

DAIMLERCHRYSLER



Annual Financial Statements 2002

DaimlerChrysler AG

Balance Sheet of DaimlerChrysler AG

	Notes	12/31/2002 € in millions	12/31/2001 € in millions
ASSETS			
Fixed Assets			
Intangible assets	(1)	90	87
Property, plant and equipment incl. leased equipment	(2)	7,031	6,341
Investments and long-term financial assets	(3)	28,937	28,328
		36,058	34,756
Non-fixed Assets			
Inventories	(4)	4,957	4,734
Trade receivables	(5)	1,739	1,923
Receivables from affiliated companies	(5)	8,848	6,399
Other non-fixed assets	(5)	1,711	1,583
Securities	(6)	386	414
Cash and cash equivalents	(7)	3,092	2,207
		20,733	17,260
Prepaid Expenses		25	56
		56,816	52,072
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity			
Capital stock (authorized unissued capital € 691 million)	(8a)	2,633	2,609
Additional paid-in capital	(8b)	11,841	11,357
Retained earnings	(8c)	6,297	3,150
Unappropriated profit		3,147	1,003
		23,918	18,119
Special account with an equity portion	(9)	1	1
Accruals			
Accrued pension and similar liabilities	(10)	7,210	6,309
Other accrued liabilities	(11)	9,088	7,318
		16,298	13,627
Liabilities			
Trade liabilities	(12)	3,215	3,188
Liabilities to affiliated companies	(12)	7,815	9,144
Other liabilities	(12)	5,554	7,981
		16,584	20,313
Deferred Income		15	12
		56,816	52,072

Income Statement of DaimlerChrysler AG

	Note	2002 € in millions	2001 € in millions
Revenues	(13)	55,573	55,056
Cost of goods sold	(14)	(49,570)	(48,012)
Gross profit		6,003	7,044
Selling expenses	(14)	(5,285)	(5,034)
General administrative expenses	(14)	(1,928)	(1,691)
Other operating income	(15)	852	503
Other operating expenses	(16)	(278)	(410)
Income from investments in affiliated and related companies	(17)	8,438	1,136
Interest income	(18)	118	(33)
Other financial income	(19)	(426)	(59)
Income from ordinary activities		7,494	1,456
Income taxes	(20)	(1,200)	(632)
Net Income	(21)	6,294	824
Addition to (p.y. withdrawal from) retained earnings		(3,147)	179
Unappropriated profit		3,147	1,003

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, 2001. The condensed items of the balance sheet and the income statement are specifically included in the notes to the statements and explained.

The income statement is set up in accordance with the internationally predominant cost of sales method.

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.

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

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

For scheduled depreciation, in most cases a useful life of 3 to 10 years is assumed for technical equipment and machinery, other equipment as well as factory and office equipment. Shorter periods are applied to equipment used in multishift operations.

As a matter of principle, movable property with a useful life of 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 generally 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 resp. the declining balance method. The declining balance method is used until the straight-line method yields higher expenses.

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

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

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

The principle of LIFO (last-in, first out) method is applied to the consumption of inventory. *Inventories* are therefore classed into groups of like nature and function.

If inventory obsolescence risks exist, e.g. due to impaired usefulness after long periods of storage or following design changes, appropriate deductions are made.

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

€ in millions	Balance at 01/01/2002	Acquisition or Manufacturing Costs			Balance at 12/31/2002
		Additions	Reclassi- fications	Disposals	
Intangible assets	167	38	2	10	197
Property, plant and equipment					
Technical equipment and machinery	3,662	545	235	44	4,398
Other equipment, factory and office equipment	2,993	488	91	175	3,397
Leased equipment	4,493	2,235	45	1,553	5,220
Payments in advance and construction in progres:	446	754	(373)	100	727
	11,594	4,022	(2)	1,872	13,742
Financial assets					
Investments in affiliated companies	20,394	895	(4)	185	21,100
Loans to affiliated companies	599	37	-	98	538
Investments in associated and related companies	3,825	15	4	107	3,737
Other loans	44	5	-	20	29
Special Assets Pension Trust	5,325	4,063	-	4,047	5,341
	30,187	5,015	-	4,457	30,745
					-
					-
Fixed assets	41,948	9,075	-	6,339	44,684

Balance at 01/01/2002	Depreciation/Write-up				Balance at 12/31/2002	Book Values	
	Additions	Write-up	Reclassi- fications	Disposals		Balance at 12/31/2002	Balance at 12/31/2001
80	37	-	.	10	107	90	87
1,981	744	-	.	41	2,684	1,714	1,681
1,930	532	-	.	165	2,297	1,100	1,063
1,342	868	-	-	480	1,730	3,490	3,151
-	-	-	-	-	-	727	446
5,253	2,144	-	.	686	6,711	7,031	6,341
922	16	(80)	0	-	858	20,242	19,472
-	-	-	-	-	-	538	599
915	40	-	-	41	914	2,823	2,910
2	-	-	-	-	2	27	42
20	34	-	-	20	34	5,307	5,305
1,859	90	(80)	-	61	1,808	28,937	28,328
7,192	2,271	(80)	.	757	8,626	36,058	34,756

Notes to the Balance Sheet of DaimlerChrysler AG

1 Intangible assets

The intangible assets include acquired licenses (EDP-software), rights of sale and similar rights of € 90 million.

2 Property, plant and equipment incl. leased equipment

The additions of € 4,022 million include € 2,235 million of leased passenger cars. Further additions consist only of movable equipment.

Scheduled depreciation amounts to € 2,144 million (p. y. € 2,012 million).

3 Investments and long-term financial assets

The interest in affiliated and related companies increased to € 23,065 million (p.y. € 22,382 million).

The addition is mainly linked to increases in capital at subsidiaries particularly at DaimlerChrysler Vermögens- und Beteiligungsgesellschaft mbH and intragroup acquisitions of financial services companies.

A report of the investments in subsidiaries of DaimlerChrysler AG according to § 285 No. 11 HGB (German Commercial Code) is filed at the trade register.

Loans to affiliated companies decreased by € 61 million. This development results mainly from repayments of Maschinenfabrik Esslingen AG.

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. Losses on disposal and depreciation on securities - mostly held in special funds - have been realized as the result of a decline in prices for securities and funds. Ancillary capital was allocated to the trust.

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

4 Inventories

	12/31/2002	12/31/2001
	€ in millions	€ in millions
Raw material and manufacturing supplies	750	736
Work in progress	746	772
Finished goods and resale products	3,489	3,243
Inventories	4,985	4,751
Received payments in advance	(28)	(17)
Total	4,957	4,734

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.

The difference between current acquisition or manufacturing costs and valuation based on the last-in, first-out method is € 830 million.

5 Receivables and Other assets

	12/31/2002		12/31/2001	
	€ in millions	€ in millions	€ in millions	€ in millions
Trade receivables		1,739		1,923
of which due after 1 year	12		10	
Receivables from affiliated companies		8,848		6,399
of which due after 1 year	36		27	
Receivables from related companies		106		252
of which due after 1 year	-		2	
Other assets		1,605		1,331
of which due after 1 year	7		7	
Total of Receivables and Other assets		12,298		9,905
of which due after 1 year	55		46	

The receivables from affiliated companies contain mostly intragroup (cash) accounts receivable and trade accounts receivable in the range of the central financial and liquidity management and the trade relations with domestic and foreign subsidiaries.

