management

Dr. Ing. Dieter Zetsche

Auburn Hills
Chrysler Group
Appointed until 2003

Supervisory Board Memberships/ Directorships

Beijing Jeep Corporation, Ltd.
DaimlerChrysler Corporation
DaimlerChrysler Japan Co., Ltd. (Chairman)
DaimlerChrysler Japan Holding, Ltd.
(Chairman)
DaimlerChrysler Services (debis) AG
DaimlerChrysler South Africa (Pty.) Ltd.
DaimlerChrysler South East Asia Pte. Ltd. (Chairman)
EvoBus GmbH
Deutsche BP AG
EvoBus GmbH
Mercedes-AMG GmbH
Mercedes-Benz Mexico, S.A. de C.V.
Mercedes-Benz Türk A.S.
MTU Motoren- und Turbinen-Union
Friedrichshafen GmbH (Chairman)

Dr. rer. pol. Wolfgang Bernhard *)

Auburn Hills
Chief Operating Officer Chrysler
Group
Appointed until 2003

*) Deputy Member of the Board of Management

Retired from the Board of Management:

Robert J. Eaton

Former Chairman
Auburn Hills
Retired at 03/31/2000

Thomas C. Gale

Former Head of Product Development,
Design Chrysler Group &
Passenger Car Operations
Auburn Hills
Retired at 12/31/2000

James P. Holden

Former Head of Chrysler Group
Auburn Hills
Retired at 11/17/2000

Supervisory Board

Members of the of the Supervisory Board

Supervisory Board Memberships/ Directorships

Hilmar Kopper
Frankfurt am Main
Chairman of the Supervisory Board
of Deutsche Bank AG

Chairman

Akzo-Nobel N.V.
Bayer AG
Solvay S.A.
Xerox Corp.
Unilever N.V.

Erich Klemm *)
Sindelfingen
Chairman of the Corporate Works
Council, DaimlerChrysler AG and
DaimlerChrysler Group

Deputy Chairman

Robert E. Allen
Short Hills, N.J.
Retired Chairman of the Board and
Chief Executive Officer of AT & T Corp.

Bristol-Myers Squibb Co.,
PepsiCo

Willi Böhm *)
Wörth
Senior Manager Wage Accounting,
Member of the Works Council,
Wörth Plant, DaimlerChrysler AG

Sir John Browne
London
Group Chief Executive
of BP Amoco p.l.c.

Intel Corporation
Goldman Sachs Inc.

Manfred Göbels *)
Stuttgart
Director, Services and Mobility Concept,
Chairman of the Management Representative
Committee, DaimlerChrysler Group

Robert J. Lanigan
Toledo
Chairman Emeritus of Owens-Illinois, Inc.
Founder Partner, Palladium Equity Partners

IMS Health
Owens-Illinois Inc.

Supervisory Board

Members of the of the Supervisory Board

Supervisory Board Memberships/ Directorships

Helmut Lense *)

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

Peter A. Magowan

San Francisco
President of San Francisco Giants

Safeway Inc.
Caterpillar Inc.

Gerd Rheude *)

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

Wolf Jürgen Röder *)

Frankfurt am Main
Member of the Executive Council
of German Metallworkers Union

Robert Bosch GmbH
AOK Baden-Württemberg

Dr. rer. pol. Manfred Schneider

Leverkusen
Chairman of the Board of
Management of Bayer AG

Allianz AG
Metro AG
RWE AG

Peter Schönfelder *)

Augsburg
Chairman of the Works Council,
Augsburg Plant, EADS Deutschland GmbH

Stefan Schwaab *)

Gaggenau
Vice Chairman of the Works Council,
Gaggenau Plant, DaimlerChrysler AG

G. Richard Thoman

Stamford
Former President and Chief Executive
Officer of Xerox Corporation.
Senior Advisor to Evercore
Partners.

Union Bancaire Privée

Supervisory Board

Members of the of the Supervisory Board

Supervisory Board Memberships/ Directorships

Bernhard Walter
Frankfurt am Main
Former Chairman of the
Board of Managing Directors
of Dresdner Bank AG

Bilfinger + Berger Bauaktiengesellschaft,
Degussa-Hüls AG
Deutsche Hypothekenbank Frankfurt-
Hamburg AG
Deutsche Telekom AG
Heidelberger Zement AG
Henkel KGaA
mg technologies ag
Staatliche Porzellan-Manufaktur Meissen GmbH
Thyssen Krupp AG
KG Allgemeine Leasing GmbH & Co.

