As filed with the Securities and Exchange Commission on June 28, 2002

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F/A

(Amendment No. 1)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001
Commission file number 1-12356

DAIMLERCHRYSLER AG

(Exact name of Registrant as specified in its charter)

DAIMLERCHRYSLER AG

(Translation of Registrant's name into English)

FEDERAL REPUBLIC OF GERMANY

(Jurisdiction of incorporation or organization)

EPPLESTRASSE 225, 70567 STUTTGART, GERMANY

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Ordinary Shares, no par value	Frankfurt Stock Exchange New York Stock Exchange Chicago Stock Exchange Pacific Stock Exchange Philadelphia Stock Exchange
American Depositary Notes representing 5¾% Subordinated Mandatory Convertible Notes Due June 14, 2002*	New York Stock Exchange
* These notes matured on June 14, 2002	
Guarantee of the following securities of:	
DaimlerChrysler North America Holding Corporation	
8.50% Notes Due January 18, 2031	New York Stock Exchange
7⅜% Notes Due September 15, 2006	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act.

NONE
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

NONE
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Ordinary Shares, no par value 1,003,271,998
(as of December 31, 2001)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☒

The registrant hereby amends its Annual Report on Form 20-F filed February 20, 2002 to provide the following condensed consolidated financial information of the European Aeronautic Defence and Space Company EADS N.V. and subsidiaries (''EADS'') for the year ended December 31, 2001:

- Condensed consolidated income statement information;
- Condensed consolidated balance sheet information; and
- Condensed consolidated cash flow information.

As stated in Item 18 of DaimlerChrysler's 2001 Annual Report on Form 20-F, DaimlerChrysler expected to file an amendment to its Form 20-F by June 30, 2002 in order to provide separate consolidated financial statements of EADS pursuant to Rule 3-09 of Regulation S-X. However, DaimlerChrysler was subsequently informed by management of EADS that it would not make certain revisions to its 2001 consolidated financial statements, which have already been publicly disseminated, in order for the consolidated financial statements to satisfy the requirements established by the U.S. Securities and Exchange Commission, or the SEC. Consequently, following discussions with the staff of the SEC, DaimlerChrysler is providing the aforementioned condensed consolidated financial information about EADS, prepared using generally accepted accounting principles in the United States of America, in a revised Note 3 to the DaimlerChrysler 2001 Consolidated Financial Statements.

This amendment is being filed for the purpose of updating ''Item 18. Financial Statements,'' Exhibits 10.1 and 10.2 and changing the page reference under the heading ''Consolidated Financial Statements'' in ''Item 8. Financial Information'' from ''F-1 through F-64'' to ''F-1 through F-66.''

Item 18. Financial Statements.

Consolidated financial statements and schedule — see pages F-i, F-1 through F-66 and page S-1.

Separate financial statements for Mitsubishi Motors Corporation will be filed as an amendment to the Form 20-F pursuant to Rule 3-09 of Regulation S-X. DaimlerChrysler expects to file the separate financial statements of Mitsubishi Motors Corporation no later than September 30, 2002. This amendment will be available through the Securities and Exchange Commission's web site at *www.sec.gov* or DaimlerChrysler's web site at *www.daimlerchrysler.com* shortly after its filing with the SEC. Summarized financial information for Mitsubishi Motors Corporation is set forth in Note 3 to the Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant hereby certifies that it meets all of the requirements for filing on Form 20-F/A and that it has duly caused and authorized the undersigned to sign this amendment to its 2001 Annual Report on its behalf.

Date: June 28, 2002

DAIMLERCHRYSLER AG

By: /s/ JÜRGEN E. SCHREMPP

Jürgen E. Schrempp
Chairman of the Board of Management

By: /s/ MANFRED GENTZ

Dr. Manfred Gentz
Member of the Board of Management
Finance & Controlling

DAIMLERCHRYSLER AG
Index to Consolidated Financial Statements and Schedules

Independent Auditors' Report

The Supervisory Board
DaimlerChrysler AG:

We have audited the accompanying consolidated balance sheets of DaimlerChrysler AG and subsidiaries (''DaimlerChrysler'') as of December 31, 2001 and 2000, and the related consolidated statements of income (loss), changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2001. These consolidated financial statements are the responsibility of DaimlerChrysler's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of DaimlerChrysler Corporation or certain of its consolidated subsidiaries (''DaimlerChrysler Corporation''), which statements reflect total assets constituting 29 percent at December 31, 2000, and total revenues constituting 42 percent and 43 percent for the years ended December 31, 2000 and 1999, of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for DaimlerChrysler Corporation, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DaimlerChrysler as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001, in conformity with generally accepted accounting principles in the United States of America.

As discussed in Note 10 to the consolidated financial statements, in 2000 DaimlerChrysler adopted Statement of Financial Accounting Standards No. 133, ''Accounting for Derivative Instruments and Hedging Activities,'' and Emerging Issues Task Force Issue No. 99-20, ''Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets.''

KPMG Deutsche Treuhand-Gesellschaft AG

Stuttgart, Germany
February 8, 2002, except for Note 3,
which is as of June 28, 2002.

DAIMLERCHRYSLER AG

Consolidated Statements of Income (Loss)

(in millions, except per share amounts)	Note	Consolidated Year ended December 31, 2001 (Note 1)	2001	2000	1999
Revenues	32	**$ 136,072**	**€ 152,873**	€ 162,384	€ 149,985
Cost of sales	5	**(114,283)**	**(128,394)**	(134,370)	(119,688)
Gross margin		**21,789**	**24,479**	28,014	30,297
Selling, administrative and other expenses	5	**(16,317)**	**(18,331)**	(18,303)	(16,063)
Research and development		**(5,281)**	**(5,933)**	(6,337)	(5,737)
Other income	6	**1,079**	**1,212**	946	827
Turnaround plan expenses – Chrysler Group	7	**(2,727)**	**(3,064)**	–	–
Income (loss) before financial income		**(1,457)**	**(1,637)**	4,320	9,324
Financial income (expense), net (therein gain on issuance of associated company stock of €747 in 2001)	8	**137**	**154**	156	333
Income (loss) before income taxes		**(1,320)**	**(1,483)**	4,476	9,657
Effects of changes in German tax law		–	–	(263)	(812)
Income taxes		**692**	**777**	(1,736)	(3,721)
Total income taxes	9	**692**	**777**	(1,999)	(4,533)
Minority interests		**39**	**44**	(12)	(18)
Income (loss) before extraordinary items and cumulative effects of changes in accounting principles		**(589)**	**(662)**	2,465	5,106
Extraordinary items:	11				
Gains on disposals of businesses, net of taxes (therein gain on issuance of subsidiary and associated company stock of €2,418 in 2000)		–	–	5,516	659
Losses on early extinguishment of debt, net of taxes		–	–	–	(19)
Cumulative effects of changes in accounting principles: transition adjustments resulting from adoption of SFAS 133 and EITF 99-20, net of taxes	10	–	–	(87)	–
Net income (loss)		**(589)**	**(662)**	7,894	5,746
Earnings (loss) per share	33				
Basic earnings (loss) per share					
Income (loss) before extraordinary items and cumulative effects of changes in accounting principles		**(0.59)**	**(0.66)**	2.46	5.09
Extraordinary items		–	–	5.50	0.64
Cumulative effects of changes in accounting principles		–	–	(0.09)	–
Net income (loss)		**(0.59)**	**(0.66)**	7.87	5.73
Diluted earnings (loss) per share					
Income (loss) before extraordinary items and cumulative effects of changes in accounting principles		**(0.59)**	**(0.66)**	2.45	5.06
Extraordinary items		–	–	5.44	0.63
Cumulative effects of changes in accounting principles		–	–	(0.09)	–
Net income (loss)		**(0.59)**	**(0.66)**	7.80	5.69

The accompanying notes are an integral part of these Consolidated Financial Statements.

DAIMLERCHRYSLER AG

Consolidated Statements of Income (Loss)

	Industrial Business*			Financial Services*		
	Year ended December 31,			Year ended December 31,		
	2001	**2000**	**1999**	**2001**	**2000**	**1999**
Revenues	**€ 136,020**	€ 147,260	€ 139,929	**€ 16,853**	€ 15,124	€ 10,056
Cost of sales	**(113,342)**	(120,474)	(111,274)	**(15,052)**	(13,896)	(8,414)
Gross margin	**22,678**	26,786	28,655	**1,801**	1,228	1,642
Selling, administrative and other expenses	**(16,756)**	(17,059)	(15,063)	**(1,575)**	(1,244)	(1,000)
Research and development	**(5,933)**	(6,337)	(5,737)	–	–	–
Other income	**1,160**	842	691	**52**	104	136
Turnaround plan expenses – Chrysler Group	**(3,064)**	–	–	–	–	–
Income (loss) before financial income	**(1,915)**	4,232	8,546	**278**	88	778
Financial income (expense), net (therein gain on issuance of associated company stock of €747 in 2001)	**146**	166	327	**8**	(10)	6
Income (loss) before income taxes	**(1,769)**	4,398	8,873	**286**	78	784
Effects of changes in German tax law						
Income taxes						
Total income taxes	**743**	(2,152)	(4,340)	**34**	153	(193)
Minority interests	**46**	(11)	(16)	**(2)**	(1)	(2)
Income (loss) before extraordinary items and cumulative effects of changes in accounting principles	**(980)**	2,235	4,517	**318**	230	589
Extraordinary items:						
Gains on disposals of businesses, net of taxes (therein gain on issuance of subsidiary and associated company stock of €2,418 in 2000)	–	5,516	659	–	–	–
Losses on early extinguishment of debt, net of taxes	–	–	(19)	–	–	–
Cumulative effects of changes in accounting principles: transition adjustments resulting from adoption of SFAS 133 and EITF 99-20, net of taxes	–	10	–	–	(97)	–
Net income (loss)	**(980)**	7,761	5,157	**318**	133	589
Earnings (loss) per share						
Basic earnings (loss) per share						
Income (loss) before extraordinary items and cumulative effects of changes in accounting principles	–	–	–	–	–	–
Extraordinary items	–	–	–	–	–	–
Cumulative effects of changes in accounting principles	–	–	–	–	–	–
Net income (loss)	–	–	–	–	–	–
Diluted earnings (loss) per share						
Income (loss) before extraordinary items and cumulative effects of changes in accounting principles	–	–	–	–	–	–
Extraordinary items	–	–	–	–	–	–
Cumulative effects of changes in accounting principles	–	–	–	–	–	–
Net income (loss)	–	–	–	–	–	–

* Additional information about the Industrial Business and Financial Services is not required under U.S. GAAP and is unaudited.

DAIMLERCHRYSLER AG

Consolidated Balance Sheets

(in millions)	Note	Consolidated At December 31, 2001 (Note 1)	Consolidated At December 31, 2001	Consolidated At December 31, 2000	Industrial Business* At December 31, 2001	Industrial Business* At December 31, 2000	Financial Services* At December 31, 2001	Financial Services* At December 31, 2000
Assets								
Intangible assets	12	$ **2,548**	€ **2,863**	€ 3,113	€ **2,662**	€ 2,907	€ **201**	€ 206
Property, plant and equipment, net	12	**36,641**	**41,165**	40,145	**41,016**	40,043	**149**	102
Investments and long-term financial assets	18	**11,015**	**12,375**	12,107	**11,349**	10,967	**1,026**	1,140
Equipment on operating leases, net	13	**32,046**	**36,002**	33,714	**3,004**	3,047	**32,998**	30,667
Fixed assets		**82,250**	**92,405**	89,079	**58,031**	56,964	**34,374**	32,115
Inventories	14	**14,913**	**16,754**	16,283	**15,338**	15,333	**1,416**	950
Trade receivables	15	**5,723**	**6,430**	7,995	**6,134**	7,617	**296**	378
Receivables from financial services	16	**44,071**	**49,512**	48,673	**26**	30	**49,486**	48,643
Other receivables	17	**14,409**	**16,188**	14,396	**7,512**	6,414	**8,676**	7,982
Securities	18	**2,739**	**3,077**	5,378	**2,636**	4,195	**441**	1,183
Cash and cash equivalents	19	**10,172**	**11,428**	7,127	**8,057**	6,445	**3,371**	682
Non-fixed assets		**92,027**	**103,389**	99,852	**39,703**	40,034	**63,686**	59,818
Deferred taxes	9	**2,679**	**3,010**	2,436	**2,930**	2,350	**80**	86
Prepaid expenses	20	**7,660**	**8,606**	7,907	**8,480**	7,782	**126**	125
Total assets (thereof short-term 2001: €68,676; 2000: €71,300)		**184,616**	**207,410**	199,274	**109,144**	107,130	**98,266**	92,144
Liabilities and stockholders' equity								
Capital stock		$ **2,322**	**€2,609**	€2,609				
Additional paid-in capital		**6,485**	**7,286**	7,286				
Retained earnings		**23,536**	**26,441**	29,461				
Accumulated other comprehensive income		**2,374**	**2,668**	3,053				
Treasury stock		—	—	—				
Stockholders' equity	21	**34,717**	**39,004**	42,409	€ **29,009**	€ 35,825	€ **9,995**	€ 6,584
Minority interests		**371**	**417**	519	**403**	506	**14**	13
Accrued liabilities	23	**37,001**	**41,570**	36,441	**40,534**	35,772	**1,036**	669
Financial liabilities	24	**80,917**	**90,908**	84,783	**15,701**	9,508	**75,207**	75,275
Trade liabilities	25	**12,601**	**14,157**	15,257	**13,773**	14,875	**384**	382
Other liabilities	26	**9,135**	**10,262**	9,621	**7,431**	7,068	**2,831**	2,553
Liabilities		**102,653**	**115,327**	109,661	**36,905**	31,451	**78,422**	78,210
Deferred taxes	9	**4,318**	**4,851**	5,480	**(2,212)**	(639)	**7,063**	6,119
Deferred income	27	**5,556**	**6,241**	4,764	**4,505**	4,215	**1,736**	549
Total liabilities (thereof short-term 2001: €80,874; 2000: €81,516)		**149,899**	**168,406**	156,865	**80,135**	71,305	**88,271**	85,560
Total liabilities and stockholders' equity		**184,616**	**207,410**	199,274	**109,144**	107,130	**98,266**	92,144

* Additional information about the Industrial Business and Financial Services is not required under U.S. GAAP and is unaudited.

The accompanying notes are an integral part of these Consolidated Financial Statements.