In contrast to the previous year the deposit at Deutsche Bank AG (€ 105 million) is no longer included in receivables from related companies, but in cash and cash equivalents.

The Other assets contain predominantly tax assets (€ 837 million).

6 Securities

	12/31/2002	12/31/2001
	€ in millions	€ in millions
Other securities	386	414

Other securities contain investments in funds (€ 84 million), debt securities (€ 296 million) and equity securities (€ 6 million).

The decrease in other securities is mainly caused by a decline of debt securities (€ 14 million).

During the fiscal year DaimlerChrysler AG purchased a total amount of 1,105,139 treasury stocks with a corresponding nominal value of € 2,873,361 which represents about 0.11 % of total capital stock.

The average purchase price of these shares was € 44.27. The purpose of the acquisition of these shares was the company's employee share purchase program. 895,437 treasury shares (corresponding nominal value € 2,328,136) were sold immediately to employees. An additional 209,677 shares (corresponding nominal value € 545,160) were sold to group companies at acquisition cost for resale to their employees in three phases.

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

Period	Subscription price per share (€)
March-April 2002	49,70
June-August 2002	48,05
October-December 2002	34,97

Additionally, DaimlerChrysler AG granted graded benefits. An employee purchasing 5 shares received a benefit of € 76.79, the purchase of 10 to 30 shares lead to a benefit of € 153.39. Employees who bought at least 15 shares received a bonus share exempt from any charges in addition.

25 treasury shares (corresponding nominal value € 65) were sold on the stock exchange (average share price € 46.43) between July and August 2002. At the balance sheet date no treasury shares are held by DaimlerChrysler AG.

7 Cash and cash equivalents

Cash and cash equivalents amount to € 3,092 million and include deposits at financial institutions as well as cash and checks on hand.

In addition to cash and cash equivalents, liquid assets include securities (€ 386 million) and a non-marketable debt issue (€ 5 million) which is recorded under other non-fixed assets.

8 Stockholders' equity

	12/31/2002 € in millions	12/31/2001 € in millions
Capital Stock	2,633	2,609
Additional paid-in capital	11,841	11,357
Retained earnings	6,297	3,150
Unappropriated profit	3,147	1,003
Stockholders' equity	23,918	18,119

a) Capital stock

	€	Number
Capital stock December 31, 2001	2,608,507,195	1,003,271,998
Increases in 2002:		
Conversion mandatory convertible notes 1997/2002	24.763,466	9.524,410
Conversion Bearer notes 1996/2003	130	50
Conversion Stock Option Plan 1996	18,291	7,035
Capital stock December 31, 2002	2,633,289,082	1,012,803,493

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

In June 1996, Daimler-Benz AG issued 4.125 % bearer notes with appertaining warrants through Daimler-Benz Capital (Luxembourg) AG (now: DaimlerChrysler Luxembourg Capital S.A.). These notes were provided with a total of 1,200,000 attached warrants, entitling the holders to purchase ordinary shares of DaimlerChrysler AG pursuant to the conditions of these warrants after the merger. If a warrant is exercised, its owner receives 10.30527 shares of DaimlerChrysler AG, consisting of 6.44004 new shares according to conditional capital IV and 3.86523 already existing shares pursuant to a option contract signed with a third party. The option price can be paid either through an exchange of warrants or through cash payment. The option price per share is € 42.67 for warrants exchange and € 44.49 in cash. During 2002 options for the subscription of 50 (2001: none, 2000: 10,416) newly issued DaimlerChrysler shares were exercised. There were 177,956 warrants outstanding at the balance sheet date.

In June 1997 Daimler-Benz AG issued 5.75 % subordinated mandatory convertible notes maturing in June 2002 at a subscription price of € 66.83. The offering which had a face value of € 508 million was for 7,600,000 notes, which could be exchanged into 0.86631 DaimlerChrysler shares by June 4, 2002. Subsequently, all unexercised warrants were subjected to a mandatory conversion at June 14, 2002. The conversion price of € 52,72 was determined on June 8, 2002, on the basis of the average closing auction price for the shares in Xetra-trading at the Frankfurt Stock Exchange for the period between May 13, 2002 and June 7, 2002. As this conversion price was below the adjusted minimum conversion price of € 53.19 the number of shares was calculated based on the adjusted minimum conversion price. Thus bearers received 1.25643 ordinary shares of DaimlerChrysler AG per note. Remaining fractions were settled in cash based on a conversion rate of € 52.72 amounting to a total cash payment of € 0.4 million. During 2002, 17,927 (2001: 87, 2000: 92) DaimlerChrysler shares were issued upon exercise whereas 9,506,483 newly issued ordinary shares emerge from the mandatory conversion.

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

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

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

As of December 31, 2002 notes with a total par value of € 117,598.13 equivalent to 46,230 new DaimlerChrysler shares, had not yet been converted. Furthermore 7,035 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 2002 three tranches were issued. The allocated options entitle the owner to purchase one DaimlerChrysler share per option. Within the scope of the stock option plan 2000 a strike price must be paid for exercising the option (which includes a 20 % surcharge on the reference price). If the stock price (last closing auction price prior to the exercise in Xetra-trading at the Frankfurt Stock Exchange) equals at least the strike price (profit

target), the participant receives an additional variable payment for each exercised option. Initial exercise dates for these options are or were April 2002, 2003, 2004. The maturity period of the tranches is ten years. At the end of this period the unexercised options will lapse.

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, as of December 31, 2002.

Stock Option Plan 2000

Tranche	2000	2001	2002
Strike price of the option per share, €	74.76	66.96	51.52
Reference price, €	62.30	55.80	42.93
Variable payment, €	12.46	11.16	8.59
Outstanding options, as of December 31, 2002	15,018,415	18,225,725	19,760,280

Conditional Capital

Number	I	II	III	IV	V	VI	Total
Conditional Capital as of 01/01/2002, €	300,000,000	44,460,000	40,716,000	40,485,307	40,689,870	249,600,000	715,951,177
Used before 12/31/2002, €	-	-	-	24,763,596	18,291	-	24,781,887
Conditional Capital as of 12/31/2002, in shares	115,384,615	17,100,000	15,660,000	6,046,812	15,642,915	96,000,000	265,834,342
Balance at 12/31/2002, €	300,000,000	44,460,000	40,716,000	15,721,711	40,671,579	249,600,000	691,169,290
Purpose	Bearer Notes or Convertible Notes 2000/2005 to issue new Stock Options	Bearer Notes 1996/2003	Convertible Notes 1996/2006 1997/2007	Bearer Notes 1996/2003	Convertible Notes 1996/2006 1997/2007	Bearer Notes or Convertible Notes 2000/2005 to issue new Stock Options	

Authorized Capital in €

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

b) Additional paid-in capital

The amount of additional paid-in capital is € 11,841 million. This position contains received premiums of € 484 million resulting from conversions of Bearer Notes Mandatory Convertible Notes and Stock Option Plans.

c) Retained earnings

	12/31/2002 € in millions	12/31/2001 € in millions
Retained earnings	6,297	3,150

Retained Earnings amount to € 6,297 million. As of December 31, 2002 € 3,147 million were adjusted to retained earnings and another € 1,628 million are proposed for an additional adjustment to the Annual Shareholders' Meeting.

