

DAIMLERCHRYSLER



Annual Financial Statements 2003
DaimlerChrysler AG

Balance Sheet of DaimlerChrysler AG

	Notes	12/31/2003	12/31/2002
		€ in millions	€ in millions
ASSETS			
Fixed Assets			
Intangible assets	(1)	61	90
Property, plant and equipment incl. equipment on operating leases, net	(2)	7,981	7,031
Investments and long-term financial assets	(3)	29,918	28,937
		37,960	36,058
Non-fixed Assets			
Inventories	(4)	5,488	4,957
Trade receivables	(5)	1,840	1,739
Receivables from affiliated companies	(5)	5,833	8,848
Other assets	(5)	1,274	1,711
Securities	(6)	216	386
Cash and cash equivalents	(7)	2,932	3,092
		17,583	20,733
Prepaid Expenses			
		23	25
		55,566	56,816
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity			
Capital stock (authorized unissued capital € 631 million)	(8a)	2,633	2,633
Additional paid-in capital	(8b)	11,842	11,841
Retained earnings	(8c)	6,286	6,297
Unappropriated profit		1,519	3,147
		22,280	23,918
Special account with an equity portion			
	(9)	0	1
Accruals			
Accrued pension and similar liabilities	(10)	7,679	7,210
Other accrued liabilities	(11)	9,253	9,088
		16,932	16,298
Liabilities			
Trade liabilities	(12)	3,794	3,215
Liabilities to affiliated companies	(12)	8,315	7,815
Other liabilities	(12)	4,219	5,554
		16,328	16,584
Deferred Income			
		26	15
		55,566	56,816

Income Statement of DaimlerChrysler AG

	Notes	2003 € in millions	2002 € in millions
Revenues	(13)	55,439	55,573
Cost of goods sold	(14)	(48,271)	(49,570)
Gross profit		7,168	6,003
Selling expenses	(14)	(5,407)	(5,285)
General administrative expenses	(14)	(2,010)	(1,928)
Other operating income	(15)	780	852
Other operating expenses	(16)	(583)	(278)
Income from investments in affiliated and related companies	(17)	826	8,438
Interest income	(18)	(13)	118
Other financial income	(19)	(117)	(426)
Income from ordinary activities		644	7,494
Income taxes	(20)	(764)	(1,200)
Net loss (p. y. Net income)	(21)	(120)	6,294
Withdrawal from (p.y. addition to) retained earnings		1.639	(3,147)
Unappropriated profit		1,519	3,147

Notes to the Financial of DaimlerChrysler AG Statements

Accounting Principles and methods

The financial statements of DaimlerChrysler AG are prepared according to the accounting requirements of the German Commercial Code (HGB) and the Corporation Law (AktG). The statements are shown in millions of EURO (€) compared with the figures as of December 31, 2002. The condensed items of the balance sheet and the income statement are specifically included in the notes to the statements and explained.

The income statement is set up in accordance with the internationally predominant cost of sales method. The classification of the financial statements is modified in favor of an improved presentation of financial transactions. Financial transactions are described as investment income of affiliated and related companies, interest income and other financial income.

Reporting and valuation

Intangible Assets are valued at acquisition cost less scheduled amortization. In most cases the useful life is not more than 3 years.

Property, plant and equipment incl equipment on operating leases, net 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 5 years and more is appreciated by the declining balance method. Depreciation expense is calculated using the declining balance method until applying the straight-line method yields higher expenses. In principle, highest possible depreciation rate allowed for tax purposes is used.

Extraordinary depreciation is recognized to the extent necessary to report lower values.

Low value fixed assets are written off immediately.

Equipment on operating lease, where the company is lessor, is valued at acquisition cost or manufacturing cost and depreciated over the asset's useful life, generally 5 to 14 years. Depending upon the lessee the leased equipment will be depreciated using the straight-line method and the declining balance method, respectively. The declining balance method is used until the straight-line method yields higher expenses.

In order to keep better track of leased equipment in the fixed assets schedule, the leased equipment position has been separately reported in the property, plant and equipment as well as the investments and long-term financial assets including the Special Assets Pension Trust.

Investments in Affiliated Companies, Investments in Related Companies, and Other Investments and Long-Term Financial Assets are reported at acquisition cost or lower market values; low-interest-bearing and 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 costs applicable manufacturing overhead, including depreciation charges. The valuation method of inventories was readjusted in 2003 as a result of the repudiation of the LIFO-method with taxation requirements.

Deductions for inventory obsolescence risks are made in appropriate amounts and comply with taxation requirements.

The principle of loss-free valuation (“Verlustfreie Bewertung”) is used in accordance with rules relating to tax purposes.

Allowances for all discernible risks have been recorded on *Receivables and Other Assets*. Non-interest-bearing receivables having residual maturities of more than one year are discounted at the balance sheet date. A general bad debt allowance has been recorded to cover general credit risk.

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

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). The reporting by the projected unit credit method records liabilities at period end based on the probability of payment and with regard to future increases in wages. In addition, “Accumulated Benefit Obligation” is considered as a minimum level.

Accrued Liabilities 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

	Balance at 01/01/2003	Acquisition or Manufacturing Costs			Balance at 12/31/2003
		Additions	Reclassi- fications	Disposals	
€ in millions					
Intangible assets					
Franchises, industrial property rights and similar rights as well as other intangible assets	197	30	1	18	210
Advance payments	-	1	.	-	1
	197	31	1	18	211
Property, plant and equipment					
Technical equipment and machinery	4,398	1,036	281	69	5,646
Other equipment, factory and office equipment	3,397	547	170	186	3,928
Equipment on operating leases, net	5,220	2,479	-	1,929	5,770
Advance payments relating to plant and equipment and construction in process	727	543	(452)	45	773
	13,742	4,605	(1)	2,229	16,117
Financial assets					
Investments in affiliated companies	21,100	1,725	5	1,589	21,241
Loans to affiliated companies	538	55	-	258	335
Investments in associated and related companies	3,737	774	(5)	33	4,473
Other loans	29	4	-	4	29
Special Assets Pension Trust	5,341	3,434	-	2,840	5,935
	30,745	5,992	-	4,724	32,013
					-
					-
Fixed assets	44,684	10,628	-	6,971	48,341

Balance at 01/01/2003	Depreciation/Write-up				Balance at 12/31/2003	Book Values	
	Additions	Write-up	Reclassi- fications	Disposals		Balance at 12/31/2003	Balance at 12/31/2002
107	59	-	.	16	150	60	90
-	-	-	-	-	-	1	-
107	59	-	.	16	150	61	90
2,684	888	-	(2)	66	3,504	2,142	1,714
2,297	561	-	2	176	2,684	1,244	1,100
1,730	941	-	-	723	1,948	3,822	3,490
-	-	-	-	-	-	773	727
6,711	2,390	-	.	965	8,136	7,981	7,031
858	37	-	(1)	200	694	20,547	20,242
-	-	-	-	-	-	335	538
914	500	(1)	1	15	1,399	3,074	2,823
2	.	-	-	.	2	27	27
34	-	-	-	34	-	5,935	5,307
1,808	537	(1)	-	249	2,095	29,918	28,937
8,626	2,986	(1)	-	1,230	10,381	37,960	36,058

Notes to the Balance Sheet of DaimlerChrysler AG

1 Intangible assets

The intangible assets include acquired licenses (EDP-software) and similar rights of € 61 million. Scheduled depreciation amounts to € 39 million, extraordinary depreciation amounts to € 20 million.

2 Property, plant and equipment incl. equipment on operating leases, net

The additions of € 4,605 million include € 2,479 million of leased passenger cars. Further additions consist only of movable equipment.

Scheduled depreciation amounts to € 2,390 million (p. y. € 2,144 million).

3 Investments and long-term financial assets

The interest in affiliated and related companies increased by € 556 million up to € 23,621 million (p. y. € 23,065 million).

The addition is mainly linked to capital increases at subsidiaries particularly to a 43 % share acquisition of Mitsubishi Fuso Truck and Bus Corporation and eleven intragroup acquisitions of financial services companies. Offsetting factors represent the disposition of the DaimlerChrysler Retura Beteiligungsgesellschaft mbH relating to the disposition of the MTU Aero Engines Group as well as the depreciation of the Mitsubishi Motors Corporation.

A separate report according to § 287 HGB (German Commercial Code) of the investments in subsidiaries of DaimlerChrysler AG is filed at the trade register.

Loans to affiliated companies decreased by € 203 million. This development results mainly from repayments of DaimlerChrysler Coordination Center S. A., Brussels, and DaimlerChrysler Ludwigsfelde GmbH, Ludwigsfelde.

The Special Assets Pension Trust includes financial assets which were transferred to the DaimlerChrysler Pension Trust e. V.. These assets and their returns are exclusively used for the retirement pension plan. Ancillary capital was allocated to the trust.

The development of fixed assets is shown in the fixed assets schedule.

4 Inventories

	12/31/2003 € in millions	12/31/2002 € in millions
Raw material and manufacturing supplies	851	750
Work-in-process	818	746
Finished goods and resale products	3,852	3,489
Inventories	5,521	4,985
Advance payments	(33)	(28)
Total	5,488	4,957

Finished goods and resale products contain both vehicles manufactured in-house and vehicles produced within the scope of contractual manufacturing. Furthermore spare parts and used vehicles are also included.

Especially the discontinuance of the LIFO-method resulted in a positive value effect of € 583 million.

5 Receivables and Other assets

	12/31/2003		12/31/2002	
	€ in millions	€ in millions	€ in millions	€ in millions
Trade receivables		1,840		1,739
of which due after 1 year	17		12	
Receivables from affiliated companies		5,833		8,848
of which due after 1 year	64		36	
Receivables from related companies		205		106
of which due after 1 year	2		-	
Other assets		1,069		1,605
of which due after 1 year	2		7	
Total of Receivables and Other assets		8,947		12,298
of which due after 1 year	85		55	

The receivables from affiliated companies contain mostly intragroup (cash) accounts receivables and trade accounts receivables in the range of the central financial and liquidity management (€ 4,227 million, p. y. € 7,517 million) and the trade relations with domestic and foreign subsidiaries (€ 1,606 million, p. y. € 1,331 million).

The Other assets contain predominantly tax assets (€ 563 million), prepaid interests (€ 213 million) and prepaid option premiums (€ 80 million).

6 Securities

	12/31/2003	12/31/2002
	€ in millions	€ in millions
Other securities	216	386

Other securities contain investments in funds (€ 83 million), debt securities (€ 296 million) and equity securities (€ 7 million).

The decrease in other securities is mainly caused by declines of debt securities (€ 170 million).

During the fiscal year DaimlerChrysler AG purchased a total amount of 1,263,754 treasury stocks with a corresponding nominal value of € 3,285,760 which represents about 0.12 % of total capital stock.

The average purchase price of these shares was € 28.25. The purpose of the acquisition of these shares was the company's employee share purchase program. 1,034,822 treasury shares (corresponding nominal value € 2,690,537) were sold immediately to employees. An additional 228,820 shares (corresponding nominal value € 594,932) were sold to group companies at acquisition cost for resale to their employees in three phases.

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

Period	Subscription price per share (€)
March-April 2003	26,11
June-July 2003	27,72
October-December 2003	30,94

Additionally, DaimlerChrysler AG granted graded benefits. An employee purchasing 5 shares received a benefit of € 77, the purchase of 10 to 30 shares lead to a benefit of € 154. Employees who bought at least 15 shares received a bonus share exempt from any charges in addition.

112 treasury shares (corresponding nominal value € 291) were sold on the stock exchange (average share price € 30.55) in July 2003. At the balance sheet date no treasury shares are held by DaimlerChrysler AG.

7 Cash and cash equivalents

Cash and cash equivalents amount to € 2,932 million (p. y. € 3,092 million) and include deposits at financial institutions as well as cash and checks on hand.