Lynton R. Wilson
Toronto
Chairmann of the Board
of CAE Inc.

Imperial Oil Limited
Ontario Power Generation Inc.

Nortel Networks Corp.
DaimlerChrysler Canada Inc.
J.P. Morgan & Co. (International
Council)

Dr.-Ing. Mark Wössner
Gütersloh
Former CEO and Chairman of the
Supervisory Board of Bertelsmann AG

eCircle GmbH,
thorborgnet GmbH & Co. KGaA i.G

Bernhard Wurl *)
Frankfurt am Main
Head of Department reporting to
the Executive Council,
German Metallworkers' Union

Deutsche Babcock AG

Stephan P. Yokich *)
Detroit
President of International
Union United Automobile,
Aerospace and Agricultural
Implement Workers of America (UAW)

Blue Cross Blue Shield of Michigan (BCBSM)

Committees of the Supervisory Board:

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

Hilmar Kopper (Chairman)
Erich Klemm
Dr. rer. pol. Manfred Schneider
Bernhard Wurl

Presidential Committee

Hilmar Kopper (Chairman)
Erich Klemm
Dr. rer. pol. Manfred Schneider
Bernhard Wurl

Financial Audit Committee

Hilmar Kopper (Chairman)
Erich Klemm
Willi Böhm
Bernhard Walter

Retired from the Supervisory Board:

Rudolf Kuda *)

Frankfurt am Main
Retired Head of Department reporting
to the Executive Council,
German Metallworkers' Union

Retired October 5, 2000

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Retired October 11, 2000

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MANAGEMENT REPORT

Favourable trend in the world economy

On the whole, the world economy developed favourably in the year 2000, growing at around 4% or 1% above the growth in the previous year. This was driven mainly by the continuing strong growth in North America, improved economic activity in Western Europe and a return to stability in many of the newly industrializing countries. The Japanese economy also overcame the stagnation experienced in the previous year and began to grow slightly once again.

In terms of the exchange rate situation, the weakness of the Euro continued in the year 2000. In the course of the year, the European currency fell by an average of 13.3% against the US dollar, 7.5% against the British pound and 18.0% against the Japanese yen.

Increased world-wide competition in the automobile industry

Despite the generally favourable economic situation, the competition in the international automobile industry has become much tougher. The causes are to be found in increasing global over-capacity, the extensive vehicle fleet replacement programs in many markets with associated drops in demand for new vehicles, and an increase in interest rates and fuel price. In the Federal Republic of Germany only about 3.4 million new passenger car registrations were issued (Previous Year: 3.8 million). In the US, total new passenger car and commercial vehicle sales were again slightly above the previous year's levels.

DaimlerChrysler AG sales and production volumes up again

DaimlerChrysler AG's state-of-the-art product range enabled the company to repeat the successes of previous years. At about 1,047,500, total sales of new passenger cars were up another 4.4% from the previous year's figure of about 1,003,100. Some 81,500 of these vehicles (Previous Year: 67,700) were leased directly to our customers. The market launch of the new C-Class in May 2000 was particularly successful with sales of 212,500 units (Previous Year: 167,800 units). We continued to set the standard in the "upper class" segment of the automobile market with yet another record high for the sales of our S-Class. However, the highly successful M-Class and the E-Class also contributed significantly to the

renewed growth in sales. Our most important markets this year again were in the Federal Republic of Germany (approx. 392,500 vehicles, + 4.1%), European Union partner countries (approximately 270,000 vehicles, - 0.6%) and the USA (approximately 202,900 vehicles, + 0.1%).

With respect to our commercial vehicle sales, the total of around 304,100 units sold for vans, trucks and Unimog vehicles was 4.8% up on the previous year's figure of approximately 290,000 units. Around 23,500 of this total (Previous Year: 20,200) were leased directly to our customers. Sales on the domestic market were down slightly (by 1.2%) to 109,900 commercial vehicles. This contrasted with growth of 8.6% in foreign markets, with almost all regions recording significant growth.

New highs were also achieved in production. This year a total of around 1,060,500 passenger cars (+ 5,8%) and approximately 303,700 commercial vehicles (+ 4,5%) rolled off the assembly lines. As well as producing our own vehicles at our plants in Germany, we also have contract manufacturing agreements with several subsidiaries and special vehicle manufacturers.