DAIMLERCHRYSLER AG

Consolidated Statements of Changes in Stockholders' Equity

(in millions of €)	Capital stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss): Cumulative translation adjustment	Available-for-sale securities	Derivative financial instruments	Minimum pension liability	Treasury stock	Total
Balance at January 1, 1999	**2,561**	**7,274**	**20,533**	**(509)**	**528**	**–**	**(20)**	**–**	**30,367**
Net income	–	–	5,746	–	–	–	–	–	5,746
Other comprehensive income (loss)	–	–	–	2,431	(181)	–	(8)	–	2,242
Total comprehensive income									7,988
Issuance of capital stock	4	63	–	–	–	–	–	–	67
Purchase of capital stock	–	–	–	–	–	–	–	(86)	(86)
Re-issuance of treasury stock	–	–	–	–	–	–	–	86	86
Dividends	–	–	(2,356)	–	–	–	–	–	(2,356)
Other	–	(8)	2	–	–	–	–	–	(6)
Balance at December 31, 1999	**2,565**	**7,329**	**23,925**	**1,922**	**347**	**–**	**(28)**	**–**	**36,060**
Net income	–	–	7,894	–	–	–	–	–	7,894
Other comprehensive income (loss)	–	–	–	1,363	(149)	(408)	6	–	812
Total comprehensive income									8,706
Increase in stated value of capital stock	44	(44)	–	–	–	–	–	–	–
Issuance of capital stock	–	1	–	–	–	–	–	–	1
Purchase of capital stock	–	–	–	–	–	–	–	(88)	(88)
Re-issuance of treasury stock	–	–	–	–	–	–	–	88	88
Dividends	–	–	(2,358)	–	–	–	–	–	(2,358)
Balance at December 31, 2000	**2,609**	**7,286**	**29,461**	**3,285**	**198**	**(408)**	**(22)**	**–**	**42,409**
Net loss	–	–	(662)	–	–	–	–	–	(662)
Other comprehensive income (loss)	–	–	–	565	(137)	71	(884)	–	(385)
Total comprehensive loss									(1,047)
Purchase of capital stock	–	–	–	–	–	–	–	(66)	(66)
Re-issuance of treasury stock	–	–	–	–	–	–	–	66	66
Dividends	–	–	(2,358)	–	–	–	–	–	(2,358)
Balance at December 31, 2001	**2,609**	**7,286**	**26,441**	**3,850**	**61**	**(337)**	**(906)**	**–**	**39,004**

The accompanying notes are an integral part of these Consolidated Financial Statements.

DAIMLERCHRYSLER AG

Consolidated Statements of Cash Flows

(in millions)	Consolidated Year ended December 31, 2001 (Note 1)	2001	2000	1999
Net income (loss)	$ **(589)**	€ **(662)**	€ 7,894	€ 5,746
Income (loss) applicable to minority interests	**(39)**	**(44)**	12	18
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Gains on disposals of businesses	**(684)**	**(768)**	(5,568)	(1,181)
Depreciation and amortization of equipment on operating leases	**6,457**	**7,254**	6,487	3,315
Depreciation and amortization of fixed assets	**6,250**	**7,022**	7,131	6,035
Change in deferred taxes	**(942)**	**(1,058)**	1,220	2,402
Equity (income) loss from associated companies	**(86)**	**(97)**	244	(23)
Cumulative effects of changes in accounting principles	–	–	87	–
Change in financial instruments	**(364)**	**(409)**	(90)	247
(Gains) losses on disposals of fixed assets/securities	**(534)**	**(600)**	(455)	(1,215)
Change in trading securities	**(4)**	**(4)**	22	495
Change in accrued liabilities	**2,515**	**2,825**	1,778	4,001
Turnaround plan expenses – Chrysler Group	**2,727**	**3,064**	–	–
Turnaround plan payments – Chrysler Group	**(325)**	**(365)**	–	–
Changes in other operating assets and liabilities:				
– inventories, net	**(645)**	**(725)**	(876)	(2,436)
– trade receivables	**552**	**620**	(731)	(733)
– trade liabilities	**(746)**	**(838)**	(424)	1,331
– other assets and liabilities	**649**	**729**	(714)	21
Cash provided by operating activities	**14,192**	**15,944**	16,017	18,023
Purchases of fixed assets:				
– Increase in equipment on operating leases	**(15,978)**	**(17,951)**	(19,117)	(19,336)
– Purchases of property, plant and equipment	**(7,918)**	**(8,896)**	(10,392)	(9,470)
– Purchases of other fixed assets	**(583)**	**(655)**	(480)	(645)
Proceeds from disposals of equipment on operating leases	**9,828**	**11,042**	8,285	6,575
Proceeds from disposals of fixed assets	**928**	**1,043**	862	507
Payments for investments in businesses	**(731)**	**(821)**	(4,883)	(1,289)
Proceeds from disposals of businesses	**1,495**	**1,680**	311	1,336
Change in cash from exchange of businesses	–	–	(1,351)	–
Additions to receivables from financial services	**(116,481)**	**(130,863)**	(116,507)	(102,140)
Repayments of receivables from financial services:				
– Finance receivables collected	**47,399**	**53,251**	44,276	41,928
– Proceeds from sales of finance receivables	**68,237**	**76,662**	63,649	51,843
Acquisitions of securities (other than trading)	**(400)**	**(449)**	(7,786)	(4,395)
Proceeds from sales of securities (other than trading)	**2,250**	**2,528**	10,224	3,719
Change in other cash	**127**	**142**	200	(743)
Cash used for investing activities	**(11,827)**	**(13,287)**	(32,709)	(32,110)
Change in commercial paper borrowings and short-term financial liabilities	**(11,065)**	**(12,431)**	(3,238)	9,333
Additions to long-term financial liabilities	**23,661**	**26,582**	29,257	13,340
Repayment of financial liabilities	**(9,252)**	**(10,394)**	(9,152)	(4,611)
Dividends paid (including profit transferred from subsidiaries)	**(2,107)**	**(2,367)**	(2,379)	(2,378)
Proceeds from issuance of capital stock (including minority interests)	**67**	**75**	112	164
Purchase of treasury stock	**(59)**	**(66)**	(88)	(86)
Cash provided by (used for) financing activities	**1,245**	**1,399**	14,512	15,762
Effect of foreign exchange rate changes on cash and cash equivalents (maturing within 3 months)	**230**	**259**	501	805
Net increase (decrease) in cash and cash equivalents (maturing within 3 months)	**3,840**	**4,315**	(1,679)	2,480
Cash and cash equivalents (maturing within 3 months)				
At beginning of period	**6,304**	**7,082**	8,761	6,281
At end of period	**10,144**	**11,397**	7,082	8,761

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Cash Flows (Continued)

Industrial Business*			Financial Services*			
Year ended December 31,			Year ended December 31,			
2001	2000	1999	2001	2000	1999	
€ **(980)**	€ 7,761	€ 5,157	€ **318**	€ 133	€ 589	Net income (loss)
(46)	11	16	**2**	1	2	Income (loss) applicable to minority interests
						Adjustments to reconcile net income (loss) to net cash provided by operating activities:
(762)	(5,568)	(1,181)	**(6)**	–	–	Gains on disposals of businesses
290	207	68	**6,964**	6,280	3,247	Depreciation and amortization of equipment on operating leases
6,917	7,047	5,966	**105**	84	69	Depreciation and amortization of fixed assets
(1,595)	590	1,496	**537**	630	906	Change in deferred taxes
(90)	185	(10)	**(7)**	59	(13)	Equity (income) loss from associated companies
–	(10)	–	**–**	97	–	Cumulative effects of changes in accounting principles
(365)	(76)	247	**(44)**	(14)	–	Change in financial instruments
(600)	(454)	(1,213)	**–**	(1)	(2)	(Gains) losses on disposals of fixed assets/securities
3	22	495	**(7)**	–	–	Change in trading securities
2,472	1,742	3,913	**353**	36	88	Change in accrued liabilities
3,064	–	–	**–**	–	–	Turnaround plan expenses – Chrysler Group
(365)	–	–	**–**	–	–	Turnaround plan payments – Chrysler Group
						Changes in other operating assets and liabilities:
(549)	(725)	(2,387)	**(176)**	(151)	(49)	– inventories, net
540	(698)	(541)	**80**	(33)	(192)	– trade receivables
(831)	(498)	1,222	**(7)**	74	109	– trade liabilities
(1,444)	(623)	(147)	**2,173**	(91)	168	– other assets and liabilities
5,659	8,913	13,101	**10,285**	7,104	4,922	**Cash provided by operating activities**
						Purchases of fixed assets:
(3,617)	(3,566)	(2,935)	**(14,334)**	(15,551)	(16,401)	– Increase in equipment on operating leases
(8,785)	(10,340)	(9,407)	**(111)**	(52)	(63)	– Purchases of property, plant and equipment
(564)	(422)	(524)	**(91)**	(58)	(121)	– Purchases of other fixed assets
3,951	3,374	3,007	**7,091**	4,911	3,568	Proceeds from disposals of equipment on operating leases
991	836	411	**52**	26	96	Proceeds from disposals of fixed assets
(801)	(4,723)	(1,145)	**(20)**	(160)	(144)	Payments for investments in businesses
1,456	298	1,336	**224**	13	–	Proceeds from disposals of businesses
–	(1,351)	–	**–**	–	–	Change in cash from exchange of businesses
207	133	(28)	**(131,070)**	(116,640)	(102,112)	Additions to receivables from financial services
						Repayments of receivables from financial services:
–	–	–	**53,251**	44,276	41,928	– Finance receivables collected
–	–	–	**76,662**	63,649	51,843	– Proceeds from sales of finance receivables
(229)	(5,594)	(3,958)	**(220)**	(2,192)	(437)	Acquisitions of securities (other than trading)
1,378	8,355	3,333	**1,150**	1,869	386	Proceeds from sales of securities (other than trading)
267	385	(462)	**(125)**	(185)	(281)	Change in other cash
(5,746)	(12,615)	(10,372)	**(7,541)**	(20,094)	(21,738)	**Cash used for investing activities**
1,264	(393)	(260)	**(13,695)**	(2,845)	9,593	Change in commercial paper borrowings and short-term financial liabilities
3,100	2,523	918	**23,482**	26,734	12,422	Additions to long-term financial liabilities
(347)	2,324	439	**(10,047)**	(11,476)	(5,050)	Repayment of financial liabilities
(2,356)	(2,370)	(2,373)	**(11)**	(9)	(5)	Dividends paid (including profit transferred from subsidiaries)
(88)	(224)	82	**163**	336	82	Proceeds from issuance of capital stock (including minority interests)
(66)	(88)	(86)	**–**	–	–	Purchase of treasury stock
1,507	1,772	(1,280)	**(108)**	12,740	17,042	**Cash provided by (used for) financing activities**
206	471	750	**53**	30	55	Effect of foreign exchange rate changes on cash and cash equivalents (maturing within 3 months)
1,626	(1,459)	2,199	**2,689**	(220)	281	**Net increase (decrease) in cash and cash equivalents (maturing within 3 months)**
						Cash and cash equivalents (maturing within 3 months)
6,400	7,859	5,660	**682**	902	621	**At beginning of period**
8,026	6,400	7,859	**3,371**	682	902	**At end of period**

* Additional information about the Industrial Business and Financial Services is not required under U.S. GAAP and is unaudited.

DAIMLERCHRYSLER AG

Consolidated Fixed Assets Schedule

(in millions of €)	Acquisition or Manufacturing Costs						
	Balance at January 1, 2001	Currency change	Change in consolidated companies	Additions	Reclassi-fications	Disposals	Balance at December 31, 2001
Other intangible assets	**880**	17	(104)	248	52	59	**1,034**
Goodwill	**4,413**	170	(724)	137	–	16	**3,980**
Intangible assets	**5,293**	187	(828)	385	52	75	**5,014**
Land, leasehold improvements and buildings including buildings on land owned by others	**20,306**	384	(532)	483	600	242	**20,999**
Technical equipment and machinery	**33,734**	1,034	(615)	1,162	3,475	1,844	**36,946**
Other equipment, factory and office equipment	**20,880**	627	(313)	1,118	3,386	1,964	**23,734**
Advance payments relating to plant and equipment and construction in progress	**7,301**	295	(40)	6,143	(7,513)	272	**5,914**
Property, plant and equipment	**82,221**	2,340	(1,500)	8,906	(52)	4,322	**87,593**
Investments in affiliated companies	**912**	33	(5)	254	15	150	**1,059**
Loans to affiliated companies	**137**	(4)	–	105	–	95	**143**
Investments in associated companies	**8,196**	(122)	105	1,072	(3)	674	**8,574**
Investments in related companies	**1,769**	42	(56)	490	(12)	362	**1,871**
Loans to associated and related companies	**305**	11	–	51	–	26	**341**
Long-term securities	**917**	–	–	–	–	548	**369**
Other loans	**193**	4	(56)	251	–	24	**368**
Investments and long-term financial assets	**12,429**	(36)	(12)	2,223	–	1,879	**12,725**
Equipment on operating leases[2]	**42,607**	2,105	(1)	17,951	–	14,274	**48,388**

[1] Currency translation changes with period end rates.
[2] Excluding initial direct costs.

The consolidated fixed assets schedule is part of the Notes to Consolidated Financial Statements.

DAIMLERCHRYSLER AG

Consolidated Fixed Assets Schedule (Continued)

Depreciation/Amortization							Book Value[1]		
Balance at January 1, 2001	Currency change	Change in consolidated companies	Additions	Reclassi- fications	Disposals	Balance at December 31, 2001	Balance at December 31, 2001	Balance at December 31, 2000	
453	9	(58)	172	–	34	**542**	**492**	427	Other intangible assets
1,727	63	(359)	184	–	6	**1,609**	**2,371**	2,686	Goodwill
2,180	72	(417)	356	–	40	**2,151**	**2,863**	3,113	**Intangible assets**
8,602	100	(163)	745	(9)	101	**9,174**	**11,825**	11,704	Land, leasehold improvements and buildings including buildings on land owned by others
20,834	497	(383)	3,611	(6)	1,499	**23,054**	**13,892**	12,900	Technical equipment and machinery
12,634	299	(224)	3,101	20	1,756	**14,074**	**9,660**	8,246	Other equipment, factory and office equipment
6	2	–	123	(5)	–	**126**	**5,788**	7,295	Advance payments relating to plant and equipment and construction in progress
42,076	898	(770)	7,580	–	3,356	**46,428**	**41,165**	40,145	**Property, plant and equipment**
120	23	(7)	3	–	9	**130**	**929**	792	Investments in affiliated companies
–	–	–	13	–	13	–	**143**	137	Loans to affiliated companies
–	–	(8)	2	–	(4)	**(2)**	**8,576**	8,196	Investments in associated companies
192	–	(30)	51	–	3	**210**	**1,661**	1,577	Investments in related companies
–	–	1	–	–	–	**1**	**340**	305	Loans to associated and related companies
1	–	–	–	–	–	**1**	**368**	916	Long-term securities
9	1	–	1	–	1	**10**	**358**	184	Other loans
322	24	(44)	70	–	22	**350**	**12,375**	12,107	**Investments and long-term financial assets**
9,073	488	(1)	7,254	–	4,216	**12,598**	**35,790**	33,534	**Equipment on operating leases[2]**

BASIS OF PRESENTATION

1. Summary of Significant Accounting Policies

General — The consolidated financial statements of DaimlerChrysler AG (''DaimlerChrysler'' or the ''Group'') have been prepared in accordance with Generally Accepted Accounting Principles in the United States of America (''U.S. GAAP''). All amounts herein are shown in euros and for the year 2001 amounts are also presented in U.S. dollars (''$''), the latter being unaudited and presented solely for the convenience of the reader at the rate of €1 = $0.8901, the Noon Buying Rate of the Federal Reserve Bank of New York on December 31, 2001.

Certain prior year balances have been reclassified to conform with the Group's current year presentation.

Commercial practices with respect to the products manufactured by DaimlerChrysler necessitate that sales financing, including leasing alternatives, be made available to the Group's customers. Accordingly, the Group's consolidated financial statements are also significantly influenced by activities of the financial services business. To enhance the readers' understanding of the Group's consolidated financial statements, the accompanying financial statements present, in addition to the consolidated financial statements, unaudited information with respect to the financial position, results of operations and cash flows of the Group's industrial and financial services business activities. Such information, however, is not required by U.S. GAAP and is not intended to, and does not represent the separate U.S. GAAP financial position, results of operations or cash flows of the Group's industrial or financial services business activities. Transactions between the Group's industrial and financial services business activities principally represent intercompany sales of products, intercompany borrowings and related interest, and other support under special vehicle financing programs. The effects of transactions between the industrial and financial services businesses have been eliminated within the industrial business columns.