In addition to cash and cash equivalents, liquid assets include securities (€ 216 million) as well.

8 Stockholders' equity

	12/31/2003 € in millions	12/31/2002 € in millions
Capital Stock	2,633	2,633
Additional paid-in capital	11,842	11,841
Retained earnings	6,286	6,297
Unappropriated profit	1,519	3,147
Stockholders' equity	22,280	23,918

a) Capital stock

	Number	€
Capital stock December 31, 2002	1,012,803,493	2,633,289,082
Increases in 2003:		
conversion bearer notes		
1996/2003	20,698	53,815
Capital stock December 31, 2003	1,012,824,191	2,633,342,897

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

In June 1996, Daimler-Benz AG issued 4.125 % bearer notes with appertaining warrants through Daimler-Benz Capital (Luxembourg) AG (now: DaimlerChrysler Luxembourg Capital S. A.). These notes were provided with a total of 1,200,000 attached warrants, entitling the holders to purchase ordinary shares of DaimlerChrysler AG pursuant to the conditions of these warrants after the merger. If a warrant is exercised, its owner receives 10.30527 shares of DaimlerChrysler AG, consisting of 6.44004 new shares according to conditional capital II and 3.86523 already existing shares pursuant to a option contract signed with a third party. The option price could be paid either through an exchange of warrants or through cash payment. The option price per share was € 42.67 for warrants exchange and € 44.49 in cash. Voluntary conversions had to be exercised until June 18, 2003. The repayment of the bearer notes amounting to € 178 million was made according to the note agreements on July 5, 2003. During 2003 options for the subscription of 20,698 (2002: 50, 2001: none, 2000: 10,416) newly issued DaimlerChrysler shares were exercised.

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

The plans, offered from 1996 to 1998, entitled a selected group of upper management to purchase DaimlerChrysler shares in connection with the subscription of unassignable convertible notes. The convertible notes, which are denominated in notes with a nominal value of € 511.29 each, mature in 10 years. The notes bear an interest of 5.9 % per year (Plan 1996), 5.3 % (Plan 1997) resp. 4.4 % (Plan 1998).

The stock option plan 1996 entitles the owners of the notes to convert these notes into DaimlerChrysler shares at a ratio of 1:1.005, i. e. each note with a face value of € 511.29 could be converted into 201 ordinary shares. The resulting conversion price per share was € 42.62. The exercise assumes that the stock price on the date prior to the conversion is at least 15 % over the stated conversion price.

As of December 31, 2003 notes with a total par value of € 117,598.13 equivalent to 46,230 new DaimlerChrysler shares, had not yet been converted. In 2003 no newly issued DaimlerChrysler shares arose from exercises.

The stock option plan 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 form of a cash payment of equal value. This does not have any effects on stockholders' equity.

The stock option plan 2000 was structured in the form of a Premium Priced Plan upon approval by the Annual Shareholders' Meeting. In the years 2000 to 2003 four tranches were issued. The allocated options entitle the owner to purchase one DaimlerChrysler share per option. Within the scope of the stock option plan 2000 a strike price must be paid for exercising the option (which includes a 20 % surcharge on the reference price). If the stock price (last closing auction price prior to the exercise in Xetra-trading at the Frankfurt Stock Exchange) equals at least the strike price (profit target), the participant receives an additional variable payment for each exercised option. Initial exercise dates for these options are or were April 2002, 2003, 2004 and 2005. The maturity period of the tranches is ten years. At the end of this period the unexercised options will lapse.

Stock Option Plan 2000

Tranche	2000	2001	2002	2003
Strike price of the option per share, €	74.76	66.96	51.52	34.40
Reference price, €	62.30	55.80	42.93	28.67
Variable payment, €	12.46	11.16	8.59	5.73
Outstanding options, as of December 31, 2003	14,225,579	17,725,690	19,555,520	19,995,855

The tables below provide an overview of the conditional and authorized capital sectioned into tranches according to the Memorandum and Articles of Incorporation of DaimlerChrysler AG:

Conditional Capital

Number	I	II	III	IV	Total
Conditional Capital as of 12/31/2003, €	300,000,000	40,431,718	40,689,870	249,600,000	630,775,403
Balance at 12/31/2003, €	115,384,615	15,550,661	15,649,950	96,000,000	242,605,924
Purpose	Bearer Notes or Convertible Notes 2000/2005	Bearer Notes 1996/2003	Convertible Notes 1996/2006 1997/2007 1998/2008	Bearer Notes or Convertible Notes 2000/2005 to issue new Stock Options	

Authorized Capital in €

Number	I	II	III
12/31/2003, €	500,000,000	500,000,000	26,000,000
Time limit	08.04.2008	08.04.2008	08.04.2008
Purpose	Capital Increases	Capital Increases	Employee Stocks

The Annual Shareholders' Meeting authorized the Board of Management to increase Capital Stock in each case by expense of new shares against cash contribution (Conditional Capital I) or contribution in kind (Conditional Capital II) entire or in partial amounts up to € 500 million. Further on, the Board of Management is authorized to increase Capital Stock by the expense of new employee shares against cash contribution and/or contribution in kind as a whole or in partial amounts by € 26 million.

In addition, DaimlerChrysler AG was authorized to acquire treasury stock not exceeding € 263 million of Capital Stock - corresponding to 10 % of Capital Stock - for certain pre-defined purposes up to October 9, 2004.

b) Additional paid-in capital

The amount of additional paid-in capital is € 11,842 million. This position contains received premiums of € 1 million resulting from conversions of Bearer Notes 1996/2003.

c) Retained earnings

	12/31/2003 € in millions	12/31/2002 € in millions
Retained earnings	6,286	6,297

Retained Earnings amount to € 6,286 million. In the fiscal year 2003 additional € 1,628 million were adjusted to retained earnings by resolution of the Annual Shareholders' Meeting.

As of December 31, 2003, € 1,639 million have been withdrawn from retained earnings to compensate Net loss and for allocation into unappropriated profit.

9 Special account with an equity portion

	12/31/2003 € in millions	12/31/2002 € in millions
Special account with an equity portion	0	1

The special account with an equity portion includes the revaluation of securities, that became necessary in 1999 because of the requirement to reinstate original values pursuant to § 280 (1) HGB (German Commercial Code). In the fiscal year 2003, this account was reversed by € 1 million, which increased Other operating income.

10 Accrued pensions and similar liabilities

	12/31/2003 € in millions	12/31/2002 € in millions
Pension liabilities	7,679	7,210

The valuation of pension liabilities is based upon the projected unit credit method in accordance with US Generally Accepted Accounting Principles (SFAS 87). They were determined at the beginning of the financial year 2003 based on the pension liabilities of the Company and the assets of DaimlerChrysler Unterstützungskasse.

The assumptions used in calculating the actuarial values according to the Heubeck tables for the pension liabilities were a discount rate of 5.75 % (p. y. 6.0 %), a long-term rate for increasing remunerations from 2003 on of 3.0 % (p. y. 3.0 %), an increase in living costs of 1.75 % (p. y. 2.0 %) and an expected long-term rate of return on plan assets (DaimlerChrysler Unterstützungskasse) of 7.5 % (p. y. 7.7 %).

Since the Accumulated Benefit Obligation (ABO) has to be reported as a Minimum Pension Liability, an additional allocation to pension liabilities totaling € 22 million (p. y. € 547 million) was made.

11 Other accrued liabilities

	12/31/2003 € in millions	12/31/2002 € in millions
Accrued taxes	1,583	2,274
Other accrued liabilities	7,670	6,814
	9,253	9,088

The accruals recorded for income and other taxes relate mainly to income taxes for 2003 and income taxes for previous years not finally assessed.

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

12 Liabilities

	12/31/2003		12/31/2002	
	€ in millions	€ in millions	€ in millions	€ in millions
Notes/Bonds and Commercial Paper		2,431		4,030
of which due in less than 1 year	1,485		3,081	
of which due in more than 5 years	108		125	
of which are convertible	.		.	
Liabilities to financial institutions		81		41
of which due in less than 1 year	57		18	
of which due in more than 5 years	24		23	
Trade Liabilities		3,794		3,215
of which due in less than 1 year	3,793		3,214	
of which due in more than 5 years	.		-	
Liabilities to affiliated companies		8,315		7,815
of which due in less than 1 year	8,123		7,623	
of which due in more than 5 years	-		-	
Liabilities to related companies		39		79
of which due in less than 1 year	39		76	
of which due in more than 5 years	-		-	
Other Liabilities		1,668		1,404
of which due in less than 1 year	1,668		1,403	
of which due in more than 5 years	.		-	
of which are tax liabilities	140		162	
of which are obligations concerning social security	301		285	
Total of liabilities		16,328		16,584
of which due in less than 1 year	15,165		15,415	
of which due in more than 5 years	132		148	

The liabilities to affiliated companies include mainly intragroup (cash) accounts payable and accounts payable for goods and services in the range of the central financial and liquidity management (€ 7,886 million, p. y. € 7,533 million) and the trade relations with domestic and foreign subsidiaries (€ 429 million, p. y. € 282 million).

The notes/bonds concern Commercial Paper (€ 1,477 million) as well as the Yen-bond issued in 2000 amounting to € 917 million.

The other liabilities include predominantly liabilities of wage and salary administration, withholding tax wages and social security contributions, option premiums as well as certain other liabilities to third parties.

Notes to the Income Statement of DaimlerChrysler AG

13 Revenues

	2003	2002
	€ in millions	€ in millions
Revenues classified by type:		
Passenger cars	43,032	43,463
Commercial vehicles	12,407	12,110
	55,439	55,573
Revenues classified by region:		
Domestic	20,845	20,923
Foreign	34,594	34,650
	55,439	55,573
Allocation of foreign revenues:		
EU-Member countries	15,179	15,297
Rest of Europe	2,641	2,316
North America	9,991	10,712
Asia	4,592	4,432
Africa	958	827
Australia	673	537
Latin America	560	529

14 Functional costs

Functional costs are broken down in the income statement into the categories cost of goods sold, selling expenses and general administrative expenses.

Cost of goods sold consist of the manufacturing cost of goods sold. These costs include mainly the cost of production materials, purchased services and personnel expenses of the production departments. Cost of goods sold moreover include € 3,400 million of research and development expenses as well as gains or losses from hedging activities conducted by the industrial business segment.

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

Other taxes and customs duties are included within the functional costs € 11 million (p. y. € 10 million).

15 Other operating income

Other operating income (€ 780 million) includes income from charged-out costs, other deliveries and services as well as rent and lease returns.

Other operating income includes € 246 million (p. y. € 313 million) of income allocable to prior financial periods and include mostly income from the release of reserves and accruals.

16 Other operating expenses

Other operating expenses (€ 583 million) include additions to accruals, rental expenses as well as expenses of about US-\$ 300 million related to the class action settlement with prior Chrysler shareholders.

Other operating expenses contain € 54 million (p. y. € 71 million) of expenses allocable to prior financial periods and include expenses related to asset disposals and of charged-off receivables.

