

DAIMLERCHRYSLER

**Annual Financial Statements 2001
DaimlerChrysler AG**

Balance Sheet of DaimlerChrysler AG

	Notes	12/31/2001 € in millions	12/31/2000 € in millions
ASSETS			
Fixed Assets			
Intangible assets	(1)	87	57
Property, plant and equipment incl. leased equipment	(2)	6,341	5,397
Investments and long-term financial assets	(3)	28,328	29,539
		34,756	34,993
Non-fixed Assets			
Inventories	(4)	4,734	4,248
Trade receivables	(5)	1,923	2,195
Receivables from affiliated companies	(5)	6,399	4,811
Other non-fixed assets	(5)	1,583	2,333
Securities	(6)	414	1,908
Cash and cash equivalents	(7)	2,207	608
		17,260	16,103
Prepaid Expenses			
		56	34
		52,072	51,130
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity			
Capital stock (authorized unissued capital € 716 million)	(8a)	2,609	2,609
Additional paid-in capital	(8b)	11,357	11,356
Retained earnings	(8c)	3,150	3,329
Unappropriated profit		1,003	2,358
		18,119	19,652
Special account with an equity portion			
	(9)	1	2
Accruals			
Accrued pension and similar liabilities	(10)	6,309	5,976
Other accrued liabilities	(11)	7,318	7,141
		13,627	13,117
Liabilities			
Trade liabilities	(12)	3,188	4,124
Liabilities to affiliated companies	(12)	9,144	8,121
Other liabilities	(12)	7,981	6,092
		20,313	18,337
Deferred Income			
		12	22
		52,072	51,130

Income Statement of DaimlerChrysler AG

	Note	2001 € in millions	2000 € in millions
Revenues	(13)	55,056	51,333
Cost of goods sold	(14)	(48,012)	(45,705)
Gross profit		7,044	5,628
Selling expenses	(14)	(5,034)	(4,710)
General administrative expenses	(14)	(1,691)	(1,518)
Other operating income	(15)	503	839
Other operating expenses	(16)	(410)	(423)
Income from investments in affiliated and related companies	(17)	1,136	644
Interest income	(18)	(33)	194
Other financial income	(19)	(59)	60
Income from ordinary activities		1,456	714
Income taxes	(20)	(632)	25
Net Income	(21)	824	739
Withdrawal from retained earnings		179	1,619
Unappropriated profit		1,003	2,358

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, 2000. 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 or 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 include 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 or non-interest-bearing loans, at their net present value.

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

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

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

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). Since 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, this valuation avoids underfunding of pension obligations.

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	Acquisition or Manufacturing Costs				Balance at 12/31/2001
	Balance at 01/01/2001	Additions	Reclassi- fications	Disposals	
Intangible assets	109	62	3	7	167
Property, plant and equipment					
Technical equipment and machinery	2,579	692	410	19	3,662
Other equipment, factory and office equipment	2,422	554	169	152	2,993
Leased equipment	3,482	2,266	-	1,255	4,493
Payments in advance and construction in progress	597	538	(582)	107	446
	9,080	4,050	(3)	1,533	11,594
Financial assets					
Investments in affiliated companies	21,368	1,723	(152)	2,545	20,394
Loans to affiliated companies	1,177	223	-	801	599
Investments in associated and related companies	3,522	160	152	9	3,825
Long-term securities	142	-	(142)	-	-
Other loans	47	5	-	8	44
Special Assets Pension Trust	4,967	873	152	667	5,325
	31,223	2,984	10	4,030	30,187
					-
					-
Fixed assets	40,412	7,096	10	5,570	41,948

Balance at 01/01/2001	Depreciation/Amortization			Balance at 12/31/2001	Book Values	
	Additions	Reclassi- fications	Disposals		Balance at 12/31/2001	Balance at 12/31/2000
52	34	.	6	80	87	57
1,367	633	.	19	1,981	1,681	1,212
1,524	548	.	142	1,930	1,063	898
792	831	-	281	1,342	3,151	2,690
-	-	-	-	-	446	597
3,683	2,012	.	442	5,253	6,341	5,397
1,528	367	(41)	932	922	19,472	19,840
4	13	-	17	-	599	1,173
151	727	41	4	915	2,910	3,371
-	-	-	-	-	-	142
1	1	-	-	2	42	46
-	20	-	-	20	5,305	4,967
1,684	1,128	-	953	1,859	28,328	29,539
5,419	3,174	.	1,401	7,192	34,756	34,993

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 € 87 million.

2 Property, plant and equipment and leased equipment

The additions of € 4,050 million include € 2,266 million of leased passenger cars. Further additions consist only of movable equipment.

Scheduled depreciation amounts to € 2,012 million (p. y. € 1,610 million).

3 Investments and long-term financial assets

The interest in affiliated and related companies decreased to € 22,382 million (p.y. € 23,211 million).

The reductions are mainly linked to the disposal of DaimlerChrysler Rail Systems GmbH, to the sale to Bombardier Inc. and DaimlerChrysler Dieselantriebe GbR. Furthermore, depreciation of investments in domestic and foreign subsidiaries, especially the writedown of the Mitsubishi Motors Corporation, were made.

Offsetting these decreases were additions resulting from legal restructuring within the group connected with Diesel Power Unit (MTU Friedrichshafen GmbH and DaimlerChrysler "Retura" Vermögensverwaltungsgesellschaft mbH.)

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

Loans to affiliated companies decreased by € 574 million. This development results mainly from repayments of DaimlerChrysler Mobilien GmbH, Stuttgart.

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.

The development of fixed assets is shown in the Fixed Assets Schedule.

4 Inventories

	12/31/2001 € in millions	12/31/2000 € in millions
Raw material and manufacturing supplies	736	712
Work in progress	772	701
Finished goods and resale products	3,243	2,859
Inventories	4,751	4,272
Received payments in advance	(17)	(24)
Total	4,734	4,248

Finished goods also include vehicles purchased by affiliated companies and spare parts.

The difference between current acquisition or manufacturing costs and valuation based on the last-in, first-out method is € 769 million.

5 Receivables and Other assets

	12/31/2001	12/31/2000
	€ in millions	€ in millions
Trade receivables	1,923	2,195
Of which due after 1 year	10	17
Receivables from affiliated companies	6,399	4,811
Of which due after 1 year	27	-
Receivables from related companies	252	995
Of which due after 1 year	2	3
Other assets	1,331	1,338
Of which due after 1 year	7	9
Total receivables and other assets	9,905	9,339
Of which due after 1 year	46	29

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

The receivables from related companies contain mostly receivables from Deutsche Bank AG (€ 218 million).

