

DAIMLERCHRYSLER

Annual Financial Statements 2004
DaimlerChrysler AG

Balance Sheet of DaimlerChrysler AG

	Notes	12/31/2004	12/31/2003
		€ in millions	€ in millions
ASSETS			
Fixed Assets			
Intangible assets	(1)	55	61
Property, plant and equipment incl. equipment on operating leases, net	(2)	8,793	7,981
Investments and long-term financial assets	(3)	31,407	29,918
		40,255	37,960
Non-fixed Assets			
Inventories	(4)	6,085	5,488
Trade receivables	(5)	1,895	1,840
Receivables from affiliated companies	(5)	4,083	5,833
Other assets	(5)	1,369	1,274
Securities	(6)	1,963	216
Cash and cash equivalents	(7)	2,407	2,932
		17,802	17,583
Prepaid Expenses		16	23
		58,073	55,566
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	11,842
Retained earnings	(8c)	4,257	6,286
Unappropriated profit		1,519	1,519
		20,251	22,280
Accruals			
Accrued pension and similar liabilities	(9)	8,985	7,679
Other accrued liabilities	(10)	9,623	9,253
		18,608	16,932
Liabilities			
Trade liabilities	(11)	4,137	3,794
Liabilities to affiliated companies	(11)	10,641	8,315
Other liabilities	(11)	4,403	4,219
		19,181	16,328
Deferred Income		33	26
		58,073	55,566

Income Statement of DaimlerChrysler AG

	Notes	2004 € in millions	2003 € in millions
Revenues	(12)	56,072	55,439
Cost of goods sold	(13)	(49,993)	(48,271)
Gross profit		6,079	7,168
Selling expenses	(13)	(5,626)	(5,407)
General administrative expenses	(13)	(2,016)	(2,010)
Other operating income	(14)	1,067	780
Other operating expenses	(15)	(274)	(583)
Income from investments in affiliated and related companies	(16)	446	826
Interest income	(17)	523	(13)
Other financial income	(18)	80	(117)
Income from ordinary activities		279	644
Income taxes	(19)	(789)	(764)
Net loss	(20)	(510)	(120)
Withdrawal from retained earnings		2.029	1.639
Unappropriated profit		1,519	1,519

Notes to the Financial Statements of DaimlerChrysler AG

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, 2003. The condensed items of the balance sheet and the income statement are specifically included in the notes to the statements and explained.

The schedule according to § 266 HGB has been modified in order to get a more detailed classification. Receivables from related companies and other assets are aggregated among other receivables and other assets. The other liabilities include liabilities to related companies, notes/bonds and commercial papers, liabilities to financial institutions as well as remaining other liabilities.

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. 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 01/01/2004	Acquisition or Manufacturing Costs			Balance at 12/31/2004
		Additions	Reclassi- fications	Disposals	
€ in millions					
Intangible assets					
Franchises, industrial property rights and similar rights as well as other intangible assets	210	28	2	24	216
Advance payments	1	.	(1)	.	.
	211	28	1	24	216
Property, plant and equipment					
Technical equipment and machinery	5,646	828	401	122	6,753
Other equipment, factory and office equipment	3,928	583	142	162	4,491
Equipment on operating leases, net	5,770	2,924	63	2,225	6,532
Advance payments relating to plant and equipment and construction in process	773	398	(607)	24	540
	16,117	4,733	(1)	2,533	18,316
Financial assets					
Investments in affiliated companies	21,241	2,196	765	182	24,020
Loans to affiliated companies	335	80	-	130	285
Investments in associated and related companies	4,473	49	(765)	531	3,226
Other loans	29	3	-	8	24
Special Assets Pension Trust	5,935	879	-	40	6,774
	32,013	3,207	-	891	34,329
Fixed assets	48,341	7,968	-	3,448	52,861

Balance at 01/01/2004	Depreciation/Write-up				Balance at 12/31/2004	Book Values	
	Additions	Write-up	Reclassi- fications	Disposals		Balance at 12/31/2004	Balance at 12/31/2003
150	34	-	.	23	161	55	60
-	-	-	-	-	-	.	1
150	34	-	.	23	161	55	61
3,504	966	-	.	102	4,368	2,385	2,142
2,684	547	-	(44)	152	3,035	1,456	1,244
1,948	951	-	44	823	2,120	4,412	3,822
-	-	-	-	-	-	540	773
8,136	2,464	-	.	1,077	9,523	8,793	7,981
694	70	-	-	63	701	23,319	20,547
-	2	-	-	-	2	283	335
1,399	819	-	-	1	2,217	1,009	3,074
2	.	.	-	.	2	22	27
-	-	-	-	-	-	6,774	5,935
2,095	891	.	-	64	2,922	31,407	29,918
10,381	3,389	-	-	1,164	12,606	40,255	37,960

Notes to the Balance Sheet of DaimlerChrysler AG

1 Intangible assets

The intangible assets include acquired licenses (EDP-software) and similar rights of € 55 million. Scheduled depreciation amounts to € 34 million.

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

The additions of € 4,733 million include € 2,924 million of leased passenger cars. Further additions consist only of movable equipment.

Scheduled depreciation amounts to € 2,464 million (p. y. € 2,390 million).

3 Investments and long-term financial assets

The interest in affiliated and related companies increased by € 707 million up to € 24,328 million (p. y. € 23,621 million).

The addition is mainly linked to capital increases at subsidiaries particularly of DaimlerChrysler AG & Co. Wertpapierhandel OHG and the acquisition of an additional 22 % share interest in Mitsubishi Fuso Truck and Bus Corporation. Offsetting factors represent the disposition of the Hyundai Motor Company and the Daimler Hyundai Truck Corporation as well as the depreciation especially on the investment in the Mitsubishi Motors Corporation of € 579 million.

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 € 52 million. This development results mainly from repayments of 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

	12/31/2004 € in millions	12/31/2003 € in millions
Raw material and manufacturing supplies	961	851
Work-in-process	840	818
Finished goods and resale products	<u>4,320</u>	<u>3,852</u>
Inventories	6,121	5,521
Advance payments	(36)	(33)
Total	6,085	5,488

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.

5 Receivables and Other assets

	12/31/2004	12/31/2003
	€ in millions	€ in millions
Trade receivables	1,895	1,840
of which due after 1 year	32	17
Receivables from affiliated companies	4,083	5,833
of which due after 1 year	12	64
Receivables from related companies	456	205
of which due after 1 year	80	2
Other assets	913	1,069
of which due after 1 year	3	2
Total of Receivables and Other assets	7,347	8,947
of which due after 1 year	127	85

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 (€ 2,361 million, p. y. € 4,227 million) and the trade relations with domestic and foreign subsidiaries (€ 1,722 million, p. y. € 1,606 million).

The receivables from related companies contain predominantly a receivable from debis AirFinance B. V.

The Other assets contain predominantly tax assets (€ 596 million, p. y. € 563 million), prepaid interests (€ 81 million, p. y. € 213 million) and prepaid option premiums (€ 85 million, p. y. € 80 million).

6 Securities

	12/31/2004	12/31/2003
	€ in millions	€ in millions
Other securities	1,963	216

Other securities contain investments in funds (€ 1,394 million), debt securities (€ 561 million) and equity securities (€ 8 million).

The increase in other securities is mainly caused by the termination of the securities lending of a fund (€ 1,312 million) to DCX.net Holding GmbH in 2001 and by the purchase of Commercial Papers amount to € 452 million.

During the fiscal year, DaimlerChrysler AG purchased a total amount of 848.215 treasury stocks with a corresponding nominal value of € 2,205,359 which represents about 0,08 % of total capital stock. The average purchase price of these shares was € 35.44. The purpose of the acquisition of these shares was the company's employee share purchase program. 725,777 treasury shares (corresponding nominal value € 1,887,020) were sold immediately to employees. An additional 121,290 shares (corresponding nominal value: € 315,354) were sold to group companies at acquisition cost for resale to their employees.

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

Period	Subscription price per share (€)
March-April 2004	33.81
June-July 2004	36.04
October-December 2004	33.25

Additionally, DaimlerChrysler AG granted graded benefits. An employee purchasing 5 shares received a benefit of € 67.50, the purchase of 10 to 30 shares lead to a benefit of € 135. Employees who bought at least 15 shares received a bonus share exempt from any charges in addition.

The table below provides an overview of the disposition of treasury shares:

	Date of disposition	Number of shares	Nominal value	Average share price
Disposition on the stock exchange	March	425	1,105 €	34.05 €
	July	23	about 60 €	36.57 €
Disposition to Deutsche Bank AG	November	16	about 42 €	33.90 €
	December	684	about 1,778 €	35.60 €

At the balance sheet date no treasury stocks are held by DaimlerChrysler AG.

7 Cash and cash equivalents

Cash and cash equivalents amount to € 2,407 million (p. y. € 2,932 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 (€ 1,963 million) as well.

8 Stockholders' equity

	12/31/2004	12/31/2003
	€ in millions	€ in millions
Capital Stock	2,633	2,633
Additional paid-in capital	11,842	11,842
Retained earnings	4,257	6,286
Unappropriated profit	1,519	1,519
Stockholders' equity	20,251	22,280

a) Capital stock

	Number	€
Capital stock December 31, 2003	1,012,824,191	2,633,342,897
Capital stock December 31, 2004	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 in 1998. 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 the context of the stock based compensation arrangements offered to the management, in the 1996 - 1998 periods 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, 2004 notes with a total par value of € 117,597.13 equivalent to 46,230 new DaimlerChrysler shares, had not yet been converted. In 2004 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 2004 five 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 from April 2002 to April 2007. The maturity period of the tranches accounts each for ten years. At the end of this period the unexercised options will lapse.

Stock Option Plan 2000

Tranche	2000	2001	2002	2003	2004
Strike price of the option per share, €	74.76	66.96	51.52	34.40	43.57
Reference price, €	62.30	55.80	42.93	28.67	36.31
Variable payment, €	12.46	11.16	8.59	5.73	7.26
Outstanding options, as of December 31, 2004	13,511,320	17,207,035	18,916,470	19,365,160	17,473,125

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 12/31/2004, €	300,000,000	40,431,718	40,689,870	249,600,000	630,721,588
Balance at 12/31/2004, €	115,384,615	15,550,661	15,649,950	96,000,000	242,585,226
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
12/31/2004, €	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 7, 2005.

b) Additional paid-in capital

The amount of additional paid-in capital is € 11,842 million.

c) Retained earnings

	12/31/2004 € in millions	12/31/2003 € in millions
Retained earnings	4,257	6,286

Retained Earnings amount to € 4,257 million. As of December 31, 2004, € 2,029 million have been withdrawn from retained earnings to compensate Net loss and for allocation into unappropriated profit.

9 Accrued pension and similar liabilities

	12/31/2004 € in millions	12/31/2003 € in millions
Pension liabilities	8,985	7,679

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 2004 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 5.25 % (p. y. 5.75 %), a long-term rate for increasing remunerations from 2004 on of 3.0 % (p. y. 3.0 %), an increase in living costs of 1.25 % (p. y. 1.75 %) and an expected long-term rate of return on plan assets (DaimlerChrysler Unterstützungskasse) of 7.5 % (p. y. 7.5 %).

Since the Accumulated Benefit Obligation (ABO) has to be reported as a Minimum Pension Liability, an additional allocation to pension liabilities totaling € 966 million (p. y. € 22 million) was made. The valuation of ABO is based upon the discount rate of 4.75 % (p. y. 5.25 %) and the estimated annual increase of cost of living of 1.5 % (p. y. 1.25 %).