17 Income from investments in affiliated and related companies

	2003	2002
	€ in millions	€ in millions
Income from profit and loss transfer agreements	1,030	6,782
thereof: DaimlerChrysler Vermögens- und Beteiligungsgesellschaft mbH	611	
DC-Grund DaimlerChrysler Verwaltungsgesellschaft für Grundbesitz mbH	282	
Income from tax allocations	632	693
Income from affiliated companies	147	953
Income from related companies	21	21
Expenses related to loss assumption	(617)	(579)
thereof: smart gmbh	(352)	
DaimlerChrysler Services AG	(184)	
Balance depreciation/write-up of investments in affiliated and related companies	(536)	24
Earnings from disposals of investments in affiliated and related companies	169	551
Losses from disposals of investments in affiliated and related companies	(20)	(7)
	826	8,438

The investment income contains in particular payments from gain transfer agreements, loss assumptions and tax reallocations of affiliated companies of the DaimlerChrysler AG as well as distributions of subsidiaries. The decrease of the investment income essentially results from the changes at the DaimlerChrysler Services AG and at the DaimlerChrysler Luft- und Raumfahrt Holding AG. As far as DaimlerChrysler Services AG (€ (184) million, p. y. € 4,204 million) is concerned, the gain from the sale of the 49.9 % portions of T-Systems ITS GmbH was contained as a special effect in their previous year income. The income was likewise clearly positive in the previous year by sales of investments for DaimlerChrysler Luft- und Raumfahrt Holding AG (€ (30) million, p. y. € 1,345 million). Further on, the distributions of subsidiaries - in particular from the DaimlerChrysler North America Holding Corporation (0, p. y. € 519 million) - were declining.

18 Interest income

	2003		2002	
	€ in millions	€ in millions	€ in millions	€ in millions
Income from other securities and loans of financial assets		22		33
thereof from affiliated companies	22		32	
Other interest and similar income		727		906
thereof from affiliated companies	327		411	
Interest and similar expenses		(772)		(1,027)
thereof from affiliated companies	(561)		(717)	
Income from Pension Trust		10		206
		(13)		118

The decline in the interest income mainly results from distributions of special funds in the Special Assets Pension Trust in the previous year (€ 189 million).

Interest income contains interest income (€ 462 million) and interest expenses (€ (488) million) of interest rate swaps with banks and in particular with DaimlerChrysler North America Holding Corporation.

19 Other financial income

	2003		2002	
	€ in millions	€ in millions	€ in millions	€ in millions
Losses from sales of securities		(11)		.
Write-offs of securities (short term assets)		(1)		(14)
Write-ups of security loans		16		32
Other income / expenses		(215)		282
Other financial income Pension Trust		94		(726)
		(117)		(426)

The negative other financial income stems predominantly from swap transactions (€ 340 million) and from the amortization of a loan receivable (€ 31 million). Offsetting factors result from currency translations.

The other financial income Pension Trust arises mainly from sales of securities and from positive effects of currency transactions. In the previous year losses from the disposal of securities – held in special funds – amounted to € 1,001 million.

20 Income taxes

DaimlerChrysler AG in its capacity as a parent company is also a taxpayer with respect to the management and profit sharing agreements drawn up 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, smart gmbh, DaimlerChrysler Vermögens- und Beteiligungsgesellschaft mbH and EHG Elektroholding GmbH.

Taxes on corporate income and business profits, which aggregated € 764 million (p. y. € 1,200 million) , include € 319 million of tax prepayments and additions to tax accruals for 2003 and € 443 million for previous years, additionally € 2 million of other income taxes.

21 Net loss

In the fiscal year 2003, Net loss was € (120) million. Unappropriated profit amounts to € 1,519 million after a withdrawal of € 1,639 million from retained earnings. It is proposed to the Annual Shareholders' meeting to distribute the entire unappropriated profit to the shareholders.

Other Notes

Personnel expenses/ Employees

	2003	2002
	€ in millions	€ in millions
Wages and salaries	8,564	8,135
Social contributions	1,547	1,446
Pension costs	765	1,188
	10,876	10,769
Personnel (annual average)	Number	Number
Hourly employees	97,945	100,269
Salaried employees	54,379	53,037
Trainees/Apprentices	10,191	9,589
Annual average	162,515	162,895
Personnel as of 12/31/2002	161,298	161,668

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

The pension costs include the current pension payments and the current year's additions to pension accruals. Since the Accumulated Benefit Obligation (ABO) has to be reported as a Minimum Pension Liability, an additional allocation to pension liabilities totaling € 22 million (p. y. € 547 million) was made.

Cost of materials

	2003	2002
	€ in millions	€ in millions
Cost of raw materials, supplies, and purchased goods	33,122	33,120
Cost of purchased services	8,563	7,823
	41,685	40,943

Derivative financial instruments

Derivative financial instruments are used exclusively for the hedging of interest and currency risks and for the 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	12/31/2003	12/31/2002
	€ in millions	€ in millions
Commodity futures contracts	89	2
Currency hedging contracts	26,220	30,127
Interest hedging contracts	10,261	11,967
Price hedging contracts	-	117
	36,570	42,213

Currency hedging contracts are comprised mainly of currency futures contracts and currency options. They are primarily used for hedging receivables and payables already recorded in the balance sheet and for hedging foreseeable transactions in the currencies of large industrialized countries. Interest hedging contracts relate mainly to interest swaps. Options are utilized in order to minimize interest fluctuation risk. Presently, commodity future contracts consist solely of commodity swaps for raw materials in order to hedge price risks. The nominal values represent the gross total of all purchase and sales contracts of derivative financial transactions.

	12/31/2003		12/31/2002	
	Book Value	Market Value	Book Value	Market Value
	€ in millions	€ in millions	€ in millions	€ in millions
Asset accounts				
Commodity futures contracts	-	12	-	-
Currency hedging contracts	67	2,388	71	1,790
Interest hedging contracts	-	1,028	-	693
Price hedging contracts	-	-	9	1
	67	3,428	80	2,484
Liability accounts				
Commodity futures contracts	-	-	(1)	(1)
Currency hedging contracts	(65)	(301)	(39)	(209)
Interest hedging contracts	(10)	(730)	(1)	(705)
Price hedging contracts	-	-	(1)	(1)
	(75)	(1,031)	(42)	(916)
Total	(8)	2,397	38	1,568

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

	12/31/2003 € in millions	12/31/2002 € in millions
Payment guarantees in favor of the holders of the issued Bonds and Euro-Medium-Term-Notes of DaimlerChrysler North America Holding Corporation, Auburn Hills, USA	33,279	33,368
Payment guarantees in favor of the holders of the commitment of DaimlerChrysler Services North America, L.L.C., Southfield MI, USA	380	1,408
Payment guarantees in favor of the holders of the issued Bonds and Euro-Medium-Term-Notes of DaimlerChrysler Canada Finance Inc., Montreal, Canada	3,127	2,538
Payment guarantees in favor of the European Investment Bank and of the holders of the issued Bonds of DaimlerChrysler Coordination Center SA, Brussels, Belgium	2,465	1,783
Payment guarantees in favor of the holders of the issued Bonds of DaimlerChrysler Corporation, Auburn Hills, USA	1,473	1,759
Payment guarantees in favor of the holders of the issued Bonds and Euro-Medium-Term-Notes of DaimlerChrysler UK Holding plc, London, UK	1,583	1,705
Payment guarantees in favor of Chubb Insurance Company of Europe S. A. for the commitment of Bombardier Transportation GmbH, Berlin, Germany	193	230
Payment guarantees in favor of the European Investment Bank for the commitment of DaimlerChrysler do Brasil Ltda., Sao Bernardo do Campo, Brazil	207	309
Payment guarantees in favor of the holders of the issued Bonds and Euro-Medium-Term-Notes of DaimlerChrysler International Finance B. V., Utrecht, Netherlands	3,751	6,249
Payment guarantees in favor of the European Investment Bank for the commitment of Daimler-Benz AG & Co. "Optima" Grundstücksvermietung Potsdamer Platz OHG, Stuttgart, Germany	511	511
Payment guarantees in favor of the holders of the issued Bonds of DaimlerChrysler Japan Holding Ltd., Tokio, Japan	91	151
Payment guarantees in favor of the holders of the issued Bonds of DaimlerChrysler Australia/Pacific Pty. Ltd., Mulgrave, Australia	531	305
Payment guarantees in favor of Wenger/Vieli for the commitment of smart gmbh, Böblingen, Germany	-	343
Payment guarantees in favor of the holders of the issued Bonds of DaimlerChrysler Luxembourg Capital S. A., Luxembourg	-	180
Payment guarantees in favor of the holders of the issued Bonds and Euro-Medium-Term-Notes of DaimlerChrysler Luxembourg Finanz S. A., Luxembourg	-	50

Contingent liabilities

	12/31/2003 € in millions	12/31/2002 € in millions
Payment guarantees in favor of the holders for the commitment of DaimlerChrysler Leasing Arrendamento Mercantil S. A., Sao Paulo, Brazil	71	90
Payment guarantees in favor of the Österreichische Kontrollbank Wien for the loan collateralization of DaimlerChrysler Management Services Ges. mbH, Vienna, Austria	-	189
Payment guarantees in favor of Commerzbank AG, Gummersbach for the loan collateralization of Tignaris Beteiligungsgesellschaft mbH & Co. Objekt Duisburg/Witten KG, Düsseldorf, Germany	82	82
Payment guarantees in favor of the KfW for the commitment of DaimlerChrysler Services de Mexico S. A. de C. V., Mexico City, Mexico	81	96
Payment guarantees in favor of the holders of the issued Bonds of DaimlerChrysler of South Africa Pty.Ltd, Pretoria, South Africa	353	110
Commitments of the placement and payment guarantee of DCSF Immobilienverwaltungsgesellschaft Nr. 1 mbH & Co. Objekt Park KG, Stuttgart, Germany	-	72
Payment guarantees in favor of the KfW for the commitment of DaimlerChrysler de Mexico S. A. de C. V., Mexico City, Mexico	45	59
Payment guarantees in favor of the holders of the commitment of Toll Collect GmbH, Berlin, Germany	218	-
Payment guarantees in favor of Deutsche Leasing AG of the commitment of Karmann GmbH, Osnabrück, Germany	176	-
Payment guarantees in favor of the holders of the commitment of DaimlerChrysler Thailand Ltd., Bangkok, Thailand	61	-
Payment guarantees in favor of the holders of the commitment of DCSF Immobilienverwaltungsgesellschaft Nr. 4 mbH, Stuttgart, Germany	80	-
Other guarantees	291	370
Liabilities from other warranty agreements	230	210
Guarantees against domestic and foreign subsidiaries as well as to third parties	897	498
thereof to affiliated companies	151	103
Notes payable	-	-

Payment guarantees of DaimlerChrysler AG declined predominantly because of exchange rate effects. DaimlerChrysler AG 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 2004 and subsequent years. Claims on future non-estimable equalization payments for 2004 and subsequent years are in existence for the minority shareholders of DaimlerChrysler Luft- und Raumfahrt Holding AG and for the shareholders of MTU Friedrichshafen GmbH.

Other financial commitments

Other financial commitments (€ 10,025 million) include € 5,629 million of other financial commitments to affiliated companies.

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

Other financial commitments relating to rental and lease agreements aggregate € 5,240 million. A large share of the intangible assets and equipment of the former Daimler-Benz AG was transferred to DaimlerChrysler Vermögens- und Beteiligungsgesellschaft mbH, Stuttgart, as of June 30, 1998, followed by a subsequent lease-back of the equipment to DaimlerChrysler AG. The rental expense for preceding years aggregates € 586 million, as of December 31, 2003. Moreover, leasing agreements are in existence with 19 property companies at Potsdamer Platz, on which DaimlerChrysler AG can expect costs of € 2,470 million in the future. The rental expense, totaling € 1,136 million, must be paid to the real estate management firms of Mercedes-Benz AG & Co. OHG, Ludwigfelde, and Daimler-Benz AG & Co. OHG, Ludwigfelde.

Other financial commitments, particularly order commitments for expansion investment, are within the usual range.

DaimlerChrysler AG is liable as joint and several debtor on investments in 29 general partnerships.

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 total remuneration awarded to the Board of Management of DaimlerChrysler AG consists of the sum of all granted cash payments and all non-cash benefits out of the benefits in kind. This remuneration amounted to € 33.6 million for the Board of Management of DaimlerChrysler AG in 2003, thereof € 9.2 million for fixed components and € 24.4 million for short- and medium-term profit-oriented components. There was no remuneration based on long-term components, as of December 31, 2003.