The other assets contain predominantly tax assets (€ 851 million).

6 Securities

	12/31/2001	12/31/2000
	€ in millions	€ in millions
Other securities	414	1,908

Other securities contain investments in funds (€ 89 million), debt securities (€ 318 million) and equity securities (€ 7 million).

The decrease in other securities is caused by the securities lending of a fund (€ 1,205 million) to DCX.net Holding GmbH and by a transfer of securities (€ 155 million) to the Special Assets Pension Trust.

During the fiscal year DaimlerChrysler AG purchased a total amount of 1,390,861 treasury stocks with a corresponding nominal value of € 3,616,239, which represents about 0.14% of total capital stock.

The average purchase price of these shares was € 47.56. The purpose of the acquisition of these shares was the company's employee share purchase program. 963,849 treasury shares (corresponding nominal value € 2,506,007) were sold immediately to employees. An additional 226,501 shares (corresponding nominal value € 588,903) were sold to group companies at acquisition cost for resale to their employees in three phases.

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

Period	Subscription price per share (€)
March-April 2001	55,78
June-August 2001	50,50
October-December 2001	38,58

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

200,511 treasury shares (corresponding nominal value € 521,329) were sold on the stock exchange (average share price € 51,85) between March and November 2001. At the balance sheet date no treasury shares are held by DaimlerChrysler AG.

7 Cash and cash equivalents

Cash and cash equivalents amount to € 2,207 million and include deposits at financial institutions as well as cash and checks on hand. Liquid assets is € 2,621 million and includes in addition to cash and cash equivalents other securities of € 414 million.

The receivables of Deutsche Bank AG (€ 218 million), which are recorded under receivables of related companies, and a non-marketable debt issue (€ 5 million), recognized under other non-fixed assets, are further liquid assets.

8 Stockholders' equity

	12/31/2001 € in millions	12/31/2000 € in millions
Capital Stock	2,609	2,609
Additional paid-in capital	11,357	11,356
Retained earnings	3,150	3,329
Unappropriated profit	1,003	2,358
Stockholders' equity	18,119	19,652

a) Capital stock

	€	Number
Capital stock December 31, 2000	2,608,506,969	1,003,271,911
Increase in 2001:		
Conversion Convertible Bonds 1997/2002	226	87
Capital stock December 31, 2001	2,608,507,195	1,003,271,998

As the successor company of Daimler-Benz AG, DaimlerChrysler AG assumed the risk on all commitments for convertible bonds and warrants issued by the former Daimler-Benz AG. The holders now have the right to either convert their bonds 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 a convertible bond with attached warrants through Daimler-Benz Capital (Luxembourg) AG (now: DaimlerChrysler Luxembourg Capital S.A.). These bonds were provided with a total of 1,200,000 attached warrants, entitling - after the merger - the holders to purchase registered shares of DaimlerChrysler AG pursuant to the conditions of these warrants. If a warrant is exercised, its owner receives 10.30527 shares of DaimlerChrysler AG, consisting of 6.44004 new shares according to conditional capital IV and 3.86523 already existing shares pursuant to a contract signed with a third party. The option price can be paid either through an exchange of the bonds or through cash payment. The option price per share is € 42.67 for a bond exchange and € 44.49 for cash payment. During 2001, no new options (2000: 10,416, 1999: 1,517,468; 1998: 5,027,002; 1997: 1,785; 1996 36) were exercised. There were 179,964 warrants outstanding at the balance sheet date.

In June 1997 Daimler-Benz AG issued 5.75 % mandatory convertible bonds maturing at June 14, 2002 at a subscription price of € 66.83. The offering which had a face value € 508 million was for 7,600,000 mandatory convertible bonds, which can be exchanged by June 4, 2002. Subsequently, all unexercised warrants will be subject to a mandatory conversion. The bonds can now be exchanged for 0.86631 DaimlerChrysler shares. Upon maturity the bonds will be converted on the basis of an average stock price determined shortly before the mandatory conversion date, which is expected to range between 1.25625 and 0.86631 shares of common stock per conversion warrant. During 2001, 87 (2000: 92, 1999: 665, 1998: 3,713; 1997: 156) DaimlerChrysler ordinary shares were issued upon exercise. As of December 31, 2001, 7,594,317 bonds had not yet been converted.

In the context of the stock based compensation arrangements offered to management, in the 1996 - 1998 period as well as in the financial years 2000 and 2001, the Annual Shareholders' Meetings authorized several stock option plans for eligible employees.

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

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

As of December 31, 2001 convertible bonds with a total face value of € 135,492.35, equivalent to 53,265 new DaimlerChrysler shares, had not yet been converted. In 2001 no bonds were converted.

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

The stock option plans for 2000 and 2001 are structured as Premium Priced Plans. The allocated options entitle the owner to purchase one DaimlerChrysler AG ordinary share with each exercised option. Within the scope of the stock option plan 200 resp. 2001, the strike price which must be paid for exercising the option, is € 74.76 resp. € 66.96 per share (the strike price includes a 20 % surcharge on the reference price of € 62.30 resp. € 55.80). If the stock price (last closing stock price quoted in Xetra trading on the Frankfurt Stock Exchange prior to the exercise) is equal to at least € 74.76 resp. € 66.96 (profit target), the participant receives an additional variable payment of € 12.46 resp. € 11.16 for each exercised option. The options can be exercised beginning on April 22, 2002 resp. April 1, 2003. The maturity period of both plans is ten years. At the end of this period the unexercised options will lapse. 15,063,051 resp. 18,470,460 options were outstanding at the balance sheet day.

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

Authorized Unissued Capital

Nummer	I	II	III	IV	V	VI	Total
Conditional Capital on 01/01/2001, €	300,000,000	44,460,000	40,716,000	40,485,000	40,689,870	249,600,000	715,951,403
Used before 12/31/2001, €	-	-	-	226	-	-	226
Conditional Capital on 01/01/2001, number	115,384,615	17,100,000	15,660,000	15,571,272	15,649,950	96,000,000	275,365,837
Balance at 12/31/2001, €	300,000,000	44,460,000	40,716,000	40,485,307	40,689,870	249,600,000	715,951,177
Purpose	Option Bonds or Convertible Bonds 2000/2005 to issue new Stock Options	Option Bond 1996/2003 and Mandatory Convertible Bond 1997/2002	Convertible Bonds 1996/2006 1997/2007 and 1998/2000 to issue Stock Options	Option Bond 1996/2003 Mandatory Convertible Bond 1997/2002	Convertible Bonds 1996/2006 1997/2007 and 1998/2000 to issue Stock Options	Option Bonds or Convertible Bonds 2000/2005 to issue new Stock Options	

Approved Capital in €

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

b) Additional paid-in capital

The amount of additional paid-in capital is € 11.357 million. This position contains received premiums of € 1 million resulting from conversions of Option Bonds, Convertible Bonds and Stock Option Plans.

c) Retained earnings

	12/31/2001 € in millions	12/31/2000 € in millions
Retained earnings	3,150	3,329

Retained Earnings amount to € 3,329 million before appropriation of net income. As of December 31, 2001 € 179 million were transferred from retained earnings to unappropriated profit.