Consolidation — All material companies in which DaimlerChrysler has legal or effective control are consolidated. Significant investments in which DaimlerChrysler has 20% to 50% of the voting rights or the ability to exercise significant influence over operating and financial policies (''associated companies'') are accounted for using the equity method. The effects of intercompany transactions have been eliminated.

For business combinations accounted for using the purchase method, all assets acquired and liabilities assumed are recorded at fair value at the date of acquisition.

Foreign Currencies — The assets and liabilities of foreign subsidiaries where the functional currency is not the euro are generally translated using period-end exchange rates while the statements of income (loss) and the statements of cash flows are translated using average exchange rates during the period. Differences arising from the translation of assets and liabilities in comparison with the translation of the previous period are included as a separate component of stockholders' equity.

The assets and liabilities of foreign subsidiaries operating in highly inflationary economies are translated into euro on the basis of period-end rates for monetary assets and liabilities and at historical rates for non-monetary items, with resulting translation gains and losses being recognized in earnings. Further, in such economies, depreciation and gains and losses from the disposal of non-monetary assets are determined using historical rates.

Due to the economic and political situation in Argentina, assets and liabilities of Argentine subsidiaries at December 31, 2001 were translated from Argentine peso (''ARP'') into euro using the first subsequent rate after the balance sheet date at which exchanges could be made (€1 = ARP 1.498). In addition, DaimlerChrysler recognized losses due to lower estimated net realizable values of assets denominated in Argentine peso and to remeasure foreign currency assets and liabilities of Argentine subsidiaries. The total pretax effect recognized in 2001 from these adjustments amounted to €177 million.

The exchange rates of the significant currencies of non-euro countries used in preparation of the consolidated financial statements were as follows:

		Exchange rate at December 31,		Annual average exchange rate		
		2001 €1 =	2000 €1 =	2001 €1 =	2000 €1 =	1999 €1 =
Currency:						
Brazil	BRL	**2.05**	1.84	**2.11**	1.69	1.93
Great Britain	GBP	**0.61**	0.62	**0.62**	0.61	0.66
Japan	JPY	**115.33**	106.92	**108.69**	99.47	121.25
United States	USD	**0.88**	0.93	**0.90**	0.92	1.07

Revenue Recognition — Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price of the transaction is fixed and determinable, and collectibility is reasonably assured. Revenues are recognized net of discounts, cash sales incentives, customer bonuses and rebates granted. Cash sales incentives are recorded as a reduction of revenue when the related revenue is recorded.

Sales under which the Group conditionally guarantees the minimum resale value of the product are accounted for as operating leases with the related revenues and costs deferred at the time of title passage. Operating lease income is recorded when earned on a straight-line basis. Revenue on long-term contracts is generally recognized under the percentage-of-completion method based upon contractual milestones or performance. Revenue from finance receivables is recorded on the interest method.

Receivable Sales and Retained Interests in Sold Receivables — The Group sells significant amounts of finance receivables as asset-backed securities through securitization. The Group sells a portfolio of receivables to a non-consolidated trust and remains as servicer, and is paid a servicing fee. Servicing fees are earned on a level-yield basis over the remaining term of the related sold receivables. In a subordinated capacity, the Group retains residual cash flows, a beneficial interest in principal balances of sold receivables and certain cash deposits provided as credit enhancements for investors. Gains and losses from the sales of finance receivables are recognized in the period in which sales occur. In determining the gain or loss for each qualifying sale of finance receivables, the investment in the sold receivable pool is allocated between the portion sold and the portion retained based upon their relative fair values.

The Group recognizes unrealized gains or losses attributable to the change in the fair value of the retained interests, which are recorded in a manner similar to available-for-sale securities, net of related income taxes as a separate component of stockholders' equity until realized. The Group is not aware of an active market for the purchase or sale of retained interests, and accordingly, determines the estimated fair value of the retained interests by discounting the expected cash flow releases (the cash-out method) using a discount rate which is commensurate with the risks involved. In determining the fair value of the retained interests, the Group estimates the future rates of prepayments, net credit losses and forward yield curves. These estimates are developed by evaluating the historical experience of comparable receivables and the specific characteristics of the receivables purchased, and forward yield curves based on trends in the economy. An other-than-temporary impairment adjustment to the carrying value of the retained interests generally is required if the expected cash flows decline below the cash flows inherent in the cost basis of an individual retained interest (the pool-by-pool method). Other-than-temporary impairment adjustments are recorded as a component of revenue.

Estimated Credit Losses — The allowance for doubtful accounts represents management's estimate of the amount of asset impairment in the portfolios of finance, trade and other receivables. The Group determines the allowance for doubtful accounts based on periodical review and evaluation performed as part of the credit-risk evaluation process, historical loss experience, the size and composition of the portfolios, current economic events and conditions, the fair value and adequacy of collateral, and other pertinent factors. Credit exposures deemed to be uncollectible are charged against the allowance for doubtful accounts.

Product-Related Expenses — Provisions for estimated product warranty costs are recorded in cost of sales at the time the related sale is recognized. Non-cash sales incentives that do not reduce the transaction price to the customer are classified within cost of sales. Shipping and handling costs are recorded as cost of sales. Expenditures for advertising and sales promotion and for other sales-related expenses are charged to selling expense as incurred.

Research and Development — Research and development costs are expensed as incurred.

Sales of Newly Issued Subsidiary Stock — Gains resulting from the issuance of stock by a Group subsidiary or equity method investment which reduces DaimlerChrysler's percentage ownership (''dilution gains'') are recorded in the statement of income (loss).

Earnings Per Share — Basic earnings per share is calculated by dividing net income by the weighted average number of shares outstanding. Diluted earnings per share reflects the potential dilution that would occur if all securities and other contracts to issue Ordinary Shares were exercised or converted (see Note 33). Net income represents the earnings of the Group after minority interests.

Intangible Assets — Purchased intangible assets, other than goodwill, are valued at acquisition cost and are amortized over their respective useful lives (2 to 10 years) on a straight-line basis. Goodwill derived from acquisitions that were completed before July 1, 2001, is capitalized and amortized over 3 to 40 years. The Group periodically assesses the recoverability of its goodwill based upon projected future undiscounted cash flows. Goodwill acquired in business combinations after June 30, 2001, and intangible assets with an indefinite useful life acquired after June 30, 2001, were not amortized in accordance with Statement of Financial Accounting Standards (''SFAS'') 142, ''Goodwill and Other Intangible Assets'' (see *New Accounting Pronouncements*). Goodwill acquired in business combinations that were completed before July 1, 2001, and intangible assets with an indefinite useful life acquired before July 1, 2001, were amortized until December 31, 2001.

Property, Plant and Equipment — Property, plant and equipment is valued at acquisition or manufacturing costs less accumulated depreciation. Depreciation expense is recognized using either the declining balance method until the straight-line method yields larger expenses or the straight-line method. The costs of internally produced equipment and facilities include all direct costs and allocable manufacturing overhead. Costs of the construction of certain long-term assets include capitalized interest which is amortized over the estimated useful life of the related asset. The following useful lives are assumed: buildings—10 to 50 years; site improvements—5 to 33 years; technical equipment and machinery—3 to 30 years; and other equipment, factory and office equipment—2 to 33 years.

For the Group's subsidiaries in Germany, depreciation expense for property, plant and equipment placed in service before January 1, 2001 is being recognized using either the straight-line method or the declining balance method until the straight-line method yields larger expenses. Property, plant and equipment placed in service at these companies after December 31, 2000 is depreciated using the straight-line method of depreciation. This change in accounting principle for new additions beginning January 1, 2001 was made to reflect improvements in the design and flexibility of manufacturing machinery and equipment and improvements in maintenance practices. These improvements have resulted in more uniform productive capacities and maintenance costs over the useful life of an asset, and straight-line depreciation is preferable in these circumstances. The effect of this change on the net loss of 2001 was not significant.

Leasing — The Group is a lessee of property, plant and equipment and lessor of equipment, principally passenger cars and commercial vehicles. All leases that meet certain specified criteria intended to represent situations where the substantive risks and rewards of ownership have been transferred to the lessee are accounted for as capital leases. All other leases are accounted for as operating leases. Equipment on operating leases, where the Group is lessor, is valued at acquisition cost and depreciated over its estimated useful life of 1 to 30 years using the straight-line method.

Long-Lived Assets — The Group accounts for long-lived assets in accordance with the provisions of SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This Statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Non-fixed Assets — Non-fixed assets represent the Group's inventories, receivables, securities and cash, including amounts to be realized in excess of one year. In the accompanying notes, the portion of assets and liabilities to be realized and settled in excess of one year has been disclosed.

Marketable Securities and Investments — Securities and investments are accounted for at fair value, if readily determinable. Unrealized gains and losses on trading securities, representing securities bought principally for the purpose of near term sales, are included in earnings. Unrealized gains and losses on available-for-sale securities are included in accumulated other comprehensive income, net of applicable taxes. All other securities are recorded at cost. Unrealized losses on all marketable securities and investments that are other than temporary are recognized in earnings.

Inventories — Inventories are valued at the lower of acquisition or manufacturing cost or market, cost being generally determined on the basis of an average or first-in, first-out method ("FIFO"). Certain of the Group's U.S. inventories are valued using the last-in, first-out method ("LIFO"). Manufacturing costs comprise direct material and labor and applicable manufacturing overheads, including depreciation charges.

Financial Instruments — DaimlerChrysler uses derivative financial instruments such as forward foreign exchange contracts, swaps, options, futures, swaptions, forward rate agreements, caps and floors for hedging purposes. Effective January 1, 2000, DaimlerChrysler adopted SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS 137 and 138 (see Note 10). SFAS 133 requires that all derivative instruments are recognized as assets or liabilities on the balance sheet and measured at fair value, regardless of the purpose or intent for holding them. Changes in the fair value of derivative instruments are recognized periodically either in earnings or stockholders' equity (as a component of other comprehensive income), depending on whether the derivative is designated as a hedge of changes in fair value or cash flows. For derivatives designated as fair value hedges, changes in fair value of the hedged item and the derivative are recognized currently in earnings. For derivatives designated as cash flow hedges, fair value changes of the effective portion of the hedging instrument are recognized in accumulated other comprehensive income on the balance sheet until the hedged item is recognized in earnings. The ineffective portion of the fair value changes are recognized in earnings immediately. SFAS 133 also requires that certain derivative instruments embedded in host contracts be accounted for separately as derivatives.

Prior to the adoption of SFAS 133, derivative instruments which were not designated as hedges of specific assets, liabilities, or firm commitments were marked to market and any resulting unrealized gains or losses recognized in earnings. If there was a direct connection between a derivative instrument and an underlying transaction and a derivative was so designated, a valuation unit was formed. Once allocated, gains and losses from these valuation units, which were used to manage interest rate, equity price and currency risks of identifiable assets, liabilities, or firm commitments, did not affect earnings until the underlying transaction was realized.

Further information on the Group's financial instruments is included in Note 30.

Accrued Liabilities — The valuation of pension and postretirement benefit liabilities is based upon the projected unit credit method in accordance with SFAS 87, "Employers' Accounting for Pensions," and SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." An accrued liability for taxes and other contingencies is recorded when an obligation to a third party has been incurred, the payment is probable and the amount can be reasonably estimated. Accrued liabilities relating to personnel and social costs are valued at their net present value where appropriate.

Use of Estimates — Preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Due to current economic conditions and events in 2001, it is possible that these conditions and events could have a significant effect on such estimates made by management.

New Accounting Pronouncements — In September 2000, the Financial Accounting Standards Board ("FASB") issued SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities— a replacement of FASB Statement No. 125." This statement revised the standards of accounting for securitizations and other transfers of financial assets and collateral and requires certain financial statement disclosures. SFAS 140 was effective for transactions occurring after March 31, 2001. Adoption of this replacement standard did not have a material effect on DaimlerChrysler's consolidated financial statements (see Note 31).

During 2000, the Emerging Issues Task Force reached a final consensus on Issue 00-14, "Accounting for Certain Sales Incentives." The issue requires that an entity recognizes sales incentives at the latter of (1) the date at which the related revenue is recorded by the entity or (2) the date at which the sales incentive is offered. The issue also requires that when recognized, the reduction in or refund of the selling price of the product or service resulting from any cash sales incentive should be classified as a reduction of revenue. If the sales incentive is a free product or service delivered at the time of the sale, the cost of the free product or service should be classified as cost of sales. The consensus reached in the issue was effective for DaimlerChrysler in its financial statements beginning April 1, 2001. DaimlerChrysler applied the consensus prospectively in 2001. The adoption of Issue 00-14 did not have a material impact on the Group's consolidated financial statements.

In July 2001, the FASB issued SFAS 141, "Business Combinations," and SFAS 142. SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS 141 also specifies the types of acquired intangible assets that are required to be recognized and reported separately from goodwill and those acquired intangible assets that are required to be included in goodwill. SFAS 142 requires that goodwill no longer be amortized, but instead tested for impairment at least annually. SFAS 142 also requires recognized intangible assets with a definite useful life to be amortized over their respective estimated useful lives and reviewed for impairment in accordance with SFAS 121 and subsequently, SFAS 144 after its adoption (see below). Any recognized intangible asset determined to have an indefinite useful life will not be amortized, but instead tested for impairment in accordance with SFAS 142 until its life is determined to no longer be indefinite.

DaimlerChrysler adopted the provisions of SFAS 141 as of July 1, 2001, and SFAS 142 is effective January 1, 2002. Goodwill that was acquired in a business combination completed after June 30, 2001, and any intangible asset determined to have an indefinite useful life that was acquired after June 30, 2001 were not amortized. Goodwill acquired in business combinations completed before July 1, 2001, and intangible assets with indefinite useful lives acquired before July 1, 2001, were amortized until December 31, 2001.

SFAS 142 requires the Group to evaluate its existing intangible assets and goodwill and to make any necessary reclassifications in order to conform with the new separation requirements at the date of adoption. Upon adoption of SFAS 142, the Group is also required to reassess the useful lives and residual values of all intangible assets and make any necessary amortization period adjustments by March 31, 2002.

In connection with the transitional impairment evaluation, SFAS 142 requires DaimlerChrysler to perform an assessment of whether there is an indication that goodwill is impaired as of January 1, 2002. To accomplish this, DaimlerChrysler is currently (1) identifying its reporting units, (2) determining the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets to those reporting units, and (3) determining the fair value of each reporting unit. This first step of the transitional assessment is required to be completed by June 30, 2002. If the carrying value of any reporting unit exceeds its fair value, then detailed fair values for each of the assigned assets (excluding goodwill) and liabilities will be determined to calculate the amount of goodwill impairment, if any. This second step is required to be completed as soon as possible, but no later than December 31, 2002. Any transitional impairment loss resulting from the adoption will be recognized as the effect of a change in accounting principle in the Group's statement of income (loss). Because of the extensiveness of the efforts needed to comply with the adoption of these statements, it is not practicable to reasonably estimate the impact on the Group's financial statements.

In June 2001, the FASB issued SFAS 143, "Accounting for Asset Retirement Obligations." The statement applies to legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and (or) the normal operation of a long-lived asset, except for certain obligations of lessees. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and subsequently allocated to expense over the asset's useful life. The Group expects to adopt SFAS 143 on January 1, 2003. DaimlerChrysler is currently determining the impact of the adoption of SFAS 143.