Key performance figures

In million €	<u>2000</u>	<u>1999</u>	Change
Revenues	51,333	45,000	+ 6,333
Operating result	(184)	(595)	+ 411
Financial result	898	2,851	(1,953)
Result from ordinary business activities	714	2,256	(1,542)
Net Income for the year	739	1,389	- 650

Significant growth in revenues

DaimlerChrysler AG increased its revenues to € 51.3 billion in the current reporting year. This represents a rise of 14.1% over the previous year's total of € 45.0 billion. A particularly striking aspect was the revenue growth of 24.7% (to € 9.9 billion) achieved in the USA as a result of high unit sales and the strong US dollar. However, significant growth in revenues was also achieved in Germany and in our European Union partner countries. Revenues in Germany, at € 20.0 billion (Previous Year: € 18.3 billion), were markedly up on the previous year. In the other member states of the European Union our business grew by 7.8% to a total

of € 13.0 billion. The successful negotiation of the economic crisis in most Asian countries and the continuing excellent performance of our passenger cars in the Japanese market enabled us to increase revenues in Asia by 26.6% to € 4.1 billion. The Passenger Cars Division accounted for € 39.2 billion (+ 16.4%) of total revenue, while Commercial Vehicles reached a total of € 12.1 billion, 8.8% up on the previous year.

Improved operating result

The operating result – defined as the result from ordinary business activities less the financial result – increased by € 0.4 billion in the reporting year, with both divisions, Passenger Cars and Commercial Vehicles, contributing to the improvement. The higher sales volumes of Mercedes-Benz passenger cars were accompanied by a structural shift in the model series mix toward higher-value models with better-quality fittings. In the Commercial Vehicles segment, our highly successful van model, the Sprinter, again recorded a significant increase. Negative impacts on results came mainly from our production under contract manufacturing agreements, e.g. caused by the increase in production at the A-Class in Brazil at the Juiz de Fora manufacturing plant, or the start-up of right-hand drive vehicle production in South Africa during 2000. The risks arising from the obligation of free acceptance and disposal of old vehicles have been covered in the form of a provision. Without these impacts, the operating result would have been approx. € 0.7 billion higher.

Exchange rates this year had a generally positive impact on our earnings in comparison with the previous year. However, because of currency hedging arrangements on our exports, we did not get the full benefit of favourable exchange rate trends, such as those of the US dollar for example.

Lower financial result leads to decrease in net income for the year

The financial result decreased sharply by € 2.0 billion, falling from € 2.9 billion to € 0.9 billion. This was due principally to lower profit transfers from DaimlerChrysler Luft- und Raumfahrt Holding (DCLRH) and debis AG; high one-off contributions had come from both these group companies in the previous year, based on dividend payments and sell-offs. Loss transfers from tax subsidiaries likewise increased in 2000.

In contrast with the 1999 statements, showing tax expense of € 0.9 billion, the reporting year closed with a tax benefit of € 25 million. The tax expense in the previous year was based mainly on the one-off effects from tax subsidiaries referred to above. The tax benefit for the reporting year is calculated as the balance of the tax refund for corporation tax resulting from

the dividend payout to our shareholders and the tax expense based on taxable income in the reporting year. A loss for trade tax was carried over once again.

This meant that the net income for the year is down by € 0.7 billion to € 0.7 billion.

Dividend of € 2.35 per share

We recommend that the Annual Meeting on April 11, 2001 approve payment of a dividend of € 2.35 per share. Given total dividend-eligible capital of € 2,609 billion, this means a total payout of € 2,358 million.

Further increase in the workforce

On the basis of the positive performance and the increased volumes, we were able to create approx. 4,500 new jobs during the current reporting year, significantly more than in the previous year. At the year-end, the total workforce had increased to 159,010 (Previous Year: 154,496). The increased employment was in the Passenger Cars Division and the Commercial Vehicles Division.

Capital expenditures of € 1.7 billion for property, plant and equipment

The high levels of capital investment seen in the previous year continued in the current reporting year with expenditures of € 1.7 billion (Previous Year: € 1.7 billion). Much of this investment was in new plants in the Passenger Cars Division (€ 1.4 billion), particularly in connection with the preparations for production of our new Roadster SL, which is to be launched in autumn 2001, and for the E-Class and the new C-Class variants, the T-Model and the Sportcoupé. The capital expenditures in the Commercial Vehicles Division, totalling € 0.3 billion, relate mainly to the facelift for the Sprinter van model, new truck engines and axle and transmission manufacture.