9 Special account with an equity portion

	12/31/2001 € in millions	12/31/2000 € in millions
Special account with an equity portion	1	2

The special account with an equity portion includes the revaluation of securities of € 1 million, that became necessary because of the requirement to reinstate original values pursuant to § 280 (1) German Commercial Code (HGB). Due to changes in German tax legislation, the creation of this item is obligatory according to the provisions of § 52 (16) Income Tax Law (EStG). In 2001, this account has been reduced by €0.6 million, which increased other operating income.

10 Accrued pensions and similar liabilities

	12/31/2001 € in millions	12/31/2000 € in millions
Pension liabilities	6,309	5,976

The valuation of pension liabilities is based upon the projected unit credit method in accordance with US Generally Accepted Accounting Principles (SFAS 87). They are determined at the beginning of the financial year 2001 based on the pension liabilities of the company and the assets of DaimlerChrysler Unterstützungskasse.

The assumptions used in calculating the actuarial values for the pension liabilities were a discount rate of 6.5 % (6.0 % p. y.), a long-term rate of increased remuneration of 3.0 %, an increase in living cost of 2.0 % and an expected long-term rate of return on plan assets (DaimlerChrysler Unterstützungskasse) of 7.7 %.

11 Other accrued liabilities

	12/31/2001 € in millions	12/31/2000 € in millions
Accrued taxes	950	1,135
Other accrued liabilities	6,368	6,006
	7,318	7,141

The accruals recorded for income and other taxes relate mainly to income taxes for 2001 and income taxes for previous years not finally assessed.

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

12 Liabilities

	12/31/2001		12/31/2000	
	€ in millions	€ in millions	€ in millions	€ in millions
Bonds		2,916		2,918
Of which due in less than 1 year	1,263		-	
Of which due in more than 5 years	143		145	
Of which are convertible	543		508	
Liabilities to financial institutions		867		65
Of which due in less than 1 year	837		44	
Of which due in more than 5 years	23		21	
Trade Liabilities		3,188		4,124
Of which due in less than 1 year	3,187		4,123	
Commercial Papers		2,794		2,016
Of which due in less than 1 year	2,794		2,016	
Liabilities to affiliated companies		9,144		8,121
Of which due in less than 1 year	8,333		8,012	
Of which due in more than 5 years	-		-	
Liabilities to related companies		56		73
Of which due in less than 1 year	56		73	
Other Liabilities		1,348		1,020
Of which due in less than 1 year	1,346		1,005	
Of which due in more than 5 years	-		-	
Of which are tax liabilities	127		116	
Of which are obligations concerning social security	237		269	
Total liabilities		20,313		18,337
Of which due in less than 1 year	17,816		15,273	
Of which due in more than 5 years	166		166	

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

The bonds concern convertible bonds according to the Stock Option Plan 1996 (€ 0.1 million), the former Stock Option Plans 1997 (€ 17 million) and 1998 (€ 19 million) as well as subordinate mandatory convertible bonds (€ 507 million) and the Yen-bond issued in 2000 (€ 2,373 million).

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

Notes to the Income Statement of DaimlerChrysler AG

13 Revenues

	2001	2000
	€ in millions	€ in millions
Revenues classified by type:		
Passenger cars	42,764	39,215
Commercial vehicles	12,292	12,118
	55,056	51,333
Revenues classified by region:		
Domestic	20,606	20,055
Foreign	34,450	31,278
	55,056	51,333
Allocation of foreign revenues:		
EU-Member countries	14,731	12,999
Rest of Europe	2,406	2,176
North America	11,130	10,403
Asia	4,334	4,110
Africa	835	644
Latin America	591	567
Australia	423	379

14 Functional costs

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

Cost of goods sold consist of the manufacturing costs of goods sold. These costs include mainly the costs of production materials, purchased services and the personnel expenses of the production departments. Cost of goods sold also includes € 2,887 million of research and development expenses as well as gains or losses from hedging activities conducted by the industrial business segment.

Selling costs are comprised of the technical and personnel expenses of the selling and distribution organization and of advertising and marketing expenses. Other taxes are included with € 7 million.

15 Other operating income

Other operating income (€ 503 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 € 175 million of income allocable to prior financial periods.

16 Other operating expenses

Other operating expenses (€ 410 million) include additions to accruals, rental expenses and expenses related to asset disposals. Other operating expenses includes € 126 million of expenses allocable to prior financial periods.

17 Investment income of affiliated and related companies

	2001	2000
	€ in millions	€ in millions
Income from profit and loss transfer agreements	1,822	1,158
Thereof: DaimlerChrysler Luft- und Raumfahrt Holding AG	674	
DaimlerChrysler Mobilien GmbH	561	
DC-Grund DaimlerChrysler Verwaltungsgesellschaft für Grundbesitz mbH	313	
MTU Friedrichshafen GmbH	119	
Income from tax allocations	662	388
Income from affiliated companies	601	944
Income from related companies	19	13
Expenses related to loss assumption	-487	-1,589
Depreciation of investments in affiliated and related companies	-1,094	-275
Result from disposals of investments in affiliated and related companies	-387	5
	1,136	644

Investment income is characterized by the income from the profit transfer of DaimlerChrysler Luft- und Raumfahrt Holding AG, DaimlerChrysler Mobilien GmbH and DC-Grund DaimlerChrysler Verwaltungsgesellschaft für Grundbesitz mbH as well as dividend payments made by subsidiaries. Offsetting effects are losses on and depreciation of investments especially at subsidiaries in Japan (Mitsubishi Motors Corporation), Argentina and Germany as well as expenses from disposals of investments in affiliated companies. The risk of a price adjustment claimed by Bombardier Inc. was deferred in this item.

18 Interest income

	2001	2000
	€ in millions	€ in millions
Income from other securities and loans of financial assets	34	24
Thereof from affiliated companies	33	20
Other interest and similar income	1,085	594
Thereof from affiliated companies	601	310
Interest and similar expenses	-1,324	-609
Thereof from affiliated companies	-789	-436
Income from Pension Trust	172	185
	-33	194

The negative interest result (€ -33 million) was mainly caused by interest expense recorded on intercompany (cash) accounts payable with the affiliated companies (€ -219 million), interest expense on commercial papers issued (€ -107 million) and on bonds (€ -57 million). Offsetting factors were interest earned on cash in bank (especially overnight deposits and the fixed-term deposit investments) amounting to € 104 million and income earned on guarantee provisions (€ 46 million). Interest income contains

interest income (€ 645 million) and interest expenses (€ -645 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 (€ 148 million).