10 Other accrued liabilities

	12/31/2004 € in millions	12/31/2003 € in millions
Accrued taxes	1,855	1,583
Other accrued liabilities	7,768	7,670
	9,623	9,253

The Accruals recorded for income and other taxes relate mainly to income taxes for 2004 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.

11 Liabilities

	12/31/2004		12/31/2003	
	€ in millions	€ in millions	€ in millions	€ in millions
Notes/Bonds and Commercial Paper		1,600		2,431
of which due in less than 1 year	1,464		1,485	
of which due in more than 5 years	108		108	
of which are convertible	.		.	
Liabilities to financial institutions		1,328		81
of which due in less than 1 year	1,296		57	
of which due in more than 5 years	25		24	
Trade Liabilities		4,137		3,794
of which due in less than 1 year	4,136		3,793	
of which due in more than 5 years	.		.	
Liabilities to affiliated companies		10,641		8,315
of which due in less than 1 year	10,449		8,123	
of which due in more than 5 years	-		-	
Liabilities to related companies		33		39
of which due in less than 1 year	33		39	
of which due in more than 5 years	-		-	
Other Liabilities		1,442		1,668
of which due in less than 1 year	1,437		1,668	
of which due in more than 5 years	.		-	
of which are tax liabilities	126		140	
of which are obligations concerning social security	321		301	
Total of liabilities		19,181		16,328
of which due in less than 1 year	18,815		15,165	
of which due in more than 5 years	133		132	

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 (€ 10,362 million, p. y. € 7,886 million) and the trade relations with domestic and foreign subsidiaries (€ 279 million, p. y. € 429 million).

The notes/bonds concern Commercial Papers (€ 655 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

12 Revenues

	2004 € in millions	2003 € in millions
Revenues classified by type:		
Passenger cars	41,147	43,032
Commercial vehicles	14,925	12,407
	56,072	55,439
Revenues classified by region:		
Domestic	20,029	20,845
Foreign	36,043	34,594
	56,072	55,439
Allocation of foreign revenues:		
EU-Member countries	16,417	15,179
Rest of Europe	2,477	2,641
North America	9,794	9,991
Asia	4,785	4,592
Africa	1,237	958
Australia	609	673
Latin America	724	560

13 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 € 3,239 million (p. y. € 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 € 12 million (p. y. € 11 million).

14 Other operating income

Other operating income € 1,067 million includes income from charged-out costs, other deliveries and services as well as rent and lease returns.

Other operating income includes € 451 million (p. y. € 246 million) of income allocable to prior financial periods and include mostly income from the release of reserves and accruals.

15 Other operating expenses

Other operating expenses € 274 million include additions to accruals as well as rental expenses.

Other operating expenses contain € 59 million (p. y. € 54 million) of expenses allocable to prior financial periods and include expenses related to asset disposals and of charged-off receivables.

16 Income from investments in affiliated and related companies

	2004	2003
	€ in millions	€ in millions
Income from profit and loss transfer agreements	1,220	1,030
thereof: DC-Grund DaimlerChrysler Verwaltungsgesellschaft für Grundbesitz mbH	413	
DaimlerChrysler Ludwigsfelde GmbH	267	
DaimlerChrysler Vermögens- und Beteiligungsgesellschaft mbH	249	
Expenses related to loss assumption	(1,020)	(617)
Income from tax allocations	26	632
Income from affiliated companies	832	147
Income from related companies	29	21
Depreciation of investments in affiliated and related companies	(889)	(537)
Write-up of investments in affiliated and related companies	0	1
Earnings from disposals of investments in affiliated and related companies	260	169
Losses from disposals of investments in affiliated and related companies	(12)	(20)
	446	826

The investment income contains 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 higher loss assumptions from smart gmbh and from DaimlerChrysler Services AG. The gain transfer from DaimlerChrysler Vermögens- und Beteiligungsgesellschaft mbH (€ 249 million, p. y. € 611 million) declined due to lower rents paid by DCAG. Additionally, higher depreciations of investments enforce the investment income decline, especially the depreciation of the investment in the Mitsubishi Motors Corporation (€ (579) million, p. y. € (500) million). Tax reallocations decreased by € 606 million compared to € 26 million in the previous year due to the resolution to refrain from tax reallocations from tax consolidated companies. The remaining tax reallocations reflect income tax reallocations from companies with minority interests.

The income from affiliated companies emerged conversely. This is mainly affected by higher distributions from DaimlerChrysler UK Holding plc. (€ 180 million, p. y. € 0 million) and DaimlerChrysler Espana Holding S. A. (€ 180 million, p. y. € 0 million) as well as the dissolution of the accrual for DC Rail Systems GmbH (€ 120 million).

The earnings from the disposal of investments in affiliated and related companies evolve essentially from the disposal of the investment in Hyundai Motor Company (€ 252 million).

17 Interest income

	2004		2003	
	€ in millions	€ in millions	€ in millions	€ in millions
Income from other securities and loans of financial assets		13		22
thereof from affiliated companies	13		22	
Other interest and similar income		818		727
thereof from affiliated companies	194		327	
Interest and similar expenses		(858)		(772)
thereof from affiliated companies	(720)		(561)	
Income from Pension Trust		550		10
		523		(13)

The increase in the interest income mainly results from distributions of special funds in the Special Assets Pension Trust (€ 545 million). Interest income contains interest income (€ 633 million) and interest expenses (€ 632 million) of interest rate swaps with banks and in particular with DaimlerChrysler North America Holding Corporation.

18 Other financial income

	2004	2003
	€ in millions	€ in millions
Losses from sales of securities	.	(11)
Write-offs of securities (short term assets)	(1)	(1)
Write-ups of securities (short term assets)	21	.
Loss from / write-ups of security loans	(133)	16
Other income / expenses	184	(215)
Other financial income Pension Trust	9	94
	80	(117)

The positive other financial income stems predominantly from positive currency results up to € 247 million (p. y. € (103) million) due to positive currency effects of an interest currency swap transaction amounting to € 351 million (p. y. € (340) million), additions to accruals for risks from currency transactions (€ 40 million) and positive currency effects from the amortization of a bond (€ 200 million) in the previous year. The decline of the other financial income Pension Trust is mainly caused by the sale of securities.

19 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, Evo Bus GmbH and DaimlerChrysler Ludwigsfelde GmbH.

Taxes on corporate income and business profits, which aggregated € 789 million (p. y. € 764 million), include € 459 million of tax prepayments and additions to tax accruals for 2004 and € 319 million for previous years, additionally € 11 million of other income taxes.

20 Net loss

In the fiscal year 2004, Net loss was € (510) million. Unappropriated profit amounts to € 1,519 million after a withdrawal of € 2,029 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

	2004 € in millions	2003 € in millions
Wages and salaries	8,539	8,564
Social contributions	1,585	1,547
Pension costs	1,645	765
	11,769	10,876
Personnel (annual average)	Number	Number
Hourly employees	97,785	97,945
Salaried employees	55,188	54,379
Trainees/Apprentices	10,518	10,191
Annual average	163,491	162,515
Personnel as of 12/31/2004	163,369	161,298

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

The pension costs include 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 accruals totaling € 966 million (p. y. € 22 million) was made.

Cost of materials

	2004 € in millions	2003 € in millions
Cost of raw materials, supplies, and purchased goods	34,678	33,122
Cost of purchased services	8,571	8,563
	43,249	41,685

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.

	12/31/2004 € in millions	12/31/2003 € in millions
Nominal value		
Commodity futures contracts	77	89
Currency hedging contracts	20,819	26,220
Interest hedging contracts	4,058	10,261
	24,954	36,570

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 futures 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.

	12/31/2004		12/31/2003	
	Book Value € in millions	Market Value € in millions	Book Value € in millions	Market Value € in millions
Asset accounts				
Commodity futures contracts	-	9	-	12
Currency hedging contracts	57	1,291	67	2,388
Interest hedging contracts	-	196	-	1,028
	57	1,496	67	3,428
Liability accounts				
Commodity futures contracts	(3)	(3)	-	-
Currency hedging contracts	(129)	(151)	(65)	(301)
Interest hedging contracts	(9)	(198)	(10)	(730)
	(141)	(352)	(75)	(1,031)
Total	(84)	1,144	(8)	2,397

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.

The fair values of forward foreign exchange contracts were based on European Central Bank reference exchange rates adjusted for the respective interest rate differentials. Currency and interest rate options were valued on the basis of quoted market prices or on estimates based on option pricing models. The fair values of existing instruments to hedge interest rate risks (e. g. interest swap agreements, interest currency swap agreements) were estimated by discounting expected cash flows using market interest rates over the remaining term of the instrument.

Contingent liabilities

	12/31/2004 € in millions	12/31/2003 € 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	31,352	33,279
Payment guarantees in favor of the holders of the issued Bonds and Euro-Medium-Term-Notes of DaimlerChrysler Canada Finance Inc., Montreal, Canada	3,276	3,127
Payment guarantees in favor of the holders of the issued Bonds and Euro-Medium-Term-Notes of DaimlerChrysler International Finance B. V., Nieuwegein, Netherlands	3,000	3,751
Payment guarantees in favor of the European Investment Bank and of the holders of the issued Bonds of DaimlerChrysler Coordination Center S.C.S./G.C.V., Zaventem, Belgium	1,615	2,465
Payment guarantees in favor of the holders of the issued Bonds and Euro-Medium-Term-Notes of DaimlerChrysler UK Holding plc, London, UK	1,588	1,583
Payment guarantees in favor of the holders of the issued Bonds of DaimlerChrysler Corporation, Auburn Hills, USA	1,339	1,473
Payment guarantees in favor of the holders of the issued Bonds of DaimlerChrysler Australia/Pacific Pty. Ltd., Mulgrave, Australia	621	531
Payment guarantee in favor of the holders of the commitment of Toll Collect GbR, Berlin, Germany	600	-
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 South Africa Pty.Ltd., Pretoria, South Africa	391	353
Payment guarantees in favor of the holders of the commitment of DaimlerChrysler Services North America, L.L.C., Farmington Hills, USA	345	380
Payment guarantees in favor of the holders of the issued Bonds of DaimlerChrysler Japan Holding Ltd., Tokio, Japan	204	91
Payment guarantee in favor of Deutsche Leasing AG of the commitment of Karmann GmbH, Osnabrück, Germany	159	176

Contingent liabilities

	12/31/2004 € in millions	12/31/2003 € in millions
Payment guarantees in favor of the European Investment Bank for the commitment of DaimlerChrysler do Brasil Ltda., Sao Bernardo do Campo, Brazil	135	207
Payment guarantees in favor of the holders of the commitment of DaimlerChrysler (Thailand) Ltd., Bangkok, Thailand	94	61
Commitments of the placement and payment guarantee of DCSF Immobilien Verwaltungsgesellschaft Nr. 4 mbH, Stuttgart, Germany	-	80
Payment guarantees in favor of Commerzbank AG, Gummersbach for the loan collateralization of Tignaris Beteiligungsgesellschaft mbH & Co. Objekt Duisburg/Witten KG, Düsseldorf, Germany	60	82
Commitments of the placement and payment guarantee of DCSF Immobilien Verwaltungsgesellschaft Nr. 6 mbH, Stuttgart, Germany	60	-
Payment guarantees in favor of the KfW for the commitment of DaimlerChrysler Leasing Arrendamento Mercantil S. A., Sao Paulo, Brazil	37	71
Payment guarantees in favor of the KfW for the commitment of DaimlerChrysler de México S. A. de C. V., Mexico City, Mexico	37	45
Payment guarantees in favor of the European Investment Bank for the commitment of DaimlerChrysler Espana Holding S.A., Madrid, Spain	30	-
Payment guarantees in favor of the KfW for the commitment of DaimlerChrysler Services de México S. A. de C. V., México City, Mexico	29	81
Payment guarantees in favor of Chubb Insurance Company of Europe S. A. for the commitment of Bombardier Transportation GmbH, Berlin, Germany	1	193
Payment guarantees in favor of the holders of the commitment of Toll Collect GmbH, Berlin, Germany	-	218
Other guarantees	281	291
Liabilities from other warranty agreements	218	230
Guarantees against domestic and foreign subsidiaries as well as to third parties	800	897
thereof to affiliated companies	114	151
Notes payable	-	-

Payment guarantees of DaimlerChrysler AG declined in the last fiscal year because of exchange rate effects. Additionally, affiliated companies issued fewer bonds, thus payment guarantees of DaimlerChrysler AG decreased significantly.