Technology leadership now well-established

Expenditures on research and development, and hence our efforts to secure our position as technology leaders, increased even further over the high levels seen in the previous year. The total of € 2.8 billion (Previous Year: € 2.6 billion) represented over 5% of total revenues, as an investment to secure our future. By far the largest proportion of this figure, at € 2.1 billion, went into the Passenger Cars Division, with a further € 0.4 billion being spent on

development in the Commercial Vehicles Division. Major focuses of research and development activity were the new C-Class and the successor models for the current passenger car and commercial vehicle series models, and new engines and components in the Commercial Vehicles Division. A further € 0.3 billion was used for group research projects.

Further progress on the concentration of our activities on our vehicle business

In August 2000 we sold DaimlerChrysler Rail Systems GmbH (Adtranz) to the Bombardier Group in Canada. The sale contract is being reviewed by the European antitrust authorities. We expect that the transaction will go ahead in the first half of 2001.

In the context of the reorganization of the European aerospace industry through the establishment of the European Aeronautic Defence and Space Company (EADS), our subsidiary DaimlerChrysler Luft- und Raumfahrt Holding has exchanged its 100% stake in DaimlerChrysler Aerospace (DASA) for a 33% interest in the newly-created EADS.

The activities of our subsidiary debis AG in the IT sector have been merged in a joint venture with Deutsche Telekom. For that purpose, Deutsche Telekom acquired a 50.1% stake in debis Systemhaus through a capital increase.

Strategic alliances in Asia and the USA

Our acquisition of a 34.1% shareholding in Mitsubishi Motors Corporation (MMC) in Japan (€ 2.2 billion) and a 9% shareholding in Hyundai Motor Company (HMC) in Korea (€ 0.4 billion) means that we are now in a position to further expand our global market position and harness new potential for innovation and synergies in the Asian region. Our shareholdings in these companies represent a new milestone in our Asian strategy. The alliance with MMC extends to the areas of design, development, production and marketing and sales for passenger cars and light commercial vehicles. In addition to these initiatives to strengthen our market position in Asia, the major contents of the cooperation in Europe will be the Netherlands Car B.V. Nedcar, a 50:50 joint venture designed to advance the project for the development and production of a small car for the European market. Our cooperation with HMC also includes a joint venture for the development, manufacture and marketing of commercial vehicles and the development of a hi-tech small car together with MMC.

In October 2000, we bought the truck and bus manufacturer Western Star, USA, and also acquired the full 100% stake in Detroit Diesel Corporation (DDC), USA, via our subsidiary DaimlerChrysler North America Holding Corporation. In addition to the acquisition of DDC, making us the world's leading manufacturer of Diesel engines for trucks and off-highway applications (back-up power generators, small power stations), we also plan to work in a joint venture with Caterpillar Inc., USA, to develop, manufacture and market medium-weight Diesel engines and fuel systems for use in our own products and also for external customers.

Further development of other activities in motor sport and high-performance technology

In January we acquired a 40% stake in the TAG McLaren Group. This commitment is a logical consequence of our increasingly close and highly successful involvement in Formula 1 and other areas, providing a lasting foundation for our technology skills and the brand image of Mercedes-Benz. We are working with McLaren Cars Ltd on the development of the SLR super sportscar, scheduled to be launched in the market in 2003.

Bundling of e-Business activities

To maintain the momentum behind the process of our transformation into a networked business throughout our entire operation and make our results transparent, in October we established DCX.net Holding as a focal point for the bundling of all the Group's present and future e-Business investments and shareholdings. The new company will be at the center of the Group-wide "DCX.NET Initiative", which is designed to make business faster, more efficient and hence more competitive across all departments, from purchasing through to sales. The following features merit attention:

- Customer service via Internet – joint venture

As part of our Customer Connect Strategy, we plan to work in a joint venture with T-Online. Through the bundling of our know-how in customer management and the experience of T-Online as a service provider we will be able to use the Internet as a precisely targeted tool for securing and servicing our customers.

- Covisint – Intensive cooperation with the component supplier industry

The new Internet business platform Covisint, with investments from not only DaimlerChrysler but also General Motors, Ford and Renault/Nissan, will create a virtual market place,

ensuring a significantly faster, more efficient and above all more cost-effective working relationship between all member manufacturers, component suppliers and dealers.

Increased capacity for early identification and effective management of future development risks

By the very nature of its operational focus on passenger cars and commercial vehicles and its position as the parent company of the DaimlerChrysler Group, DaimlerChrysler AG is exposed to a large number of risks inherent to entrepreneurial activity in today's market environment.