The Board of Management received overall 3,140,000 Stock Options as a long-term remuneration component in 2003 which result from the option-plan approved by the Annual Shareholders' Meeting in the year 2000. Further information concerning the stock-based compensation are available in the notes to the capital stock (8a). In 2003, the remuneration to retired Board members of DaimlerChrysler AG and to their bereaved families aggregated € 11.3 million. Accrued Pension liabilities to retired Board members and to their bereaved families totaling € 120.4 million.

The remuneration to the Supervisory Board of DaimlerChrysler AG amounts to € 2.1 million, as of December 31, 2003.

The Management Board Membership and Supervisory Board Membership are listed on pages 28 to 37.

Proposal on appropriation of retained earnings

The unappropriated profit of DaimlerChrysler AG as of December 31, 2003 amounts after a withdrawal from retained earnings to € 1,519,236,286.50. The proposal on appropriation of this amount to the Annual Shareholder' Meeting is as follows:

Proposal on appropriation of retained earnings	€
Distribution of € 1.50 Dividend each share	1,519,236,287
Transfer to retained earnings	-
Profit carried forward	-
Unappropriated profit	1,519,236,287

German Corporate Governance Codex/ Statement relating to § 161 AktG (German Corporation Law)

The obligatory statement pursuant to § 161 AktG (German Corporation Law) was executed by the Board of Management and the Supervisory Board and also accessed to the shareholders.

Auditors' report to the annual financial statements

We have rendered our unqualified auditors' report as follows:

"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, 2003. 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 Board of Management. Our responsibility is to express an opinion on the annual financial statements, 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 (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 the Board of 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 German principles of proper accounting. On the whole, the management report provides a suitable understanding of the Company's position and suitably presents the risks of future development."

Stuttgart
February 18, 2004

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

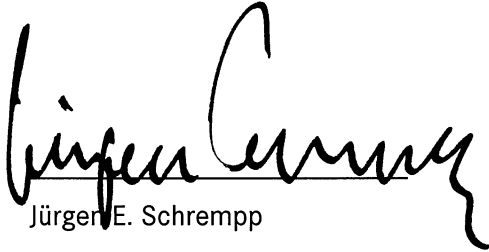


Krauß
Wirtschaftsprüfer




Hug
Wirtschaftsprüfer

Stuttgart-Möhringen, February 18, 2004




Jürgen E. Schrempp



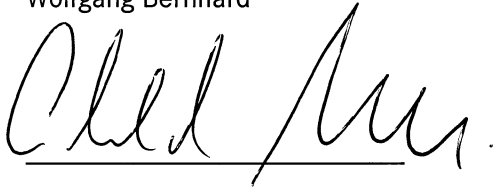
Jürgen Hubbert



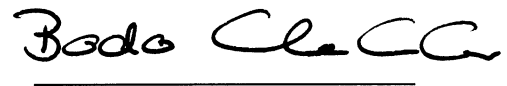
Wolfgang Bernhard



Thomas W. Sidlik




Eckhard Cordes



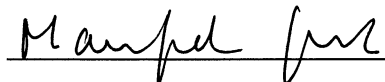
Bodo Uebber *)



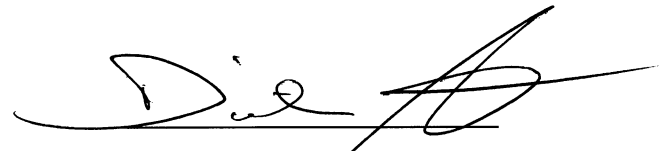
Günther Fleig




Thomas Weber *)



Manfred Gentz



Dieter Zetsche



Rüdiger Grube

*) Deputy Member of Board of Management

Board of Management

Members of the Board of Management

Supervisory Board Memberships/ Directorships

Prof. Jürgen E. Schrempp

Stuttgart
Chairman of the Board of Management
Appointed until 2005

Internal Directorships

DaimlerChrysler Corporation (Chairman)
DaimlerChrysler Services AG (Chairman)
DaimlerChrysler South Africa (Pty) Ltd. (Chairman)

External Directorships

Allianz AG
Compagnie Financière Richemont S. A.
South African Coal, Oil and Gas Corporation Ltd. (Sasol)
Vodafone Airtouch plc

Dr. rer. pol. Wolfgang Bernhard

Auburn Hills
Chief Operating Officer Chrysler Group
Appointed until 2007

Internal Directorships

DaimlerChrysler Corporation (Chief Operating Officer)

Dr. rer. pol. Eckhard Cordes

Stuttgart
Commercial Vehicles
Appointed until 2008

Internal Directorships

DaimlerChrysler (China) Ltd. (Chairman)
DaimlerChrysler Australia/Pacific (Pty) Ltd. (Chairman)
DaimlerChrysler France S. A. S. (Chairman of the Supervisory Board)
DaimlerChrysler Italia S. p. A. (Deputy Chairman)
DaimlerChrysler South East Asia Pte. Ltd. (Chairman)
DaimlerChrysler Taiwan Ltd.
Detroit Diesel Corporation (Chairman)
EADS Participations B. V.
European Aeronautic Defence and Space Company EADS N. V.
EvoBus GmbH (Chairman)
Freightliner LLC (Chairman)
MTU Friedrichshafen GmbH (Chairman)

External Directorships

Deutsche BP AG
Deutsche Messe AG
Rheinmetall AG

Members of the Board of Management

Supervisory Board Memberships/ Directorships

Günther Fleig

Stuttgart
Human Resources & Labor Relations Director
Appointed until 2009

Internal Directorships

DaimlerChrysler Management Consulting GmbH (Chairman of the Advisory Board)
DaimlerChrysler Unterstützungskasse GmbH (Advisory Board)

External Directorships

Wohnstätten Sindelfingen GmbH (Chairman of the Supervisory Board)

Dr. jur. Manfred Gentz

Stuttgart
Finance & Controlling
Appointed until 2004

Internal Directorships

DaimlerChrysler Bank AG
DaimlerChrysler Corporation
DaimlerChrysler España Holding S. A.
DaimlerChrysler France Holding S. A. S (Chairman of the Supervisory Board)
DaimlerChrysler Mexico Holding, S. A. de C. V. (Chairman)
DaimlerChrysler North America Holding Corporation (Chairman)
DaimlerChrysler Services AG
DaimlerChrysler UK Holding plc (Chairman)
DaimlerChrysler Japan Holding Ltd. (Chairman)
DaimlerChrysler Unterstützungskasse GmbH (Advisory Board)
EHG Elektroholding GmbH (Chairman)
Freightliner LLC

External Directorships

Deutsche Börse AG
DWS Investment GmbH
Hannoversche Lebensversicherungs AG
Zürich Beteiligungs-AG

Dr. phil. Rüdiger Grube

Stuttgart
Corporate Development
Appointed until 2007

Internal Directorships

DaimlerChrysler Services AG

Externe Mitgliedschaften

Hyundai Motor Company
Mitsubishi Motors Corporation
TAG McLaren Holdings Ltd.

Members of the Board of Management

Supervisory Board Memberships/ Directorships

Prof. Jürgen Hubbert

Stuttgart
Mercedes Car Group
Appointed until 2005

Internal Directorships

DaimlerChrysler Bank AG
DaimlerChrysler Corporation
DaimlerChrysler Japan Co. Ltd. (Chairman)
DaimlerChrysler Services AG
DaimlerChrysler South Africa (Pty) Ltd.
DaimlerChrysler UK Ltd. (Chairman)
Mercedes-AMG GmbH (Chairman)
Mercedes-Benz España, S. A.
Mercedes-Benz USA, LLC (Deputy Chairman)

External Directorships

Ballard Power Systems Inc.
GPWC Holdings B. V.
IWKA AG
Mercedes Ilmor Ltd. (Chairman)
ÖIAG Austria (Deputy Chairman)
TAG McLaren Holdings Ltd.
TÜV Süddeutschland Holding AG

Thomas W. Sidlik

Auburn Hills
Global Procurement & Supply
Appointed until 2008

Internal Directorships

DaimlerChrysler Corporation
DaimlerChrysler Corporation Fund
DaimlerChrysler Motors Company LLC
DaimlerChrysler de Mexico, S. A. de C. V.

External Directorships

Daimler-Benz Purchasing Coordination of North America, Inc.

Dr. Ing. Dieter Zetsche

Auburn Hills
Chrysler Group
Appointed until 2008

Internal Directorships

DaimlerChrysler Corporation

Members of the Board of Management

Supervisory Board Memberships/ Directorships

Deputy member of the Board of Management
[beginning as of December 16, 2003]

Bodo Uebber

Stuttgart
Services
Appointed until 2006

Internal Directorships

DaimlerChrysler Bank AG
DaimlerChrysler FleetBoard GmbH (Chairman of the Advisory Board)

External Directorships

debis AirFinance B. V.
Toll Collect GbR
Hannover Rückversicherung AG

Deputy member of Board of Management

Dr. Ing. Thomas Weber

Stuttgart
Research & Technology
Appointed until 2005

Retired from the Board of Management

Dr. rer. pol. Manfred Bischoff

Stuttgart
Aerospace & Industrial Business
(retired December 15, 2003)

Dr. jur. Klaus Mangold

Stuttgart
Services
(retired December 15, 2003)

Gary C. Valade

Auburn Hills
Global Procurement & Supply
(retired December 15, 2003)

Supervisory Board

Members of the of the Supervisory Board

Supervisory Board Memberships/ Directorships

Hilmar Kopper

Frankfurt/Main
Chairman of the Supervisory Board
of DaimlerChrysler AG

Unilever N. V.
Xerox Corp.

Chairman

Erich Klemm *)

Sindelfingen
Chairman of the Corporate Works
Council, DaimlerChrysler Group and
DaimlerChrysler AG

Deputy Chairman

Prof. Dr. Heinrich Flegel *)

Stuttgart
Director Advanced Manufacturing Engineering,
DaimlerChrysler AG
(since April 11, 2003)

Nate Gooden *)

Detroit
Vice President of the International Union,
United Automobile Aerospace and Agricultural
Implement Workers of America (UAW)

Earl G. Graves

New York
Chairman and CEO of Earl G. Graves Ltd.

Aetna Life and Casualty Company
AMR Corporation (American Airlines)
Earl G. Graves Ltd.
Federated Department Stores, Inc.
Rohm & Haas Corporation

Members of the of the Supervisory Board

Supervisory Board Memberships/ Directorships

Prof. Victor Halberstadt

Amsterdam
Professor of Public Economics
at Leiden University,
Netherlands

Concertgebouw N. V.
International Advisors Group of Goldman, Sachs & Co.
PA Holdings Ltd., London
Royal KPN N. V.
TPG N. V.

Dr. Thomas Klebe *)

Frankfurt/Main
Director Department for General Shop Floor
Policy and Codetermination, German
Metalworkers' Union (IG Metall)
(since April 11, 2003)

Saarstahl AG

Jürgen Langer *)

Frankfurt/Main
Chairman of the Works Council of the
Frankfurt/Offenbach Dealership,
DaimlerChrysler AG
(since April 11, 2003)

Robert J. Lanigan

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

Helmut Lense *)

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

Peter A. Magowan

San Francisco
President of San Francisco Giants

Caterpillar Inc.
Safeway Inc.
Spring Group plc

Members of the of the Supervisory Board

Supervisory Board Memberships/ Directorships

William A. Owens

Kirkland
Senior Advisor AEA Investors LLC
(since November 4, 2003)

Telstra Corp.
Nortel Networks Corp.
British American Tobacco
Symantec Corp.
Polycom Inc.
Tibco Software Inc.
Cray Inc.
Wireless Facilities Inc.
Viasat Inc.
IDT Corp.
Metal Storm Ltd.
BioLase Technology Inc.