19 Other financial income

	2001 € in millions	2000 € in millions
Gains from sales of securities	.	21
Write-downs of securities (short term assets)	-20	-125
Write-ups of security loans	37	1
Other income / expenses	-112	123
Other financial income Pension Trust	36	40
	-59	60

The negative result stems predominantly from negative currency income (€ -81 million), in particular the hedging with future exchange transactions.

The other financial income Pension Trust includes gains from sales of securities amounting to € 46 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, Micro Compact Car smart GmbH, DaimlerChrysler Mobilien GmbH and EHG Elektroholding GmbH.

Taxes on corporate income and business profits, which aggregated € 632 million, include € 678 million of tax prepayments for 2001, additions to tax accruals for 2001 and previous years and € 11 million in withholding tax in foreign investment income. Offsetting effects are claims for tax refunds associated with the proposed dividend payment for 2001 amounting to € 57 million.

21 Net income

Net income was € 824 million in 2001. Unappropriated profit amounts to € 1,003 million after a withdrawal from retained earnings totaling € 179 million. It will be recommended to the General Shareholders' Meeting to distribute the entire unappropriated profit.

Other Notes

Personnel expenses/ Employees

	2001 € in millions	2000 € in millions
Wages and salaries	7,600	7,468
Social contributions	1,381	1,284
Pension costs	549	525
	9,530	9,277
Personnel (annual average)	Number	Number
Hourly employees	101,465	99,493
Salaried employees	51,450	49,707
Trainees/Apprentices	8,828	8,562
Annual average	161,743	157,762
Employees as of 12/31/2001	160,811	159,010

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.

Cost of materials

	2001 € in millions	2000 € in millions
Cost of raw materials, supplies, and purchased goods	33,174	31,820
Cost of purchased services	6,413	5,128
	39,587	36,948

Derivative 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	2001	2000
	€ in millions	€ in millions
Commodity futures contracts	5	73
Currency hedging contracts	28,615	26,079
Interest hedging contracts	12,908	1,172
Price hedging contracts	1,945	-
	43,473	27,324

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 and futures and to related options. Options are utilized in order to minimize interest fluctuation risk. Price hedging contracts are security options used to hedge stock prices. The nominal values represent the gross total of all purchase and sales contracts of derivative financial transactions.

	2001		2000	
	Book Value € in millions	Market Value € in millions	Book Value € in millions	Market Value € in millions
Asset accounts				
Commodity futures contracts	-	-	-	5
Currency hedging contracts	34	678	21	511
Interest hedging contracts	-	409	3	23
Price hedging contracts	69	112	-	-
	103	1,199	24	539
Liability accounts				
Commodity futures contracts	-	(1)	-	-
Currency hedging contracts	(166)	(805)	(364)	(1,308)
Interest hedging contracts	-	(409)	(3)	(16)
Price hedging contracts	(69)	(10)	-	-
	(235)	(1,225)	(367)	(1,324)
Total	(132)	(26)	(343)	(785)

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

	2001 € in millions	2000 € in millions
Payment guarantees in favour of the holders of the issued Bonds and Euro-Medium-Term-Notes of the DaimlerChrysler North America Holding Corporation, Auburn Hills, USA	46,245	32,004
Payment guarantees in favour of the holders of the issued Bonds of the DaimlerChrysler Services North America, L.L.C., Southfield MI, USA	2,756	5,775
Payment guarantees in favour of the holders of the issued Bonds and Euro-Medium-Term-Notes of the DaimlerChrysler Canada Finance Inc., Montreal, Canada	2,706	2,000
Payment guarantees in favour of the European Investment Bank of the holders of the issued Bonds and in favour of the DaimlerChrysler Coordination Center SA, Brussels,	2,753	1,993
Payment guarantees in favour of the holders of the issued Bonds of the DaimlerChrysler Corporation, Auburn Hills, USA	2,071	1,961
Payment guarantees in favour of the holders of the issued Bonds and Euro-Medium-Term-Notes of the DaimlerChrysler UK Holding plc., London, UK	1,431	1,017
Payment guarantees in favour of Chubb Insurance Company of Europe S.A. for the commitment of the DaimlerChrysler Rail System GmbH, Hennigsdorf, Germany	271	810
Payment guarantees in favour of the European Investment Bank of the issued Bonds of the DaimlerChrysler do Brasil Ltda., Sao Bernardo do Campo, Brazil	487	605
Payment guarantees in favour of the holders of the issued Bonds and Euro-Medium-Term-Notes of the DaimlerChrysler International Finance B.V., Utrecht, Netherlands	6,295	565
Payment guarantees in favour of the European Investment Bank of the issued Bonds of the Daimler-Benz AG & Co. „Optima“ Grundstücksvermietung Potsdamer Platz OHG, Stuttgart, Germany	511	511
Payment guarantees in favour of the holders of the issued Bonds of the DaimlerChrysler Japan Holding Ltd., Tokio, Japan	399	477
Payment guarantees in favour of the holders of the issued Bonds of the DaimlerChrysler Australia/Pacific Pty. Ltd., Mulgrave, Australia	655	476
Payment guarantees in favour of Wenger/Viel for the commitment of the Micro Compact Car smart GmbH, Renningen, Germany	337	328
Payment guarantees in favour of the holders of the issued Bonds of the DaimlerChrysler Luxembourg Capital S.A., Luxembourg	180	178
Payment guarantees in favour of the holders of the issued Bonds and Euro-Medium-Term-Notes of the DaimlerChrysler Luxembourg Finanz S.A., Luxembourg	121	171
Payment guarantees in favour of the holders for the commitment of the DaimlerChrysler Leasing Arrendamento Mercantil S.A., Sao Paulo, Brazil	114	108
Payment guarantees in favour of the holders for the commitment of the DaimlerChrysler Rail Systems (North America) Inc., Pittsburgh, USA	-	105
Payment guarantees in favour of the holders for the commitment of the Airbus Finance Company Ltd., Dublin, Ireland	-	82
Payment guarantees in favour of the Österreichische Kontrollbank Wien for loan collateralisation of DaimlerChrysler Management Services GmbH., Vienna, Austria	189	-
Payment guarantees in favour of Commerzbank AG, Gummersbach, for the loan collateralisation of Tignaris Beteiligungsgesellschaft mbH & Co. Objekt Duisburg/Witten KG, Düsseldorf, Germany	82	-
Payment guarantees in favour of the KfW for the commitment of the DaimlerChrysler Services de Mexico S.A. de C.V., Mexico City, Mexico	114	-
Payment guarantees in favour of the holders of the issued Bonds of the DaimlerChrysler of South Africa Pty.Ltd, Pretoria, South Africa	96	-
Other Guarantees	298	320
Liabilities from other warranty agreements	138	56
Guarantees against domestic and foreign subsidiaries as well as to third parties thereof to affiliated companies	482	1,514
Notes payable	146	-
	.	.