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 2005 and subsequent years. Claims on future non-estimable equalization payments for 2005 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 (€ 14,014 million) include € 7,907 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 € 5,330 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 proceeding years aggregates € 588 million, as of December 31, 2004. More over, leasing agreements are in existence with 19 property companies at Potsdamer Platz, on which DaimlerChrysler AG can expect costs of € 2,347 million in the future. The rental expense, totaling € 1,173 million, must be paid to the real estate management firms of Mercedes-Benz AG & Co. OHG, Ludwigsfelde, and Daimler-Benz AG & Co. OHG, Ludwigsfelde.

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

DaimlerChrysler AG is liable as joint and several debtor on investments in 30 general partnerships.

Some co-shareholders of joint ventures are provided with tender rights for their shares.

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 € 26.4 million for the Board of Management of DaimlerChrysler AG in 2004, thereof € 9.3 million for fixed components and € 17.1 million for short- and medium-term profit-oriented components.

The Board of Management received overall 1.265.000 Stock Options as a long-term remuneration component in 2004 which result from the option-plan approved by the Annual Shareholders' Meeting in the year 2000. Further information concerning the stock-based compensation is available in the notes to the capital stock (8a). In 2004, the remuneration to retired Board members of DaimlerChrysler AG and to their bereaved families aggregated € 15.2 million. Accrued Pension liabilities to retired Board members and to their bereaved families totaling € 137.6 million

The remuneration to the Supervisory Board of DaimlerChrysler AG amounts to € 2.0 million, as of December 31, 2004.

The Management Board Membership and Supervisory Board Membership are listed on pages 27 to 35.

Proposal on appropriation of retained earnings

The unappropriated profit of DaimlerChrysler AG as of December 31, 2004 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.

Board of Management

Stuttgart-Möhringen, February 21, 2005

Jürgen E. Schrempp

Andreas Renschler

Eckhard Cordes

Thomas W. Sidlik

Günther Fleig

Bodo Uebber

Rüdiger Grube

Thomas Weber

Jürgen Hubbert

Dieter Zetsche

Thomas W. LaSorda^{*)}

^{*)} Deputy Member of Board of Management

Auditors' report to the annual financial statements

We have audited the annual financial statements, together with the bookkeeping system and the management report of DaimlerChrysler AG, Stuttgart, for the business year from January 1 to December 31, 2004. The maintenance of the books and records and 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, together with the bookkeeping system and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB ["Handelsgesetzbuch: German Commercial Code"] and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit such that errors and violations materially affecting the presentation of the net assets, financial position and earnings situation in the annual financial statements in accordance with German generally accepted accounting principles 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 expectations of possible misstatements are taken into account in determining audit procedures. The effectiveness of the internal control system relating to the accounting system and 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 earnings situation of DaimlerChrysler AG in accordance with German generally accepted accounting principles. On the whole, the management report provides a suitable understanding of the Company's situation and suitably presents the risks of future development.

Stuttgart
February 21, 2005

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Krauß
Wirtschaftsprüfer
[German public auditor]

Hug
Wirtschaftsprüfer
[German public auditor]

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 2008

Internal Directorships

DaimlerChrysler South Africa (Pty) Ltd. (Chairman)

External Directorships

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

Dr. rer. pol. Eckhard Cordes

Stuttgart
Mercedes Car Group
Appointed until 2008

Internal Directorships

DaimlerChrysler (China) Ltd. (Chairman)
DaimlerChrysler España, S. A.
DaimlerChrysler France S. A. S. (Chairman)
DaimlerChrysler Italia S. p. A. (Deputy Chairman)
DaimlerChrysler Japan Co., Ltd. (Chairman)
DaimlerChrysler Services AG
DaimlerChrysler South East Asia Pte. Ltd. (Chairman)
DaimlerChrysler (UK) Ltd.
Mercedes-Ilmor Ltd.

External Directorships

Deutsche BP AG
Deutsche Messe AG
McLaren Group Ltd.
Rheinmetall AG

Günther Fleig

Stuttgart
Human Resources & Labor Relations Director
Appointed until 2009

Internal Directorships

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

External Directorships

Wohnstätten Sindelfingen GmbH (Chairman of the Supervisory Board)

Members of the Board of Management

Dr. phil. Rüdiger Grube

Stuttgart
Corporate Development
Appointed until 2007

Supervisory Board Memberships/ Directorships

Internal Directorships

DaimlerChrysler Aviation GmbH
DaimlerChrysler Services AG
DaimlerChrysler Services Fleetboard GmbH
MTU Friedrichshafen GmbH

External Directorships

EADS Participations B. V.
European Aeronautic Defence and Space Company EADS N. V.
McLaren Group Ltd.
Mitsubishi Motors Corporation

Prof. Jürgen Hubbert

Stuttgart
Executive Automotive Committee (EAC)
Appointed until 2005

Internal Directorships

DaimlerChrysler Bank AG
DaimlerChrysler Corporation
DaimlerChrysler Services AG
DaimlerChrysler South Africa (Pty) Ltd.
Mercedes-AMG GmbH (Chairman of the Shareholders' Committee)
Mercedes-Benz USA, LLC (Deputy Chairman)

External Directorships

GPWC Holdings B. V.
IWKA AG
ÖIAG Austria (Deputy Chairman)
TÜV Süddeutschland Holding AG

Andreas Renschler

Stuttgart
Commercial Vehicles Division
Appointed until 2007

Internal Directorships

DaimlerChrysler Australia/Pacific (Pty.) Ltd.
Detroit Diesel Corporation
EvoBus GmbH
Freightliner LLC
Mercedes-Benz Korea Ltd.
Mitsubishi Fuso Truck and Bus Corporation

External Directorships

DaimlerChrysler Taiwan Ltd.

Members of the Board of Management

Supervisory Board Memberships/ Directorships

Thomas W. Sidlik

Auburn Hills
Global Procurement & Supply
Appointed until 2008

Internal Directorships

DaimlerChrysler Corporation
DaimlerChrysler Corporation Fund
DaimlerChrysler Motors Company LLC
Daimler-Benz Purchasing Coordination of North America, Inc.

Bodo Uebber

Stuttgart
Finance & Controlling
Appointed until 2006

Internal Directorships

DaimlerChrysler Bank AG
DaimlerChrysler Services AG (Chairman)

External Directorships

debis AirFinance B.V.
Hannover Rückversicherung AG

Dr. Ing. Thomas Weber

Stuttgart
Research & Technology
Appointed until 2005

Internal Directorships

mb-technology GmbH (Chairman)

External Directorships

Ballard Power Systems Inc.

Dr. Ing. Dieter Zetsche

Auburn Hills
Chrysler Group
Appointed until 2008

Internal Directorships

DaimlerChrysler Corporation (Chairman)
DaimlerChrysler Motors Company LLC
Freightliner LLC
Mercedes-Benz USA LLC (Chairman)

External Directorships

Beijing Jeep Corporation, Ltd.

Deputy Member of the Board of Management
(since May 1, 2004)

Thomas W. LaSorda

Chief Operating Officer (COO) Chrysler Group
Appointed until 2007

Internal Directorships

DaimlerChrysler Corporation

Retired from the Board of Management

Dr. rer. pol. Wolfgang Bernhard

Auburn Hills

Chief Operating Officer Chrysler Group

(Retired July 29, 2004)

Dr. jur. Manfred Gentz

Stuttgart

Finance & Controlling

(Retired December 16, 2004)

Supervisory Board

Members 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 Research Materials and
Manufacturing, DaimlerChrysler AG; Chairman
of the Management Representative
Committee, DaimlerChrysler Group

Nate Gooden *)

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

Earl G. Graves

New York
Publisher, Black Enterprise Magazine

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

Members of the Supervisory Board

Supervisory Board Memberships/ Directorships

Prof. Victor Halberstadt

Amsterdam
Professor of Public Economics
at Leiden University,
Netherlands

Concertgebouw N. V.
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)

Saarstahl AG

Jürgen Langer *)

Frankfurt/Main
Chairman of the Works Council of the
Frankfurt/Offenbach Dealership,
DaimlerChrysler AG

Robert J. Lanigan

Toledo
Chairman Emeritus of Owens-Illinois, Inc.
Founding 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 Supervisory Board

Supervisory Board Memberships/ Directorships

William A. Owens

Kirkland
President and Chief Executive Officer of Nortel
Networks Corporation

Nortel Networks Corp.

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 (IG Metall)

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 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 Spokesman of the
Board of Management 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

Citigroup Deutschland
Dussmann AG & Co. KGaA
eCircle AG
Loewe AG
Reuters AG
Douglas Holding AG
Heidelberger Druckmaschinen 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

Bernhard Walter (Chairman)
Hilmar Kopper
Erich Klemm *)
Stefan Schwaab *)

*) Representative of the employees

Management Report of DaimlerChrysler AG

Business and General Conditions

The Company

DaimlerChrysler AG was founded in May 1998. Subsequently, Daimler-Benz AG was merged with DaimlerChrysler AG. DaimlerChrysler AG is based in Stuttgart and is the parent company of approximately 700 affiliated companies within the DaimlerChrysler Group.

The company has a tradition going back more than one hundred years, featuring by pioneering achievements in automotive engineering.

The operating activities of DaimlerChrysler AG include the development, production and sales of passenger cars and commercial vehicles, particularly of the Mercedes-Benz and Maybach brands and management of the global automotive group with the additional brands of Chrysler, Jeep®, Dodge, Setra, Freightliner, Fuso, Sterling Trucks, Western Star, Thomas Built Buses and smart.

Our product offering covers the entire range of the high-end small cars, premium-class vehicles and luxury sedans as well as versatile vans, medium and heavy-duty trucks for long distance, distribution and construction transport and buses for tourist, city and overland travel. With our strong Passenger Car and Commercial Vehicles brands, we have an excellent positioning in almost all markets and market segments around the world.

DaimlerChrysler AG develops its products primarily in its technology centers at Sindelfingen and Stuttgart-Untertürkheim. Research is

conducted e.g. at Ulm. Vehicles are produced both in the domestic plants (for an overview, see page 3) and – based on contract manufacturing arrangements – at some of its subsidiaries and special vehicle manufacturers. DaimlerChrysler AG conducts its sales and marketing activities largely through the company network of 35 sales and service outlets in Germany as well as numerous foreign distribution subsidiaries and authorized agents on all continents of the world.

Board of Management of DaimlerChrysler AG

The structure of the Board of Management of DCAG as parent company reflects the Group structure.

The Company's organization structure is characterized by functional and divisional elements.