Gerd Rheude *)

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

Udo Richter*)

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

Wolf Jürgen Röder *)

Frankfurt/Main
Member of the Executive Council
of German Metalworkers' Union

Robert Bosch GmbH

Dr. rer. pol. Manfred Schneider

Leverkusen
Chairman of the Supervisory Board of
Bayer AG

Allianz AG
Bayer AG
Linde AG
Metro AG
RWE AG
TUI AG

Members of the of the Supervisory Board

Supervisory Board Memberships/ Directorships

Stefan Schwaab *)

Gaggenau
Vice Chairman of the Corporate Works
Council, DaimlerChrysler Group and
DaimlerChrysler AG,
Vice Chairman of the Works Council
Gaggenau Plant, DaimlerChrysler AG

Bernhard Walter

Frankfurt/Main
Former Chairman of the
Board of Managing Directors
of Dresdner Bank AG

BilfingerBerger AG
Deutsche Telekom AG
Henkel KGaA
KG Allgemeine Leasing GmbH & Co.
mg technologies ag
Staatliche Porzellan-Manufaktur Meissen GmbH
Thyssen Krupp AG
Wintershall AG

Lynton R. Wilson

Toronto
Chairman of the Board of CAE Inc.,
Chairman of the Board of Nortel
Networks Corporation

CAE Inc.
DaimlerChrysler Canada Inc.
Nortel Networks Corp.

Dr. Ing. Mark Wössner

München
Former CEO and Chairman of the
Supervisory Board of Bertelsmann AG

Chairman Citigroup Deutschland
Dussmann AG & Co. KGaA
eCircle AG
Loewe AG
Reuters AG
thorborgnet GmbH & Co. KGaA
Douglas Holding AG

Committees of the Supervisory Board:

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

Hilmar Kopper (Chairman)
Erich Klemm
Dr. rer. pol. Manfred Schneider
Dr. Thomas Klebe

Presidential Committee

Hilmar Kopper (Chairman)
Erich Klemm
Dr. rer. pol. Manfred Schneider
Dr. Thomas Klebe

Audit Committee

Hilmar Kopper (Chairman)
Erich Klemm
Stefan Schwaab
Bernhard Walter

Retired from the Supervisory Board:

Manfred Göbels *)

Stuttgart
Director, Services and Mobility Concept, DaimlerChrysler AG
(retired April 10, 2003)

Peter Schönfelder *)

Augsburg
Chairman of the Works Council, Augsburg Plant, EADS Deutschland GmbH
(retired April 10, 2003)

G. Richard Thoman

New York
Former President and Chief Executive Officer of Xerox Corporation; Managing Partner, Corporate Perspectives
(retired June 6, 2003)

Bernhard Wurl *)

Frankfurt/Main
Responsible for Labor and Codetermination Policy, German Metalworkers' Union
(retired April 10, 2003)

*) Representative of the employees

DaimlerChrysler AG Management Report

The business activities of DaimlerChrysler AG include the development, production and distribution of passenger cars (PC) and commercial vehicles (CV). The predominant brands include Mercedes-Benz and Maybach, with emphasis also on the management of a global automobile group whose other brands include Chrysler, Jeep®, Dodge, Setra, Freightliner, Sterling Trucks, Western Star, Thomas Built Buses and smart.

Global Economy With Unsatisfied Growth

Growth in the global economy was subdued during the first half of the year primarily as a result of geopolitical instability prior to the conflict in Iraq and the spread of the lung disease SARS. The second half of the year saw a slight recovery. As global gross domestic product (GDP) grew by + 3.5 % (p. y. + 3.0 %).

Growth picked up momentum primarily in the United States. Economic activity in the European Union (EU) disappointed and lost virtually all momentum in 2003. Germany's gross domestic product stagnated at - 0.1 % (p. y. + 0.2 %). The economic situation in Japan again showed significant improvement. While above-average growth was recorded in Eastern Europe and some of the newly industrialized countries in Asia, the economy in South America remained unchanged.

Over the course of the year, on average, the Euro gained + 19.6 % (p. y. + 19.0 %) on the US dollar, + 10.1 % (p. y. + 7.0%) on the British pound, and + 10.9 % (+ 8.0 %) on the Japanese yen.

Difficult Automotive Markets Worldwide

The generally unfavorable economic conditions again led to significantly more intense competition in the international automotive industry, both for PC and CV in nearly every market segment.

The reasons for this development included excess capacities worldwide, the renewal of vehicle inventories that had been largely completed in many markets at an earlier stage, and the associated drop in demand for new vehicles.

Despite the generally high sales incentives (in particular discount and rebate programs) in the USA, the previous year's level of PC and off-road vehicle sales could not be matched (- 5.8 %).

The EU PC market recorded a - 1.3 % drop in new registrations compared to the previous year. After the significant drop in new registrations at the beginning of the year the German passenger car market stabilized slightly towards year-end. Nevertheless, new registrations were down by - 0.5 % from the previous year. In 2003, PC sales in Japan rose by + 1.0 % higher than the previous year.

The development in the CV industry was characterized by continued weakness in the North America and EU markets. Demand in Japan received a considerable boost from the new emission standards.

Sales and Production Volume of DaimlerChrysler AG at Previous Year's Level

Thanks to its highly attractive product range, DaimlerChrysler AG was able to build on the previous years' successes despite poor demand on key sales markets in the 2003 financial year.

At + 5.4 %, sales growth in the USA was particularly satisfactory and marks a new record. The EU (excluding Germany) saw sales drop slightly by - 2.0 %. In Germany sales drop down up to - 4.5 %.

Unit sales of new Mercedes-Benz PC were approximately 1,092,000, almost matching the previous year's figure of approximately 1,112,000. Total vehicle sales included approximately 91,000 vehicles that were leased directly to our customers (p. y. approximately 87,000).

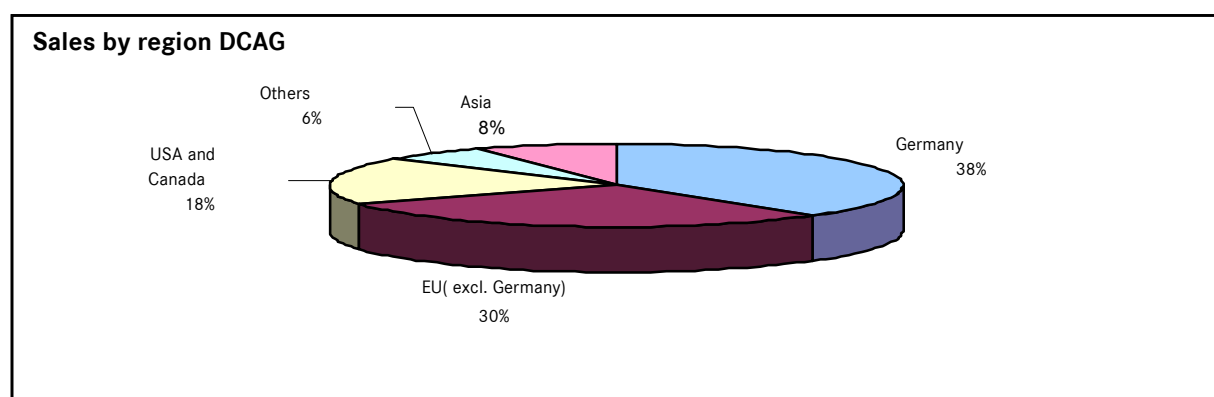
The most significant sales increase to 304,000 units (p. y. 244,000) was achieved by the new E-Class. Sales of both the A-Class and the C-Class dropped because of the upcoming model change (A-Class) and facelift (C-Class) in 2004. Similarly, the M-Class model change scheduled for 2005 caused a drop in sales of approximately 18,000 to approximately 83,000 units. At 109,000 (p. y. 109,000) units, S-Class sales were on a par with the previous year's high level.

With approximately 311,000 vans, trucks and Unimogs, sales of new CV were down by - 0.6% from the previous year's level of approximately 313,000 units. Of this total, approximately 30,000 vehicles (p. y. approximately 26,000) were leased directly to our customers. A slight drop to approximately 225,000 vehicles (p. y. approximately 232,000) was also recorded in the Van business unit. Despite the difficult environment for heavy trucks, sales at the MB Trucks business unit, particular because of the new ACTROS MP II, improved significantly to approximately 84,000 units (p. y. approximately 79,000).

Production was slightly down in the current reporting year. In total, approximately 1,085,000 PC (- 2.8 %) and approximately 305,000 CV (- 0.9 %) rolled off the conveyor belts. Thus, fewer vehicles were manufactured than sold, and inventories could be reduced slightly. Our vehicles are produced both at our domestic plants and - through contract manufacturing - at some of our subsidiaries and special vehicle manufacturing plants.

Overview of Performance Indicators

Performance Indicators				
In million €	2003	2002	2001	Change 2003 - 2002
Revenues	55.439	55.573	55.056	-0,2%
Cost of sales (without R&D)	-44.871	-46.233	-45.125	-2,9%
Gross margin	10.568	9.340	9.931	13,1%
Research and development costs (R&D)	-3.400	-3.337	-2.888	1,9%
Selling/general administrative expenses	-7.417	-7.213	-6.725	2,8%
Other operating expenses/income	197	574	94	-65,7%
Operating result	-52	-636	412	91,8%
Financial result	696	8.130	1.044	-91,4%
Results from ordinary business activities	644	7.494	1.456	-91,4%
Taxes	-764	-1.200	-632	-36,3%
Net loss/income	-120	6.294	824	-101,9%



Revenues Close to Previous Year's Level

In the reporting year, DaimlerChrysler AG revenues were down slightly from the previous year, slipping by -0.2 % from € 55,573 million in 2002 to € 55,439 million.

Revenues in the USA fell to € 9,523 million, down by -7.0 % on the previous year's figure of € 10,194 million. This strong decline, which resulted from exchange rate developments, was partially offset by higher unit sales and higher-quality vehicles. At € 15,179 million, revenues in the European Union (excluding Germany) remained on a par with the previous year's high level (p. y. € 15,297 million).

At € 20,845 million (p. y. € 20,924 million), revenues in Germany fell slightly as a result of the difficult market and economic situation.

The PC Field accounted for € 43,032 million (p. y. € 43,463 million), and the CV Field for € 12,407 million (p. y. € 12,110 million).

Technological Leadership Secured

Research and development expenses remained high as in high previous year. At € 3,400 million (p. y. € 3,337 million), approximately 6 % of our revenues were channeled into securing our future, as in the previous year. The preponderant share of approximately

€ 2,419 million (p. y. € 2,414 million) related to the PC Field, with approximately € 554 million (p. y. € 525 million) being invested in developments in the CV Field. Key areas of the research and development activities in the PC Field related to the new E-Class coupé (CLS), the successor models to the A- and M-Class and the successor model to the SLK. In the CV Field, development activities focused on innovations in the ATEGO and Viano lines.

Furthermore, approximately € 427 million (p. y. € 399 million) was invested in the Group research. As in previous years, the Group research was also conduct research for PC and CV Fields.

Decrease in Workforce

Overall, the number of employees fell slightly to 161,298 as of the end of the year (p. y. 161,668). This minor drop in personnel primarily related to the CV Field. In contrast, the PC Field recorded an increase in employee numbers due to the high research requirements. In Sales and Marketing, the employee situation remained stable.

Increase in Personnel Expenses

Personnel expenses rose to € 10,876 million (p. y. € 10,769 million). Wages and salaries rose by € 429 million to € 8,564 million, primarily due to pay increases. Social security contributions rose significantly by 7 % to € 1,547 million. Pension expenses declined by € 423 million to € 765 million. In particular, this was caused by low, non-scheduled allocations to provisions for pensions (€ 22 million; p. y. € 547 million). In the reporting year, no market-conditioned losses were to be adjusted in the pension assets. However the extent of our obligations rose by a slightly greater extent than earmarked assets. With the addition of € 22 million the Accumulated Benefit Obligation

(ABO) is considered to be within the regulations of the HGB.