In August 2001, the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS 144 retains the current requirement to recognize an impairment loss only if the carrying amounts of long-lived assets to be held and used are not recoverable from their expected undiscounted future cash flows. However, goodwill is no longer required to be allocated to these long-lived assets when determining their carrying amounts. SFAS 144 requires that a long-lived asset to be abandoned, exchanged for a similar productive asset, or distributed to owners in a spin-off be considered held and used until it is disposed. SFAS 144 requires the depreciable life of an asset to be abandoned be revised. SFAS 144 requires all long-lived assets to be disposed of by sale be recorded at the lower of its carrying amount or fair value less cost to sell and to cease depreciation (amortization). Therefore, discontinued operations are no longer measured on a net realizable value basis, and future operating losses are no longer recognized before they occur. SFAS 144 is effective January 1, 2002. The adoption of SFAS 144 is not expected to have a material impact on the Group's financial statements.

2. Scope of Consolidation

Scope of Consolidation — DaimlerChrysler comprises 470 German and non-German subsidiaries (2000: 485) and 1 joint venture (2000: 1). A total of 102 (2000: 108) companies are accounted for in the consolidated financial statements using the equity method of accounting. During 2001, 98 subsidiaries were included in the consolidated financial statements for the first time. A total of 113 subsidiaries were no longer included in the consolidated group. Significant effects of changes in the consolidated group on the consolidated balance sheets and the consolidated statements of income (loss) are explained further in the notes to the consolidated financial statements. A total of 296 subsidiaries (“affiliated companies”) are not consolidated as their combined influence on the financial position, results of operations, and cash flows of the Group is not material (2000: 255). The effect of such non-consolidated subsidiaries for all years presented on consolidated assets, revenues and net income (loss) of DaimlerChrysler was approximately 1%. In addition, 5 (2000: 6) companies administering pension funds whose assets are subject to restrictions have not been included in the consolidated financial statements. The consolidated financial statements include 96 associated companies (2000: 74) accounted for at cost and recorded under investments in related companies as these companies are not material to the respective presentation of the financial position, results of operations or cash flows of the Group.

3. Equity Method Investments

At December 31, 2001, the significant investments in companies accounted for under the equity method were the following:

Company	Ownership percentage
European Aeronautic Defence and Space Company EADS N.V. (“EADS”)	33.0%
Mitsubishi Motors Corporation (“MMC”)	37.3%

Further information with respect to the transactions which resulted in the Group’s holdings in EADS and MMC is presented in Note 4 (*Acquisitions and Dispositions*) and Note 11 (*Extraordinary Items*). The aggregate quoted market prices as of December 31, 2001, for DaimlerChrysler’s shares in EADS and MMC were €3,637 million and €1,056 million, respectively.

The carrying value of the significant investments exceeded DaimlerChrysler’s share of the underlying reported net assets by approximately €1,049 million at December 31, 2001. The excess of the Group’s initial investment in equity method companies over the Group’s ownership percentage in the underlying net assets of those companies is attributed to fair value adjustments, if any, with the remaining portion classified as goodwill. The fair value adjustments and goodwill are accounted for in the respective equity method investment balances. Under the equity method, investments are stated at initial cost and are adjusted for subsequent contributions and DaimlerChrysler’s share of earnings, losses and distributions. Because the financial statements of EADS and MMC are not available sufficiently timely for the Group to apply the equity method currently, DaimlerChrysler’s share of the earnings or losses of EADS and MMC are recorded on a three month lag. Goodwill relating to the Group’s investments in EADS and MMC was being amortized using an useful life of 20 years until December 31, 2001. After December 31, 2001, such goodwill will no longer be amortized as a result of adopting SFAS 142. The total investment, including goodwill, will continue to be evaluated for impairment when conditions indicate that a decline in fair value below the carrying amount is other than temporary.

The following tables present, on a three month lag, summarized U.S. GAAP financial information for EADS and MMC (amounts shown on a 100% basis in millions of €) which is the basis for applying the equity method in the Group's consolidated financial statements:

EADS

Income statement information:

	2001	2000*
Revenues	27,004	10,578
Net income (loss)	2,598	(482)

* Represents the period from acquisition

Balance sheet information:

	2001	2000
Fixed assets	26,505	20,563
Non-fixed assets	22,119	21,592
Total assets	48,624	42,155
Stockholders' equity	11,409	9,262
Minority interests	598	328
Accrued liabilities	11,149	10,450
Other liabilities	25,468	22,115
Total liabilities and stockholders' equity	48,624	42,155

MMC

Income statement information:

	2001	2000*
Revenues	30,057	7,754
Net loss	(1,209)	(124)

* Represents the period from acquisition

Balance sheet information:

	2001	2000
Fixed assets	11,974	12,802
Non-fixed assets	12,697	16,452
Total assets	24,671	29,254
Stockholders' equity	1,528	2,840
Minority interests	(61)	21
Accrued liabilities	5,800	5,626
Other liabilities	17,404	20,767
Total liabilities and stockholders' equity	24,671	29,254

DaimlerChrysler expected to file an amendment to its Form 20-F by June 30, 2002 in order to provide separate consolidated financial statements of EADS pursuant to Rule 3-09 of Regulation S-X. However, DaimlerChrysler was subsequently informed by management of EADS that it would not make certain revisions to its 2001 consolidated financial statements, which have already been publicly disseminated, in order for the consolidated financial statements to satisfy the requirements established by the U.S. Securities and Exchange Commission. Consequently, DaimlerChrysler is providing the following condensed consolidated financial information about EADS as of and for the year ended December 31, 2001, prepared using generally accepted accounting principles in the United States of America (in millions of €).

Condensed consolidated income statement information:

	Year ended December 31, 2001
Revenues	26,748
Cost of sales	(21,481)
Gross margin	**5,267**
Selling, administrative and other expenses	(2,884)
Research and development	(1,837)
Other income	245
Gains on issuance of subsidiary and associated company stock	2,954
Income before financial income	**3,745**
Financial expense, net	(541)
Income before income taxes	**3,204**
Income taxes	(728)
Minority interests	10
Net income	**2,486**

Condensed consolidated balance sheet information:

	At December 31, 2001
Goodwill	10,263
Other intangible assets	137
Property, plant and equipment, net	6,530
Investments and long-term financial assets	6,267
Equipment on operating leases, net	2,752
Fixed assets	**25,949**
Inventories	2,629
Trade receivables	4,351
Other receivables	2,493
Cash, cash equivalents and securities	7,722
Non-fixed assets	**17,195**
Deferred taxes	4,215
Prepaid expenses	717
Total assets	**48,076**
Stockholders' equity	**11,232**
Minority interests	**501**
Accrued liabilities	**11,204**
Financial liabilities	7,078
Trade and other liabilities	14,663
Liabilities	**21,741**
Deferred taxes	795
Deferred income	2,603
Total liabilities	**32,945**
Total liabilities and stockholders' equity	**48,076**

Condensed consolidated cash flow information:

	Year ended December 31, 2001
Net income	2,486
Income applicable to minority interests	(10)
Adjustments to reconcile net income to net cash provided by operating activities:	
Gains on issuance of subsidiary and associated company stock	(2,954)
Depreciation and amortization of fixed assets	2,524
Other, net	581
Net cash provided by operating activities	**2,627**
Net cash used for investing activities	**(2,266)**
Net cash used for financing activities	**(728)**
Effect of foreign exchange rate changes on cash and cash equivalents	27
Net decrease in cash and cash equivalents	**(340)**
Cash and cash equivalents:	
At beginning of year	**7,510**
At end of year	**7,170**

On July 11, 2001, Airbus SAS (''Airbus''), a wholly-owned subsidiary of EADS, issued new shares of Airbus capital stock to BAE Systems in exchange for its 100 percent ownership in Airbus UK. The acquisition of Airbus UK was accounted for as a purchase business combination with the assets acquired and liabilities assumed recorded at fair value. The excess of the purchase price over the fair value of the assets acquired and liabilities assumed amounted to €4,399 million and was recorded as goodwill by EADS. The transaction diluted EADS' ownership interest in Airbus to 80 percent and resulted in a gain of €2,674 million, recognized in the income statement by EADS. The gain represents the excess of the fair value of Airbus UK over EADS' carrying value of the interest in Airbus issued to BAE Systems.

4. Acquisitions and Dispositions

On October 18, 2000, DaimlerChrysler acquired a 34% equity interest in MMC for approximately €2,200 million. At the closing date of the transaction, the Group also purchased MMC bonds with an aggregate face value of JPY19,200 million and a stated interest rate of 1.7% for €206 million, which are convertible into shares of MMC stock. The bonds are only convertible by DaimlerChrysler in the event that its ownership percentage would be diluted below 34% upon conversion of previously issued convertible bonds. To the extent not converted, the bonds and accrued interest are due on April 30, 2003. In June 2001, AB Volvo sold its 3.3% interest in MMC, plus its operational contracts with MMC, to DaimlerChrysler for $297 million (€343 million) increasing DaimlerChrysler's interest in MMC to 37.3%.

In August 2000, DaimlerChrysler signed a sale and purchase agreement with the Canadian company Bombardier Inc. for the sale of DaimlerChrysler Rail Systems GmbH (''Adtranz''). With the closing of the transaction on April 30, 2001, control over the operations of Adtranz was transferred to Bombardier on May 1, 2001. Accordingly, the operating results of Adtranz are included in the consolidated financial statements of DaimlerChrysler through April 30, 2001. The sales price of $725 million was received during 2001. Bombardier has asserted claims for sales price adjustments under the terms of the sale and purchase agreement as well as claims for alleged breaches of contract and misrepresentation, and seeks total damages of approximately €1 billion. The sale and purchase agreement limits the amount of such price adjustments to €150 million, and to the extent legally permissible, the amount of other claims to an additional €150 million. The Group intends to defend itself vigorously against such claims. The agreement calls for submission of disputes to arbitration and Bombardier has notified DaimlerChrysler that it intends to do this with respect to its claims. Due to uncertainties with respect to the ultimate outcome of these claims, the Group has recognized a partial after-tax gain of €237 million on the sale of Adtranz, representing the maximum possible adjustment to the sales price and the aforementioned maximum amount with respect to any further claims in accordance with the sale and purchase agreement.

In April 2001, DaimlerChrysler completed the sale of 60% of the interest in its Automotive Electronics activities to Continental AG for €398 million, resulting in a pretax gain of €209 million. The agreement confers on Continental the option to acquire from the Group, and DaimlerChrysler the option to sell to Continental, the Group's remaining 40% interest in the Automotive Electronics activities. The DaimlerChrysler option is exercisable from April 1, 2002 through July 31, 2004. The Continental option is exercisable from November 1, 2004 through October 31, 2005. The price for the remaining 40% interest ranges from €225 million to €235 million, depending upon when the option is exercised and various other factors. DaimlerChrysler accounts for the remaining interest in its Automotive Electronics activities using the equity method subsequent to the sale.

In October 2000, DaimlerChrysler acquired all the remaining outstanding shares of Detroit Diesel Corporation for approximately €500 million. The acquisition of the remaining 78.6% interest in Detroit Diesel was accounted for using the purchase method of accounting and resulted in goodwill of approximately €310 million, which was being amortized on a straight-line basis using an useful life of 20 years until December 31, 2001. After December 31, 2001, goodwill will no longer be amortized, but instead tested for impairment at least annually.

In October 2000, DaimlerChrysler and Deutsche Telekom combined their information technology activities in a joint venture. As part of the agreement, Deutsche Telekom received a 50.1% interest in T-Systems ITS (formerly debis Systemhaus) through a capital investment in T-Systems ITS (see Note 11 and Note 34).

In September 2000, DaimlerChrysler purchased a 9% equity interest in Hyundai Motor Company for approximately €450 million. DaimlerChrysler holds a 10% ownership interest at December 31, 2001 and is accounting for its investment in Hyundai as an available-for-sale security.

In September 2000, DaimlerChrysler acquired 100% of the outstanding shares of the Canadian company Western Star Trucks Holdings Ltd. for approximately €500 million. The acquisition was accounted for using the purchase method of accounting and resulted in goodwill of approximately €380 million, which was being amortized on a straight-line basis using an useful life of 20 years until December 31, 2001. After December 31, 2001, goodwill will no longer be amortized, but instead tested for impairment at least annually.

Information on the exchange of the Group's controlling interest in DaimlerChrysler Aerospace for shares of EADS and the related initial public offering of EADS in July 2000 is included in Note 11.

Due to an initial public offering in March 1999 as well as to the selling of a substantial portion of its remaining interests in September 1999, DaimlerChrysler Services AG, a wholly-owned subsidiary of DaimlerChrysler, reduced its remaining interest in debitel AG to 10% (see Note 11). In January 2001, the Group sold its remaining 10% interest in debitel AG to Swisscom for net proceeds of €305 million. The transaction resulted in a pretax gain of €292 million which is included in financial income (expense), net.

In the first quarter of 1999, DaimlerChrysler acquired the remaining outstanding shares of Adtranz from Asea Brown Boveri for €441 million.

NOTES TO CONSOLIDATED STATEMENTS OF INCOME (LOSS)

5. Functional Costs and Other Expenses

Selling, administrative and other expenses are comprised of the following:

	Year ended December 31,		
(in millions of €)	**2001**	**2000**	**1999**
Selling expenses	**11,823**	11,666	10,087
Administration expenses	**5,539**	5,921	5,333
Goodwill amortization and write-downs	**184**	279	215
Other expenses	**785**	437	428
	18,331	18,303	16,063

As discussed in Note 7, the DaimlerChrysler Supervisory Board approved a multi-year turnaround plan for the Chrysler Group in February 2001. The related charges are presented as a separate line item on the accompanying consolidated statements of income (loss) and are not reflected in cost of sales or selling, administrative and other expenses.

In October 2001, the DaimlerChrysler Board of Management approved a turnaround plan for its North American truck subsidiary Freightliner. The turnaround plan is designed to return Freightliner to sustainable profitability and comprises four main elements: material cost savings, production cost savings, overhead reductions and improvements to the existing business model. The implementation of the turnaround plan resulted in charges of €310 million, reflecting employee termination benefits of €83 million, asset impairment charges of €170 million, and other costs to exit certain activities of €57 million (see Note 23b). The charges were recorded in cost of sales (€173 million) and selling, administrative and other expenses (€137 million) in 2001. Employee termination benefits related to voluntary and involuntary severance measures affect 4,440 hourly and salaried employees.

Based on its investment in MMC and the corresponding strategic alliance entered into in the fourth quarter 2000, DaimlerChrysler conducted a review of its compact car strategy in 2000, and concluded that it was necessary to revise the current strategic plan for the smart brand, including restructuring of supplier contracts. As a result, the carrying values of certain of the brand's long-lived assets were determined to be impaired as the identifiable, undiscounted future cash flows from the operation of such assets were less then their respective carrying values. In accordance with SFAS 121, DaimlerChrysler recorded an impairment charge of €281 million. The impairment charge represents the amount by which the carrying values of such assets exceeded their respective fair market values. The impairment relates principally to the carrying values of the manufacturing facility, equipment and tooling. In addition, charges of €255 million were recorded related to fixed cost reimbursement agreements with MCC smart suppliers. The charges were recorded in cost of sales (€494 million) and other expenses (€42 million) for the year 2000.

In 2000, DaimlerChrysler recorded an impairment charge in cost of sales of approximately €500 million for certain leased vehicles in the Services segment. Declining resale prices of used vehicles in the North American and the U.K. markets required the Group to re-evaluate the recoverability of the carrying values of its leased vehicles. This re-evaluation was performed using product specific cash flow information. As a result, the carrying values of these leased vehicles were determined to be impaired as the identifiable undiscounted future cash flows from such vehicles were less than their respective carrying values. In accordance with SFAS 121, the resulting pre-tax impairment charges represent the amount by which the carrying values of such vehicles exceeded their respective fair market values.