Due to the significant growth in the financial services sector, the medium- and long-term money market transactions of DaimlerChrysler North America Holding Corporation, DaimlerChrysler UK Holding plc, DaimlerChrysler Coordination Center S.A. and DaimlerChrysler Canada Finance Inc. have been expanded, which are guaranteed by DaimlerChrysler AG. DaimlerChrysler is liable on behalf of the co-shareholders of Dornier GmbH for all future non-estimable equalization payments guaranteed by DADC Luft- und Raumfahrt Beteiligungs AG for 2002 and subsequent years. Claims on future non-estimable equalization payments for 2002 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 (€ 19,385 million) include €16,158 million of other financial commitments to affiliated companies.

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

On average, other financial commitments relating to rental and lease agreements aggregate € 1,990 million per year; the average contractual terms are 8 years. A large share of the intangible assets and equipment of the former Daimler-Benz AG was transferred to DaimlerChrysler Mobilien GmbH, Stuttgart, as of June 30, 1998, followed by a subsequent lease-back of the equipment totaling € 5,878 million by the latter to DaimlerChrysler AG. The rental expense for proceeding years aggregates € 5,878 million, as of December 31, 2001. More over, leasing agreements are in existence with 19 property companies at Potsdamer Platz, on which DaimlerChrysler AG can expect costs of € 2,560 million in the future. The rental expense, totaling € 6,072 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 37 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 remuneration to the Board of Management of DaimlerChrysler AG amounts to € 16,940,588 those to the Supervisory Board € 1,198,468 in 2001. The remuneration to retired Board members and to their bereaved family aggregated € 13,516,085. In the Annual Financial Statements DaimlerChrysler accrued € 97,261,964 for Pension liabilities to retired Board members and their bereaved family.

The Management Board Membership and Supervisory Board Membership are listed on pages 25 to 33.

Proposal on appropriation of retained earnings

The unappropriated profit of DaimlerChrysler AG as of December 31, 2001 amounts to € 1,003,271,998. The proposal on appropriation of this amount to the Annual General Meeting is as follows:


Proposal on appropriation of retained earnings	€
Distribution of € 1.00 Dividend each share	1,003,271,998
Transfer to retained earnings	-
Profit carried forward	-
Unappropriated profit	1,003,271,998

Stuttgart-Möhringen, February 8, 2002



Jürgen E. Schrempp

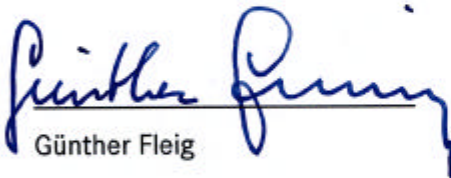

Klaus Mangold

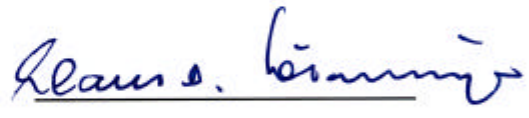

Manfred Bischoff

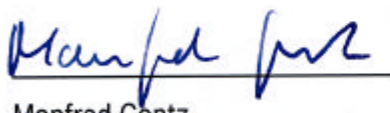

Thomas W. Sidlik

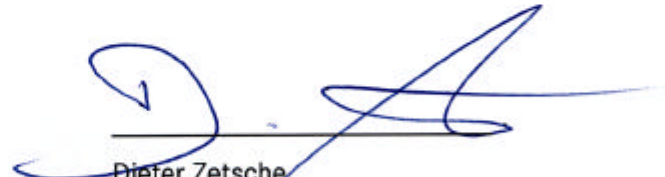

Eckhard Cordes



Gary C. Valade

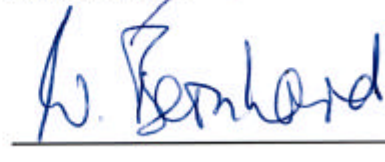

Günther Fleig

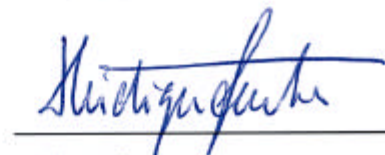

Klaus-Dieter Vöhringer


Manfred Gentz


Dieter Zetsche


Jürgen Hubbert


Wolfgang Bernhard *)


Rüdiger Grube *)

*) Deputy member of the Board of Management

Auditor's opinion to the annual financial statements

We have audited the annual financial statements, including the accounting and the management report of DaimlerChrysler AG, Stuttgart, for the business year from January 1 to December 31, 2001. 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 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 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 8, 2002

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft



Wiedmann
Wirtschaftsprüfer



Schmid
Wirtschaftsprüfer

Board of Management

Members of the Board of Management

Jürgen E. Schrempp
Stuttgart
Chairman of the Board
of Management
Appointed until 2005

Supervisory Board Members/ Directorships

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

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

European Aeronautic Defence and Space
Company EADS N. V. (Chairman)
DaimlerChrysler Aerospace AG (Chairman)
DaimlerChrysler Luft- und Raumfahrt Holding AG (Chairman)
Deutsche Bank AG (Advisory Board)
EADS Deutschland GmbH (Chairman)
EADS Participations B. V.
Gerling Konzern, Versicherungs-Beteiligungs-AG
J.M. Voith AG
Lagardère-Sociétés S.A.
MTU Aero Engines GmbH (Chairman)

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

DaimlerChrysler Aerospace AG
DaimlerChrysler Luft- und Raumfahrt Holding AG
Detroit Diesel Corporation (Chairman)
MTU Friedrichshafen GmbH (Chairman)
Rheinmetall AG
TAG McLaren Holdings Ltd.
DaimlerChrysler (China) Ltd. (Chairman)
EvoBus GmbH
Freightliner LLC (Chairman)
DaimlerChrysler Australia/Pacific Pty Ltd. (Chairman)
DaimlerChrysler Japan Holding, Ltd. (Chairman)
DaimlerChrysler Japan Co., Ltd. (Chairman)
DaimlerChrysler South East Asia Pte Ltd.
Mercedes-Benz Mexico, S.A. de C.V.
Mercedes-Benz Türk A.S.
DaimlerChrysler Taiwan
Deutsche Messe AG
Deutsche BP AG
European Aeronautic Defence and Space
Company EADS N. V.
EADS Participations B. V.