In addition to the statutory and employee pension plans, DCAG has offered its employees two deferred compensation pension models since 2002, which allow employees to choose between contributory and non-contributory deferred compensation plans.

Improvement of the Operating Result

The operating result – defined as the results from ordinary activities net of the financial result – was improved by € 584 million to € - 52 million (p. y. € - 636 million) in 2003.

Both the PC Field and Truck Business contributed to the improvement. There was a decline in the Van Business, due in particular to advance capital expenditures for new products and a decline in sales and revenues relating to model lifecycles.

DCAG again generated a positive contribution to its earnings from leasing activities through its subsidiary, DaimlerChrysler Bank AG.

In addition, the operating result was marked by a number of non-recurring effects, as in the previous year.

While 2002 was impacted by an extraordinary allocation to the provisions for retirement and pension plans and restructuring provisions (approximately € 665 million), the reporting year benefited from the new valuation method for inventories (approximately € 583 million). Since LIFO valuation was no longer acceptable for tax reasons, the valuation was also adjusted on the balance of trade. The rental expenses charged to our subsidiary DaimlerChrysler Vermögens- und Beteiligungsgesellschaft mbH (DCVB GmbH) were reduced by approximately € 380 million. The result was also impacted by a class action settlement in the amount of approximately \$ 300 million paid to former Chrysler shareholders in the USA.

Our result was further negatively impacted by the – for an exporter – unfortunately high appreciation of the Euro, particularly against our main foreign currencies, the USA dollar, the British pound, and the Japanese yen. Measures initiated in 2003 to reduce the contractual upper age limit of non-tariff employees from 65 to 60 and provisions for the collective pay framework adjustment fund as a result of the collective pay framework agreement resulted in a further expense of approximately € 224 million.

Drop in Financial Result and Tax Expenses

At € 696 million, the financial result fell sharply as compared to the previous year (€ 8,130 million). This decline is primarily due to lower profit transfers from subsidiaries. The previous year's result at DaimlerChrysler Services AG (€ - 4,388 million) also included income from the disposition of its 49.9 % interest in T-Systems ITS GmbH as a non-recurring effect. The previous year's result of DaimlerChrysler Luft- und Raumfahrt Holding AG (€ - 1,375 million) was also boosted considerably by the disposal of participations. In addition, there was also a decline in distributions by subsidiaries – including in particular DaimlerChrysler North America Holding

Corporation (€ - 519 million). Furthermore, the financial result was marked by a € 481 million increase in writedowns of investments to € 537 million as a result of the writedown of the Mitsubishi stake.

Lower distributions from the special assets Pension Trust also resulted in a drop in the interest result to € -13 million (p. y. € 118 million).

At € 764 million, tax expenses was down from the previous year (€ 1,200 million) since the company and its subsidiaries generated less taxable income in the financial year.

Dividend of € 1.50 Per Share

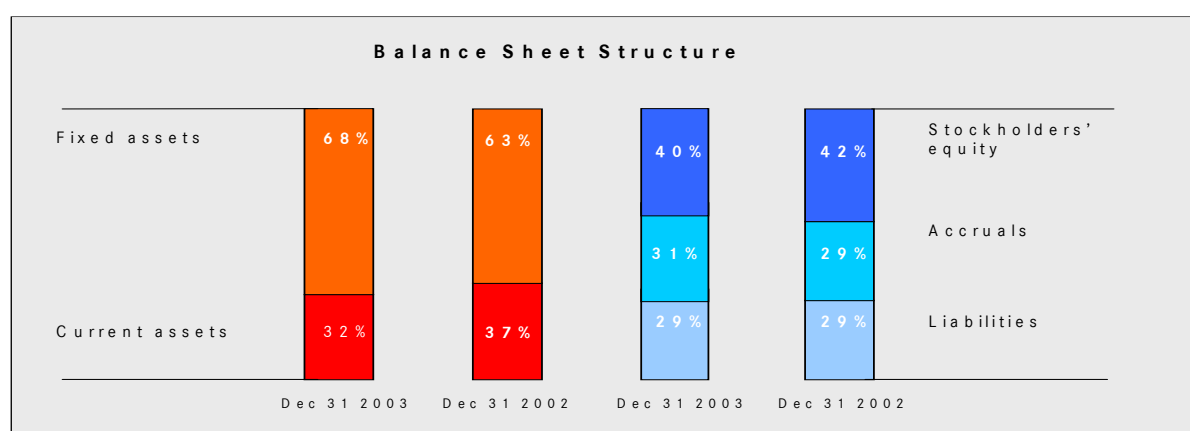
In 2003, DCAG reported a net loss of € 120 million after net income of € 6,294 million in the previous year.

After withdrawals of € 1,639 million from the retained earnings an unappropriated profit of € 1,519 million is established.

At the Annual Meeting on April 7, 2004, we will propose paying a dividend of € 1.50 per share (p. y. € 1.50) for the 2003 financial year. The distribution on the 1,013 million dividend-bearing shares will total € 1,519 million.

Overview of Balance Sheet Indicators

Balance Sheet Indicators				
In million €	2003	2002	2001	Change 2003 - 2002
Fixed assets	37,960	36,058	34,756	5%
Current assets	17,583	20,733	17,260	-15%
Stockholders' equity	22,280	23,918	18,119	-7%
Accruals	16,932	16,298	13,627	4%
Liabilities	16,328	16,584	20,313	-2%
Balance sheet total	55,566	56,816	52,072	-2%



Decrease in Balance Sheet Total

The balance sheet total fell by €- 1,250 million to € 55,566 million (approximately - 2.2 %).

The share of fixed assets at the balance value increased from 63.5 % to 68.4 %. Fixed assets rose by € 1,902 million due to investments in property, plant and equipment and in participations. Current assets declined by €- 3,150 million to € 17,583 million (p. y. € 20,733 million). This was primarily due to a drop in receivables from affiliated companies as a result of reduced borrowing by Group companies. This was partly offset by the rise in inventories, largely as a result of the change in valuation method.

Liabilities remained virtually unchanged. A decline in bonds and commercial papers (€- 1,599 million) due to repayments counterbalanced an increase in trade liabilities as a result of operations and payables to affiliated companies.

In the financial year, provisions rose by € 634 million from € 16,298 million to € 16,932 million, reflecting the greater risks arising in particular from sales activities and personnel obligations. Pension liabilities account for € 7,679 million (p. y. € 7,210 million) of provisions, and provisions for taxes for € 1,583 million (p. y. € 2,274 million), with € 7,670 million (p. y. € 6,814 million) relating to other accruals.

Slight Decline in Equity Ratio

The distribution of the dividend for the 2002 financial year and the negative result of the 2003 financial year have reduced stockholders' equity by - 6.8 %, more strongly than the decline in the balance sheet total (- 2.2 %). As a result, the equity ratio fell to 40.1 % in the reporting year (p. y. 42.1 %).

€ 2.1 Billion Invested in Property, Plant and Equipment

The high level of investments in property, plant and equipment (excluding leased equipment) in previous years was increased significantly to approximately € 2,100 million (p. y. approximately € 1,800 million). Key factors in this development were additional investments in the PC Division of approximately € 1,800 million (p. y. approximately € 1,400 million). Investments in property, plant and equipment in the CV Division totaled approximately € 300 million (p. y. approximately € 400 million). This capital expenditure related mainly to

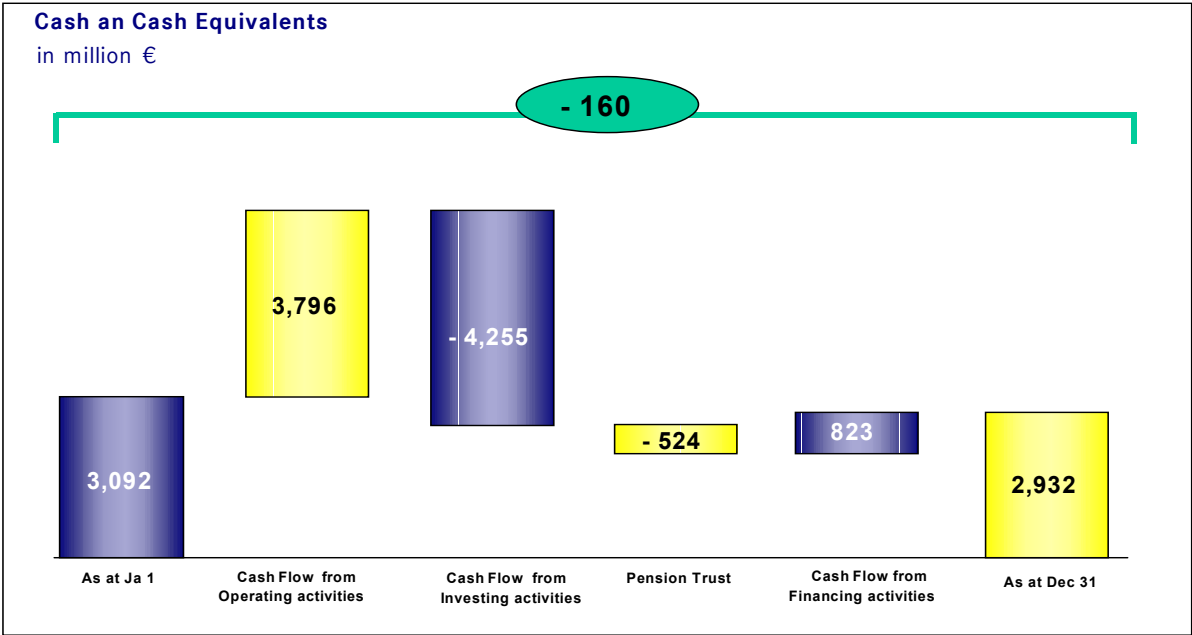
passenger car engine and transmission manufacture (common-rail direct injection and V-engines, automatic transmission), as well as the successor model to the A-Class and the SLK.

As a result of expanding leasing operations **leased equipment** increased by approximately € 332 million to € 3,822 million (p. y. € 3,490 million).

Slight Decrease in Cash and Cash Equivalents

Cash flow from operating activities of approximately € 3,796 million was used for investments in tangible assets, leased equipment and for financial investments of altogether at a value of approximately € 4,255 million. Approximately € 524 million was contributed to pension trust capital. Approximately € 823 million inflow resulted in total from financing Group member companies, debt repayment and dividend distribution.

While down slightly against the previous year at € 2,932 million (p. y. € 3,092 million), cash and cash equivalents are developing in line with our policy.



Cash Flow

DCAG Statement of Cash Flows				
In million €	2003	2002	2001	Change 2003 - 2002
Net income/loss	-120	6.294	824	-6.414
Depreciation and amortization on assets	2.968	2.172	3.191	796
Profit/loss from the disposal of assets	-96	508	330	-604
Changes in stocks	-531	-223	-486	-308
Receivables, liabilities	503	-80	-176	583
Other assets and other liabilities	438	-210	385	648
Provisions	634	2.671	510	-2.037
Cash flow from operating activities	3.796	11.132	4.578	-7.336
Proceeds from disposal of fixed assets	4.586	4.677	3.839	-91
Payments for additions to fixed assets	-8.841	-7.654	-7.241	-1.187
Pension Trust	-524	-522	145	-2
Cash flow from investment activities	-4.779	-3.499	-3.257	-1.280
Change in commercial paper borrowings, short-term financial liabilities	-1.383	-2.478	3.072	1.095
Addition to/repayment of long-term financial liabilities	3.724	-3.775	-437	7.499
Paid dividend	-1.519	-1.003	-2.358	-516
Issuance/acquisition of treasury stock	1	508	1	-507
Cash flow from financing activities	823	-6.748	278	7.571
Changes in cash and cash equivalents affecting cash	-160	885	1.599	-1.045
Cash and cash equivalents at beginning of period	3.092	2.207	608	885
Cash and cash equivalents at end of period	2.932	3.092	2.207	-160

Restructuring of Investments

The company continued its strategy of focusing on the automotive business by selling MTU Aero Engines to the US financial investor KKR Kohlberg, Kravis and Roberts. Within the Group, DaimlerChrysler AG acquired 11 financial services companies from DaimlerChrysler Services AG.