9 Special account with an equity portion

	12/31/2002 € in millions	12/31/2001 € in millions
Special account with an equity portion	1	1

The special account with an equity portion includes the revaluation of securities, that became necessary in 1999 because of the requirement to reinstate original values pursuant to § 280 (1) HGB (German Commercial Code). Due to changes in German tax legislation, the creation of this item is obligatory according to the provisions of § 52 (16) EStG (Income Tax Law). In 2002, this account has been reduced by € 0.5 million, which increased other operating income.

10 Accrued pensions and similar liabilities

	12/31/2002 € in millions	12/31/2001 € in millions
Pension liabilities	7,210	6,309

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 2002 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 6.0 % (6.5 % p. y.), a long-term rate for increasing remunerations of 3.5 % in 2002 (3.0 % as of 2003), an increase in living costs of 2.0 % and an expected long-term rate of return on plan assets (DaimlerChrysler Unterstützungskasse) of 7.7 %.

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

11 Other accrued liabilities

	12/31/2002 € in millions	12/31/2001 € in millions
Accrued taxes	2,274	950
Other accrued liabilities	6,814	6,368
	9,088	7,318

The accruals recorded for income and other taxes relate mainly to income taxes for 2002 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, it includes accruals for deferred maintenance carried out in the first quarter of the next year.

12 Liabilities

	12/31/2002		12/31/2001	
	€ in millions	€ in millions	€ in millions	€ in millions
Notes/Bonds		1,650		2,916
of which due in less than 1 year	701		1,263	
of which due in more than 5 years	125		143	
of which are convertible	.		543	
Liabilities to financial institutions		41		867
of which due in less than 1 year	18		837	
of which due in more than 5 years	23		23	
Trade Liabilities		3,215		3,188
of which due in less than 1 year	3,214		3,187	
of which due in more than 5 years	-		-	
Commercial Paper		2,380		2,794
of which due in less than 1 year	2,380		2,794	
Liabilities to affiliated companies		7,815		9,144
of which due in less than 1 year	7,623		8,333	
of which due in more than 5 years	-		-	
Liabilities to related companies		79		56
of which due in less than 1 year	76		56	
of which due in more than 5 years	-		-	
Other Liabilities		1,404		1,348
of which due in less than 1 year	1,403		1,346	
of which due in more than 5 years	-		-	
of which are tax liabilities	162		127	
of which are obligations concerning social security	285		237	
Total of liabilities		16,584		20,313
of which due in less than 1 year	15,415		17,816	
of which due in more than 5 years	148		166	

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 and the trade relations with domestic and foreign subsidiaries.

The notes/bonds concern convertible notes according to the Stock Option Plan 1996 (€ 0.1 million), the former Stock Option Plan 1997 (€ 15 million) and the former 1998 (€ 17 million) as well as the Yen-bond issued in 2000 (€ 1,618 million).

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

Notes to the Income Statement of DaimlerChrysler AG

13 Revenues

	2002	2001
	€ in millions	€ in millions
Revenues classified by type:		
Passenger cars	43,463	42,764
Commercial vehicles	12,110	12,292
	55,573	55,056
Revenues classified by region:		
Domestic	20,923	20,606
Foreign	34,650	34,450
	55,573	55,056
Allocation of foreign revenues:		
EU-Member countries	15,297	14,731
Rest of Europe	2,316	2,406
North America	10,712	11,130
Asia	4,432	4,334
Africa	827	835
Australia	537	423
Latin America	529	591

14 Functional costs

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

Cost of goods sold consist of the manufacturing cost of goods sold. These costs include mainly the cost of production materials, purchased services and personnel expenses of the production departments. Cost of goods sold moreover include € 3,337 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 with € 10 million (p. y. € 7 million).

15 Other operating income

Other operating income (€ 852 million) includes income from charged-out costs, other deliveries and services and income from the release of reserves and accruals, as well as rent and lease returns.

Other operating income includes € 313 million of income allocable to prior financial periods.

16 Other operating expenses

Other operating expenses (€ 278 million) include additions to accruals, rental expenses and expenses related to asset disposals.

Other operating expenses contain € 71 million of expenses allocable to prior financial periods.

17 Investment income of affiliated and related companies

	2002	2001
	€ in millions	€ in millions
Income from profit and loss transfer agreements	6,782	1,822
thereof: DaimlerChrysler Services AG	4,204	
DaimlerChrysler Luft- und Raumfahrt Holding AG	1,345	
DaimlerChrysler Vermögens- und Beteiligungsgesellschaft mbH	823	
DC-Grund DaimlerChrysler Verwaltungsgesellschaft für Grundbesitz mbH	290	
Income from tax allocations	693	662
Income from affiliated companies	953	601
Income from related companies	21	19
Expenses related to loss assumption	(579)	(487)
Balance depreciation/write-up of investments in affiliated and related companies	24	(1,094)
Result from disposals of investments in affiliated and related companies	544	(387)
	8,438	1,136

Investment income is characterized by the income from the profit transfer of DaimlerChrysler Services AG, DaimlerChrysler Luft- und Raumfahrt Holding AG, DaimlerChrysler Vermögens- und Beteiligungsgesellschaft mbH (p. y. DaimlerChrysler Mobilien GmbH) as well as dividend payments made by subsidiaries. Offsetting factors represent loss assumptions in particular smart gmbh.

18 Interest income

	2002	2001
	€ in millions	€ in millions
Income from other securities and loans of financial assets	33	34
thereof from affiliated companies	32	33
Other interest and similar income	906	1,085
thereof from affiliated companies	411	601
Interest and similar expenses	(1,027)	(1,324)
thereof from affiliated companies	(717)	(789)
Income from Pension Trust	206	172
	118	(33)

The improvement in the interest result was mainly caused by decreasing interest expenses for commercial papers and bonds issued.

Interest income contains interest income (€ 570 million) and interest expenses (€ -575 million) of interest rate swaps with banks and DaimlerChrysler North America Holding Corporation.

The income from the Special Assets Pension Trust was mostly based on interest income of special funds (€ 189 million).

19 Other financial income

	2002 € in millions	2001 € in millions
Gains from sales of securities	.	.
Write-offs of securities (short term assets)	(14)	(20)
Write-ups of security loans	32	37
Other income / expenses	282	(112)
Other financial income Pension Trust	(726)	36
	(426)	(59)

The negative result stems predominantly from a negative income on other financial income Pension Trust. A positive counter movement is achieved in Other income/expenses by the currency income (€ 240 million) caused by a repayment (€ 185 million) for a bond issued in Yen.

The other financial income Pension Trust results mainly from disposals of special funds and the associated implementing of losses (€ 1,001 million). Offsetting factors yield from the sale of shares (€ 237 million) and closing of forward exchange transactions (€ 48 million).

20 Income taxes

DaimlerChrysler AG in its capacity as a parent company is also a taxpayer with respect to the management and profit sharing agreements drawn up with its affiliated companies. The most important affiliated companies with existing aforementioned agreements are DaimlerChrysler Luft- und Raumfahrt Holding AG, DaimlerChrysler Services AG, DC-Grund DaimlerChrysler Verwaltungsgesellschaft für Grundbesitz mbH, smart gmbh, DaimlerChrysler Vermögens- und Beteiligungsgesellschaft mbH and EHG Elektroholding GmbH.

Taxes on corporate income and business profits, which aggregated € 1,200 million, include € 1,160 million of tax prepayments and additions to tax accruals for 2002 and previous years, additionally € 40 million of withholding tax in foreign investment income.