Members of the Board of Management

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

Supervisory Board Members/ Directorships

DaimlerChrysler Unterstützungskasse GmbH (Adviser)
Wohnstätten Sindelfingen GmbH (Chairman)

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

BEWAG
DaimlerChrysler Aerospace AG
DaimlerChrysler Corporation
DaimlerChrysler Espana 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
T-Systems ITS GmbH
Deutsche Hypothekenbank Frankfurt-Hamburg AG
DWS Investment GmbH
EHG Elektroholding GmbH (Chairman)
Hannoversche Lebensversicherungs a. G. (Deputy Chairman)
Zürich Beteiligungs- AG
DaimlerChrysler Unterstützungskasse GmbH (Adviser)
DaimlerChrysler Treasury Center Asia Pte. Ltd. (Chairman)
DaimlerChrysler Venture GmbH (Adviser)
Institut für Management und Technologie IMT Berlin GmbH
(Chairman)
Freightliner LLC

Prof. Jürgen Hubbert
Stuttgart
Mercedes-Benz Passenger
Cars & smart
Appointed until 2005

IWKA AG
DaimlerChrysler Corporation
DaimlerChrysler France S.A.S. (Chairman)
DaimlerChrysler Japan Co., Ltd.
DaimlerChrysler South Africa (Pty) Ltd.
DaimlerChrysler Services AG
DaimlerChrysler UK Ltd. (Chairman)
McLaren International Ltd.
Mercedes-AMG GmbH
Mercedes-Benz Espana, S.A.
DaimlerChrysler Italia S.p.A (Deputy Chairman)
Mercedes-Benz USA Inc. (Deputy Chairman)
Philipp Holzmann AG
TAG McLaren Holdings Ltd.
TÜV Süddeutschland Holding AG
ÖIAG Austria (Deputy Chairman)
Häussler Group (Chairman)

Members of the Board of Management

Dr. iur. Klaus Mangold

Stuttgart
Services
Appointed until 2003

Supervisory Board Members/ Directorships

Brauerei Beck & Co.
Chubb Corporation (International Advisory Board)
Jenoptik AG
DaimlerChrysler Services North America LLC
DaimlerChrysler Bank GmbH (Chairman)
debis Air Finance B. V. (Chairman)
RWE Solutions AG
HVB Real Estate Bank AG
T-Systems International GmbH
T-Systems ITS GmbH
TEGARON Telematics GmbH (Chairman of Advisory Board)

Thomas W. Sidlik

Auburn Hills
Procurement & Supply Chrysler Group,
Board Member Hyundai Motor
Company
Appointed until 2003

DaimlerChrysler Corporation

Gary C. Valade

Auburn Hills
Global Procurement & Supply
Appointed until 2003

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

Prof. Klaus-Dieter Vöhringer

Stuttgart
Research & Technology
Appointed until 2003

British Petroleum Amoco Technology (Adviser)
DaimlerChrysler Aerospace AG
DaimlerChrysler Luft- und Raumfahrt Holding AG
DaimlerChrysler South Africa (Pty.) Ltd.
DaimlerChrysler Venture GmbH
EADS Deutschland GmbH
MTU Friedrichshafen GmbH
Carl Zeiss Stiftung Oberkochen
Gottlieb Daimler und Karl Benz Stiftung
Fraunhofer-Gesellschaft (Chairman)
Helmholtz-Gemeinschaft

Members of the Board of Management

Supervisory Board Memberships/ Directorships

Dr. Ing. Dieter Zetsche

Auburn Hills
Chrysler Group
Appointed until 2003

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

Dr. rer. pol. Wolfgang Bernhard *)

Auburn Hills
Chief Operating Officer
Chrysler Group
Appointed until 2003

DaimlerChrysler Corporation

Dr. Rüdiger Grube *)

Stuttgart
Concern Formation
Appointed until 2004

Conti TEMIC microelectronic GmbH
Caatoosee AG
DaimlerChrysler Venture GmbH (Advisory Board)

*) Deputy Member of Board of Management

Supervisory Board

Members of the of the Supervisory Board

Supervisory Board Memberships/ Directorships

Hilmar Kopper

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

Chairman

Akzo-Nobel N.V.

Bayer AG

Solvay S.A.

Xerox Corp.

Unilever N.V.

Erich Klemm *)

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

Deputy Chairman

Manfred Göbels *)

Stuttgart
Director, Services and Mobility Concept,
Member of the upper management of
DaimlerChrysler AG,
Chairman of the Management Representative
Committee, DaimlerChrysler Group

Earl G. Graves

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

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

Prof. Victor Halberstadt

Amsterdam
Professor of Public Finance
at Leiden University,
Netherlands

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

Members of the of the Supervisory Board

Supervisory Board Memberships/ Directorships

Robert J. Lanigan

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

IMS Health
Owens-Illinois Inc.

Helmut Lense *)

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

Peter A. Magowan

San Francisco
President of San Francisco Giants

Safeway Inc.
Caterpillar Inc.

Gerd Rheude *)

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

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

Robert Bosch GmbH
AOK Baden-Württemberg

Dr. rer. pol. Manfred Schneider

Leverkusen
Chairman of the Board of
Management of Bayer AG

Allianz AG
Metro AG
RWE AG
Linde AG

Members of the of the Supervisory Board

Supervisory Board Memberships/ Directorships

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

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

Union Bancaire Privée
DB Capital Partners Advisory Board

Bernhard Walter

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

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

Lynton R. Wilson

Toronto
Chairmann of the Board
of CAE Inc.; Chairman of
the Board of Nortel
Networks Corporation

Imperial Oil Limited
Ontario Power Generation Inc.
Bell Canada International Inc.
Nortel Networks Corp.
DaimlerChrysler Canada Inc.
J.P. Morgan & Co. (International Council)

Members of the of the Supervisory Board

Supervisory Board Memberships/ Directorships

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

eCircle AG
thorborgnet GmbH & Co. KGaA
Dussmann KGaA
Loewe AG

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

Deutsche Babcock AG

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

Blue Cross Blue Shield of Michigan (BCBSM)

Committees of the Supervisory Board:

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

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

Presidential Committee

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

Financial Audit Committee

Hilmar Kopper (Chairman)
Erich Klemm
Stefan Schwaab
Bernhard Walter

Retired from the Supervisory Board:

Robert E. Allen

Short Hills, N.J.