Professor Jürgen E. Schrempp

Chairman of the Board of Management
Appointed until 2008

Dr. Eckhard Cordes

Mercedes Car Group
Appointed until 2008

Günther Fleig

Human Resources & Labor Relations
Appointed until 2009

Dr. Rüdiger Grube

Corporate Development
Appointed until 2007

Prof. Jürgen Hubbert

Executive Automotive Committee (EAC)
Appointed until 2005

Andreas Renschler

Commercial Vehicles
Appointed until 2007

Thomas W. Sidlik

Global Procurement & Supply
Appointed until 2008

Bodo Uebber

Finance & Controlling
Appointed until 2006

Dr. Thomas Weber

Research & Technology
Appointed until 2005

Dr. Dieter Zetsche

Chrysler Group
Appointed until 2008

Thomas W. LaSorda

Deputy Member of the Board of Management
Chief Operating Officer (COO) Chrysler Group
Appointed until 2007

DCAG Production Locations



Passenger Cars

Sindelfingen	C-Class sedan and sport coupe, E-Class sedan and T-Model, CLS-Class, S-Class, CL coupe, Maybach
Bremen	C-Class sedan and T-Model, CLK coupe, SL roadster, SLK roadster
Rastatt	A-Class
Stuttgart-Untertürkheim	Engines, axles and transmissions for Mercedes-Benz Passenger Cars
Berlin	Engines
Hamburg	Axles, steering columns, pedal systems, circuits, parking braking systems, exhaust manifolds and welded structural components

Commercial Vehicles

Düsseldorf	Sprinter
Kassel	Axle systems
Mannheim	Engines, axle systems, foundry
Würth, Gaggenau	Econic, Atego, ACTROS, Axor, Unimog

Branch Office Locations of DCAG

Aachen	Hannover	NDL-Verbund Rhein-Ruhr
Augsburg	Kassel	NDL-Verbund Ulm/ SchwäbischGmünd
Baden-Baden	Koblenz	NDL-Weser-Ems
Berlin	Köln	Nürnberg
Braunschweig	Landau	Ravensburg
Darmstadt	Leipzig	Regensburg
Dortmund	Lübeck	Reutlingen
Dresden	Magdeburg	Saarland
Frankfurt/ Offenbach	Mainz	Stuttgart
Freiburg	Mannheim	Wuppertal/ Solingen/ Remscheid
Fulda	München	Würzburg/ Schweinfurt
Hamburg	NDL-Verbund Ost Westfalen Lippe	

Selected Distribution Companies of DCAG

DaimlerChrysler Australia / Pacific Pty. Ltd.	DaimlerChrysler UK Ltd.
DaimlerChrysler Belgien Luxemburg N.V.	DaimlerChryslerr Schweiz AG
DaimlerChrysler Danmark A/S	Mercedes-Benz Canada Inc.
DaimlerChrysler France S.A.S.	Mercedes-Benz China Limited
DaimlerChrysler Italia S.p.A.	Mercedes-Benz Hellas S.A.
DaimlerChrysler Japan	Mercedes-Benz Polska Sp. Z.o.o.
DaimlerChrysler Nederland B.V.	Mercedes-Benz Portugal Comercio de Automoveis S.A.
DaimlerChrysler Thailand Ltd.	Mercedes-Benz USA, Inc.

Financial Position and Performance

Global Economy

In 2004, the world's economy saw some of the strongest growth since 1980 despite the strong increase in raw material prices. A key factor was the dynamic economic development in the US, China and Japan. The world gross domestic product (GDP) grew up to 5.0 % (p. y. + 3.9 %). The driving forces behind this development again included extremely low key interest rates in all major currency regions as well as the partial highly expansive fiscal policy. The high raw material prices increasingly dampened growth as a result of the added cost burden on business and the loss of purchasing power among private consumers.

Economic development in the United States was very robust, with average annual growth of 4.4 % (p. y. + 3.0 %). After virtual stagnation of economic activity in the previous year, 2004 saw a slight recovery in the European Union, reflected by an increase in GDP to 2.4 % in 2004 (p. y. + 0.9 %).

The economic revival observed in Germany in the middle of 2003 continued at a cautious pace in the 2004 financial year. In Germany, the gross domestic product rose only disappointingly against the previous year to just 1.8 % (p. y. - 0.1 %). The Japanese economy remains on an upbeat trend. Strong exports and the increased domestic demand drove the gross domestic product up by 4.2 % (p. y. + 2.4 %). Growth above average was also observed in Eastern Europe and in a number of emerging markets in Asia and China. In the course of the year, the euro gained 7.8 % against the US-dollar (p. y. p. y. +19.6 %). It remained constant against the British pound at 0.0 % (p. y. + 10.1 %) and at + 3.4 % again stabilized against the Japanese Yen at the level of the previous year (p. y. + 10.9 %).

Automobile Markets

In general, global automobile markets developed positively in 2004. The commercial vehicles sector in particular benefited from lively investment activity in important markets. But the major passenger car markets of North America, Western Europe and Japan recorded little growth. High raw-material prices (oil, gasoline etc.), the related loss in purchasing power and uncertainty among consumer all acted to reduce demand. The US market for passenger cars and light trucks, in which competition was extremely tough, expanded slightly to 16.9 million vehicles (p. y. 16.60 million). The West European markets also grew slightly to 14.5 million passenger cars, (p. y. 14.2 million). However, there was still no upturn in the major markets of Germany and France, and the Japanese market has not yet benefited from the country's strong economic growth. The process of recovery continued in the emerging markets of South America and demand also increased overall in the countries of Central and Eastern Europe. Although the demand boom in China weakened perceptibly during the second half of the year, the emerging markets of Asia once again maintained their position as the engine of the global automobile expansion. With the exception of Japan, the world's major international markets for commercial vehicles showed growth. In North America, the exceptionally positive market development in medium- and heavy-duty trucks continued, so that total units sales surpassed the prior-year level by 28.0 %. New registrations of commercial vehicles also increased significantly in Western Europe. This was primarily due to replacement purchase and the increased need for transport as a result of growing business relations with the countries of Eastern Europe. On the other hand, the Japanese market declined significantly, reflecting the fact that a large number of purchases had been brought forward to 2003 because of new emission regulations.

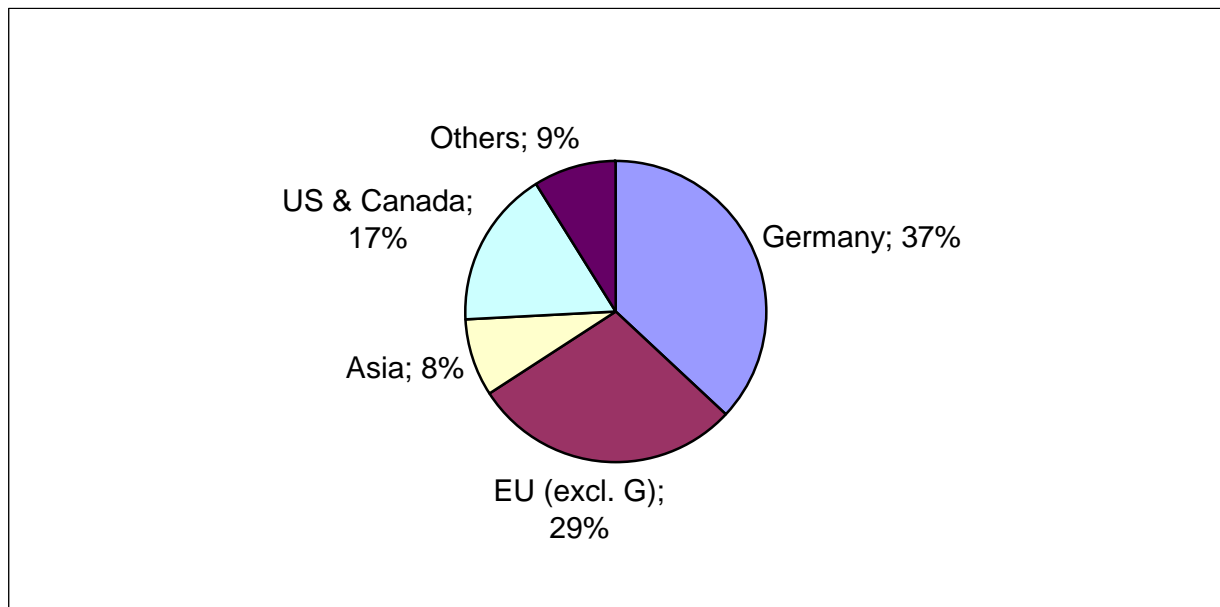
Financial Performance

Business Developments

Overview Key Figures DCAG

In € million	2004	2003	2002
Revenues	56.072	55.439	55.573
Cost of goods sold (without R&D)	-46.754	-44.871	-46.233
Gross profit (without R&D)	9.318	10.568	9.340
Research and development expenses (R&D)	-3.239	-3.400	-3.337
Selling and general administrative expenses	-7.642	-7.417	-7.213
Other operating income / expenses	793	197	574
Operating result	-770	-52	-636
Financial income, net	1.049	696	8.130
Income from ordinary activities	279	644	7.494
Income taxes	-789	-764	-1.200
Net loss	-510	-120	6.294

DCAG Revenues by Regions



Revenues

As forecasted last year, revenues developed positively at € 56,072 million. This represents an increase of 1.1 % against the previous year's figure of € 55,439 million. At € 20,029 million, 35.7 % of revenues were generated in Germany (p. y. 37.6 %, € 20,845 million) and 64.3 % or € 36,043 million internationally (p. y. 62.4 % and € 34,594 million respectively). Revenues within North America were down by 2 % to € 9,794 million. Thus, the currency-related decline was only partially offset by higher unit sales and the improved sales mix. Revenues in the European Union (not including Germany), were significantly up on the previous year at € 16,417 million (p. y. € 15.179 million).

Total revenues were generated by Passenger Cars € 41,147 million (p. y. 43,032 million) and by Commercial Vehicles € 14,925 million (p. y. € 12,407 million).

Unit Sales

In the financial year 2004, DaimlerChrysler AG continued to build on the successes of previous years with its attractive product range and increased unit sales slightly. Passenger Car sales were below expectations, while sales of Commercial Vehicles developed very positively.

The development of unit sales was also very satisfactory in North America at + 5.2 % (p. y. + 5.4 %), setting a new record of approx. 263,200 units. In the EU (without Germany), sales also increased slightly up to + 5.6 % (p. y. -2.0 %) to approx. 496,300 units. Sales in Germany fell by -5.0 % (p. y. - 4.5 %) to 542,100 units.

Nevertheless, the Passenger Cars Division continued to maintain its market share at the high level of 12.8 % (p. y. 12.8 %) in Germany. The Commercial Vehicle Division exceeded market share (+ 1,2 %) in Germany compared to the previous year (23.0 %) in the reporting year .

With approx. 1,070,000 new Mercedes-Benz passenger car deliveries, the Passenger Cars Division missed the previous year's figure of approx. 1,092,000 by approx. - 22,000 units. Approximately 100,000 (p. y. approx. 91,000) of the sold vehicles were leased directly to customers.

Due to the model change, in September, A-Class sales declined by approx. 8,000 to approx. 139,000 units (p. y. approx. 147,000). Equally, the pending model change of the M-Class in 2005 brought unit sales down by approx. 12,000 to approx. 71,000 (p. y. approx. 83,000). Due to the upcoming model change in 2005, the S-Class was also impacted by a decline of approx. 24,000 units to approx. 85,000 units (p. y. approx. 109,000). The most important increase was achieved with C-Class sale, which climbed by approx. 32,000 units to approx. 473,000 (p. y. approx. 441,000).

Passenger Cars Unit Sales (1,000 units)	2004	2003
C-Class	473	441
E-Class	296	304
S-Class	85	109
M-Class	71	83
A-Class	139	147
G-Class	6	7

At Commercial Vehicles, unit sales for new vehicles were up by 19.0 % in comparison to the previous year's figure of approx. 309,000 units, to approx. 368,000 vans, trucks and Unimogs sold. Of these approx. 36,000 vehicles were leased directly to our customers (p. y. approx. 30,000). With the Sprinter and Viano, the successor model of the V-Class, the Vans unit posted a satisfactory increase of approx. 42,000 to approx. 267,000 units (p. y. approx. 225,000). Despite the difficult economic environment for heavy-duty trucks, MB Trucks considerably increased its unit sales by as much as

approx. 17,000 to approximately 101,000 (p. y. approx. 84,000), owing largely to the new ACTROS MP II.