21 Net income

In 2002 Net income was € 6,294 million. Unappropriated profits of € 3,147 million remain after a transfer to retained earnings amounting to € 3,147 million. It will be recommended to the Annual Shareholders' meeting to distribute € 1,519 million to the shareholders and transfer another € 1,628 million to retained earnings.

Other Notes

Personnel expenses/ Employees

	2002	2001
	€ in millions	€ in millions
Wages and salaries	8,135	7,600
Social contributions	1,446	1,381
Pension costs	1,188	549
	10,769	9,530
Personnel (annual average)	Number	Number
Hourly employees	100,269	101,465
Salaried employees	53,037	51,450
Trainees/Apprentices	9,589	8,828
Annual average	162,895	161,743
Personnel as of 12/31/2002	161,668	160,811

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

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

Cost of materials

	2002	2001
	€ in millions	€ in millions
Cost of raw materials, supplies, and purchased goods	33,120	33,174
Cost of purchased services	7,823	6,413
	40,943	39,587

Derivative financial instruments

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

Nominal value	12/31/2002	12/31/2001
	€ in millions	€ in millions
Commodity futures contracts	2	5
Currency hedging contracts	30,127	28,615
Interest hedging contracts	11,967	12,908
Price hedging contracts	117	1,945
	42,213	43,473

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. Price hedging contracts are stock index futures used to hedge stock prices. The nominal values represent the gross total of all purchase and sales contracts of derivative financial transactions.

	12/31/2002		12/31/2001	
	Book Value	Market Value	Book Value	Market Value
	€ in millions	€ in millions	€ in millions	€ in millions
Asset accounts				
Commodity futures contracts	-	-	-	-
Currency hedging contracts	71	1,790	34	678
Interest hedging contracts	-	693	-	409
Price hedging contracts	9	1	69	112
	80	2,484	103	1,199
Liability accounts				
Commodity futures contracts	(1)	(1)	-	(1)
Currency hedging contracts	(39)	(209)	(166)	(805)
Interest hedging contracts	(1)	(705)	-	(409)
Price hedging contracts	(1)	(1)	(69)	(10)
	(42)	(916)	(235)	(1,225)
Total	38	1,568	(132)	(26)

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

Contingent liabilities

	12/31/2002 € in millions	12/31/2001 € in millions
Payment guarantees in favor of the holders of the issued Bonds and Euro-Medium-Term-Notes of DaimlerChrysler North America Holding Corporation, Auburn Hills, USA	33,368	46,245
Payment guarantees in favor of the holders of the commitment of DaimlerChrysler Services North America, L.L.C., Southfield MI, USA	1,408	2,756
Payment guarantees in favor of the holders of the issued Bonds and Euro-Medium-Term-Notes of DaimlerChrysler Canada Finance Inc., Montreal, Canada	2,538	2,706
Payment guarantees in favor of the European Investment Bank and of the holders of the issued Bonds of DaimlerChrysler Coordination Center SA, Brussels, Belgium	1,783	2,753
Payment guarantees in favor of the holders of the issued Bonds of DaimlerChrysler Corporation, Auburn Hills, USA	1,759	2,071
Payment guarantees in favor of the holders of the issued Bonds and Euro-Medium-Term-Notes of DaimlerChrysler UK Holding plc, London, UK	1,705	1,431
Payment guarantees in favor of Chubb Insurance Company of Europe S. A. for the commitment of Bombardier Transportation GmbH, Berlin, Germany	230	271
Payment guarantees in favor of the European Investment Bank for the commitment of DaimlerChrysler do Brasil Ltda., Sao Berardo do Campo, Brazil	309	487
Payment guarantees in favor of the holders of the issued Bonds and Euro-Medium-Term-Notes of DaimlerChrysler International Finance B. V., Utrecht, Netherlands	6,249	6,295
Payment guarantees in favor of the European Investment Bank for the commitment of Daimler-Benz AG & Co. "Optima" Grundstücksvermietung Potsdamer Platz OHG, Stuttgart, Germany	511	511
Payment guarantees in favor of the holders of the issued Bonds of DaimlerChrysler Japan Holding Ltd., Tokio, Japan	151	399
Payment guarantees in favor of the holders of the issued Bonds of DaimlerChrysler Australia/Pacific Pty. Ltd., Mulgrave, Australia	305	655
Payment guarantees in favor of Wenger/Vieli for the commitment of smart gmbh, Böblingen, Germany	343	337
Payment guarantees in favor of the holders of the issued Bonds of DaimlerChrysler Luxembourg Capital S. A., Luxembourg	180	180
Payment guarantees in favor of the holders of the issued Bonds and Euro-Medium-Term-Notes of DaimlerChrysler Luxembourg Finanz S. A., Luxembourg	50	121
Payment guarantees in favor of the holders for the commitment of DaimlerChrysler Leasing Arrendamento Mercantil S. A., Sao Paulo, Brazil	90	114
Payment guarantees in favor of the Österreichische Kontrollbank Wien for the loan collateralization of DaimlerChrysler Management Services Ges. mbH, Vienna, Austria	189	189
Payment guarantees in favor of Commerzbank AG, Gummersbach for the loan collateralization of Tiguaris Beteiligungsgesellschaft mbH & Co. Objekt Duisburg/Witten KG, Düsseldorf, Germany	82	82
Payment guarantees in favor of the KfW for the commitment of DaimlerChrysler Services de Mexico S. A. de C. V., Mexico City, Mexico	96	114
Payment guarantees in favor of the holders of the issued Bonds of DaimlerChrysler of South Africa Pty.Ltd, Pretoria, South Africa	110	96
Commitments of the placement and inpayment guarantees of DCSF Immobilienverwaltungsgesellschaft Nr. 1 mbH & Co. Objekt Park KG, Stuttgart, Germany	72	-
Payment guarantees in favor of the KfW for the commitment of DaimlerChrysler de Mexico S. A. de C. V., Mexico City, Mexico	59	76
Other guarantees	370	298
Liabilities from other warranty agreements	210	138
Guarantees against domestic and foreign subsidiaries as well as to third parties	498	482
thereof to affiliated companies	103	146
Notes payable	-	.

In 2002, affiliated companies issued less bonds due to the increased liquidity. Thus payment guarantees of DaimlerChrysler AG declined significantly. Supportingly affected by exchange rate effects of dollar bonds which resulted in a lapsing balance of payment guarantees. 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 2003 and subsequent years. Claims on future non-estimable equalization payments for 2003 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 (€ 14,647 million) include € 10,727 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 € 10,737 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 totaling € 5,826 million by the latter to DaimlerChrysler AG. The rental expense for proceeding years aggregates € 5,826 million, as of December 31, 2002. More over, leasing agreements are in existence with 19 property companies at Potsdamer Platz, on which DaimlerChrysler AG can expect costs of € 2,643 million in the future. The rental expense, totaling € 1,170 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 31 general partnerships.

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

Organs/Executive body

The total remuneration awarded to the Board of Management of DaimlerChrysler AG consists of the sum of all granted cash payments and all non-cash benefits out of the benefits in kind. This remuneration amounted to € 37.0 million for the Board of Management of DaimlerChrysler AG in 2002. Thereof € 9.3 million for fixed components and € 27.7 million for short- and medium-term profit-oriented components. There was no remuneration based on long-term components, as of December 31, 2002.