Competition in the automobile industry will continue to intensify – we merely have to think of the importance of the Internet as a marketing and distribution medium, and the planned abolition of the European Block Exemption in 2002.

Changing consumer behaviour patterns and possible shorter product life cycles may also impact on the profitability of DaimlerChrysler AG.

Additional uncertainties arise from future economic and political developments in our major markets – uncertainties which may be further reinforced by the strongly cyclical nature of demand in some of the economies which are of significant importance to us. Sharply rising energy prices, as seen for example with oil prices during the reporting year, together with the increasingly rigorous legal restrictions regarding all kinds of emissions, fuel consumption, safety standards, and recycling quotas in our production locations and markets present some major challenges for DaimlerChrysler AG.

The increasingly close cooperation with system suppliers resulting from the general cost pressure will involve new dependency risks, with a potential negative impact on production and sales, and even the quality of our products.

Only with further efficiency gains from cost savings along the automobile value chain we will be able to ensure our continued competitiveness and profitability.

The global presence of our brands creates world-wide supply and procurement connections, which in turn generate payment flows in many different currencies. This exposes DaimlerChrysler AG to currency risks, particularly in view of the high export rate in the passenger car segment. These risks are regularly assessed by Group Treasury, and hedged with appropriate financial instruments on the basis of constant monitoring of exchange rate expectations. Dividend payments of foreign subsidiaries to DaimlerChrysler AG are also included in this risk assessment process.

Via our subsidiary companies we are also indirectly exposed to the particular risk environment of each company. Our relationships with our subsidiaries can involve us in risks

arising from legal and contractual liability obligations. This includes the future business development of DaimlerChrysler Corporation, Detroit, which may be influenced by the tight economic and sales situation in the USA.

Changes to our rating also impact on our refinancing costs on the capital market. There are also lawsuits pending against the company, brought by customers and shareholders, and a proceedings pending before the European Commission.

To ensure the early detection of all such risks and address them effectively, and also to comply with the requirements of the German Corporate Control and Transparency Law (*KonTraG*), in 1998 the existing early detection systems were integrated into a Group-wide standard risk management system. Risk management is now an integral part of the overall planning, control and reporting process, ensuring the systematic identification, assessment, monitoring and communication of risk factors.

The essential features of the DaimlerChrysler AG risk management system are:

- retention of existing accountabilities– no central “risk manager”
- risk identification and assessment in risk matrices
- risks management and reporting on the basis of pre-defined threshold values for relevant risks
- conceptualisation and implementation of measures for risk prevention or minimization

In addition, as part of the work of our internal auditors, the satisfactory implementation of the risk management process is continually checked and supported in accordance with the specifications laid down in the risk management manual.

Future outlook

For the 2001 – 2003 planning period, we expect economic conditions to be generally satisfactory in our most important markets. Economic growth will weaken in North America and also in Western Europe, in 2001 in particular. While the Japanese economy is again expanding, it is not likely to return to its former dynamism in the next few years. In the newly industrialising Asian countries the very high growth rates of earlier years will not be fully achieved, but growth will nonetheless remain high in these economies. We also expect future improvements in economic activity in South America and Eastern Europe.

On the basis of these stable economic conditions, automobile markets should continue to record high levels of unit sales in the next few years. In the North American market the

decline first seen in the second half of 2000 will continue. We expect Western European market to hold steady at high levels. In Germany we look forward to an increase in vehicle unit sales again in 2001.

In the 2001 year, we expect that DaimlerChrysler AG will again reach high revenues, on the basis of incoming orders, our attractive product range, etc. A large number of new products, such as the T-Model and the Sportcoupé in the C-Class, or the Top Model SL-Roadster will enable us to further strengthen our position in all the market segments we supply. We also expect growth momentum from the introduction of the Sprinter in North America under the Freightliner brand and in 2002 the market launch of our new small van, the Vaneo. Further cost reductions in the divisions and at headquarters will create the conditions required for continuing profitable growth and a sustained increase in the profitability of the business. In 2001 we again expect to report very positive results.

Events after the 2000 financial year-end

In January 2001, DaimlerChrysler decided to restructure the operations of the Chrysler group. During January discussions were held with Chrysler's unions and suppliers. The results were announced on January 29, 2001. No further events occurred since December 31, 2000, impacting on the assessment of the situation of DaimlerChrysler AG.