Commercial Vehicles Unit Sales (1,000 units)	2004	2003
Sprinter	158	141
Vito	74	60
V-Klasse	0	4
Viano	19	3
Vario	5	4
Vaneo	12	14
ACTROS	54	46
ATEGO	36	31
Axor	8	5
Econic	1	1
Unimog	2	1

Cost of goods sold (without R&D)

Production was extended slightly in the reporting year. A total of approximately 1,438,000 (p. y. approx. 1,389,000) units were produced in 2004. Approximately 1,079,000 (p. y. approx. 1,085,000) were produced by the Passenger Cars Division (- 0.5 %), whereas the Commercial Vehicles Division produced approx. 359,000 (p. y. approx. 305,000) vehicles (+ 17.7 %). Thus, Passenger Cars produced slightly more vehicles than were sold and Commercial Vehicles produced slightly fewer vehicles than were sold.

Price increases of some raw materials such as steel, the shift in the product mix to higher-end vehicles and the considerable expansion of production in the Commercial Vehicles Division, led to a substantial increase in cost of materials.

Personnel expenses as a percentage of cost of goods sold, also rose against the previous year due to higher production in the Commercial Vehicles Division.

Research and development expenses (R&D)

Research and development (R&D) costs remained at the planned high level. With € 3,239 million (p. y. € 3,400 million) around 5.8 % of revenue was invested in company future (p. y. 6.1 %). Development cooperations with future suppliers were undertaken to a small extent. Compared to the previous year, R&D expenses decreased by € 161 million (-4.7 %) as a result of the market launches of the CLS, the new A-Class, the new SLK and the facelift of the C-Class, which resulted in higher development costs in the previous year. At approx. € 2,183 million, the predominant share fell to the Passenger Cars Division (p. y. € 2,419 million). Key research areas in the Passenger Cars Division were the new B-Class (Compact Sports Tourer), the new R-Class (Grand Sports Tourer), the successor models of the M-Class and S-Class and the pending facelifts for the CLK coupe and CLK convertible.

Approximately € 657 million were invested into the development of the Commercial Vehicles Division (p. y. € 554 million). Herein development activity was focused on innovations in the Axor and Atego model series, engine development and EURO IV variants of the Actros.

In addition, around € 399 million were used in the research units of the DCAG Group (p. y. approx. € 427 million). As in previous years, these units also perform research services on assignment from the Passenger Cars and Commercial Vehicles Divisions.

Operating Result Burdened by Non-Recurring Effects

In the financial year 2004, the operating result – defined as the profit from ordinary activities less financial income – deteriorated by € 718 million to € -770 million (p. y. € -52 million).

As in the previous year, the operating result emerged from numerous non-recurring effects. Higher non-scheduled additions to pension reserves of € 944 million compared to the previous year were a key factor (for notes on personnel expenses see page 11). In addition, the positive effect of approx. € 583 million which resulted from the change in inventory valuation in 2003 did not recur in 2004.

In contrast, rental expenses charged to DaimlerChrysler AG by its subsidiary DaimlerChrysler Vermögens- and Beteiligungsgesellschaft mbH (DCVB GmbH) declined by approximately € 843 million in the financial year.

The result was further impacted by the continuing rise of the euro, especially against our key currencies, USD, GBP and JPY, which is an unfavorable circumstance for exporters.

Mercedes-Benz Passenger Cars

The operating result at Passenger Cars was deteriorated. Revenues were negatively impacted by declining unit sales and shifts in the model mix. Lower unit sales, particularly in the S-Class and M-Class, resulted predominantly from the life cycle and were not offset by the model start-ups of the new A-Class generation and the new SLK or the model refinement of the C-Class. On the expenses side there were higher marketing costs, particularly in connection with the launch of the new roadster SLK, the CLS-Class and the new A-Class. In addition there were negative effects in connection with the ongoing comprehensive quality campaign and currency effects due to the persisting strength of the euro versus the dollar.

Mercedes-Benz Commercial Vehicles

The Commercial Vehicles Division posted a considerable improvement in operating results against the previous year. The satisfactory rise in revenues and unit sales and the more favorable

product mix led to a marked increase in earning performance. On the expenses side, the continued implementation of the efficiency improvement program and the already achieved cost reductions provided added relief. Ultimately, this more than compensated for the increase in research and development costs.

Other

The leasing business with the DaimlerChrysler Bank AG subsidiary again generated a positive contribution to earnings for DCAG.

Increased Financial Income

Financial income climbed to € 1,049 million after € 696 million in the previous year. This increase resulted primarily from higher interest income and other financial income. On the other hand, investment income declined by € 380 million as a result of increased loss assumption from subsidiaries. However, dividend payments from a number of subsidiaries were higher, particularly from DaimlerChrysler UK Holding Plc (€ 180 million) and DC Espana (€ 180 million). Investment income was also impacted by an € 353 million increase in depreciations to € 889 million. In particular, shares in Mitsubishi Motors Corporation were depreciated by € 579 million (p. y. € 500 million) to the market value, which declined considerably in 2004. On the other hand, the sale of the interest in Hyundai Motor Company generated positive earnings of € 252 million in the 2004 result.

Interest income improved by € 536 million up to € 523 million (p. y. € -13 million) as a result of considerably higher distributions from special funds of the Pension Trust. Income generated from a swap contract resulted in an increase in other financial income by € 197 million to € 80 million (p. y. € -117 million).

Income taxes remained constant at the level of the previous year. It includes expenses for the financial year of € 470 million (p. y. € 321 million) and € 319 million for previous years (p. y. € 443 million).

Dividend of € 1.50 per Share

In 2004, DCAG posted a net loss of € 510 million after a net loss of € 120 million in the previous year.

After a withdrawal of € 2,029 million from retained earnings, the inappropriate profit amounts to € 1,519 million.

At the Annual Meeting on April 6, 2005, we will propose the distribution of a dividend of € 1.50 per share for the 2004 financial year (p. y. € 1.50). With 1,013 million shares eligible for dividends, the total dividend amount is € 1,519 million.

Workforce

The total number of employees at DaimlerChrysler rose to 163,369 (p. y. 161,298) at the end of 2004.

Particular in the Commercial Vehicles Division the number of employees increased strongly as a result of the positive sales situation and high production capacity. Employment decreased slightly in the Passenger Cars Division.

On July 23, 2004 the company's management and employee representatives concluded in Germany an agreement on "Securing the Future 2012", which should bring significant cost savings, starting from 2007. The agreement will help us to improve our competitive advantage and increase working flexibility, thereby securing jobs. Furthermore, a package of measures was agreed for the creation of further framework conditions required for making medium-term product and

investment decisions in favor of Germany as a location.

Employee Stock Purchase Plan 2004

In 2004, a total of 38,500 (p. y. 49,000) employees in Germany acquired shares of the company in three tranches.

Higher Personnel Expenses

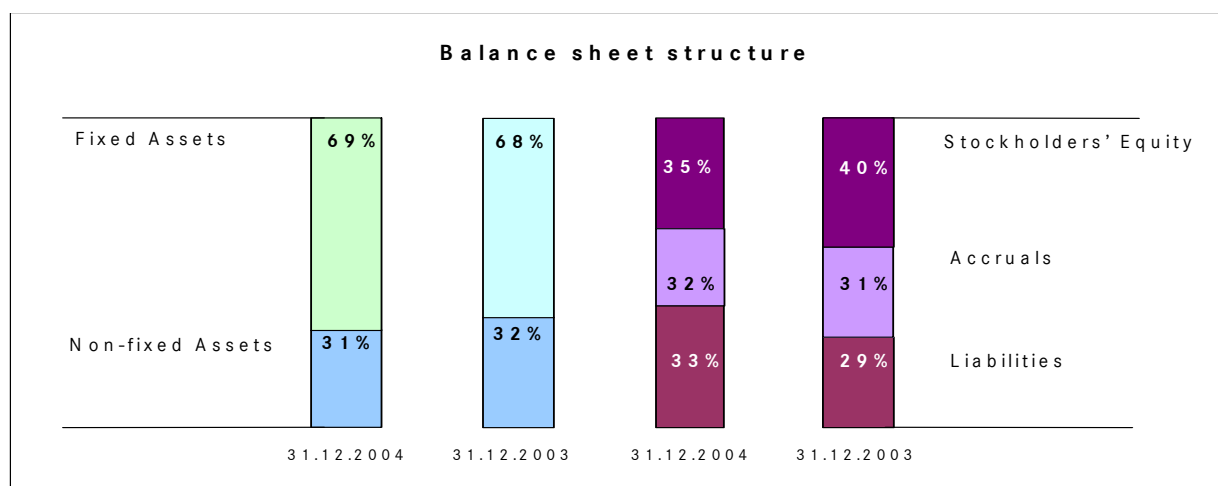
In the reporting year, personnel expenses increased to € 11,769 million (p. y. € 10,876 million). Expenses for wages and salaries declined slightly by € 25 million to € 8,539 million (p. y. € 8,564 million) in the reporting year. Social security contributions increased by 2.5 % to € 1,585 million (p. y. € 1,547 million). Retirement benefit expenses were more than doubled by € 880 million to € 1,645 million (p. y. € 765 million), mainly due to higher non-scheduled additions to pension reserves of € 966 million (p. y. € 22 million), resulting from the interest rate reduction to 4.75 % (p. y. 5.25 %) and the assumed cost of living increase to 1.50 % (p. y. 1.25 %). This allocation provided for the Accumulated Benefit Obligation (ABO) in the HGB financial statements.

In addition to the statutory and company pension plan, DCAG has offered its employees two pension models since 2002. Employees can choose between a subsidized and an unsubsidized form of salary conversion.

Financial Position

Overview: Balance Sheet (Key Figures)

In € million	2004	2003	2002
Fixed Assets	40.255	37.960	36.058
<i>herein Pension Trust</i>	6.774	5.935	5.307
Non-fixed Assets	17.802	17.583	20.733
Stockholders' Equity	20.251	22.280	23.918
Accruals	18.608	16.932	16.298
Liabilities	19.181	16.328	16.584
Total assets	58.073	55.566	56.816



Higher Balance Sheet Total

The balance sheet total increased by € 2,507 million, or 4.5 %, up to € 58,073 million.

At 69.3 %, the share of fixed assets in total assets increased slightly compared to the previous year (p. y. 68.3 %). There was also a slight change to the share of non-fixed assets at 30.7 % (p. y. 31.7 %).

Investments in property, plant and equipment and equity investments brought the carrying amount of non-current assets up by € 2,295 million. The carrying amount of the Pension

Trust increased significantly to € 6,774 million (p. y. € 5,935 million). In the financial year, an additional € 279 million was allocated to the Pension Trust.

Lower Equity Ratio

	31.12.2004	31.12.2003	31.12.2002
Capital Stock	2.633	2.633	2.633
Additional paid-in capital	11.842	11.842	11.841
Retained earnings	4.261	6.286	6.297
Unappropriated profit	1.519	1.519	3.147
Stockholders' equity	20.255	22.280	23.918

The dividend distribution for the 2003 financial year and the negative result of the past financial year reduced equity by 9.1 %. Equity thus

developed contrary to total assets. As a result, the equity ratio fell to 34.9 % in the reporting year (p. y. 40.1 %).