The Board of Management received overall 3,030,000 Stock Options as a long-term remuneration component in 2002 which result from the option-plan approved by the Annual Shareholders' Meeting in the year 2000. Further information concerning the stock-based compensation are available in the notes to the capital stock (8a). In 2002, the remuneration to retired Board members of DaimlerChrysler AG and to their bereaved families aggregated € 7.8 million. Accrued Pension liabilities to retired Board members and to their bereaved families totaling € 97.1 million.

The remuneration to the Supervisory Board of DaimlerChrysler AG amounts to € 1.2 million, as of December 31, 2002.

The Management Board Membership and Supervisory Board Membership are listed on pages 26 to 35.

Proposal on appropriation of retained earnings

The unappropriated profit of DaimlerChrysler AG as of December 31, 2002 amounts to € 3,147,002,560. 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	1,519,205,240
Transfer to retained earnings	1,627,797,320
Profit carried forward	-
Unappropriated profit	3,147,002,560

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 11, 2003

Jürgen E. Schrempp

Jürgen Hubbert

Wolfgang Bernhard

Klaus Mangold

Manfred Bischoff

Thomas W. Sidlik

Eckhard Cordes

Gary C. Valade

Günther Fleig

Thomas Weber ^{*)}

Manfred Gentz

Dieter Zetsche

Rüdiger Grube

^{*)} Deputy Member of Board of Management

Auditor's report to the annual financial statements

We have rendered our unqualified auditors' report as follows:

"We have audited the annual financial statements, together with the bookkeeping system and the management report of DaimlerChrysler AG, Stuttgart, for the business year from January 1 to December 31, 2002. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German Commercial Code are the responsibility of the Company's Board of Management. Our responsibility is to express an opinion on the annual financial statements, the bookkeeping system and the management report based on our audit.

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

Our audit has not led to any reservations.

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

Stuttgart
February 11, 2003

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Krauß
Wirtschaftsprüfer

Hug
Wirtschaftsprüfer

Board of Management

Members of the Board of Management

Supervisory Board Memberships/ Directorships

Jürgen E. Schrempp

Stuttgart
Chairman of the Board of Management
Appointed until 2005

Internal Directorships

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

External Directorships

Allianz AG
New York Stock Exchange (NYSE)
South African Coal, Oil and Gas Corporation Ltd. (Sasol)
Vodafone Airtouch plc

Dr. rer. pol. Wolfgang Bernhard

Auburn Hills
Chief Operating Officer Chrysler Group
Appointed until 2007

Internal Directorships

DaimlerChrysler Corporation

Dr. rer. pol. Manfred Bischoff

Stuttgart
Aerospace & Industrial Businesses,
Appointed until 2003

Internal Directorships

DaimlerChrysler Aerospace AG (Chairman)
DaimlerChrysler Luft- und Raumfahrt Holding AG (Chairman)
EADS Deutschland GmbH (Chairman)
EADS Participations B. V.
European Aeronautic Defence and Space Company EADS N. V.
(Chairman)
MTU Aero Engines GmbH (Chairman)

External Directorships

Bayerische Hypo- und Vereinsbank AG
Fraport AG
Gerling-Konzern, Versicherungs-Beteiligungs-AG
J. M. Voith AG
Lagardère-Sociétés S. A.
Mitsubishi Motors Corporation

Members of the Board of Management

Supervisory Board Memberships/ Directorships

Dr. rer. pol. Eckhard Cordes

Stuttgart
Commerical Vehicles
Appointed until 2008

Internal Directorships

DaimlerChrysler (China) Ltd. (Chairman)
DaimlerChrysler Aerospace AG
DaimlerChrysler Australia/Pacific (Pty) Ltd. (Chairman)
DaimlerChrysler France S. A. S. (Chairman)
DaimlerChrysler Italia S. p. A. (Deputy Chairman)
DaimlerChrysler Japan Co., Ltd.
DaimlerChrysler Luft- und Raumfahrt Holding AG
DaimlerChrysler South East Asia Pte Ltd.
DaimlerChrysler Taiwan
Detroit Diesel Corporation (Chairman)
EADS Participations B. V.
European Aeronautic Defence and Space Company EADS N. V.
EvoBus GmbH (Chairman)
Freightliner LLC (Chairman)
MTU Friedrichshafen GmbH (Chairman)

External Directorships

Deutsche BP AG
Deutsche Messe AG
Rheinmetall AG
TAG McLaren Holdings Ltd.

Günther Fleig

Stuttgart
Human Resources & Labor Relations Director
Appointed until 2004

Internal Directorships

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

External Directorships

Wohnstätten Sindelfingen GmbH (Chairman)

Members of the Board of Management

Supervisory Board Memberships/ Directorships

Dr. jur. Manfred Gentz

Stuttgart
Finance & Controlling
Appointed until 2004

Internal Directorships

DaimlerChrysler Aerospace AG
DaimlerChrysler Bank AG
DaimlerChrysler Corporation
DaimlerChrysler España Holding S. A.
DaimlerChrysler France Holding S. A. (Chairman)
DaimlerChrysler Luft- und Raumfahrt Holding AG
DaimlerChrysler Mexico Holding, S. A. de C. V.
DaimlerChrysler North America Holding Corporation
(Chairman)
DaimlerChrysler Services AG
DaimlerChrysler UK Holding plc
DaimlerChrysler Unterstützungskasse GmbH (Advisory Board)
DaimlerChrysler Venture GmbH (Advisory Board)
EHG Elektroholding GmbH (Chairman)
Freightliner LLC

External Directorships

DWS Investment GmbH
Hannoversche Lebensversicherungs a. G. (Deputy Chairman)
Institut für Management und Technologie IMT Berlin GmbH
(Chairman)
Zürich Beteiligungs-AG

Dr. phil. Rüdiger Grube

Stuttgart
Corporate Development
Appointed until 2007

Internal Directorships

DaimlerChrysler Venture GmbH (Advisory Board)

External Directorships

Hyundai Motor Company

Members of the Board of Management

Prof. Jürgen Hubbert

Stuttgart
Mercedes-Benz Passenger Cars & smart
Appointed until 2005

Supervisory Board Memberships/ Directorships

Internal Directorships

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

External Directorships

GPWC Holdings B. V.
Häussler Group (Chairman)
IWKA AG
McLaren International Ltd.
ÖIAG Austria (Deputy Chairman)
Philipp Holzmann AG
TAG McLaren Holdings Ltd.
TÜV Süddeutschland Holding AG

Dr. jur. Klaus Mangold

Stuttgart
Services
Appointed until 2003

Internal Directorships

DaimlerChrysler Bank AG (Chairman)
DaimlerChrysler Services North America LLC
debis AirFinance (Chairman)

External Directorships

Chubb Corporation (Board of Directors & International Advisory Board)
HVB Real Estate Bank AG
Jenoptik AG
Rhodia S. A.
T-Systems International GmbH

Thomas W. Sidlik

Auburn Hills
Procurement & Supply Chrysler Group
Appointed until 2008

Internal Directorships

DaimlerChrysler Corporation

Members of the Board of Management

Supervisory Board Memberships/ Directorships

Gary C. Valade

Auburn Hills
Global Procurement & Supply
Appointed until 2003

Internal Directorships

Chrysler Institute of Engineering
Chrysler International Corporation
DaimlerChrysler Corporation
DaimlerChrysler Corporation Fund
DaimlerChrysler de Mexico, S. A. de C. V.
DaimlerChrysler Motors Company LLC
DaimlerChrysler Venture GmbH (Advisory Board)