Personnel expenses included in the statement of income (loss) are comprised of:

	Year ended December 31,		
(in millions of €)	**2001**	**2000**	**1999**
Wages and salaries	**20,073**	21,836	21,044
Social levies	**3,193**	3,428	3,179
Net pension cost (see Note 23a)	**630**	327	931
Net postretirement benefit cost (see Note 23a)	**1,173**	830	783
Other expenses for pensions and retirements	**26**	79	221
	25,095	26,500	26,158

Number of employees (annual average):

	Year ended December 31,		
	2001	**2000**	**1999**
Hourly employees	**244,938**	270,814	279,124
Salaried employees	**122,094**	165,117	170,539
Trainees/apprentices	**12,512**	13,663	13,898
	379,544	449,594	463,561

In 2001, 28 people (2000: 28 people; 1999: 14,851 people) were employed in joint venture companies.

In 2001, the total remuneration paid by Group companies to the members of the Board of Management of DaimlerChrysler AG amounted to €22.0 million, and the remuneration paid to the members of the Supervisory Board of DaimlerChrysler AG for services in all capacities to the Group totaled €2.4 million. Disbursements to former members of the Board of Management of DaimlerChrysler AG and their survivors amounted to €14.7 million. An amount of €155.0 million has been accrued for pension obligations to former members of the Board of Management and their survivors. As of December 31, 2001, no advances or loans existed to members of the Board of Management of DaimlerChrysler AG.

6. Other Income

Other income includes gains on sales of property, plant and equipment (€104 million, €106 million and €132 million in 2001, 2000 and 1999, respectively) and rental income, other than relating to financial services leasing activities (€191 million, €178 million and €153 million in 2001, 2000 and 1999, respectively). In 2001, gains on sales of companies of €465 million were recognized in other income.

7. Turnaround Plan for the Chrysler Group

The DaimlerChrysler Supervisory Board approved a multi-year turnaround plan for the Chrysler Group in February 2001. Key initiatives for the turnaround plan over the period 2001 through 2003 include a workforce reduction of 26,000 employees and an elimination of excess capacity. The workforce reduction is being achieved through retirements, special programs, attrition and layoffs. The reduction affected represented and non-represented hourly and salary employees. To eliminate excess capacity, the Chrysler Group is idling, closing or disposing of certain manufacturing plants, eliminating shifts and reducing line speeds at certain manufacturing facilities, and adjusting volumes at component, stamping and powertrain facilities.

The net charges recorded for the plan in 2001 were €3,064 million (€1,934 million net of taxes) and are presented as a separate line item on the accompanying consolidated statement of income (loss) (€2,555 million and €509 million would have otherwise been reflected in cost of sales and selling, administrative and other expenses, respectively).

The initial charges of €3,047 million were recorded in February 2001 with the approval of the turnaround plan. Additional charges of €268 million resulted from the subsequent impairment and disposal costs associated with a component plant as well as costs for a special early retirement program. The return to income adjustments of €251 million include revisions of estimates based upon information currently available or actual settlements. These adjustments reflect lower than anticipated costs associated with workforce reduction initiatives, including the involuntary severance benefits, and favorable resolution of supplier contract cancellation claims.

The pretax amounts for turnaround plan charges consisted of the following:

(in millions of €)	Workforce reductions	Asset write-downs	Other costs	Total
Reserve balance at January 1, 2001	–	–	–	–
Initial charges	**1,403**	836	808	3,047
Additional charges	**93**	148	27	268
Adjustments	**(122)**	–	(129)	(251)
Net charges	**1,374**	984	706	3,064
Payments	**(211)**	–	(154)	(365)
Amount charged against assets	**(695)**	(984)	(63)	(1,742)
Currency translation adjustment	**38**	–	21	59
Reserve balance at December 31, 2001	**506**	–	510	1,016

Workforce reduction charges relate to early retirement incentive programs (€725 million) and involuntary severance benefits (€649 million). The voluntary early retirement programs, accepted by 9,261 employees as of December 31, 2001, are formula driven based on salary levels, age and past service. In addition, 7,174 employees were involuntarily affected by the plan. The amount of involuntary severance benefits paid and charged against the liability in 2001 was €131 million.

As a result of the planned idling, closing or disposal of manufacturing facilities, the carrying values of the assets held for use at these plants were determined to be impaired as the identifiable, undiscounted future cash flows from the operation of such assets were less than their respective carrying values. In accordance with the provisions of SFAS 121, the Chrysler Group recorded an impairment charge of €984 million. The impairment charge represents the amount by which the carrying values of the property, plant, equipment and tooling exceeded their respective fair market values as determined by third party appraisals or comparative market analyses developed by the Chrysler Group.

Other costs primarily include supplier contract cancellation costs.

Other key initiatives of the plan include additional cost reduction and revenue enhancing measures. Specifically, in an effort to reduce costs, suppliers are being requested to voluntarily reduce the prices charged for materials and services over the period January 1, 2001 through 2002. Under the revenue enhancement measures of the turnaround plan, certain dealer programs were replaced with a new performance-based incentive program under which dealers may earn cash payments based on levels of achievement compared to pre-assigned monthly retail sales objectives.

8. Financial Income, net

	Year ended December 31,		
(in millions of €)	**2001**	**2000**	**1999**
Income (loss) from investments of which from affiliated companies €(2) (2000: €24; 1999: €41)	**24**	73	19
Gains, net from disposals of investments and shares in affiliated and associated companies	**320**	1	41
Write-down of investments and shares in affiliated companies	**(109)**	(54)	(19)
Income (loss) from companies included at equity	**97**	(244)	23
Income (loss) from investments, net	**332**	(224)	64
Other interest and similar income of which from affiliated companies €31 (2000: €20; 1999: €17)	**1,483**	1,268	1,382
Interest and similar expenses	**(1,760)**	(988)	(729)
Interest income, net	**(277)**	280	653
Income from securities and long-term receivables	**291**	161	913
Write-down of securities and long-term receivables	**(16)**	(3)	(17)
Other, net	**(176)**	(58)	(1,280)
Other financial income (loss), net	**99**	100	(384)
	154	156	333

In 2001, EADS, an equity method investment of the Group, created a new company, Airbus SAS, and contributed all of its Airbus activities into the new company for a 100% ownership interest. Also in 2001, Airbus SAS issued new shares to BAe Systems in exchange for all of its Airbus activities. As a result of this transaction, EADS' ownership interest in Airbus SAS, which is consolidated by EADS, was diluted to 80%. DaimlerChrysler recognized under U.S. GAAP its share of the gain resulting from the formation of Airbus SAS in the amount of €747 million in income (loss) from companies included at equity.

In 1999, realized and unrealized net losses on derivative financial instruments of €1,078 million were included in other, net.

The Group capitalized interest expenses related to qualifying construction projects of €275 million (2000: €181 million; 1999: €163 million).

9. Income Taxes

Income (loss) before income taxes consists of the following:

(in millions of €)	Year ended December 31, 2001	2000	1999
Germany	**4,498**	2,729	2,688
Non-German countries	**(5,981)**	1,747	6,969
	(1,483)	4,476	9,657

Income tax expense (benefit) are comprised of the following components:

(in millions of €)	Year ended December 31, 2001	2000	1999
Current taxes			
Germany	**793**	(45)	1,074
Non-German countries	**(512)**	1,160	1,538
Deferred taxes			
Germany	**637**	1,490	836
Non-German countries	**(1,695)**	(606)	1,085
	(777)	1,999	4,533

For German companies, the deferred taxes at December 31, 2001 are calculated using a federal corporate tax rate of 25% (2000: 25%; 1999: 40%) plus a solidarity surcharge of 5.5% for each year on federal corporate taxes payable plus the after federal tax benefit rate for trade tax of 12.125% (2000: 12.125%; 1999: 9.3%). Including the impact of the surcharge and the trade tax, the tax rate applied to German deferred taxes amounts to 38.5% (2000: 38.5%; 1999: 51.5%).

In 2000, the German government enacted new tax legislation which, among other changes, reduced the Group's statutory corporate tax rate for German companies from 40% on retained earnings and 30% on distributed earnings to a uniform 25%, effective for the Group's year beginning January 1, 2001. The significant other tax law change is the exemption from tax for certain gains and losses from the sale of shares in affiliated and unaffiliated companies. The effects of the reduction in the tax rate and other changes on the deferred tax assets and liabilities of the Group's German companies were recognized in the year of enactment. As a result, a net charge of €263 million is included in the consolidated statement of income (loss) in 2000. The effects of the reduction in the tax rate resulted in deferred tax expense of €373 million. The exemption from tax for certain gains from the sale of shares resulted in deferred tax benefit of €110 million due to the elimination of the net deferred tax liabilities on the net unrealized gains.

In 1999, the tax laws in Germany were changed including a reduction in the retained corporate income tax rate from 45% to 40% and the broadening of the tax base. The effects of the changes in German tax laws were recognized as a net charge of €812 million in the consolidated statement of income (loss) in 1999. The effects of the reduction in the tax rate on the deferred tax assets and liabilities of the Group's German companies as of December 31, 1998 amounted to €290 million. The broadening of the tax base resulted in tax expense of €522 million.

The effect of the tax law changes in Germany in 2000 and 1999 are reflected separately in the reconciliations presented below.

For the years ending December 31, 2000 and 1999, the German corporate tax law applied a split-rate imputation with regard to the taxation of the earnings of a corporation. In accordance with the tax law in effect for those fiscal years, retained corporate income was initially subject to a federal corporate tax of 40% plus a solidarity surcharge of 5.5% for each year on federal corporate taxes payable. Including the impact of the surcharge, the federal corporate tax rate amounted to 42.2%. Upon distribution of certain retained earnings generated in Germany to stockholders, the corporate income tax rate on the earnings was adjusted to 30%, plus a solidarity surcharge of 5.5% for each year on the distribution corporate tax, for a total of 31.65% for each year, by means of a refund for taxes previously paid. Under the new German corporate tax system, during a 15 year transition period beginning on January 1, 2001, the Group will continue to receive a refund on the distribution of retained earnings which existed as of December 31, 2000.

A reconciliation of expected income taxes to actual income tax expense (benefit) determined using the applicable German corporate tax rate of 25% (2000: 40%; 1999: 40%) plus a solidarity surcharge of 5.5% on federal corporate taxes plus the after federal tax benefit rate for trade taxes of 12.125% (2000: 9.3%; 1999: 9.3%) for a combined statutory rate of 38.5% in 2001 (2000: 51.5%; 1999: 51.5%) is as follows:

	Year ended December 31,		
(in millions of €)	**2001**	**2000**	**1999**
Expected expense (benefit) for income taxes	**(571)**	2,305	4,973
Tax rate differential with non-German countries	**96**	(346)	(966)
Gains from sales of business interests (Adtranz, TEMIC, debitel)	**(191)**	–	–
Trade tax rate differential	**(50)**	(28)	(24)
Changes in valuation allowances on German deferred tax assets	**29**	–	23
Tax effect of equity method investments	**(25)**	113	(12)
Amortization of non-deductible goodwill	**5**	52	33
Tax free income and non-deductible expenses	**(76)**	48	36
Effect of changes in German tax laws	**—**	263	812
Dividend distribution credit at DC AG	**—**	(491)	(505)
Other	**6**	83	163
Actual expense (benefit) for income taxes	**(777)**	1,999	4,533

In 2000 and 1999, income tax credits from dividend distributions reflected the tax benefits from the dividend distributions of €2.35 per Ordinary Share to be paid for those years.

Deferred income tax assets and liabilities are summarized as follows:

(in millions of €)	At December 31, 2001	At December 31, 2000
Property, plant and equipment	**365**	463
Investments and long-term financial assets	**2,135**	1,986
Equipment on operating leases	**689**	800
Inventories	**697**	664
Receivables	**1,369**	1,400
Net operating loss and tax credit carryforwards	**3,078**	1,669
Retirement plans	**3,682**	3,442
Other accrued liabilities	**6,340**	4,756
Liabilities	**1,113**	1,114
Deferred income	**1,162**	1,330
Other	**423**	427
	21,053	18,051
Valuation allowances	**(145)**	(335)
Deferred tax assets	**20,908**	17,716
Property, plant and equipment	**(4,095)**	(3,609)
Equipment on operating leases	**(8,286)**	(7,569)
Inventories	**(385)**	(303)
Receivables	**(2,542)**	(2,341)
Securities	**(448)**	(33)
Prepaid expenses	**(482)**	(481)
Retirement plans	**(4,794)**	(4,409)
Other accrued liabilities	**(673)**	(1,010)
Taxes on undistributed earnings of non-German subsidiaries	**(514)**	(486)
Other	**(530)**	(519)
Deferred tax liabilities	**(22,749)**	(20,760)
Deferred tax liabilities, net	**(1,841)**	(3,044)

At December 31, 2001, the Group had corporate and trade tax net operating losses (''NOLs'') amounting to €4,668 million (2000: €4,061 million) and credit carryforwards amounting to €1,552 million (2000: €776 million), determined in accordance with U.S. GAAP. The corporate tax NOLs and credit carryforwards relate to losses of non-German companies and German non-Organschaft companies and are partly limited in their use to the Group. The valuation allowances on deferred tax assets of German and non-German operations decreased by €190 million. The reduction in the valuation allowance is mainly due to the sale of Adtranz. In future periods, depending upon the financial results, management's estimate of the amount of the deferred tax assets considered realizable may change, and hence the valuation allowances may increase or decrease.

Net deferred income tax assets and liabilities in the consolidated balance sheets are as follows:

	At December 31, 2001		At December 31, 2000	
(in millions of €)	Total	thereof non-current	Total	thereof non-current
Deferred tax assets	**3,010**	**425**	2,436	1,576
Deferred tax liabilities	**(4,851)**	**(4,761)**	(5,480)	(4,938)
Deferred tax liabilities, net	**(1,841)**	**(4,336)**	(3,044)	(3,362)

DaimlerChrysler recorded deferred tax liabilities for non-German withholding taxes of €371 million (2000: €351 million) on €7,421 million (2000: €7,028 million) in cumulative undistributed earnings of non-German subsidiaries and additional German tax of €143 million (2000: €135 million) on the future payout of these foreign dividends because the earnings are not intended to be permanently reinvested in those operations.

The Group did not provide income taxes or non-German withholding taxes on €13,899 million (2000: €15,543 million) in cumulative earnings of non-German subsidiaries because the earnings are intended to be indefinitely reinvested in those operations. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

Including the items charged or credited directly to related components of stockholders' equity and the expense (benefit) for income taxes of extraordinary items and from changes in accounting principles, the expense (benefit) for income taxes consists of the following:

	Year ended December 31,		
(in millions of €)	2001	2000	1999
Expense (benefit) for income taxes before extraordinary items	**(777)**	1,999	4,533
Income tax expense of extraordinary items	—	324	470
Income tax benefit from changes in accounting principles	—	(53)	–
Stockholders' equity for employee stock option expense in excess of amounts recognized for financial purposes	—	–	(31)
Stockholders' equity for items in other comprehensive income	**(507)**	(338)	(155)
	(1,284)	1,932	4,817

10. Cumulative Effects of Changes in Accounting Principles

Beneficial Interests in Securitized Financial Assets: Adoption of EITF 99-20 — As of July 1, 2000, DaimlerChrysler adopted EITF 99-20 which specifies, among other things, how a transferor that retains an interest in a securitization transaction, or an enterprise that purchases a beneficial interest, should account for interest income and impairment. The cumulative effect of adopting EITF 99-20 was a charge of €99 million (net of income tax benefits of €58 million).