The share of provisions changed slightly to 32.0 % (p. y. 30.5 %), while the share of liabilities rose from 29.4 % in the previous year to 33.0 % in the reporting year.

Investments in Property, Plant and Equipment

Investments in property, plant and equipment (without leased equipment) was approx. € 1,800 million in the reporting year (p. y. approx. € 2,100 million). The Passenger Cars Division was in the foreground with additions to plant and equipment totaling approximately € 1,300 million (p. y. approx. € 1,800 million). The main focus of investment activity was on passenger car engines and transmission production (CDI and V-engines and automatic transmissions), as well as new investments for the extended and renewed product range (A-Class model change, CLS, and the S-Class successor model).

Investments in property, plant and equipment in the Commercial Vehicles Division totaled approximately € 500 million (p. y. approx. € 300 million). These related primarily to engine and transmission production (heavy-duty diesel engines, manual transmissions) as well as to the Actros and Atego model refinements.

Equipment on operating leases increased by approximately € 590 million to € 4,412 million (p. y. € 3,822 million) due to the expansion of leasing operations.

Non-fixed Assets

The increase in non-fixed assets to € 17,802 million (p. y. € 17,583 million) was due to

the increase in inventories of € 5,488 million to € 6,085 million. This resulted from an increase in raw materials and supplies and the build-up in inventories of finished goods and merchandise. There was also a sharp increase in securities (€ 1,747 million). This was offset by a reduction in receivables from subsidiaries of € 1,750 million as a result of lower borrowing by Group companies.

Accruals and Liabilities

In the financial year, accruals were up from € 16,932 million by € 1,676 million to € 18,608 million. Current accruals accounted for approx. 24.0 % (p. y. approx. 34 %) and fixed accruals for approx. 76.0 % of the total (p. y. 66.0 %). The provisions reflect the increased risks from sales activities and employee commitments. Pension accruals totaled € 8,985 million (p. y. € 7,679 million), tax accruals € 1,855 million (p. y. € 1,583 million) and other accruals € 7,768 million (p. y. € 7,670 million).

The decline in notes and bonds (€-831 million) through repayments was offset by operations-related increases trade payables and liabilities to affiliated companies (€ 2,669 million).

Disposals and Formation of Shareholdings and Joint Ventures

On April 22, 2004 the Board of Management and the Supervisory Board of DaimlerChrysler decided not to participate in a capital increase planned by Mitsubishi Motors Corporation (MMC) and thus to cease providing MMC with financial support. As DaimlerChrysler did not participate in the capital increase, at the end of December 2004 our interest in MMC had decreased to 19.7 %.

The sale of our 10.5 % stake in Hyundai Motor Company (HMC) and our holdings in the joint venture with HMC in the Commercial Vehicles

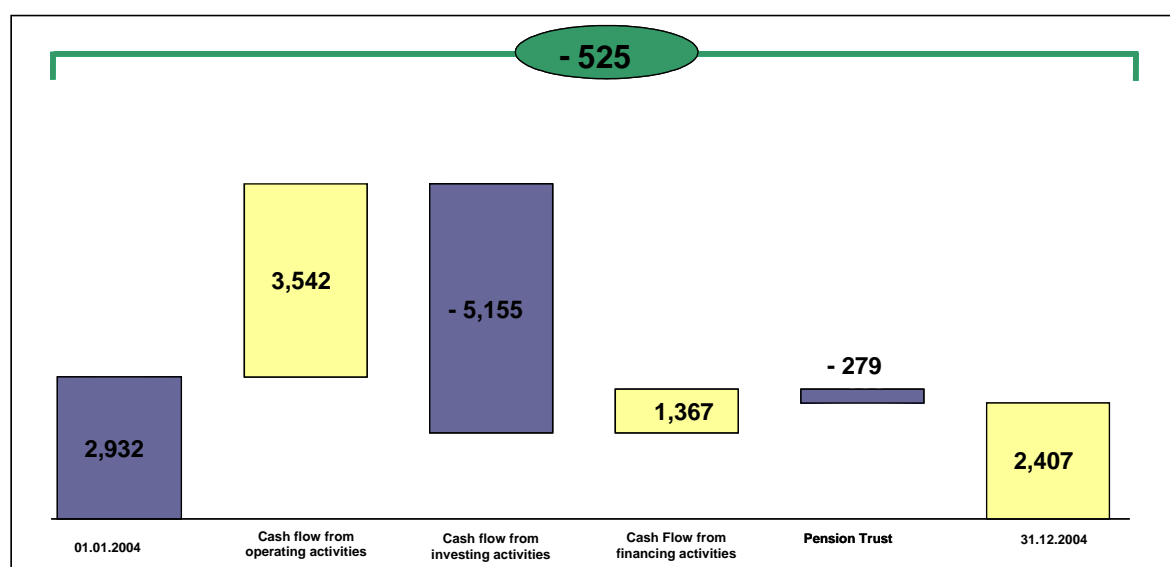
engine segment marked a reforming of our Asia strategy. In December, a joint venture which operates as Beijing Benz-DaimlerChrysler Automotive Co. Ltd. was established with Beijing Automotive Industry Holding Company (BAIC). With local production of C-Class and E-Class sedans, the objective is to extend the market presence of Mercedes-Benz in China. The intention is to complete the product range and tap into new growth segments in the medium-term.

Furthermore, DaimlerChrysler, the Fujian Motor Industry Group and China Motor Corporation signed the joint venture agreement for DaimlerChrysler Vans (China) Ltd., which will produce the Mercedes-Benz Sprinter and the Viano/Vito at a new plant in Fuzhou in the Fujian Province. The plant is designed for an annual capacity of approximately 40,000 units and is to commence production in 2006.

To secure the future of our business activities in the Truck and Buses operations, we have initiated a framework agreement covering cooperation between DaimlerChrysler and Beiqi Foton Motor Corporation Ltd. It is planned to produce heavy- and medium-duty truck, engines and components at the Beiqi Foton plant in Beijing. BAIC is the biggest shareholder in this company.

Cash Flow Statement of DCAG

In €million	2004	2003	2002
Net income / loss	-510	-120	6.294
Depreciation:			
- on leased assets	951	941	868
- on other non-current assets	2.419	2.027	1.304
Gains/Losses on:			
- disposal on non-current assets	-250	-107	508
- disposal on current assets	1	11	0
Changes in:			
- Stocks	-597	-531	-223
- Receivables	-111	-472	51
- Liabilities	-70	975	-131
- Accruals	1.676	634	2.671
- Other assets / liabilities	33	438	-210
Cash flow from operating activities	3.542	3.796	11.132
Proceeds from disposals of non-current assets	2.468	4.587	4.677
Payments for additions to non-currents assets	-7.902	-9.366	-8.176
herein Pension Trust	-279	-524	-522
Cash flow from investing activities	-5.434	-4.779	-3.499
Change in commercial paper borrowings, other short-term financial liabilities	-1.313	-1.383	-2.478
Addition to / repayment of long-term financial liabilities	4.199	3.724	-3.775
paid dividend	-1.519	-1.519	-1.003
Issuance / acquisition of treasury stock	0	1	508
Cash flow from financing activities	1.367	823	-6.748
Change in cash and cash equivalents	-525	-160	885
Cash and cash equivalents at beginning of period	2.932	3092	2207
Cash and cash equivalents at end of period	2.407	2.932	3.092



Notes to the statements on cash flows

Net cash from operating activities decreased slightly against the previous year, by € 254 million. This was largely the result of changes of receivables and liabilities from operating activities. In the previous year, cash inflows of approximately € 500 million were generated here. Cash inflows from operating activities of approximately € 3,542 million, inflows from the disposal of non-current assets totaling approximately € 2,468 million and the utilization of higher financial liabilities served to finance investments in property, plant and equipment, leased equipment and financial assets for which approximately € 7,902 million was used.

Net cash used in investing activities increased by € 655 million to € 5,434 million. This resulted largely from higher additions to leased assets set against lower disposals of financial assets € 279 million was allocated to Pension Trust capital.

Financing activities provided cash of € 1,367 million, due mainly to the change of financial receivables and liabilities.

As a sum of the individual cash flows, total cash and cash equivalents were down by € 525 million.

At € 2,407 million (p. y. € 2,932 million), cash and cash equivalents are developing in line with our defaults for the liquidity, which consists of cash and cash equivalents and the securities.

Controlling Instruments of Company Management

As parent company of the DaimlerChrysler Group, DaimlerChrysler AG is integrated into the Group controlling instruments according to US GAAP.

The controlling instruments used in the DaimlerChrysler Group support management in pursuing the objective of increasing corporate value. The use of capital market criteria for capital budgeting beyond individual reporting periods and periodic controlling enables the decentralization of corporate responsibility to the divisions and units, thus increasing transparency on a cross-sector basis.

For controlling purposes, DaimlerChrysler distinguishes between the Group level and the level of the divisions and units. Value-added is an element of the controlling system at both levels. Value added is derived as the difference between operating profit and the cost of capital for the weighted average costs of capital. This shows the overall extent to which the DaimlerChrysler Group and its divisions/units generate or exceed the required rate of return of its investors and thus add value. The methodology for calculating value added is based on the figures of public accounting according to US GAAP. This ensures transparency and communication within the DaimlerChrysler Group and relative to its investors.

At Group level, net operating income is used as the key figure for operating earnings. It is derived from the net income for the period taken from the income statement. At divisional/unit level, the segment earnings figure is used. This is derived from income before financial income and reflects the special responsibility for earnings at the divisions/units.

At Group level, net assets are determined from the balance sheet components consolidated equity (including minority interests) and the financial liabilities and industrial pension provisions. At the level of the industrial divisions/units, net assets are determined on the basis for the attributable, operating components of assets and liabilities. Net assets are then calculated as the average of net assets at the beginning and end of the financial year. For the financial services business, controlling is carried out in line with normal banking procedures, on the basis of equity.

As a fundamental component of value added, the return on net assets (RONA) ratio is of particular importance. The correlation of operating profit and average net assets enables making a formal statement on the profitability of the Group and its divisions/units. For assessing the profitability of the financial services business, the return on equity (ROE) ratio is used.

The required rate of return for capital employed and the cost of capital is derived from the minimum return which investors expect for their capital. Due to the long-term nature of its financial character, uncovered pension obligations are included at equity and loan costs when determining the Group's cost of capital. In doing so the cost of equity is determined in line with the capital asset pricing model from the interest rate for long-term risk-free securities (e.g. government bonds, fixed-income bonds) plus a risk premium for the specific investment risk of the DaimlerChrysler Group. Borrowing costs are derived from the required rate of return for the company's obligations to investors. The cost of capital for uncovered pension obligations is determined on the basis of the discount rates stipulated by US GAAP. The figure for the Group's cost of capital is then calculated as the weighted average of the individual required rate of returns. In 2004, this figure was

8 %. For the industrial divisions, the cost of capital was 13 %, for the financial services business the pre-tax cost of capital was 14 %. The Group's cost of capital rate for the next year has moved down to 7 %. This is due primarily to the sustained decline in the level of interest rates. For the industrial divisions/units this results in a pre-tax cost of capital ratio of 11 %. In 2005, the pre-tax cost of equity rate for the financial service business will remain unchanged at 14 %.

Rating

On June 14, 2004, Moody's Investors Service confirmed DaimlerChrysler's P-2 short-term rating and the A3 long-term rating. At the same time, it upgraded its outlook from negative to stable. The improved outlook was due to Moody's assessment that DaimlerChrysler has a good global position and Mercedes-Benz has a very good market position in the premium area.