External Directorships

Covisint LLC

Prof. Klaus-Dieter Vöhringer

Stuttgart
Research & Technology
Withdrawal December 31st, 2002

Internal Directorships

DaimlerChrysler Aerospace AG
DaimlerChrysler Luft- und Raumfahrt Holding AG
DaimlerChrysler South Africa (Pty) Ltd.
EADS Deutschland GmbH
MTU Friedrichshafen GmbH

External Directorships

Carl Zeiss Stiftung Oberkochen
Fraunhofer-Gesellschaft (Chairman)
Helmholtz-Gemeinschaft (Senate)

Dr. Ing. Dieter Zetsche

Auburn Hills
Chrysler Group
Appointed until 2008

Internal Directorships

Beijing Jeep Corporation, Ltd.
DaimlerChrysler Corporation
Freightliner LLC
Mercedes-Benz USA LLC (Chairman)

Deputy member of Board of Management
beginning as of January 1st, 2003

Internal Directorships

Gottlieb Daimler und Karl Benz Stiftung

Dr. Ing. Thomas Weber

Stuttgart
Research & Technology
Appointed until 2005

Supervisory Board

Members of the of the Supervisory Board

Supervisory Board Memberships/ Directorships

Hilmar Kopper

Frankfurt am Main
Chairman of the Supervisory Board
of DaimlerChrysler AG

Chairman

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

Erich Klemm *)

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

Deputy Chairman

Manfred Göbels *)

Stuttgart
Director, Services and Mobility Concept,
DaimlerChrysler AG

Nate Gooden *)

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

Earl G. Graves

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

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

Members of the of the Supervisory Board

Supervisory Board Memberships/ Directorships

Prof. Victor Halberstadt

Amsterdam
Professor of Public Economics
at Leiden University,
Netherlands

Board of Overseers of Koç University, Istanbul
Concertgebouw N.V.
International Advisors Group of Goldman, Sachs & Co.
Investment Committee of ABP Pension Fund
PA Holdings Ltd., London
Royal KPN N.V.
TPG N.V.

Robert J. Lanigan

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

Helmut Lense *)

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

Peter A. Magowan

San Francisco
President of San Francisco Giants

Caterpillar Inc.
Safeway Inc.

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 am Main
Member of the Executive Council
of German Metalworkers' Union

AOK Baden-Württemberg
Robert Bosch GmbH

Members of the of the Supervisory Board

Supervisory Board Memberships/ Directorships

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

Peter Schönfelder *)

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

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

G. Richard Thoman

New York
Former President and Chief Executive
Officer of Xerox Corporation;
Managing Partner, Corporate Perspectives

DB Capital Partners Advisory Board
Union Bancaire Privée

Bernhard Walter

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

BilfingerBerger AG
Deutsche Telekom AG
Henkel KGaA
Joint Stock Company „Sibirsko-Uralskaya
Neftegazhimicheskaya Companiya“ (AK Sibur)
KG Allgemeine Leasing GmbH & Co.
mg technologies ag
Staatliche Porzellan-Manufaktur Meissen GmbH
ThyssenKrupp AG
Wintershall AG

Members of the of the Supervisory Board Directorships

Supervisory Board Memberships/

Lynton R. Wilson

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

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

Dr. Ing. Mark Wössner

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

Chairman Citibank Deutschland
Dussmann KGaA
eCircle AG
EQT-Investors
Loewe AG

Bernhard Wurl *)

Frankfurt am Main
Head of Department, Responsible for
Management and Codetermination Policy,
German Metalworkers' Union

Babcock Borsig 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
Bernhard Wurl

Presidential Committee

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

Audit Committee

Hilmar Kopper (Chairman)
Erich Klemm
Stefan Schwaab
Bernhard Walter

Retired from the Supervisory Board:

Stephan P. Yokich *)

Detroit

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

Retired May 31st, 2002

*) Representative of the employees

DaimlerChrysler AG Management Report

Global Economy Burdened By Uncertainties

The global economy developed only moderately in 2002. Gross domestic product (GDP) grew by +1.7 % (2001: 1.4 %). The growth rate in North America was disproportionately high while the growth rate development in Western Europe, including Germany, was below average compared to the global economy as a whole. The recessionary trend in Japan continued.

The US economy picked up some impetus with a +2.1 % growth in GDP, but this was not sufficient for any substantial influence on the global economy. Western Europe experienced rather restrained economic development with GDP growing by +0.8 %. GDP in Germany increased modestly by +0.2 % and declined by -0.8 % in Japan. None of the threshold countries was able to provide any growth stimulus since the increased vitality in the Asian economic region was offset by the economic and financial crisis prevailing in South America and the rather dampened momentum in Eastern Europe.

The oil price increases resulting from the particularly tense political situation in the Middle East during 2002 also had an added adverse effect on the global economy.

On the currency side, the Euro stabilized and gained in value in 2002 compared to the three main currencies, the US Dollar, Japanese Yen and the British Pound. In the course of the year the Euro gained +19 % on the US Dollar; +7 % on the British Pound, and +8 % on the Japanese Yen.

Difficult Automotive Markets Worldwide

The generally unfavorable economic conditions have again significantly exacerbated the competition in the international automotive industry for both passenger cars and commercial vehicles in nearly every market segment.

The reasons for this development were growing excess capacities world-wide, the extensive renewal of vehicle inventories that was already evident at an earlier stage in many markets, and slackening demand.

Despite the generally high level of sales incentives in the USA, it was not possible to fully maintain the previous year's level of passenger car sales (-3.8 %). The West European market for passenger cars recorded a -2.9 % drop in new registrations as compared to the previous year. An even stronger decline on the West European market was prevented by the special situation in Great Britain and the consistently high demand for diesel vehicles in Western Europe. In 2002, sales in Great Britain saw a +4.3 % increase. Following a significant decline in the number of new registrations in the beginning of the year, slight stabilizing tendencies could be observed on the German passenger car market towards the year-end. Nevertheless, new registrations were down by -2.6 % on the previous year's level. Consequently, the overall market in Germany declined for the third consecutive year. Passenger car sales in Japan increased by +4.0 % in 2002 compared to the previous year.

Development in the commercial vehicle segment was characterized by continued weakness in the markets in North America and Western Europe during the reporting year. Following the setbacks in recent years, activity on the North American market

for medium and heavy trucks continues to be at a low level. Due to the overall weak economic environment the downward trend on the West European market for commercial vehicles continued in 2002. The German commercial vehicles market recorded a +2.0 % increase in light commercial vehicles despite the still critical overall situation, while the heavy commercial vehicles segment was down by -16 %. Japan experienced a substantial decline in commercial vehicle sales for the seventh consecutive year with a fall of -17 %.

Sales And Production Volume Of DaimlerChrysler AG At Previous Year's Level

Owing to its highly competitive range of products and despite the weak demand on important sales markets, DaimlerChrysler AG was able to build on its previous year's successes in the 2002 financial year. With approximately 1,112,000 new Mercedes-Benz passenger cars sold, the previous year's value of some 1,123,000 was nearly matched. Of the total vehicle sales, about 87,200 (2001: 89,400) were leased directly to our customers.