Furthermore, investments were either transferred or sold to DaimlerChrysler Vermögens- und Beteiligungsgesellschaft mbH.

The investments were transferred at market value.

Early Detection and Systematic Management of Future Development Risks

Within the scope of its operating activities in the Passenger and CV divisions, and in its capacity as the parent company of DaimlerChrysler Group, DaimlerChrysler AG is exposed to a variety of risks, which are inextricably linked with corporate business.

Integrated Risk Management System

Effective management and control instruments, combined within a uniform risk management system which is continuously improved to satisfy statutory regulations, are deployed for the early detection, evaluation and rigorous management of risks. The risk management system is an integral part of the

overall planning, control and reporting process in all relevant legal units and central functions. It is aimed at the systematic detection, assessment, controlling and documentation of risks. Taking defined risk categories into account, risks are identified by the management of the business units and segments and the key associated companies and assessed with respect to the probability of occurrence and the possible extent of damage. The communication and reporting of relevant risks is controlled by value limits set by management. The management is also responsible for the development and initiation of measures as required to avoid, reduce and prevent risks. The development of both the key risks and countermeasures implemented is monitored within the framework of continuous controlling processes throughout the year.

Compliance with uniform Group guidelines, as defined in a risk management manual applicable for the entire Group, is checked by the internal audit department. In addition, external auditors test the early risk detection system integrated into the risk management system for its fundamental suitability for early detection of developments that could jeopardize the continued existence of the company.

Risks from Overall Economic Development

After the first six months of the year, which continued to be affected by global uncertainty on the part of investors and consumers caused partly by the Iraq crisis and the SARS lung disease, a moderate economic upturn was in sight. Simultaneously, however, it also became apparent that the world economy is still vulnerable to disruptions and that the confidence crisis is still not completely over. At the same time, this is connected with considerable uncertainty as to the actual degree of the economic upswing expected for 2004, especially in EU and Latin America. Thus, the economic risks for the development of earnings

at DaimlerChrysler AG have not changed significantly.

The greatest risks for the global economy are to be seen in a new global crisis of confidence (e.g. triggered by terrorist activity or slumps on the stock market etc.) and in a sustained drop in domestic demand in the USA. A sharp fall in domestic demand in the USA could be sparked by factors such as reluctant consumer spending or the correction of the immense trade deficit relative to the drastic fall in the US dollar.

The economically disappointing development of the EU, in particular in Germany, holds considerable risk potential due to its continuing structural causes and its importance as a market.

The same applies to the Japanese economy, which, whilst it developed better than expected in 2003, has in no way freed itself of structural constraints. A backslide in the Japanese economy would not only have a considerable negative impact on earnings performance at the Group's key strategic alliance partners, Mitsubishi Motors Corporation and Mitsubishi Fuso Truck and Bus Corporation, but also spread to the newly industrializing countries in Asia due to the possible negative knock-on effects.

A renunciation of the multilateral liberalization of trade in favor of more national trading practices would bring about risks in accessing markets and thus hamper the Group's globalization strategy.

A geographically contained risk potential exists in sustained crises in a number of newly industrializing countries. A slump in growth in China, however, would be of particular relevance to corporate strategy, as this country is the most dynamic automotive market for the future to date.

Industry- and Company-specific Risks

The continued weakness of overall economic development and restrained consumer behavior also had a negative effect upon the automobile industry. The sales regions of the European Union and the NAFTA region would bear the brunt. In the USA, which remains the main motor driving the world economy, the strong competitive pressure on the automobile market over the last few years have led to increasingly comprehensive financing offers and incentives to boost sales. These in turn have brought earnings down and put sustained pressure on prices in the used vehicles market. Continued weak economic development in the USA could render the further application of financing offers and incentives to boost sales in a similar or even more pronounced form necessary. There are also growing indications of the use of financing offers and incentives to boost sales on the West European passenger car markets. DaimlerChrysler AG is responding to these trends by offering innovative products and services and with its distinctive policy of quality along the entire added-value chain. In addition, the increasingly individual customer requirements are being taken into account by extending the range of products and services.

General legal and political conditions are further significant factors for the future business success of DaimlerChrysler AG. Emissions and fuel economy regulations and the development of energy prices in particular are of decisive significance. The Group is monitoring the general conditions and tries to anticipate foreseeable requirements in the product development process.

The main success factors for DaimlerChrysler AG are its products and harmonized range of services. The innovative strength of research and development and the efficiency increases induced by competition play an indispensable part in this, as well as in preserving the high standards of quality. Procurement risks are met by DaimlerChrysler AG

through targeted commodity and supplier risk management measures. Production risks are appropriately secured.

In the competition for qualified specialized and managerial staff in regard of the strategic orientation of the Group, central importance is assigned to recruitment and retention of employees in the engineering professions and to the readiness of staff to be deployed in the Asian region.

Other operating risks, such as risks relating to information technology, play a less important role.

The international alignment of the company's business operations and the procurement of capital are linked to credit, exchange rate and interest rate risks. DaimlerChrysler AG counters these risks with appropriate market analyses and by employing derivative financial instruments.

Due to the commitment of DaimlerChrysler Services AG to the development of an electronic toll-collection system for certain CV, the Group is exposed to a large number of risks that could negatively impact its asset, financial and earnings situation. The system is being developed by the consortium Toll Collect GbR, while the company Toll Collect GmbH ("Toll Collect"), in which DaimlerChrysler Services AG has a 45 % stake as of the balance sheet date, should set up and manage the system.

Essentially, these risks include further contractual penalties to be assumed by the shareholders of Toll Collect GmbH and technical deficiencies of the system that could cause significant further delays to the system startup. A termination of the contract on the part of the Federal Transport Ministry could also have a considerable negative influence on the asset, financial and earnings situation of the Group.

With regard to subsidiaries and investments in related companies, the company carries a pro rata share of the risk in line with its investment stake. In the case of the participation in Mitsubishi Motors

Corporation, these risks mainly relate to the absence of fresh capital injections from the shareholders and in sales risks resulting from the overall economic development in Japan and in the NAFTA region. Equally, sales losses could occur at EADS from a reduced airline demand due to sustained low passenger numbers, particularly on intercontinental routes.

The relationships with our subsidiaries may also be increasingly burdened by statutory and contractual contingencies (in particular, financing). Due to the difficult market environment in the USA, this relates in particular to the future development of DaimlerChrysler Corporation, Auburn Hills.

Rating

In 2003 DaimlerChrysler AG commissioned the Fitch Ratings agency to determine long- and short-term ratings for the Group. DaimlerChrysler AG thus kept pace with the developments that have seen Fitch Ratings establish itself as the third major international rating agency over the last few years alongside Standard & Poor's and Moody's Investors Service, with ratings from Fitch Ratings increasingly gaining importance for investors when making investment decisions. The first ratings, announced in July 2003 were BBB+ for the long-term rating with a stable outlook and F2 for the short-term rating. Both ratings were confirmed by Fitch Ratings in October this year, after the figures for the third quarter of 2003 were published.

In particular due to the diminished prospects for the Chrysler Group as a consequence of fierce competition on the US market, from Standard & Poor's perspective, on October 21, 2003 Standard & Poor's lowered the long term-rating for the DaimlerChrysler Group from BBB+ to BBB. The outlook was left at negative. The short-term rating of A-2 was confirmed by Standard & Poor's.

The long-term rating of Moody's Investors Service remained unchanged at A3 with a negative outlook in 2003; the short-term rating was also unaltered and remained at P-2.

A downgrading of individual ratings could lead to higher capital costs.

Legal Proceedings

Various legal proceedings are pending against the Group. DaimlerChrysler believes that such proceedings in the main constitute ordinary routine litigation incidental to our business.

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

Three purported class action lawsuits are pending in various U.S. and Canadian courts that allege that the paint applied to 1982-1997 model year Chrysler, Plymouth, Jeep® and Dodge vehicles delaminates, peels or chips as the result of defective paint, paint primer, or application processes. Plaintiffs seek compensatory and punitive damages, costs of repair or replacement,

attorneys' fees and costs. Seven other previously reported class action lawsuits regarding paint delamination have been dismissed.

Like other companies in the automotive industry, we (primarily DaimlerChrysler Corporation) have experienced a growing number of lawsuits which seek compensatory and punitive damages for illnesses alleged to have resulted from direct and indirect exposure to asbestos used in some vehicle components (principally brake pads). Typically, these suits name many other corporate defendants and may also include claims of exposure to a variety of non-automotive asbestos products. A single lawsuit may include claims by multiple plaintiffs alleging illness in the form of asbestosis, mesothelioma or other cancer or illness. The number of claims in these lawsuits increased from approximately 14,000 at the end of 2001 to approximately 28,000 at the end of 2003. In the majority of these cases, plaintiffs do not specify their alleged illness and provide little detail about their alleged exposure to components in our vehicles. Some plaintiffs do not exhibit current illness, but seek recovery based on potential future illness. In 2001, we and other automobile manufacturers asked the federal bankruptcy court in Delaware overseeing the bankruptcy proceedings of an automotive supplier, Federal-Mogul Corporation, to consolidate all of the asbestos brake cases pending in state courts throughout the U. S. with the asbestos brake litigation involving Federal Mogul supervised by the bankruptcy court. We believed that consolidation would reduce the cost and complexity of defending these individual cases. In 2002, the bankruptcy court decided that it did not have the authority to consolidate these cases, and the U. S. Court of Appeals upheld that decision. The U. S. Supreme Court in January 2003 denied our request and that of other manufacturers to review the decision. We believe that many of these lawsuits involve unsubstantiated illnesses or

assert only tenuous connections with components in our vehicles, and that there is credible scientific evidence to support the dismissal of many of these claims. Although our expenditures to date in connection with such claims have not been material to our financial condition, it is possible that the number of these lawsuits will continue to grow, especially those alleging life-threatening illness, and that the company could incur significant costs in the future in resolving these lawsuits.

The Antitrust Division of the U.S. Department of Justice, New York Regional Office, opened a criminal investigation in connection with the allegations made in a lawsuit filed in 2002 in the United States District Court for the District of New Jersey against our subsidiary Mercedes-Benz USA, LLC (MBUSA), and its wholly-owned subsidiary Mercedes-Benz Manhattan, Inc. The Department of Justice advised those companies in the third quarter of 2003 that it had closed the investigation and will take no further action. The lawsuit, certified as a class action in 2003, alleges that those companies participated in a price fixing conspiracy among Mercedes-Benz dealers. MBUSA and Mercedes-Benz Manhattan will continue to defend themselves vigorously.

DaimlerChrysler received a "statement of objections" from the European Commission on April 1, 1999, which alleged that we violated EC competition rules by impeding cross-border sales of Mercedes-Benz passenger cars to final customers in the European Economic Area. In October 2001, the European Commission found that we infringed EC competition rules and imposed a fine of approximately €72 million. DaimlerChrysler's appeal against this decision is still pending before the European Court of Justice.

In 2003 approximately 80 purported class action lawsuits alleging violations of antitrust law were filed against DaimlerChrysler and several of its U. S. subsidiaries, six other motor vehicle manufacturers, operating subsidiaries of those companies in both the United States and Canada, the National Automobile Dealers Association and the Canadian Automobile Dealers Association. Some complaints were filed in federal courts in various states and others were filed in state courts. The complaints allege that the defendants conspired to prevent the sale to U. S. consumers of vehicles sold by dealers in Canada in order to maintain new car prices at artificially high levels in the U. S. They seek treble damages on behalf of everyone who bought or leased a new vehicle in the U. S. since January 1, 2001. DaimlerChrysler believes the complaints against it are without merit and plans to defend itself against them vigorously.