Derivative Financial Instruments and Hedging Activities: Adoption of SFAS 133 and SFAS 138 — DaimlerChrysler elected to adopt SFAS 133 on January 1, 2000. Upon adoption of this Statement, DaimlerChrysler recorded a net transition adjustment gain of €12 million (net of income tax expense of €5 million) in the statement of income (loss) and a net transition adjustment loss of €349 million (net of income tax benefit of €367 million) in accumulated other comprehensive income. Adoption of SFAS 138 did not have an impact on the Group's consolidated statement of income (loss).

11. Extraordinary Items

In October 2000, Adtranz sold its fixed installations business which primarily focuses on rail electrification and traction power to Balfour Beatty for €153 million resulting in an extraordinary after-tax gain of €89 million (net of income tax expense of €52 million).

In October 2000, DaimlerChrysler and Deutsche Telekom combined their information technology activities in a joint venture. In accordance with an agreement announced on March 27, 2000, Deutsche Telekom received a 50.1% interest in T-Systems ITS through an investment of approximately €4.6 billion for new shares of T-Systems ITS. In 2000, the transaction resulted in an extraordinary after-tax gain of €2,345 million. The agreements also confer on Deutsche Telekom the option to acquire from the Group, and on DaimlerChrysler the option to sell to Deutsche Telekom, the Group's 49.9% interest in T-Systems ITS. DaimlerChrysler accounts for its interest in T-Systems using the equity method. The DaimlerChrysler option was exercised in January 2002 (see Note 34).

In July 2000, the Group exchanged its controlling interest in DaimlerChrysler Aerospace for shares of EADS, which subsequently completed its initial public offering. EADS is a global aerospace and defense company which was established through a merger of Aerospatiale Matra S.A., DaimlerChrysler Aerospace AG and Construcciones Aeronauticas S.A. ("CASA"). DaimlerChrysler accounted for the shares of EADS received in the exchange at their fair value on that date and recorded an extraordinary gain of €3,009 million. The Group accounts for its 33% interest in EADS using the equity method of accounting. DaimlerChrysler has the right to sell all of its ownership interest in EADS to certain French shareholders. This put option may be exercised immediately in the event of a voting deadlock on certain matters or at certain times after three years. The price is based on the average closing mid-market price of EADS shares during the 30 trading days prior to the exercise of the put option.

In 2000, Ballard Power Systems Inc., a developer of fuel cells and related power generation systems, issued additional common shares to its shareholders. DaimlerChrysler elected not to purchase additional shares thereby reducing its ownership interest. The dilution of its ownership interest resulted in an extraordinary gain of €73 million.

In March 1999, DaimlerChrysler Services AG sold a portion of its interests in debitel AG in an initial public offering of its ordinary shares for proceeds of €274 million. In September 1999, DaimlerChrysler Services AG sold an additional portion of its remaining interests in debitel AG to Swisscom for proceeds of €924 million. The sales resulted in an extraordinary after-tax gain of €659 million (net of income tax expense of €481 million) and reduced DaimlerChrysler Services AG's interest in debitel to 10%. See Note 4 for the sale of the remaining 10% interest in 2001.

The gains from each of the foregoing transactions are reported as extraordinary items in the consolidated statements of income (loss) for the years 1999 and 2000 because U.S. GAAP requires such presentation when a significant disposition of assets or businesses occurs within two years subsequent to accounting for a business combination using the pooling-of-interests method.

In 1999 the Group extinguished €51 million of long-term debt resulting in an extraordinary after tax loss of €19 million (net of income tax benefit of €11 million).

NOTES TO CONSOLIDATED BALANCE SHEETS

12. Intangible Assets and Property, Plant and Equipment, net

Information with respect to changes in the Group's intangible assets and property, plant and equipment is presented in the Consolidated Fixed Assets Schedule included herein. Intangible assets represent principally goodwill and intangible pension assets.

Property, plant and equipment includes buildings, technical equipment and other equipment capitalized under capital lease agreements of €148 million (2000: €140 million). Depreciation expense and impairment charges on assets under capital lease arrangements were €13 million (2000: €188 million; 1999: €32 million).

13. Equipment on Operating Leases, net

Information with respect to changes in the Group's equipment on operating leases is presented in the Consolidated Fixed Assets Schedule included herein. Of the total equipment on operating leases, €35,015 million represent automobiles and commercial vehicles (2000: €32,639 million).

Noncancellable future lease payments due from customers for equipment on operating leases at December 31, 2001 are as follows (in millions of €):

2002	8,560
2003	4,425
2004	2,528
2005	812
2006	244
thereafter	352
	16,921

14. Inventories

(in millions of €)	At December 31, 2001	At December 31, 2000
Raw materials and manufacturing supplies	**2,251**	2,495
Work-in-process	**3,038**	5,232
thereof relating to long-term contracts and programs in process € — (2000: €1,967)		
Finished goods, parts and products held for resale	**11,904**	10,726
Advance payments to suppliers	**97**	309
	17,290	18,762
Less: Advance payments received	**(536)**	(2,479)
thereof relating to long-term contracts and programs in process €110 (2000: €608)		
	16,754	16,283

Certain of the Group's U.S. inventories are valued using the LIFO method. If the FIFO method had been used instead of the LIFO method, inventories would have been higher by €1,102 million (2000: €1,058 million).

15. Trade Receivables

(in millions of €)	At December 31, 2001	2000
Receivables from sales of goods and services	**7,052**	8,506
Long-term contracts and programs, un-billed, net of advance payments received	**24**	200
	7,076	8,706
Allowance for doubtful accounts	**(646)**	(711)
	6,430	7,995

As of December 31, 2001, €136 million of the trade receivables mature after more than one year (2000: €261 million).

16. Receivables from Financial Services

(in millions of €)	At December 31, 2001	2000
Receivables from:		
Sales financing	**38,882**	37,193
Finance leases	**17,400**	19,031
	56,282	56,224
Initial direct costs	**248**	177
Unearned income	**(6,833)**	(8,021)
Unguaranteed residual value of leased assets	**1,417**	1,183
	51,114	49,563
Allowance for doubtful accounts	**(1,602)**	(890)
	49,512	48,673

As of December 31, 2001, €35,551 million of the financing receivables mature after more than one year (2000: €28,138 million).

Sales financing and finance lease receivables consist of retail installment sales contracts secured by automobiles and commercial vehicles. Contractual maturities applicable to receivables from sales financing and finance leases in each of the years following December 31, 2001 are as follows (in millions of €):

2002	16,820
2003	10,484
2004	9,005
2005	6,932
2006	4,310
thereafter	8,731
	56,282

Actual cash flows will vary from contractual maturities due to future sales of finance receivables, prepayments and charge-offs.

17. Other Receivables

(in millions of €)	At December 31, 2001	2000
Receivables from affiliated companies	**1,250**	1,341
Receivables from related companies*	**1,041**	1,379
Retained interests in sold receivables and subordinated asset backed certificates	**5,482**	4,816
Other receivables and other assets	**9,141**	7,817
	16,914	15,353
Allowance for doubtful accounts	**(726)**	(957)
	16,188	14,396

* Related companies include entities which have a significant ownership in DaimlerChrysler or entities in which the Group holds a significant investment.

As of December 31, 2001, €2,584 million of the other receivables mature after more than one year (2000: €2,101 million).

18. Securities, Investments and Long-Term Financial Assets

Information with respect to the Group's investments and long-term financial assets is presented in the Consolidated Fixed Assets Schedule included herein. Securities included in non-fixed assets are comprised of the following:

(in millions of €)	At December 31, 2001	2000
Debt securities	**1,632**	2,791
Equity securities	**120**	601
Equity-based funds	**91**	397
Debt-based funds	**1,234**	1,589
	3,077	5,378

Carrying amounts and fair values of debt and equity securities included in securities and investments for which fair values are readily determinable are classified as follows:

	At December 31, 2001				At December 31, 2000			
			Unrealized				Unrealized	
(in millions of €)	Cost	Fair value	Gain	Loss	Cost	Fair value	Gain	Loss
Available-for-sale	**2,645**	**2,613**	**34**	**66**	4,859	4,918	246	187
Trading	**460**	**464**	**6**	**2**	451	460	9	–
Securities	**3,105**	**3,077**	**40**	**68**	5,310	5,378	255	187
Investments and long-term financial assets available-for-sale	**731**	**987**	**316**	**60**	843	1,304	737	276
	3,836	**4,064**	**356**	**128**	6,153	6,682	992	463

The aggregate costs, fair values and gross unrealized holding gains and losses per security class are as follows:

	At December 31, 2001				At December 31, 2000			
			Unrealized				Unrealized	
(in millions of €)	Cost	Fair value	Gain	Loss	Cost	Fair value	Gain	Loss
Equity securities	**819**	**1,083**	**333**	**69**	1,333	1,880	855	308
Debt securities issued by the German government and its agencies	**112**	**112**	**—**	**—**	122	123	1	–
Municipal securities	**27**	**27**	**—**	**—**	24	25	1	–
Debt securities issued by non-German governments	**131**	**134**	**3**	**—**	652	656	5	1
Corporate debt securities	**301**	**305**	**7**	**3**	536	537	6	5
Equity-based funds	**96**	**91**	**—**	**5**	323	397	80	6
Debt-based funds	**1,239**	**1,234**	**—**	**5**	1,692	1,590	14	116
Asset-backed securities	**241**	**247**	**7**	**1**	178	180	3	1
Other marketable debt securities	**410**	**367**	**—**	**43**	842	834	18	26
Available-for-sale	**3,376**	**3,600**	**350**	**126**	5,702	6,222	983	463
Trading	**460**	**464**	**6**	**2**	451	460	9	–
	3,836	**4,064**	**356**	**128**	6,153	6,682	992	463

The estimated fair values of investments in debt securities, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

(in millions of €) Available-for-sale	At December 31, 2001	2000
Due within one year	**1,412**	2,704
Due after one year through five years	**390**	735
Due after five years through ten years	**422**	430
Due after ten years	**202**	76
	2,426	3,945

Proceeds from disposals of available-for-sale securities were €2,432 million (2000: €9,422 million; 1999: €2,481 million). Gross realized gains from sales of available-for-sale securities were €419 million (2000: €275 million; 1999: €627 million), while gross realized losses were €144 million (2000: €140 million; 1999: €4 million). DaimlerChrysler uses the specific identification method as a basis for determining cost and calculating realized gains and losses.

Other securities classified as cash equivalents were approximately €7.3 billion and €4.3 billion at December 31, 2001 and 2000, respectively, and consisted primarily of purchase agreements, commercial paper and certificates of deposit.

19. Liquid Assets

Liquid assets recorded under various balance sheet captions are as follows:

(in millions of €)	At December 31, 2001	2000	1999
Cash and cash equivalents*			
originally maturing within 3 months	**11,397**	7,082	8,761
originally maturing after 3 months	**31**	45	338
Total cash and cash equivalents	**11,428**	7,127	9,099
Securities	**3,077**	5,378	8,969
Other	**20**	5	133
	14,525	12,510	18,201

* Cash and cash equivalents are mainly comprised of cash at banks, cash on hand and checks in transit.

The following represents supplemental information with respect to cash flows:

(in millions of €)	Year ended December 31, 2001	2000	1999
Interest paid	**4,616**	5,629	3,315
Income taxes paid (refunded)	**(624)**	775	1,883

20. Prepaid Expenses

Prepaid expenses are comprised of the following:

(in millions of €)	At December 31, 2001	2000
Prepaid pension cost	**7,584**	6,799
Other prepaid expenses	**1,022**	1,108
	8,606	7,907

As of December 31, 2001, €7,632 million of the total prepaid expenses mature after more than one year (2000: €6,819 million).

21. Stockholders' Equity

Number of Shares Issued and Outstanding

DaimlerChrysler had issued and outstanding 1,003,271,998 registered Ordinary Shares of no par value at December 31, 2001 (2000: 1,003,271,911). Each share represents a nominal value of €2.60 of capital stock.

Treasury Stock

In 2001, DaimlerChrysler purchased approximately 1.4 million (2000: 1.4 million; 1999: 1.2 million) Ordinary Shares in connection with an employee share purchase plan, of which 1.2 million (2000: 1.4 million; 1999: 1.2 million) were re-issued to employees and the remaining 0.2 million in 2001 were resold in the market.

Authorized and Conditional Capital

Through April 30, 2003, the Board of Management is authorized, upon approval of the Supervisory Board, to increase capital stock by a total of up to an aggregate nominal amount of €256 million and to issue Ordinary Shares of up to an aggregate nominal amount of €26 million to employees.

In April 2000, the Group's shareholders agreed to increase the nominal amount of capital stock per share from approximately €2.56 (originating from the conversion of Deutsche Marks into euros) to €2.60. This resulted in an increase of capital stock and an equivalent decrease of additional paid-in capital of €44 million. The conditional and authorized capital as described in the Articles of Association were adjusted accordingly. DaimlerChrysler is authorized to issue convertible bonds and notes with warrants in a nominal volume of up to €15 billion with a term of up to 20 years by April 18, 2005. The convertible bonds and notes with warrants shall grant to the holders or creditors option or conversion rights for new shares in DaimlerChrysler in a nominal amount not to exceed €300 million of capital stock. DaimlerChrysler is also entitled to grant up to 96,000,000 rights (representing up to a nominal amount of approximately €250 million of capital stock) with respect to the DaimlerChrysler Stock Option Plan by April 18, 2005.

DaimlerChrysler is authorized through October 11, 2002, to acquire treasury stock for certain defined purposes up to a maximum nominal amount of €260 million of capital stock, representing approximately 10% of issued and outstanding capital stock.

Convertible Notes

In June 1997, DaimlerChrysler issued 5.75% subordinated mandatory convertible notes due June 14, 2002 with a nominal amount of €66.83 per note. These convertible notes represent at the date of issue a nominal amount of €508 million including 7,600,000 notes which may be converted into 0.86631 newly issuable shares of DaimlerChrysler AG before June 4, 2002. Notes not converted by this date will be mandatorily converted at a conversion rate between 0.86631 and 1.25625 Ordinary Shares of DaimlerChrysler AG per note to be determined on the basis of the average market price for the shares during the last 20 trading days before June 8, 2002. During 2001, 87 (2000: 92; 1999: 665) DaimlerChrysler Ordinary Shares were issued upon exercise.

During 1996, DaimlerChrysler Luxembourg Capital S.A., a wholly-owned subsidiary of DaimlerChrysler, issued 4.125% bearer notes with appertaining warrants due July 5, 2003, in the amount of €613 million (with a nominal value of €511 each) entitling the bond holders to subscribe for a total of 12,366,324 shares (7,728,048 of which represent newly issued shares totaling €383 million) of DaimlerChrysler. According to the note agreements the option price per share is €42.67 in consideration of exchange of the notes or €44.49 in cash. During 2001, no options for the subscription of newly issued DaimlerChrysler Ordinary Shares (2000: 10,416; 1999: 1,517,468) were exercised.