Retired Chairman of the Board and
Chief Executive Officer of AT & T Corp.

Retired April 11, 2001

Willi Böhm *)

Wörth

Senior Manager Wage Accounting,
Member of the Works Council,
Wörth Plant, DaimlerChrysler AG

Retired December 13, 2001

Sir John Browne

London

Group Chief Executive
of BP Amoco plc.

Retired April 11, 2001

*) Representative of the employees

Management Report DaimlerChrysler AG

Weak development of the world economy

The world economy showed a generally weaker trend in 2001. Gross domestic product (GDP) grew by about 1.4 % and was thus around 2.6 % below the growth rate for the previous year. The terrorist attacks of September 11 in the USA further exacerbated the difficult economic situation.

Economic growth in Germany slowed, showing a 0.6 % rise in GDP. The economy in Western Europe grew moderately with GDP up 1.4 %. The US economy was in recession in the second half of 2001, so that the annual GDP grew by only 1.0 % in the USA. Massive structural problems drove the Japanese economy into a recession (GDP: - 0.4 %). In the two major newly industrializing regions of Southeast Asia and Latin America the economic outlook continued to be bleak.

On the exchange-rate side, in 2001 the Euro stabilized compared with the three main currencies, the US dollar, Japanese yen and British pound. Over the course of the year the Euro fell by on average 3.1 % against the US dollar, but showed an improvement of 2.0 % against the sterling and 9.3 % against the yen.

Difficult market situation in the world automobile industry

The generally unfavorable macroeconomic conditions once again distinctly exacerbated the competitive situation in the international automobile industry.

The reasons for this were increasing excess capacities worldwide and the extensive renewal of car inventories on many markets with resultant decline in demand for new vehicles.

In the financial year new car registrations in Germany totaled around 3.34 million, which represents a

decrease of 1.0 %. The Western European market was slightly positive with an increase of 0.6 %. The significant increase of 10.7 % in the UK deserves special mention. The decline of 4 % in the USA was significantly more pronounced than in Germany.

New commercial vehicle registrations also fell during the year, by 6 % in Germany and 6 % in Western Europe.

DaimlerChrysler AG sales and production volume at record level

With its highly competitive product range, DaimlerChrysler AG was able to build on the successes of previous years in the 2001 financial year. With total new Mercedes-Benz passenger car sales of 1,123,000, the previous year's figure of 1,047,000 was exceeded by 7.2 %. Of this total, 89,400 vehicles (previous year: 81,500 vehicles) were leased directly to our customers. The sales volume increase of 7 % in the USA was particularly pleasing. The C-Class recorded the highest growth with 518,900 units (previous year: 383,100 units). Sales of the M-Class and S-Class remained at a high level. Owing to the forthcoming model change the sales volume for the E-Class went down.

In Mercedes-Benz commercial vehicles we sold 324,800 vans, trucks and unimogs, which was 6.8 % up on the previous-year figure of 304,100 units. Of this total, 24,400 vehicles (previous year: 23,500 vehicles) were leased directly to our customers. The transporter business unit reported a very positive growth rate, with the Sprinter series being particularly successful. The difficult environment in heavy-duty trucks led to a sales decrease of 1,400 units in the Trucks business unit.

Production likewise reached new record levels in the current reporting year. A total of 1,130,000 passenger cars (+ 6.6 %) and 323,700 commercial vehicles (+ 6.6 %) rolled off the production line. We produce

our vehicles both at our domestic plants and - based contract-manufacturing agreements - at some of our subsidiary companies, as well as at special vehicle manufacturers.

Key figures

€ in millions	2001	2000	1999	Change 2001 vs. 2000
Revenues	55,056	51,333	45,000	+ 3,723
Operating Profit/Loss	412	-184	-595	+ 596
Financial Income (Net)	1,044	898	2,851	+ 146
Income from ordinary activities	1,456	714	2,256	+ 742
Net income for the year	824	739	1,389	+ 85

Continued revenue increases

In the current reporting year DaimlerChrysler AG's revenues rose to € 55.1 billion, or by 7.4 % compared to previous-year figure of € 51.3 billion. As in the previous year, revenue growth was especially pronounced in Western Europe at € 15.8 billion (+ 12.5 %). In the USA, too, the good result of the previous year was exceeded once again, by 7.3 %. In Germany the increase in revenues was more moderate at 2.7 %. The passenger cars division accounted for € 42.8 billion of total revenues (+ 9.2 %), and commercial vehicles accounted for € 12.3 billion, which was an increase of 1.7 % on the previous year.

Operating result again positive

The operating result – defined as the result from ordinary activities less the financial result – rose by € 596 million in the current reporting year. The increase primarily reflects the expansion of business volume in the passenger car sector. The favorable exchange rate with respect to the US dollar contributed to higher earnings. The development of purchase prices also contributed to the improvement in the earning situation. In addition, the leasing business with our

subsidiary DaimlerChrysler Bank GmbH generated a significant positive contribution to earnings.

Net financial income higher than in previous year

Net financial income rose slightly to € 1.0 billion compared with € 0.9 billion in the previous year. Higher profits and lower losses absorbed from subsidiaries were netted against write-downs on affiliated companies. The value write-downs at various foreign subsidiaries take account of the risks they face in business operations owing to the difficult economic situation in the countries concerned. This situation applies in particular to companies in Japan and Argentina.

Whereas in the year 2000 a small amount of tax income figure was calculated, in the current year tax expense of € 0.6 billion was reported, mainly reflecting the higher income generated by the company and its subsidiaries and tax accruals required to be set up for previous years. A loss carryforward for trade tax is still reported. Net income for the year rose by 11.5 % to € 824 million.

Dividend of € 1.00 per share

We recommend to the Annual Meeting on April 10, 2002, to distribute a dividend of € 1.00 per share for the 2001 financial year. The total dividend payout would thus amount to € 1,003 million on the distributable capital of € 2,609 million.

Further expansion in workforce

As a result of the positive business trend and the associated expansion in business volume we were able to create 1,800 new jobs in the current reporting year. The number of employees at the end of the year rose to 160,811 (previous year: 159,010). The growth in the workforce was mainly in the passenger car division and at the branches.

€ 1.8 billion invested in tangible assets

At € 1.8 billion (previous year: 1.7 billion) capital expenditures slightly exceeded the high level of the previous years (without leased assets). Additions to tangible assets in the passenger car division amounting to € 1.5 billion were in the forefront. Asset investments in the commercial vehicle division amounted to € 0.3 billion. The investments related mainly to the new E-Class and the new CLK as well as the successor to the SL.