On June 24, 2004, Fitch Ratings improved its outlook of DaimlerChrysler's long-term rating from stable to positive, motivated in particular by the progress made in restructuring the Chrysler Group and in the Commercial Vehicles division. Fitch Ratings confirmed the long-term rating at BBB+ and the short-term rating of F-2.

Development of DaimlerChrysler Ratings

As a result of the improved operating results of the Chrysler Group in particular, on August 11, 2004, Standard & Poor's raised the outlook for the DaimlerChrysler long-term rating from negative to stable. The BBB long-term rating and the A-2 short-term rating were confirmed.

The A- long-term and R-1- short-term ratings of Dominion Bond Rating Service, the Canadian rating agency, remained unchanged.

Ratings	2004	2003
Short-term Credit Rating		
Standard & Poor's	A-2	A-2
Moody's	P-2	P-2
Fitch	F2	F2
Dominion	R-1-	R-1-
Long-term Credit Rating		
Standard & Poor's	BBB	BBB
Moody's	A3	A3
Fitch	BBB+	BBB+
Dominion	A-	A-

Supplementary Report

Since the end of the 2004 Financial Year, there have been no further occurrences which would be of major significance to DaimlerChrysler AG and which would lead to a modified assessment of the company's position.

Risk Report

Early Detection and Effective Management of Risks of Future Development

In the framework of its operating activities in the areas of passenger cars and commercial vehicles and as a result of the increasingly intense competition, DaimlerChrysler AG as parent company of the DaimlerChrysler Group is exposed to a great number of risks, which are inextricably linked to corporate business. Risks can impact directly on DaimlerChrysler AG or indirectly on it as parent through its subsidiaries.

However, the available market opportunities motivate us to continue our corporate activities on the market.

Integrated Risk Management System

We use effective management and control instruments for the early detection, evaluation and the systematic management of risks. To satisfy the legal requirements, these measures are combined into a holistic risk management system, which is under continuous development. The risk management system is an integral component of the overall planning, management and reporting process in all relevant legal units and central functions. Its objective is the systematic identification, assessment, monitoring and documentation of risks. Taking defined risk categories into account, risks are identified by the management of the divisions and business units, the key associated companies and the central departments, and regarding their probability of occurrence and possible extent of damage. The communication and reporting of relevant risks is controlled by value limits set by management. The responsible persons also have the task of developing, and initiating as required, measures to avoid, reduce and hedge risks. The development of

major risks and the countermeasures taken are monitored within the framework of regular controlling process. As well as the regular reporting, there is also an internal reporting obligation for risks arising unexpectedly. The Group's central Risk Management department regularly reports on risks to the Board of Management and the Supervisory Board.

The DaimlerChrysler Group risk management system enables corporate management to identify key risks at an early stage and to initiate appropriate counter measures. By carrying out targeted audits, the Internal Audit department monitors compliance with the statutory framework and the Group's internal guidelines as defined in the Risks Management Manual, and if required, initiates appropriate actions. In addition, the auditor tests the system for the early detection of risks that is integrated into the risk management system in terms of its fundamental suitability for the early recognition of developments that could jeopardize the continued existence of the company.

Economic Risks

For the global economy, 2004 was a distinctly strong growth year. However, uncertainty about future development has not declined. An important indicator for this is the sustained increase in the price of gold, which generally attracts investors as a safe haven only in times of crisis. The momentum of global expansion began to slow as early as the middle of 2004. In connection with high commodity prices, the enormous budget deficit in the US and the appreciation of the euro, there is now also a higher risk to whether the world economy could find back to a long lasting growth trend. Thus, there are economic risks for the earnings situation at DaimlerChrysler.

The largest individual risks for the global economy are to be seen in the sustained high level

or possible increase of oil prices and a correction of the huge current budget deficit in the US. If oil prices remain over \$ 45 per Barrel for a longer period of time, global growth would be curbed by 0.5-1.0 percentage points. If the price rises and stabilizes at above \$ 55 per Barrel, certain economies could even drift into recession. In all probability, a correction of the US current account deficit would most likely occur through a drastic and uncontrolled devaluation of the US dollar, in combination with the increasing interest rates and considerably lower global growth.

Because of the continuing structural problems and its importance as a sales market, the disappointing economic development of the European Union, and particularly in Germany, is associated with significant risk potential. The same applies for the Japanese economy, which developed considerably better than expected in 2004, but has by no means overcome its structural problems. New declines of the Japanese economy would have a considerable negative impact on exports to the Japanese market as well as earning performance at Mitsubishi Fuso Truck and Bus Corporation. This would be compounded by the potential knock-on effects on the emerging markets of Asia. Such a development would have an unfavorable affect on the strategic expansion plans of the Daimler-Chrysler Group in Asia.

A slump in growth in China, which is currently the world's most dynamic future-driven automobile market, would also be of relevance for the Group strategy. In view of the economic strength and strong international network of trading and investment in China, this would have far-reaching consequences for the entire Asian economic region, while also perceptibly hampering growth in the global economy, and negatively impacting projects within the Group. In addition, possible economic crises in the emerging markets, in which the Group has a presence with important

production facilities, would be particularly relevant for the Group. On the other hand, there would be limited risk potential from crises in emerging markets where the Group only maintains sales and marketing activities.

Any significant delay in multilateral liberalization of trade and, in particular, a weakening of multilateral trade in favor of regional trading blocks or a revival of protectionist tendencies, would create risks for market access and the global networking of locations.

Industry and Company-Specific Risks

If overall economic development is weak, and there is a return to restrained consumer behavior, the automobile industry could also be negatively affected. This would primarily impact the markets in Western Europe and the NAFTA region. In the US, which is still the main engine of the global economy, fierce competitive pressures in the automotive market over the last few years have led to excessive financing offers and incentives. In future, a weak general development of the economy could lead to higher financing offers and incentives to support sales, in a similar or even exacerbated form. This would negatively affect earnings in the new vehicle business, lowering price levels and residual value for vehicles on the used car market. In Western Europe, financing offers and incentives are also on the increase due to the upturn in the competitive intensity. To achieve an acceptable price level, excellent technical features based on innovative research and development, as well as factors such as brand image and quality will play an increasingly important role.

In view of the growing price pressures, maintaining our high DaimlerChrysler quality standard is of paramount importance. Product quality has a material impact on customer

decisions when purchasing passenger cars and commercial vehicles. Technical problems could lead to recalls and repairs, or even require new developments and homologation. Product quality problems could also result in high warranty and policy claims. The general legal and political framework is also a key factor for the future business success at DaimlerChrysler. In this respect, emission and consumption regulations and the development of energy prices are very important. The Group is tracking these regulations and endeavors to anticipate foreseeable requirements in the product development process.

DaimlerChrysler counters procurement risks arising from deliveries of parts and raw materials (commodities) through targeted commodity and supplier risk management. However, in view of rising raw materials prices, especially for steel and oil, measures such as long-term purchase agreements and selection of suppliers have their limitations. Derivative instruments are also used to a small extent in order to reduce the price risks in connection with purchases of precious metals. In the current financial year, the risk from commodity hedging contracts was immaterial. If the price pressures on the procurement markets continue to intensify, this would also have consequences for profitability.

The international business alignment of DaimlerChrysler AG is associated with currency, credit and interest rate risks. DaimlerChrysler AG counters these risks through relevant market analyses and the use of derivative financial instruments. The Passenger Cars Division is exposed to currency risk since it invoices export revenue mainly in the currency of the export country, while production costs are incurred mostly in euro. The Commercial Vehicles Division is also exposed to a transaction risk, which however is rendered significantly less pronounced by the

production network. Currency exposure is periodically monitored and hedged in line with current exchange rate expectations through appropriate financial instruments, mainly currency futures and currency options, in the context of central currency management. The total face value of currency hedging contracts amounted to € 20,819 million (p. y. 26,220 million) (See Notes for further information). If the current strength of the euro relative to the currencies which are most important for DaimlerChrysler AG is maintained or increased, this could have an increasingly negative impact on financial position and performance. Interest hedging contracts consist mainly of interest swaps and are used for reducing the interest rate risks. The total face value of interest hedging contracts amounted to € 4,058 million (p. y. 10,261 million) (For further information see the Notes.)

DaimlerChrysler AG is a key player in the overall risk management of the Group's currency, credit and interest rate risks.

Production and business processes could also be impacted by unforeseeable events, such as natural disasters or terrorist attacks on operating facilities or computer centers. With a view to containing this risk, as well as for protection of DaimlerChrysler's intellectual property, security measures and contingency plans are in place.

As a result of the commitment of the DaimlerChrysler Group in developing a system to record and collect road tolls for specific commercial vehicles, the Group is subject to a wide variety of risks, which could negatively impact on financial position and performance. The electronic toll system is constructed and operated by Operator Company Toll Collect GmbH ("Toll Collect"), in which DaimlerChrysler holds a 45 % interest. This company is consolidated at equity in the Group financial statements. DaimlerChrysler's

connection to Toll Collect includes the equity ownership in Toll Collect and various guarantees provided to a number of third parties for the completion and successful operation of the toll system. After the delay of the original start of the system on August 31, 2003 due to technical problems, the toll system was successfully launched with marginally restricted functionality on January 1, 2005. The key risks relate to failures in the toll to be collected and a delay in the scheduled commencement of the system with full functionality on January 1, 2006. In addition, a termination of the contract by the Federal Ministry of Transport could have a negative impact on the financial position and performance of the Group.

In relation to investments and subsidiaries, DCAG participates in the risks in accordance with its equity shareholdings. At EADS (European Aeronautic Defence and Space Company EADS NV), for example, lower unit sales could result from a downturn in demand from airlines. Moreover, the relationships to our subsidiaries could also be associated with impacts from legal and contractual contingencies (in particular financing). Due to the persistently difficult market environment in the US, the development of DaimlerChrysler North America Holding Corporation, Auburn Hills, USA, is to be given particular mention in this respect.

Rating

Down or up grading of individual ratings by the rating agencies could result in higher/lower costs of capital as a result of a changed rate of interest.

Legal Risks

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

In November 2003, the official receiver of Garage Bernard Tutrice, S.A., France, a former customer of our French subsidiary, filed a lawsuit against DaimlerChrysler France S.A.S. in the commercial court of Versailles claiming damages alleged to have resulted from tax fraud committed by the former Chairman of Tutrice S.A. In October 2004, the receiver amended its claim and now demands payment of €455 million, which it claims is the equivalent of the total of the unsecured liabilities of Tutrice S.A. The receiver alleges that DaimlerChrysler France did not forward information to the tax authorities necessary to uncover the tax fraud and therefore contributed to Tutrice S.A.'s insolvency. DaimlerChrysler France filed proof of debt in Tutrice S.A.'s insolvency proceedings. The former chairman of Tutrice was convicted of tax fraud in April 2001. DaimlerChrysler France was a joint plaintiff in the criminal proceedings resulting in the conviction. The criminal court found that the fraud committed by Tutrice's former chairman also caused damage to DaimlerChrysler France. We intend to defend ourselves against this claim vigorously.

DaimlerChrysler Australia/Pacific Pty. Ltd. ("DCAuP") is subject to a potentially large claim arising out of the financial failure of a customer. The customer, one of DCAuP's largest private clients for buses, had purchased and paid for some 200 buses over the period 1999 to 2000. In April 2003 the customer was placed in receivership and subsequently in liquidation. The customer had obtained finance by purporting to sell to financiers and lease back buses which, in many cases, were either non-existent or already under finance to a third party. Criminal charges are being brought against the directors of the customer. Civil actions claiming damages were issued out of the Supreme Court of New South Wales against DCAuP in April 2004 by the customer's major creditor (National Australia Bank Limited) and in June 2004 by the

liquidator. The actions allege that DCAuP, by reason of the conduct of one of its then employees, vicariously engaged in misleading and deceptive conduct which resulted in loss to the plaintiffs. The allegations are that the employee had furnished to the customer a number of letters on DCAuP letterhead which falsely asserted that the customer had purchased and paid for buses which purported to be identified by either commission numbers or chassis numbers. Many of the buses proved to be fictitious. The letters were produced by the customer to the financier as part of the customer's proof of its title to the identified buses in order to procure funding. The claims are yet to be finally quantified. DaimlerChrysler is vigorously defending both claims.