With +1.5 % growth, the sales increase in the USA was particularly satisfactory and represents a new record. Western Europe (excluding Germany) also saw a slight sales increase of +0.8 %, while sales in Germany fell by -2.4 %.

The most significant sales increase to 244,000 units (2001: 199,000) was achieved by the new E-Class Limousine after its successful market launch in March 2002. Sales of the M-Class and S-Class continued to be at a high level; and, sales of the G-Class saw another significant increase to 8,667 (2001: 6,428) due to the favorable

market situation in the USA. On the other hand, both the A-Class and the C-Class recorded lower sales because of life-cycle factors.

With approximately 313,000 transporters, trucks and Unimogs, our sales of new commercial vehicles were down by -3.6 % from the previous year's level of approximately 325,000 units. Of this total, about 26,000 vehicles were directly leased to our customers (2001: 24,400). A slight decline to 231,700 vehicles was also recorded in the transporters business unit (2001: 232,900). The difficult environment for heavy trucks led to unit sales of 79,000 (2001: 91,600) in the MB Trucks business unit.

Production fell slightly during the reporting year. In all, about 1,116,000 passenger cars (-1.3 %) and 308,000 commercial vehicles (-4.9 %) rolled off the conveyor belts. Thus, more cars were sold than manufactured and also inventory stocks were reduced in the commercial vehicles segment. Our vehicles are produced both at our domestic plants and - through contract manufacturing - at some of our subsidiaries and special vehicle manufacturing plants.

Overview Performance Indicators

In million €	2002	2001	2000	Change 2002 - 2001
Revenues	55,573	55,056	51,333	+517
Operating profit/loss	-636	412	-184	- 1,048
Financial income	8,130	1,044	898	+ 7,086
Income from ordinary activities	7,494	1,456	714	+ 6,038
Net income	6,294	824	739	+ 5,470

Slight Increase In Revenues

At € 55,573 million, DaimlerChrysler AG revenues increased slightly compared to the previous year, moving up by +1.0 % on the previous year's total of € 55,056 million. Revenues generated with the USA did not match the previous year's level due to the market and exchange rate developments; at € 10,194 million they were approximately € -450 million down on the previous year's level of € 10,647 million (-3.8 %). Revenues in the European Union reached € 16,605 million, rising by +3.0 % over the previous year level of € 16,185 million. Revenues in Germany also saw an increase to € 20,924 million (2001: € 20,606 million) despite the tense market and economic situation. The passenger car division accounted for € 43,463 million (+1.6 %) and commercial vehicles for € 12,110 million (-1.6 %) of total revenues.

Operating Result Marked By Special Influences

The operating result - defined as the results from ordinary activities net of the financial result - declined by - € 1,048 million in 2002, partly due to special influences. The commercial vehicles division took one-time expenses of € 165 million for personnel measures, primarily for initiating efficiency improvement programs to adapt personnel resources to demand. The unscheduled amount of € 547 million was added to pension provisions. This measure ensured that pension accruals to the amount of the accumulated benefit obligation (ABO) were also recorded in the financial state-

ments according to HGB. The allocation enabled us mainly to compensate for the market-induced losses of pension assets. Retirement and pension costs thus rose from € 549 million by € 639 million (app. +116 %) to € 1,188 million. In addition to special influences, research and development costs increased perceptibly by approximately € 450 million.

The extension of the leasing business with our subsidiary, DaimlerChrysler Bank AG, again generated a very positive earnings contribution.

Perceptible Increase In Financial Income And Income Taxes

The financial income of € 8,130 million increased strongly against the previous year's total of € 1,044 million, mainly due to higher profit transfers from subsidiaries, in particular DaimlerChrysler Services AG (€ 4,204 million). As a one-time effect, income from the sale of 49.9 % interest of T-Systems ITS GmbH was included in the latter's results. This was partly offset by expenses associated with sales of the pension trust assets which are primarily held in special funds. The previous year's result was characterized by write downs of investments amounting to € 1,128 million.

The income taxes (€ 1,200 million) increased substantially in comparison with the previous year (€ 632 million) due to the higher income achieved

by the company and its subsidiaries during the financial year.

Dividend Of € 1.50 Per Share

Net income for the year totaled € 6,294 million, a strong increase in comparison with the previous year (€ 824 million). After reserving one half of this amount (€ 3,147 million) in retained earnings, the financial statements report an unappropriated profit of € 3,147 million.

At the Annual General Meeting on April 9th, 2003, we will propose paying a dividend of € 1.50 per share for financial year 2002 (2001: € 1.00). The distribution on the 1,012,803.493 dividend-bearing shares will total € 1,519 million. We will further propose that the unappropriated profit of € 1,628 remaining after distribution be transferred to retained earnings.

Increase In The Workforce

The workforce increased to a total of 161,668 employees at year end (2001: 160,811). The growth in personnel largely related to the Mercedes-Benz passenger car, research and development divisions as well as to Sales & Marketing.

Technological Leadership Secured

Research and development expenses incurred and efforts to secure technological leadership increased significantly, exceeding the previous year's level. At € 3,338 million (2001: € 2,888 million), almost 6 % (2001: 5.2 %) of our revenues were applied toward securing the future. Approximately € 2,414 million, where used in the passenger cars division, and approximately € 525 million related to developments in the commercial vehicles division. Important areas of our research and development activities concerning passenger cars were, in particular, the new model series: Maybach, SLR and the E-Class T-Model, as well as the A-Class and M-Class successor models. In the field of commercial vehicles, development activities concentrated on the ACTROS and Vito building series. Moreover, app. € 399 million was spent on superordinate research areas within the group.

Overview Balance Sheet Indicators

In million €	2002	2001	2000	Change 2002 to 2001
Fixed Assets	36,058	34,756	34,993	+1,302
Non-fixed Assets	20,733	17,260	16,103	+3,473
Stockholders' Equity	23,918	18,119	19,652	+5,799
Accruals	16,298	13,627	13,117	+2,671
Liabilities	16,584	20,313	18,337	-3,729
Balance Sheet Total	56,816	52,072	51,130	+4,744

Increase In Balance Sheet Total

The balance sheet total grew by € 4,744 million to € 56,816 million (app. +9.1%). The share of fixed assets dropped slightly from 66.8 % to 63.5 %. The € 3,473 million increase in current assets, which related mainly to receivables from affiliated companies, is matched by a corresponding decrease in liabilities of € 3,729 million.

Accruals increased by approximately € 2,671 million in the financial year, of which € 901 million is attributable to pension obligations, € 1,324 to tax accruals and € 446 million to other accruals.

Improved Equity Ratio

Owing to the high amount of transfer to retained earnings and the unappropriated profit, the equity ratio improved to 42.1 % (2001: 34.8 %) in the current reporting year.

€ 1.8 Billion Spent For Investments In Property, Plant And Equipment

The high level of investments in property, plant and equipment (excluding leased assets) in previous years was maintained at approximately € 1,800 million. Fixed asset additions in the Passenger Car Division amounting to approximately € 1,400 million (2001: app. € 1,500 million) were the key factors in this development. The invest-

ments in the Commercial Vehicles Division amounted to approximately € 400 million (2001; € 300 million). The investments related mainly to engine and gear production, the new E-Class and the SLK- and A-Class successor models.

Leased assets increased by about € 339 million to € 3,490 million due to the expansion of the leasing business.