Comprehensive Income

The changes in the components of other comprehensive income (loss) are as follows:

	Year ended December 31,								
	2001			2000			1999		
(in millions of €)	**Pretax**	**Tax effect**	**Net**	**Pretax**	**Tax effect**	**Net**	**Pretax**	**Tax effect**	**Net**
Unrealized gains (losses) on securities:									
Unrealized holding gains (losses)	**(129)**	**149**	**20**	(250)	46	(204)	292	(163)	129
Reclassification adjustments for (gains) losses included in net income (loss)	**(46)**	**(111)**	**(157)**	61	(6)	55	(623)	313	(310)
Net unrealized gains (losses)	**(175)**	**38**	**(137)**	(189)	40	(149)	(331)	150	(181)
Net gains (losses) on derivatives hedging variability of cash flows:									
Unrealized derivative gains (losses)	**(708)**	**257**	**(451)**	(1,932)	978	(954)	–	–	–
Reclassification adjustments for (gains) losses included in net income (loss)	**829**	**(307)**	**522**	1,113	(567)	546	–	–	–
Net derivative gains (losses)	**121**	**(50)**	**71**	(819)	411	(408)	–	–	–
Foreign currency translation adjustments	**598**	**(33)**	**565**	1,474	(111)	1,363	2,431	–	2,431
Minimum pension liability adjustments	**(1,436)**	**552**	**(884)**	8	(2)	6	(13)	5	(8)
Other comprehensive income (loss)	**(892)**	**507**	**(385)**	474	338	812	2,087	155	2,242

Miscellaneous

The minority stockholders of Dornier GmbH, a subsidiary of DADC Luft- und Raumfahrt Beteiligungs AG, have the right, exercisable at any time, to exchange their shareholdings in Dornier for cash or holdings in

DaimlerChrysler AG or its subsidiary DaimlerChrysler Luft- und Raumfahrt Holding Aktiengesellschaft. Some of the Dornier minority stockholders partially exercised this right in 2001 and exchanged some of their shareholdings in Dornier for cash and/or holdings in DaimlerChrysler Luft- und Raumfahrt Holding Aktiengesellschaft. To the extent that they have made use of their right to exchange their shareholdings for holdings of DaimlerChrysler Luft- und Raumfahrt Holding Aktiengesellschaft, they have the right to exchange this new shareholding for cash or for DaimlerChrysler Ordinary Shares. This right has already been partially exercised.

Under the German corporation law (Aktiengesetz), the amount of dividends available for distribution to shareholders is based upon the unappropriated accumulated earnings of DaimlerChrysler AG (parent company only) as reported in its statutory financial statements determined in accordance with the German commercial code (Handelsgesetzbuch). For the year ended December 31, 2001, DaimlerChrysler management has proposed a distribution of €1,003 million (€1 per share) of the 2001 earnings of DaimlerChrysler AG as a dividend to the stockholders.

22. Stock-Based Compensation

The Group currently has various stock appreciation rights (‘‘SARs’’) plans, two stock option plans and a performance-based stock award plan.

Stock Appreciation-Based Plans

In 1999, DaimlerChrysler established a stock appreciation rights plan (the ‘‘SAR Plan 1999’’) which provides eligible employees of the Group with the right to receive cash equal to the appreciation of DaimlerChrysler Ordinary Shares subsequent to the date of grant. The stock appreciation rights granted under the SAR Plan 1999 vest in equal installments on the second and third anniversaries from the date of grant. All unexercised SARs expire ten years from the grant date. The exercise price of a SAR is equal to the fair market value of DaimlerChrysler's Ordinary Shares on the date of grant. On February 24, 1999, the Group issued 11.4 million SARs at an exercise price of €89.70.

As discussed below, in the second quarter of 1999 DaimlerChrysler converted all options granted under its existing stock option plans from 1997 and 1998 into SARs.

In conjunction with the consummation of the merger between Daimler-Benz and Chrysler in 1998, the Group implemented a SAR plan through which 22.3 million SARs were issued at an exercise price of $75.56 each. The initial grant of SARs replaced Chrysler fixed stock options that were converted to DaimlerChrysler Ordinary Shares as of the consummation of the merger. SARs which replaced stock options that were exercisable at the time of the consummation of the merger were immediately exercisable at the date of grant. SARs related to stock options that were not exercisable at the date of consummation of the merger became exercisable in two installments; 50% on the six-month and one-year anniversaries of the consummation date.

A summary of the activity related to the Group's SAR plans as of and for the years ended December 31, 2001, 2000 and 1999 is presented below (SARs in millions):

	2001		2000		1999	
	Number of SARs	Weighted-average exercise price	Number of SARs	Weighted-average exercise price	Number of SARs	Weighted-average exercise price
Outstanding at beginning of year	**44.5**	**€82.87**	45.8	€80.25	22.2	€64.58
Granted	—	—	—	—	11.4	89.70
Exchange of stock options for SARs	—	—	—	—	15.2	79.79
Exercised	—	—	—	—	(2.2)	64.91
Forfeited	**(2.0)**	**85.93**	(1.3)	78.52	(0.8)	76.07
Outstanding at year-end	**42.5**	**84.75**	44.5	82.87	45.8	80.25
SARs exercisable at year-end	**42.5**	**€84.75**	33.6	€80.63	26.8	€72.77

The Group grants performance-based stock awards to certain eligible employees with performance periods of three years and track the value of DaimlerChrysler Ordinary Shares. The amount ultimately earned in cash compensation at the end of a performance period is based on the degree of achievement of corporate goals. The Group issued 0.9 million performance-based stock awards in 2001 (2000: 0.7 million; 1999: 0.7 million).

Compensation expense or benefit (representing the reversal of previously recognized expense) on SARs and performance-based stock awards is recorded based on changes in the market price of DaimlerChrysler Ordinary Shares and, in the case of performance-based stock awards, the attainment of certain performance goals. For the year ended December 31, 2001, the Group recognized compensation expense of €17 million and for the years ended December 31, 2000 and 1999, the Group recognized compensation benefits of €44 million and €106 million, respectively, for SARs and performance-based stock awards.

Stock Option Plans

In April 2000, the Group's shareholders approved the DaimlerChrysler Stock Option Plan 2000 which provides for the granting of stock options for the purchase of DaimlerChrysler Ordinary Shares to eligible employees. Options granted under the Stock Option Plan 2000 are exercisable at a reference price per DaimlerChrysler Ordinary Share determined in advance plus a 20% premium. The options become exercisable in equal installments on the second and third anniversaries from the date of grant. All unexercised options expire ten years from the date of grant. If the market price per DaimlerChrysler Ordinary Share on the date of exercise is at least 20% higher than the reference price, the holder is entitled to receive a cash payment equal to the original exercise premium of 20%. In May 2000, certain shareholders challenged the approval of the Stock Option Plan 2000 at the stockholders' meeting on April 19, 2000. In October 2000, the Stuttgart District Court (Landgericht Stuttgart) dismissed the case and the Stuttgart Court of Appeals (Oberlandesgericht Stuttgart) dismissed an appeal in June 2001. The shareholders appealed the decision of the Stuttgart Court of Appeals (a Revision) to the Federal Supreme Court (Bundesgerichtshof) in July 2001. Since the approval of the Stock Option Plan 2000, the Group issued 33.9 million options during the years 2001 and 2000 at reference prices of €55.80 and €62.30, respectively.

DaimlerChrysler established, based on shareholder approvals, the 1998, 1997 and 1996 Stock Option Plans (former Daimler-Benz plans), which provide for the granting of options for the purchase of DaimlerChrysler Ordinary Shares to certain members of management. The options granted under the plans are evidenced by non-transferable convertible bonds with a principal amount of €511 per bond due ten years after issuance. During certain specified periods each year, each convertible bond may be converted into 201 DaimlerChrysler Ordinary Shares, if the market price per share on the day of conversion is at least 15% higher than the predetermined conversion price and the options (granted in 1998 and 1997) have been held for a 24 month waiting period. The specific terms of these plans are as follows:

Bonds granted in	Due	Stated interest rate	Conversion price
1996	July 2006	5.9%	€42.62
1997	July 2007	5.3%	€65.90
1998	July 2008	4.4%	€92.30

In the second quarter of 1999, DaimlerChrysler converted all options granted under the 1998 and 1997 Stock Option Plans into SARs. All terms and conditions of the new SARs are identical to the stock options which were replaced, except that the holder of a SAR has the right to receive cash equal to the difference between the exercise price of the original option and the fair value of the Group's stock at the exercise date rather than receiving DaimlerChrysler Ordinary Shares.

Analysis of the stock options issued to eligible employees is as follows (options in millions):

	2001		2000		1999	
	Number of stock options	Average conversion price per share	Number of stock options	Average conversion price per share	Number of stock options	Average conversion price per share
Balance at beginning of year	**15.3**	**€74.65**	0.1	€42.62	15.5	€79.63
Options granted	**18.7**	**66.96**	15.2	74.76	–	–
Bonds sold	—	—	–	–	–	–
Converted	—	—	–	–	–	–
Forfeited	**(0.4)**	**70.08**	–	–	–	–
Repayment	—	—	–	–	(0.2)	79.10
Exchanged for SARs	—	—	–	–	(15.2)	79.79
Outstanding at year-end	**33.6**	**70.43**	15.3	74.65	0.1	42.62
Exercisable at year-end	**0.1**	**€42.62**	0.1	€42.62	0.1	€42.62

Compensation expense of €19 million was recognized in 2001 in connection with the stock option plans (2000: expense of €13 million). No compensation expense was recognized in 1999.

Miscellaneous

DaimlerChrysler applies APB Opinion 25, ''Accounting for Stock Issued to Employees,'' and related interpretations in accounting for its stock-based compensation plans. If compensation expense had been based upon the fair value at the grant date, consistent with the methodology prescribed under SFAS 123, ''Accounting for Stock Based Compensation,'' the Group's net loss and basic and diluted loss per share in 2001 would have increased by approximately €72 million (basic loss per share: €0.07; diluted earnings loss per share: €0.07). In 2000, the Group's net income and basic and diluted earnings per share would have been reduced by approximately €12 million (basic earnings per share: €0.01; diluted earnings per share: €0.01). No additional compensation expense would have been recorded for the year ended December 31, 1999 under SFAS 123.

The fair value of the DaimlerChrysler stock options issued in 2001 and 2000 was calculated at the grant date based on a trinomial tree option pricing model which considers the terms of the issuance. The underlying assumptions and the resulting fair value per option are as follows (at grant dates):

	2001	2000
Expected dividend yield	**4.6%**	3.8%
Expected volatility	**33.0%**	25.0%
Risk-free interest rate	**4.2%**	4.8%
Expected lives (in years)	**3**	3
Fair value per option	**€12.15**	€9.50

23. Accrued Liabilities

Accrued liabilities are comprised of the following:

	At December 31,			
	2001		2000	
(in millions of €)	Total	Due after one year	Total	Due after one year
Pension plans and similar obligations (see Note 23a)	**12,647**	**11,650**	11,151	10,200
Income and other taxes	**2,393**	**651**	2,192	474
Other accrued liabilities (see Note 23b)	**26,530**	**10,104**	23,098	7,901
	41,570	**22,405**	36,441	18,575

a) Pension Plans and Similar Obligations

Pension plans and similar obligations are comprised of the following components:

	At December 31,	
(in millions of €)	2001	2000
Pension liabilities (pension plans)	**2,612**	1,838
Accrued postretirement health and life insurance benefits	**9,442**	8,636
Other benefit liabilities	**593**	677
	12,647	11,151

As described in Note 5 and Note 7, DaimlerChrysler implemented in 2001 restructuring plans at Freightliner and Chrysler Group, including certain workforce reduction initiatives. The impacts from settlements and curtailments of these turnaround plans on the pension and postretirement obligations are contained in the following disclosures.

Pension Plans

The Group provides pension benefits to substantially all of its hourly and salaried employees. Plan benefits are principally based upon years of service. Certain pension plans are based on salary earned in the last year or last five years of employment while others are fixed plans depending on ranking (both wage level and position).

At December 31, 2001, plan assets were invested in diversified portfolios that consisted primarily of debt and equity securities, including 2.0 million shares of DaimlerChrysler Ordinary Shares with a market value of €93 million in a U.S. plan. Assets and income accruing on all pension trust and relief funds are used solely to pay pension benefits and administer the plans.

The following information with respect to the Group's pension plans is presented by German Plans and non-German Plans (principally comprised of plans in the U.S.):

(in millions of €)	At December 31, 2001 German Plans	At December 31, 2001 Non-German Plans	At December 31, 2000 German Plans	At December 31, 2000 Non-German Plans
Change in projected benefit obligations:				
Projected benefit obligations at beginning of year	**9,579**	**21,878**	13,123	19,578
Foreign currency exchange rate changes	**—**	**1,026**	—	1,403
Service cost	**198**	**404**	242	433
Interest cost	**612**	**1,696**	696	1,570
Plan amendments	**1**	**109**	2	148
Actuarial (gains) losses	**613**	**563**	(732)	(257)
Dispositions	**(179)**	**(765)**	(3,365)	(31)
Acquisitions and other	**140**	**25**	144	411
Settlement/curtailment loss	**2**	**964**	—	—
Benefits paid	**(483)**	**(1,761)**	(531)	(1,377)
Projected benefit obligations at end of year	**10,483**	**24,139**	9,579	21,878
Change in plan assets				
Fair value of plan assets at beginning of year	**7,908**	**25,962**	7,034	25,823
Foreign currency exchange rate changes	**—**	**1,199**	—	1,897
Actual return on plan assets	**(720)**	**(1,309)**	458	(755)
Employer contributions	**713**	**843**	1,419	30
Plan participant contributions	**—**	**25**	—	29
Dispositions	**—**	**(865)**	(579)	—
Acquisitions and other	**—**	**17**	(15)	303
Benefits paid	**(398)**	**(1,747)**	(409)	(1,365)
Fair value of plan assets at end of year	**7,503**	**24,125**	7,908	25,962

A reconciliation of the funded status to the amounts recognized in the consolidated balance sheets is as follows:

(in millions of €)	At December 31, 2001 German Plans	At December 31, 2001 Non-German Plans	At December 31, 2000 German Plans	At December 31, 2000 Non-German Plans
Funded status*	**2,980**	**14**	1,671	(4,084)
Unrecognized actuarial net gains (losses)	**(2,168)**	**(4,112)**	(123)	1,102
Unrecognized prior service cost	**(5)**	**(3,261)**	(8)	(3,496)
Unrecognized net obligation at date of initial application	**—**	**(24)**	—	(153)
Net liability (asset) recognized	**807**	**(7,383)**	1,540	(6,631)
Amounts recognized in the consolidated balance sheets consist of:				
Prepaid pension cost	**—**	**(7,584)**	—	(6,799)
Accrued pension liability	**2,164**	**448**	1,540	298
Intangible assets	**—**	**(137)**	—	(95)
Accumulated other comprehensive income	**(1,357)**	**(110)**	—	(35)
Net liability (asset) recognized	**807**	**(7,383)**	1,540	(6,631)

* Difference between the projected benefit obligations and the fair value of plan assets.