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

shareholders. We believe the original consideration and compensation to be adequate and the second valuation opinion to be unwarranted. We intend to defend ourselves vigorously against the claims in this proceeding.

As previously reported, various legal proceedings are pending against us or our subsidiaries alleging defects in various components (including occupant restraint systems, seats, brake systems, tires, ball joints, engines and fuel systems) in several different vehicle models or allege design defects relating to vehicle stability (rollover propensity), pedal misapplication (sudden acceleration), 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 one or more proceedings could require us or our subsidiaries to pay partially 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. courts that allege that the paint applied to 1982–1997 model year Chrysler, Plymouth, Jeep[®] and Dodge vehicles delaminates, peels or chips as the result of defective paint, paint primer, or application processes. Plaintiffs seek compensatory and punitive damages, costs of repair or replacement, attorneys' fees and costs. Seven other previously reported class action lawsuits regarding paint delamination have been dismissed.

In November 2004, a jury awarded \$3.75 million in compensatory damages and \$98 million in punitive damages against DaimlerChrysler Corporation in *Flax v. DaimlerChrysler Corporation*, a case filed in Davidson County Circuit Court in the state of Tennessee. The complaint alleged that the seat back in a 1998 Dodge Grand Caravan was

defective and collapsed when the Caravan was struck by another vehicle resulting in the death of an occupant. The company has filed motions challenging the verdict and the damage awards. DaimlerChrysler Corporation is defending approximately 25 other complaints involving vehicle seat back strength, including the appeal of a judgment against DaimlerChrysler Corporation in November 2003 for \$3.75 million in compensatory damages and \$50 million in punitive damages in *Douglas v. DaimlerChrysler Corporation*, a case filed in Superior Court in Maricopa County, Arizona. The company believes it has strong grounds for appealing these verdicts and having the punitive damage awards stricken.

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 29,000 at the end of 2004. 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. 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.

As previously reported, 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.

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

As previously reported, in 2003 approximately 80 purported class action lawsuits alleging violations of antitrust law were filed against us and several of our 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. We believe the complaints are without merit and plan to defend ourselves against them vigorously.

As previously reported, our subsidiary, Daimler-Chrysler 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, initially 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.

The Federal Republic of Germany has initiated arbitration proceedings against DaimlerChrysler Services AG, Deutsche Telekom AG and the consortium. The Federal Republic of Germany is claiming damages, including contractual penalties and reimbursement of lost revenues that allegedly arose from delays in the operability of the toll collection system. Specifically, the German federal government is claiming lost revenues of €3.56 billion plus interest for the period September 1, 2003 through December 31, 2004, and contractual penalties of approximately €1.03 billion plus interest through July 31, 2004. The latter amount includes penalties of €789 million based on allegations that the consortium members did not obtain the Government’s consent before entering into several sub-supplier contracts. Since some of the contractual penalties are depending on time, the amount claimed as contractual penalties may increase. We believe the government’s claims are without merit and we intend to defend ourselves vigorously against these claims.

As previously reported, 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 CAD195 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 £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.

As previously reported, we sold DaimlerChrysler Rail Systems GmbH ("Adtranz"), to Bombardier Inc. on April 30, 2001 for \$725 million. In connection with the sale, we deferred €300 million of the gain due to uncertainties related to the final purchase price. 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 sought total damages of approximately €960 million. The original sales agreement limited 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. On September 28, 2004, we and Bombardier concluded a settlement agreement with respect to all claims asserted by Bombardier in connection with the sale of Adtranz. The settlement agreement provided for a purchase price adjustment of €170 million to be paid to Bombardier and the cancellation of all remaining claims and allegations asserted by Bombardier.

As previously reported, 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 Dr. 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. 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 August 2003, DaimlerChrysler agreed to settle the consolidated class action case for \$300 million (approximately €230 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 of approximately \$1.35 billion. The Tracinda trial was completed on February 11, 2004. There can be no assurance as to the timing of a decision by the court. In addition, a purported class action was filed against DaimlerChrysler AG and some members of its Board of Management in 2004 in the same court on behalf of current or former DaimlerChrysler shareholders who are not citizens or residents of the United States and who acquired their DaimlerChrysler shares on or through a foreign stock exchange. The Court had previously excluded such persons from the consolidated class action due to practical difficulties in maintaining a class comprising such persons. The complaint contains allegations similar to those in the Tracinda and prior class action complaints.

In 2002, several lawsuits were filed asserting claims relating to the practice of apartheid in South Africa during different time periods before 1994: 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. On November 19, 2002, a 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. 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 the relevant periods, and benefited financially from such cooperation. The plaintiffs seek monetary and other relief, but do not quantify damages. On November 29, 2004, the Court granted a motion to dismiss filed by a group of defendants, including DaimlerChrysler. All plaintiffs filed notices of appeal with the Court in December 2004.

In August 2004, the Securities and Exchange Commission (SEC) notified us that it has opened an investigation relating to our compliance with the U.S. Foreign Corrupt Practices Act. The investigation follows the filing of a “whistleblower” complaint with the U.S. Department of Labor (DOL) under the Sarbanes-Oxley Act by a former employee of our wholly-owned subsidiary

DaimlerChrysler Corporation whose employment was terminated in 2004. The terminated employee filed a lawsuit against DaimlerChrysler Corporation in the U.S. District Court for the Eastern District of Michigan in September 2004 which contains substantially the same allegations as in the DOL complaint and additional allegations relating to other federal and state law claims arising from the termination. In November, the DOL dismissed the complaint because it found no reasonable cause to believe that the employee was terminated in violation of the Sarbanes-Oxley Act. We are providing information to the SEC in cooperation with its investigation. In addition, in response to an informal request from the SEC, we are also voluntarily providing information regarding our implementation of various provisions of the Sarbanes-Oxley Act, including those relating to the process for reporting information to the Audit Committee. This request follows the filing of another whistleblower complaint with the DOL by a former employee of DaimlerChrysler Corporation. The terminated employee filed a lawsuit against DaimlerChrysler Corporation in the U.S. District Court for the Eastern District of Michigan in November 2004 which contains substantially the same allegations as in the DOL complaint.

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

The World Economy

Global conditions indicate that the growth of the world economy will be lower in 2004 than in the prior year. Overall, we anticipate global economic growth of slightly more than 3 % in 2005 and similar rates in the following years. The return to a sustained and stable growth trend will only be possible if raw-material prices do not rise again significant, however.

In the United States rising interest rates, the end of fiscal-policy stimulus and slower expansion of domestic demand are likely to dampen growth.

Domestic demand should revive slightly Western Europe, but the region's total economic growth rate will probably remain unchanged due to the lower contribution from foreign trade.

For Germany the expectations for 2005 will remain on a low level.

Following its expansion of the last two years, the Japanese economy will probably slow down. Neither will the emerging markets be immune from the weaker economic momentum; in particular the economies of Asia and South America will grow at lower rates than hitherto. In China, the administrative measures taken to restrain the country economy, which was overheating last year, will increasingly taken effect.

Automobile Markets

Parallel to the slowdown in the world's economic expansion, the growth in global demand for automobiles should be rather lower in 2005 than in 2004. While demand for passenger cars in the emerging markets is likely to rise significantly once again, we expect the North American market for passenger cars and light trucks and the passenger car markets of Western Europe and Japan to remain at the level of 2004.

In the commercial vehicles area, the global upward trend of 2005 is likely to continue, but at a rate lower than the previous year. Once again, all large international commercial vehicle markets are likely to post small growth.

In view of the strong rise in purchasing power and increased mobility requirements, over the next few years, growth in global automotive demand will be focused primarily in the newly industrializing countries of Asia and South America, as well as in Eastern Europe. The limited scope for growth in the large automotive markets of North America, Western Europe and Japan, as well as the high global production capacity, will intensify competition across all market segments. In particular, Asian manufacturers will attempt to further consolidate their presence in North America and Western Europe. Thus, DaimlerChrysler AG anticipates that the fierce price competition in the US and Europe will not abate. This will be compounded by stricter environmental and safety requirements, which will generate considerable costs for all manufacturers. In this context the ability to set ourselves apart from the competition through innovations and strong brands is becoming increasingly important. A global market presence is increasingly becoming a success factor in international competition, since it enables participation in the growth in emerging markets and economies of scale through higher unit.

The difficult economic conditions impact on the results of DaimlerChrysler AG. Our expectations for 2005 are that we will hold the levels of sales and revenues of the reporting year and moderately increase the result.

Mercedes-Benz Passenger Cars

We expect a strong improvement in earning performance in 2006 and 2007, when the second model campaign of Mercedes-Benz Passenger Cars – in particular the new S-Class – kicks in. Tapping

new markets, such as China, and new market segments, such as the Sports Tourer segment, will also make a contribution. The negative earning factors observed at the Passenger Cars Division in 2004 will persist in 2005. The euro's strength against the dollar and high commodity prices are expected to negatively impact the result. Furthermore, in 2005, there will also be high expenditures for new products and the continuation of the quality campaign. These will be counterbalanced by the positive effects from the initiated cost-cutting measures.

Mercedes-Benz Commercial Vehicles

The Commercial Vehicles Division expects to increase unit sales considerably in 2005 and 2006. The development of sales will also be supported by various new models. In addition, we are endeavoring to compensate any negative effects from high commodity prices through further cost savings and efficiency improvements, which should result in improved performance.

Investments in Property, Plant and Equipment

DaimlerChrysler AG expects to spend over € 6 billion for investments in property, plant and equipment in the 2005 to 2007 planning period. The investment focus will be on the Passenger Cars Division and the preparations for the successor models of the C-, E- and S-Class. In the Commercial Vehicles Division, the investment focus will be the successor to the Sprinter and the engine family for heavy-duty trucks.

Research and Development

Over the next three years, we anticipate capital expenditures of over € 9 billion for research and development, thus retaining the high level of previous years.

The accents of research and development at DaimlerChrysler AG will be on new vehicle models in the Passenger Cars and Commercial Vehicles Divisions. Important projects in the Commercial Vehicles Division are new engines, which meet future emission standards in the US, Western Europe and Japan and a new platform for the successor models to the Actros, Atego and Axor.

Extensive funding has also been earmarked for new technologies for improving the safety, environmental compatibility and economic viability of road transport.

Forward-looking statements in this Management Report:

This Annual Report contains forward-looking statements that reflect management's current views with respect to future events. The words „anticipate,“ „assume,“ „believe,“ „estimate,“ „expect,“ „intend,“ „may,“ „plan,“ „project“ and „should“ and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties, including, but not limited to: an economic downturn in Europe or North America; changes in currency exchange rates, interest rates and in raw material prices; introduction of competing products; increased sales incentives; and decline in resale prices of used vehicles. If any of these or other risks and uncertainties occur (some of which are described under the heading "Risk Report" in this Annual Report and under the heading „Risk Factors“ in DaimlerChrysler's most recent Annual Report on Form 20-F filed with the Securities and Exchange Commission), or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. We do not intend or assume any obligation to update any forward-looking statement, which speaks only as of the date on which it is made.

The Annual Financial Statements and the Management Report of DaimlerChrysler AG and the Consolidated Statements of DaimlerChrysler AG for the year 2004 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.