DaimlerChrysler's subsidiary, DaimlerChrysler Services North America LLC (DCSNA) is subject to various legal proceedings in federal and state courts, some of which allege violations of state and federal laws in connection with financing motor vehicles. Some of these proceedings seek class action status, and may ask for compensatory, punitive or treble damages and attorneys' fees. In October 2003, the Civil Rights Division of the Department of Justice and the United States Attorney's Office for the Northern District of Illinois advised that they are initiating an investigation of DCSNA's credit practices that focuses on DCSNA's Chicago Zone Office. The investigation follows a lawsuit filed in February, 2003, against DCSNA in Chicago with the United States District Court for the Northern District of Illinois that alleges that the DCSNA Chicago Zone Office engaged in racially discriminatory credit and collection practices in violation of federal and state laws. In that lawsuit, six individuals filed a purported class action complaint on behalf of African-Americans in the

region alleging that they were denied vehicle financing based on race. They seek compensatory and punitive damages, and injunctive relief barring discriminatory practices. The lawsuit was later amended to include Hispanic-Americans. DCSNA believes that its practices are fair and not discriminatory. DCSNA intends to defend itself vigorously against these claims.

As a member of a consortium that has agreed to develop, install and operate a toll collection system for German highways, the affiliate of DaimlerChrysler, DaimlerChrysler Services and the other consortium members have received a claim for damages from the Federal Republic of Germany. The government is seeking reimbursement of revenues lost due to the delay in completion of the system. The Federal Republic of Germany is claiming €156 million per month from September 1 through December 31, 2003 and € 180 million per month thereafter. The Federal Republic of Germany is also seeking contractual penalties of approximately € 680 million, based on a claim that the consortium members did not obtain the government's consent before entering into several sub-suppliers contracts. In addition the Federal Republic of Germany is claiming other time-dependent contractual penalties. DaimlerChrysler believes the government's claims are without merit and DaimlerChrysler intends to defend itself vigorously against these claims. The agreement between the consortium members and the Federal Republic of Germany calls for submission of all disputes related to the toll collection system to arbitration. The Federal Republic of Germany has clearly indicated that it will submit these claims for arbitration.

Freightliner LLC, DaimlerChrysler's North American commercial vehicles subsidiary, acquired in September 2000 Western Star Trucks Holdings Ltd., a Canadian company engaged in the design,

assembly, and distribution of heavy duty trucks and transit buses. Prior to its acquisition by Freightliner, Western Star had completed the sale of ERF (Holdings) plc, a company organized in England and Wales and engaged in the assembly and sale of heavy duty trucks, to MAN AG and MAN Nutzfahrzeuge AG for CAD 195 million. In September 2002, MAN filed a claim against Freightliner Ltd. (formerly Western Star) with the London Commercial Court for breach of representations and warranties in the share purchase agreement, alleging that ERF's accounts and financial statements were misstated. MAN seeks damages in excess of GBP 300 million. Freightliner Ltd. intends to defend itself vigorously against such claims and has filed a contribution claim against Ernst & Young, ERF's auditors, with the London Commercial Court in the second quarter of 2003.

On April 30, 2001, we sold our subsidiary, DaimlerChrysler Rail Systems GmbH, (also known as Adtranz), to Bombardier, Inc., for cash consideration of \$725 million. In July 2002, Bombardier filed a request for arbitration with the International Chamber of Commerce in Paris, and asserted claims for sales price adjustments under the terms of the sale and purchase agreement as well as claims for alleged breaches of contract and misrepresentations. Bombardier seeks total damages of approximately €960 million. The agreement limits the amount of such price adjustments to €150 million, and, to the extent legally permissible, the amount of other claims to an additional €150 million. DaimlerChrysler continues defending against such claims vigorously.

In the fourth quarter of 2000, Tracinda Corporation filed a lawsuit in the United States District Court for the District of Delaware against DaimlerChrysler AG and some of the members of

its supervisory board and board of management (Messrs. Kopper, Prof. Schrempp and Gentz). Shortly thereafter, other plaintiffs filed a number of actions against the same defendants, making claims similar to those in the Tracinda complaint. Two individual lawsuits and one consolidated class action lawsuit were originally pending. The plaintiffs, current or former DaimlerChrysler shareholders, alleged that the defendants violated U.S. securities law and committed fraud in obtaining approval from Chrysler stockholders of the business combination between Chrysler and Daimler-Benz in 1998. The consolidated class action complaint contained additional allegations that were later dismissed. In March 2003, the Court granted Mr. Kopper's motion to dismiss each of the complaints against him on the ground that the Court lacked jurisdiction over him. In February 2003, the DaimlerChrysler defendants filed motions seeking summary judgment on all claims in the cases on several grounds, including that the claims are barred by the statute of limitations. In June 2003, the Court denied defendants' motion relating to the statute of limitations. In August 2003, DaimlerChrysler agreed to settle the consolidated class action case for \$300 million (approximately €240 million adjusted for currency effects), and shortly thereafter, DaimlerChrysler concluded a settlement with Glickenhau, one of the two individual plaintiffs. On February 5, 2004, the Court issued a final order approving the settlement of the consolidated class action case and ordering its dismissal. The settlements did not affect the case brought by Tracinda, which claims to have suffered damages in the range of \$856 million to \$1.28 billion. In November 2003, the Court denied the remaining aspects of defendants' motion for summary judgment. The Tracinda case went to trial in December 2003 and continued for approximately two weeks. Trial of the case was suspended with approximately two days of trial time remaining while the parties addressed a discovery issue in a

separate hearing. The trial reconvened on February 9, 2004, and was completed February 11, 2004. It is difficult to predict when the Court might render a decision, although DaimlerChrysler doubts it will be before the fourth quarter of 2004.

In 2002 several lawsuits were filed asserting claims relating to the practice of apartheid in South Africa before 1994. More specifically, on November 11, 2002, the Khulumani Support Group (which purports to represent 32,700 individuals) and several individual plaintiffs filed a lawsuit captioned *Khulumani v. Barclays National Bank Ltd.*, Civ. A. No. 02-5952 (E. D. N. Y.) in the United States District Court for the Eastern District of New York against 22 American, European, and Japanese companies, including DaimlerChrysler AG and Daimler-Benz Industrie. The lawsuit purports to relate to the period from 1960 to 1993. On November 19, 2002, another putative class action lawsuit, *Ntsebeza v. Holcim Ltd.*, No. 02-74604 (RWS) (E. D. Mich.), was filed in the United States District Court for the Eastern District of Michigan against four American and European companies, including DaimlerChrysler Corporation, and purports to cover the period from 1948 to 1993. Both cases were consolidated for pretrial purposes with several other putative class action lawsuits, including *Digwamaje v. Bank of America*, No. 02-CV-6218 (RCC) (S. D. N. Y.), which had been previously filed in the United States District Court for the Southern District of New York. The *Digwamaje* plaintiffs originally named DaimlerChrysler AG as a defendant, but later voluntarily dismissed DaimlerChrysler from the suit. *Khulumani* and *Ntsebeza* allege, in essence, that the defendants knew about or participated in human rights violations and other abuses of the South African apartheid regime, cooperated with the apartheid government during that period, and benefited financially from such cooperation. Plaintiffs' legal theories include conspiracy, aiding

and abetting violations of international law, unjust enrichment, and unfair and discriminatory labor practices. The plaintiffs seek, among other things, declaratory relief, compensatory and punitive damages, attorneys' fees and costs, the disgorgement of purported illicit profits, an accounting, restitution of the value of defendants' purported unjust enrichment, a constructive trust, and the establishment of an "independent historic commission". They do not quantify damages. On July 14, 2003, a group of defendants named in one or more of the consolidated lawsuits, including *Khulumani* and *Ntsebeza*, filed a motion to dismiss the complaints. The motion was argued on November 6, 2003 and is currently pending before the Court. We intend to continue to defend ourselves vigorously in these suits.

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

Overall Risk

There are no discernible risks that could jeopardize the continued existence of the company.

Outlook

Research institutes are forecasting global economic growth (GDP) of approximately + 3.9 % in 2004. In the USA, it is expected that demand and

production will continue to grow at rate similar to that of the past year. Growth is also expected to gain momentum once more in the EU. In Germany, however, expectations for 2004 have remained low-key, with forecasts of only + 1.5 % growth. More dynamic development is not forecast for EU until 2005. Research institutes are forecasting further GDP growth in Japan (+ 1.8 %) in keeping with the current recovery, albeit at a slower pace. Once South America prevails over the current stagnation and developments in Asia and Eastern Europe take a more encouraging turn, a palpable surge is also expected from the newly industrialized countries from 2004 onwards.

The automotive markets will not remain unaffected by the favorable condition of the total economy. The prospects for the USA are quietly optimistic. The company is assuming that the numbers of new registrations for PC and Light Trucks in the USA will remain constant or rise slightly in the coming year. Similarly, the company is not expecting a far-reaching recovery in the PC Division in the EU in 2004, due to the current poor state of the economy as a whole and continuing consumer restraint. The automotive business is expected to remain weak in Germany in 2004. In the CV sector, the sales markets in North America and the EU appear to have bottomed out. The forecast for gradual economic recovery and the positive effect this will have on investment activity are expected to allow sales figures for these markets to climb steadily. In the German CV sector a stabilizing sales should see for 2004. In contrast, purchases brought forward in 2003 due to new emission standards have reduced growth prospects in Japan.

The unfavorable economic data will also impact the earnings situation of DaimlerChrysler AG. Despite this, we are forecasting that we will match this year's sales and revenues figures as well as a moderately increase of our result in 2004.

Furthermore, we are forecasting significant improvements in earnings in 2005 and 2006, when the second wave of Mercedes-Benz passenger car models comes into its own.

A range of new products, such as the CLS (E-Class coupé) and the successor model of SLK, as well as the successor models of the A- and M-Class and the model improvement of the C-Class, will allow us to maintain our position on most of our market segments.

Research and development expenditure over the next three years is expected to total € 8 billion.

Events After The End of The 2003 Financial Year

On January 15, 2004, DaimlerChrysler entered into a purchase agreement with MMC to acquire an additional 22 % interest in MFTBC for anticipated € 0.4 billion in cash. This transaction is dependant on the approval of the individual governmental and antitrust authorities of the countries concerned. The Group expects the transaction to be consummated in March 2004 and to consolidate MFTBC at that time.

On January 27, 2004, the Toll Collect consortium, in which DaimlerChrysler holds a 45% equity interest, presented to the Federal Minister of Transport, Building and Housing a revised proposal for the completion and operation of an electronic toll collection system for commercial vehicles over 12 t GVW in Germany. In intensive negotiations with representatives from the Federal Ministry of Transport, Building and Housing, the parties could not reach a final agreement with respect to the offer submitted. Negotiations between the parties were primarily focused on contract terms pertaining to contractual commitments and

possible future contract termination options as well as matters regarding the technical risks associated with the toll collection system. On February 17, 2004, the Federal Minister of Transport, Building and Housing announced that the consortium should formally receive notification of termination of the operating agreement. To avoid contract termination, the consortium has the possibility to reach agreement with the Federal Ministry of Transport, Building and Housing within a time period of two months following the receipt of the notification of termination of the operating agreement. A contract termination could have a substantial negative impact on the Company's operating results and financial condition.

The Annual Financial Statements and the Management Report of DaimlerChrysler AG and the Consolidated Statements of DaimlerChrysler AG for the year 2003 will be published in the general bulletin and deposited at the trade register of the district court Stuttgart.

These documents are the English translation of the German "Jahresabschluss" and "Lagebericht", which are the sole authoritative version.