Cash And Cash Equivalents Extended

Cash provided by operating activities which amounted to app. € 11,100 million was used for investments in property, plant and equipment, and leased assets, totaling app. € 3,000 million. A total of approximately € 6,900 million was spent on financing of group companies, debt repayment, and dividend distribution. An additional app. € 500 million was used for financing the pension trust.

As a result of the funds received, cash and cash equivalents increased from € 2,207 million to € 3,092 million.

Restructuring Measures In The Investments

We continued to focus on the automotive business and related services in the current reporting year. The sale of shares in Conti Temic micro-electronic GmbH (formerly TEMIC) to Continental AG agreed upon in 2001 was completed in 2002 with the sale of the remaining 40 % stake. Within

the group, 16 financial services companies of DaimlerChrysler Services AG were acquired. In addition, investments were either contributed or sold to DaimlerChrysler Vermögens- und Beteiligungsgesellschaft mbH. To the extent that market values were transferred, income realization was to be disclosed in the income from investments.

Early Detection And Systematic Management Of Future Development Risks

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

Effective management and control instruments, combined within a uniform risk management system which is continuously improved, are developed for the early detection, evaluation and management risk. The risk management system is an integral part of the overall planning, control and report process in all relevant legal units and central functions. It is aimed at systematic identification, assessment, controlling and documentation of risks. Taking defined risk categories into account, risks are identified by management of the business units and segments and the key associated companies and assessed with respect to the likelihood of occurrence and the possible extent of damage. The communication and reporting of relevant risks is controlled by value limits set by management. Within the framework of risk management, measures for developed and initiated as required to avoid, reduce and prevent risks. Significant risks are monitored by a corresponding monitoring function.

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

The overall weak economic development and stagnating sales markets adversely affects the automotive sector to a growing extent. Competition in the automotive industry will continue to intensify. The effects of the new Group Exemption Regulation for the European Union, revised in September 2002, are closely watched and analyzed.

Changes in consumer behavior and possible shorter product life cycles, as well as the deteriorating credit standing of customers as a result of the prevailing economic conditions, may have adverse effects on the earning power of DaimlerChrysler AG and on sales of both new and used vehicles.

Additional uncertainties and risk potential are involved in the economic and political developments in economies that are important to us. These effects may even increase through a strongly cyclical course of demand in some of our relevant markets. An escalation in the Middle East could perceptibly impair the earnings situation and trigger a further rise in energy prices. Changes in the taxation of privately used company cars, as included in the government draft in Germany, may lead to falling demand and a trend towards cheaper vehicles; this may result in sales losses and corresponding negative impact on income of passenger cars.

Rising raw materials and energy prices, and tighter statutory regulations on emissions of any

kind, fuel consumption, safety standards, recycling quota, and warranty periods in the respective production and sales markets are further risk factors confronting DaimlerChrysler AG.

General cost pressures lead to ever closer cooperation with systems suppliers, and the resulting dependencies could have a negative impact on production, sales and also on the quality of our products.

Further efficiency increases through cost savings along the automotive output chain are a means to ensuring our competitiveness and profitability.

Against the background of the group's strategic orientation, recruitment and development of management potential in the engineering professions and their deployment in the Asian region is a decisive factor.

Other business risks such as in the field of information technology are less significant.

Sluggish stock and bond markets may negatively influence our pension fund's performance.

Our global brand presence generates worldwide supply and purchase relationships, necessitating a flow of funds in various currencies. As a result, DaimlerChrysler AG is exposed to exchange rate risks, in particular associated with the high share of passenger car exports. These risks are regularly documented by Corporate Treasury and hedged with suitable financial instruments on the basis of continuously reviewed exchange-rate expectations. Foreign subsidiaries' dividend payments to DaimlerChrysler AG are included in these risk assessments.

We are indirectly exposed to the risk environment of our subsidiaries. Thus, for example,

DaimlerChrysler AG participates in the risks incurred by Mitsubishi Motors Corporation corresponding to its percentage of shares held. The risks are coupled to the overall economic development in Japan and the NAFTA region in particular. Risks from warranty commitments may also influence the earnings situation of Mitsubishi Motors Corporation. Through its shareholding in EADS, DaimlerChrysler AG is also involved in the risks incurred at that company. The recently observed perceptible decline in the number of airline passengers is also reflected in the savings measures of many airlines. This could lead to a reduction in the demand for aircraft and further intensify competition in the aviation business, placing added pressure on the profitability of EADS. Such losses can probably not be compensated for through the growing military business.

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

Changes in our rating influence refinancing in the capital markets.

The Company is under pending litigation for damages by customers and stockholders. In July 2002, Bombardier filed an application for the start of arbitration proceedings at the International Chamber of Commerce in Paris, aimed at effecting a purchase price adjustment concerning our former subsidiary, DaimlerChrysler Rail Systems GmbH ("Adtranz") and to enforce further claims for damages. A regulatory fine was imposed in the context of the litigation proceedings for violation of free movement of trade in the European Union. DaimlerChrysler views these complaints and procedures

as unjustifiable and is intensively defending itself against them.

The Company is not subject to any discernible risks that may be hazardous to its continued existence.

Outlook

Research institutes expect a global economic growth of approximately 2.7 % for 2003. An escalation in the Middle East is one of the greatest uncertainties affecting development in 2003. GDP growth of +2.6 % is assumed for the USA because of the stable level of private consumption. With its declining investments, the economy in Western Europe is presently being nourished mainly by foreign trade through its contribution to growth through exports. The research institutes expect that GDP will accelerate slightly to +1.9 % in 2003. By contrast, in Germany there is a marked dampening of expectations for 2003. The forecasts are of modest growth of +1.0 %. The increase in the Japanese GDP (+0.7 %) expected by the research institutes is presumably cyclically related and does not yet indicate a new phase with a dynamic upturn.

Automobile markets are not unaffected by the overall unfavorable conditions of the economy as a whole. The prospects for the USA are cautiously optimistic. It is presumed, however, that in the coming year there will be a reduction in the number of registrations in the USA in the passenger cars and light trucks segment. Also in Western Europe no vigorous revival in the passenger cars segment is expected for 2003 due to the present weak economic environment and continuing restraint in

consumer spending. It is expected that the automobile sector will continue to remain weak in Germany in 2003. Domestically, however, it should be possible to reach this year's level of new passenger car registrations due to developments in automobile-specific factors (spare-parts demand, vehicle costs). In the commercial vehicles sector in Germany, under the existing economic conditions the medium-weight and heavy trucks will be affected more strongly than transporters by declining sales; however, the year 2003 as a whole should be marked by stabilization in commercial vehicle sales.

The unfavorable economic situation also has an effect on the DaimlerChrysler AG earnings situation. Nevertheless, we do expect to achieve at least the same level of sales and revenues in 2003 as in 2002.

Over the next three years, our research and development expenses will exceed the € 8 billion mark despite the difficult economic environment.

A variety of new products such as the SLR and model renewals such as the new E-Class T- Model, the CLK convertible and the new Actros will help us to maintain our position in most of our market segments.

Events After The Close Of Financial Year 2002

No subsequent events of particular significance to DaimlerChrysler AG, which could have led to a changed assessment of the Company situation, occurred after the close of the 2002 financial year.

The Annual Financial Statements and the Management Report of DaimlerChrysler AG and the Consolidated Statements of DaimlerChrysler AG for the year 2002 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.