Leading technological position secured

We have stepped up the expenditure for research and development and our efforts to secure our leading technological position beyond the high level of the previous year. The amount of € 2.9 billion (previous year: 2.8 billion) expended on securing the future was equivalent to more than 5 % of our revenues. By far the largest portion of € 2 billion went into the passenger car sector; € 0.5 billion was spent on development work in the commercial vehicle sector. The new E-Class and the SL and CLK series were major areas of research and development activity. In

addition, € 0.4 billion was expended on corporate research projects.

Concentration on the automotive business

In the current reporting year we continued our strategy of focusing on the automotive business and related services. In January 2001 we sold the 10 % shareholding in debitel AG, which was still held by our DaimlerChrysler Services AG, to Swiss telecommunications company Swisscom. On April 2, 2001 the sale of shares of TEMIC TELEFUNKEN microelectronic GmbH to Continental AG was agreed. We can sell the remaining 40 % between 2002 and 2005 to Continental AG at the agreed price. Upon the approval of the European antitrust authorities the Adtranz rail systems business unit was sold to the air and rail technology group Bombardier Inc. for \$ 725 million, effective as of April 30, 2001. Possible purchase price adjustments and other claims are still being negotiated with Bombardier Inc.

Position in Asia strengthened

We strengthened our position in the growth markets of Asia along targeted lines in the current reporting year. In June 2001 we acquired from AB Volvo, Sweden, its 3.3 % shareholding in Mitsubishi Motors Corp. (MMC), including all rights from the previous cooperation of MMC and Volvo in the commercial vehicle sector, via one of our subsidiary companies, thus creating the conditions for developing a strong competitive position on the Asian commercial vehicle market. DaimlerChrysler now directly and indirectly holds a 37.3 % stake in MMC. As part of our cooperation with Mitsubishi Fuso, the commercial vehicle arm of MMC, in December 2001 we took over the distribution of light truck Canter in the individual European markets. In June we entered into an agreement with Hyundai Motor Company (HMC) in South Korea, in which we have a 10 % shareholding, to set up a joint venture for the production of medium-

duty commercial vehicle engines for the Mercedes-Benz 900 series in South Korea. Construction of the production plant started directly after the agreement was signed.

Early recognition and consistent management of future risks

In connection with its operating activity in the passenger car and commercial vehicle sectors and as parent company of the DaimlerChrysler Group, DaimlerChrysler AG is naturally exposed to numerous risks which are inextricably linked with business activity.

The competition in the automotive industry will continue to exacerbate. The planned removal of the block exemption regulation by the European Union in 2002 deserves particular mention in this context.

Changes in consumer behavior, shorter product life cycles and eroding customer creditworthiness caused by weakening economic conditions could have an impact on the earnings power of DaimlerChrysler AG.

Other uncertainties derive from further cyclical and political developments in the national economies which are important for us. These uncertainties may be intensified by a strongly cyclical demand trend in some of the markets of relevance for us.

Rising energy prices (due partly to the introduction of the so-called "eco-tax") and more stringent statutory regulations concerning emissions of all kinds, fuel consumption, safety standards, recycling quotas and warranty periods in the respective production and sales markets pose major challenges for DaimlerChrysler AG. Furthermore, additional risks arise from the changing tax conditions and the upcoming toll system for trucks in Germany.

The increasingly close cooperation with system suppliers brought about by the general cost pressure will engender new dependencies which could have a negative effect on the production, sales and quality of our products.

We will be able to secure our competitiveness and profitability with further increases in efficiency by way of cost savings along the automotive value chain.

The worldwide presence of our brands creates global supply and purchase relationships which generate payment flows in various currencies. As a result DaimlerChrysler AG is exposed to exchange rate risks, in particular owing to the high share of exports in the passenger car segment. These risks are monitored by Corporate Treasury and hedged on the basis of exchange rate expectations, which are continuously monitored, with suitable financial instruments. Dividend payments by subsidiary companies to DaimlerChrysler AG are also included in this risk assessment.

Through our subsidiary companies we are indirectly exposed to the respective risk environment of the subsidiaries. Burdens can arise from the statutory and contractual contingent liabilities (especially financing arrangements) deriving from the relations with our subsidiary companies. These include the ongoing business development of DaimlerChrysler Corp., Detroit, and Freightliner LLC, Portland, owing to the difficult economic and sales situation in the USA.

Changes in our rating on the capital market likewise influence the cost of refinancing.

Furthermore, there is pending litigation for damages against the company by customers and shareholders. The complaint procedure of the European Commission brought a judgment for a fine for violation of free trade practices in the EU, against which we have filed a suit.

In order to recognize, assess and properly deal with all these risks at an early stage and also in order to comply with the requirements of the law on control and transparency in the business sectors (KonTraG), beginning in 1998 the existing early recognition systems were integrated in a standard risk management system for the Group. The risk management system is an integral part of the overall planning, control and reporting process and ensures the systematic identification, assessment, control and communication of risk factors.

The key features of the Daimler Chrysler AG risk management system are:

- Maintaining the existing responsibilities – no central “Risk Manager”
- Risk identification and assessment in risk matrices
- Risk controlling and reporting on the basis of specified threshold values for relevant risks
- Generation and implementation of measures for risk avoidance and reduction

Furthermore, in connection with the activity of Internal Audit the execution of the risk-management process is continually monitored and secured in line with the specifications in the Risk Management Manual.

Outlook

For the year 2002, the economic research institutes forecast growth (GDP) of around 1.3 % in the world economy. Due to traditionally low interest rates, reasonable oil prices and stabilizing climate indices the US economy is expected to pick up in the first half of 2002. The Japanese economy will sink into an even deeper recession. Reflecting the trend in the world economy, the economies of Western Europe will regain momentum in the second half of 2002. Germany will continue to lag behind the rest of Europe in 2002 as well.

The automobile markets will not remain unaffected by the unfavorable macroeconomic conditions. Registration figures will show a decline in the USA and in Western Europe in the coming year. However, new registrations of passenger cars in Germany should reach this year's level owing to the development of automobile-specific factors (replacement demand, vehicle costs). Given the state of economic conditions, the decline in sales will be significantly higher for medium- and heavy-duty commercial vehicles than for vans.

The negative economic data will also impact on the earnings of DaimlerChrysler AG. Thus, we do not expect to reach this year's record high levels of unit sales and revenue in 2002.

Despite the difficult economic environment, our research and development expenses will exceed the € 8 billion mark in the next three-year period.

Various new products and model enhancements, such as the new E-Class, the CLK and the Vaneo will, however, make it possible for us to sustain our position in most of our market segments.

Events after the close of the 2001 financial year

No subsequent events of significance for DaimlerChrysler AG that could lead to a changed assessment of the company's condition occurred after the close of the 2001 financial year.