The measurement dates for the Group's pension plans in Germany are September 30 and in the U.S. are November 30 or December 31. Assumed discount rates and rates of increase in remuneration used in calculating the projected benefit obligations together with long-term rates of return on plan assets vary according to the economic conditions of the country in which the pension plans are situated. The weighted-average assumptions used in calculating the actuarial values for the principal pension plans were as follows (in %):

	German Plans			Non-German Plans		
	2001	2000	1999	2001	2000	1999
Weighted-average assumptions:						
Discount rate	**6.0**	6.5	6.0	7.4	7.7	7.5
Expected return on plan assets	**7.9**	7.9	7.7	10.1	10.2	9.8
Rate of compensation increase	**3.0**	3.0	2.8	5.4	5.5	5.9

The components of net pension cost were as follows for the years ended December 31, 2001, 2000 and 1999:

(in millions of €)	2001 German Plans	2001 Non-German Plans	2000 German Plans	2000 Non-German Plans	1999 German Plans	1999 Non-German Plans
Service cost	**198**	**404**	242	433	267	430
Interest cost	**612**	**1,696**	696	1,570	756	1,185
Expected return on plan assets	**(649)**	**(2,750)**	(625)	(2,487)	(223)	(1,872)
Amortization of:						
Unrecognized net actuarial (gains) losses	**—**	**(11)**	3	(18)	1	41
Unrecognized prior service cost	**—**	**356**	1	371	–	214
Unrecognized net obligation	**—**	**148**	–	146	–	129
Other	**—**	**—**	1	(6)	1	2
Net periodic pension cost (benefit)	**161**	**(157)**	318	9	802	129
Settlement/curtailment loss	**1**	**625**	–	–	–	–
Net pension cost	**162**	**468**	318	9	802	129

The accumulated benefit obligations and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were €10,224 million and €7,934 million, respectively, as of December 31, 2001 and €1,697 million and €343 million, respectively, as of December 31, 2000.

Other Postretirement Benefits

Certain DaimlerChrysler operations in the U.S. and Canada provide postretirement health and life insurance benefits to their employees. Upon retirement from DaimlerChrysler the employees may become eligible for continuation of these benefits. The benefits and eligibility rules may be modified periodically.

At December 31, 2001, plan assets were invested in diversified portfolios that consisted primarily of debt and equity securities.

The following information is presented with respect to the Group's postretirement benefit plans:

(in millions of €)	At December 31, 2001	2000
Change in accumulated postretirement benefit obligations:		
Accumulated postretirement benefit obligations at beginning of year	**12,857**	10,527
Foreign currency exchange rate changes	**652**	829
Service cost	**257**	208
Interest cost	**1,033**	873
Plan amendments	**(18)**	444
Actuarial losses	**941**	523
Settlement/curtailment loss	**186**	–
Acquisitions and other	**(13)**	107
Benefits paid	**(800)**	(654)
Accumulated postretirement benefit obligations at end of year	**15,095**	12,857
Change in plan assets:		
Fair value of plan assets at beginning of year	**2,995**	2,816
Foreign currency exchange rate changes	**167**	224
Actual losses on plan assets	**(181)**	(55)
Employer contributions	**9**	16
Benefits paid	**(8)**	(6)
Fair value of plan assets at end of year	**2,982**	2,995

A reconciliation of the funded status to the liability recognized for accrued postretirement health and life insurance benefits in pension plans and similar obligations is as follows:

(in millions of €)	At December 31, 2001	2000
Funded status*	**12,113**	9,862
Unrecognized actuarial net losses	**(1,828)**	(270)
Unrecognized prior service cost	**(843)**	(956)
Net liability recognized	**9,442**	8,636

* Difference between the accumulated postretirement obligations and the fair value of plan assets.

Assumed discount rates and rates of increase in remuneration used in calculating the accumulated postretirement benefit obligations together with long-term rates of return on plan assets vary according to the economic conditions of the country in which the plans are situated. The weighted-average assumptions used in calculating the actuarial values for the postretirement benefit plans were as follows (in %):

	2001	2000	1999
Weighted-average assumptions at December 31:			
Discount rate	**7.4**	7.7	7.7
Expected return on plan assets	**10.5**	10.4	10.0
Health care inflation rate in following (or ''base'') year	**6.9**	7.5	5.8
Ultimate health care inflation rate (2005)	**5.0**	5.0	5.0

The components of net postretirement benefit cost were as follows for the years ended December 31, 2001, 2000 and 1999:

(in millions of €)	2001	2000	1999
Service cost	**257**	208	209
Interest cost	**1,033**	873	702
Expected return on plan assets	**(346)**	(308)	(169)
Amortization of:			
Unrecognized net actuarial (gains) losses	**(7)**	5	10
Unrecognized prior service cost	**82**	54	31
Other	**—**	(2)	–
Net periodic postretirement benefit cost	**1,019**	830	783
Settlement/curtailment loss	**154**	–	–
Net postretirement benefit cost	**1,173**	830	783

The following schedule presents the effects of a one-percentage-point change in assumed health care cost trend rates:

(in millions of €)	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total of service and interest cost components	**170**	(140)
Effect on accumulated postretirement benefit obligations	**1,681**	(1,421)

Prepaid Employee Benefits

In 1996 DaimlerChrysler established a Voluntary Employees' Beneficiary Association (''VEBA'') trust for payment of non-pension employee benefits. At December 31, 2001 and 2000, the VEBA had a balance of €3,648 million and €3,586 million, respectively, of which €2,848 million and €2,864 million, respectively, were designated and restricted for the payment of postretirement health care benefits. Contributions to the VEBA trust during the year ended December 31, 1999 were €727 million. No contributions to the VEBA trust were made in 2001 and 2000.

b) Other Accrued Liabilities

Other accrued liabilities consisted of the following:

(in millions of €)	At December 31, 2001	2000
Accrued warranty costs and price risks	**9,213**	7,715
Accrued losses on uncompleted contracts	**549**	804
Restructuring	**1,190**	260
Accrued personnel and social costs	**2,386**	2,503
Accrued sales incentives	**3,771**	3,588
Other	**9,421**	8,228
	26,530	23,098

Accruals for restructuring comprise certain employee termination benefits and costs which are directly associated with plans to exit specified activities. The changes in these provisions are summarized as follows:

(in millions of €)	Termination benefits	Exit costs	Total liabilities
Balance at January 1, 1999	560	75	635
Utilizations and transfers	(321)	21	(300)
Reductions	(15)	(9)	(24)
Additions	183	101	284
Balance at December 31, 1999	407	188	595
Utilizations and transfers	(229)	(56)	(285)
Reductions	(43)	(34)	(77)
Additions	16	11	27
Balance at December 31, 2000	**151**	**109**	**260**
Utilizations and transfers	**(947)**	**(275)**	**(1,222)**
Reductions	**(135)**	**(144)**	**(279)**
Additions	**1,504**	**927**	**2,431**
Balance at December 31, 2001	**573**	**617**	**1,190**

In connection with the Group's restructuring, provisions were recorded for termination benefits of €1,504 million (2000: €16 million; 1999: €183 million), in 2001 principally within Chrysler Group (see Note 7) and Freightliner (see Note 5), in 2000 principally within Mercedes-Benz Passenger Cars & smart and Commercial Vehicles and in 1999 principally within industrial businesses and DaimlerChrysler Aerospace. In connection with these restructuring efforts, the Group effected workforce reductions of approximately 17,700 employees (2000: 2,600; 1999: 2,400) and paid termination benefits of €269 million (2000: €135 million; 1999: €239 million), of which €227 million (2000: €120 million; 1999: €168 million) were charged against previously established liabilities. At December 31, 2001 the Group had liabilities for estimated future terminations for approximately 6,800 employees.

Exit costs in 2001 primarily result from the restructuring within Chrysler Group and Freightliner. In 2000 and 1999 exit costs primarily result from the restructuring of industrial businesses.

24. Financial Liabilities

(in millions of €)	Maturities	At December 31, 2001	2000
Notes/Bonds		**17,726**	8,094
Commercial paper		**7,480**	19,917
Liabilities to financial institutions		**7,183**	6,294
Liabilities to affiliated companies		**361**	345
Loans, other financial liabilities		**86**	205
Liabilities from capital lease and residual value guarantees		**1,106**	985
Short-term financial liabilities (due within one year)		**33,942**	35,840
Notes/Bonds	2003-2097	**47,632**	40,773
of which due in more than five years: €10,712 (2000: €7,673)			
Liabilities to financial institutions	2003-2019	**8,194**	6,800
of which due in more than five years: €2,702 (2000: €2,088)			
Liabilities to affiliated companies		**71**	149
of which due in more than five years: €– (2000: €–)			
Loans, other financial liabilities		**82**	118
of which due in more than five years: €66 (2000: €51)			
Liabilities from capital lease and residual value guarantees		**987**	1,103
of which due in more than five years: €209 (2000: €226)			
Long-term financial liabilities		**56,966**	48,943
		90,908	84,783

Weighted average interest rates for notes/bonds, commercial paper and liabilities to financial institutions are 6.3%, 3.3% and 5.4%, respectively, at December 31, 2001.

Commercial paper is denominated in euros and U.S. dollars and includes accrued interest. Bonds and liabilities to financial institutions are largely secured by mortgage conveyance, liens and assignment of receivables of approximately €1,804 million (2000: €1,858 million).

Aggregate nominal amounts of financial liabilities maturing during the next five years and thereafter are as follows (in millions of €):

	2002	2003	2004	2005	2006	there-after
Financial liabilities	33,900	15,953	9,372	8,849	8,421	13,615

At December 31, 2001, the Group had unused short-term credit lines of €5,796 million (2000: €15,216 million) and unused long-term credit lines of €20,322 million (2000: €12,819 million). The credit lines include an $18 billion revolving credit facility with a syndicate of international banks. The credit agreement is comprised of a multi-currency revolving credit facility which allows DaimlerChrysler AG and several subsidiaries to borrow up to $5 billion until 2006, a U.S. dollar revolving credit facility which allows DaimlerChrysler North America Holding Corporation, a wholly-owned subsidiary of DaimlerChrysler AG, to borrow up to $6 billion available until 2004, and a multi-currency revolving credit facility for working capital purposes which allows DaimlerChrysler AG and several subsidiaries to borrow up to $7 billion until 2003. A part of the $18 billion facility serves as a back-up for commercial paper drawings.

25. Trade Liabilities

	At December 31, 2001			At December 31, 2000		
(in millions of €)	Total	Due after one year	Due after five years	Total	Due after one year	Due after five years
Trade liabilities	**14,157**	**12**	**1**	15,257	33	1

26. Other Liabilities

	At December 31, 2001			At December 31, 2000		
(in millions of €)	Total	Due after one year	Due after five years	Total	Due after one year	Due after five years
Liabilities to affiliated companies	**416**	—	—	536	1	1
Liabilities to related companies	**293**	—	—	794	–	–
Other liabilities	**9,553**	**828**	**232**	8,291	1,283	161
	10,262	**828**	**232**	9,621	1,284	162

As of December 31, 2001, other liabilities include tax liabilities of €620 million (2000: €683 million) and social benefits due of €877 million (2000: €713 million).

27. Deferred Income

As of December 31, 2001, €1,911 million of the total deferred income is to be recognized after more than one year (2000: €1,057 million).

OTHER NOTES

28. Litigation and Claims

A number of shareholder lawsuits, including a class action lawsuit, are pending in the United States against DaimlerChrysler and certain members of its Supervisory Board and Board of Management. The lawsuits allege that the defendants violated U.S. securities law and committed fraud in obtaining approval from Chrysler stockholders for the business combination between Chrysler and Daimler-Benz AG in 1998. The class action lawsuit also alleges that DaimlerChrysler made false and misleading statements in 1999 and 2000 regarding its prospects for the year 2000. The complaints seek relief ranging from substantial monetary damages to rescinding the business combination. DaimlerChrysler believes that these claims are without merit and is defending itself against them vigorously. Motions to dismiss all lawsuits are pending before the court.

Various other claims and legal proceedings have been asserted or instituted against the Group, including product liability and other lawsuits, some of which purport to be class actions. In the event of adverse decisions in these proceedings, DaimlerChrysler could be required to pay substantial compensatory and punitive damages, or undertake service actions, recall campaigns or other costly actions. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. It is reasonably possible that the final resolution of some of these matters may require the Group to make expenditures, in excess of established reserves, over an extended period of time and in a range of amounts that cannot be reasonably estimated. The term "reasonably possible" is used herein to mean that the chance of a future transaction or event occurring is more than remote but less than likely. Although the final resolution of any such matters could have a material effect on the Group's consolidated operating results for the particular reporting period in which an adjustment of the estimated reserve is recorded, the Group believes that any resulting adjustment should not materially affect its consolidated financial position.

29. Commitments and Contingencies

Contingent liabilities not recognized on the consolidated balance sheets are presented at their contractual values and include the following:

	At December 31,	
(in millions of €)	**2001**	**2000**
Guarantees	**3,669**	8,018
Notes payable	**32**	21
Contractual guarantees	**408**	354
Pledges of indebtedness of others	**430**	455
	4,539	8,848

Contingent liabilities principally represent guarantees of indebtedness of non-consolidated affiliated companies and third parties and commitments by Group companies as to contractual performance by joint venture companies and certain non-incorporated companies, partnerships and project groups.

DaimlerChrysler is subject to potential liability under government regulations and various claims and legal actions which are pending or may be asserted against DaimlerChrysler concerning environmental matters. Estimates of future costs of such environmental matters are inevitably imprecise due to numerous uncertainties, including the enactment of new laws and regulations, the development and application of new technologies, the identification of new sites for which DaimlerChrysler may have remediation responsibility and the apportionment and collectibility of remediation costs among responsible parties.

DaimlerChrysler establishes reserves for these environmental matters when a loss is probable and reasonably estimable. It is reasonably possible that the final resolution of some of these matters may require DaimlerChrysler to make expenditures, in excess of established reserves, over an extended period of time and in a range of amounts that cannot be reasonably estimated. Although the final resolution of any such matters could have a material effect on DaimlerChrysler's consolidated operating results for the particular reporting period in which an adjustment of the estimated reserve is recorded, DaimlerChrysler believes that any resulting adjustment should not materially affect its consolidated financial position.

DaimlerChrysler periodically initiates voluntary service actions and recall actions to address various customer satisfaction, safety and emissions issues related to vehicles it sells. DaimlerChrysler establishes reserves for product warranty, including the estimated cost of these service and recall actions, when the related sale is recognized. The estimated future costs of these actions are based primarily on prior experience. Estimates of the future costs of these actions are inevitably imprecise due to numerous uncertainties, including the enactment of new laws and regulations, the number of vehicles affected by a service or recall action, and the nature of the corrective action which may result in adjustments to the established reserves. It is reasonably possible that the ultimate cost of these service and recall actions may require DaimlerChrysler to make expenditures, in excess of established reserves, over an extended period of time and in a range of amounts that cannot be reasonably estimated. Although the ultimate cost of these service and recall actions could have a material effect on DaimlerChrysler's consolidated operating results for the particular reporting period in which an adjustment of the estimated reserve is recorded, DaimlerChrysler believes that any such adjustment should not materially affect its consolidated financial position.

In connection with certain production programs the Group has committed to certain levels of outsourced manufactured parts and components over extended periods at market prices. The Group may be required to compensate suppliers in the event the committed volumes are not purchased. The Group has also committed to investments in the construction and maintenance of production facilities to a usual extent.

Total rentals under operating leases, charged as an expense in the statement of income (loss), amounted to €819 million (2000: €881 million; 1999: €964 million). Future minimum lease payments under noncancellable rental and lease agreements which have initial or remaining terms in excess of one year at December 31, 2001 are as follows (in millions of €):

	Operating leases
2002	603
2003	457
2004	369
2005	307
2006	279
thereafter	813

30. Information About Financial Instruments and Derivatives

a) Use of Financial Instruments

The Group conducts business on a global basis in numerous major international currencies and is, therefore, exposed to adverse movements in foreign currency exchange rates. The Group also issues bonds, commercial paper and medium-term-notes in various currencies. As a consequence of issuing these types of financial instruments, the Group is exposed to risks from changes in interest and foreign currency exchange rates. DaimlerChrysler holds financial instruments, such as financial investments, variable- and fixed-interest bearing securities and equity securities that subject the Group to risks from changes in interest rates and market prices. DaimlerChrysler manages the various types of market risks by using derivative financial instruments. Without these instruments the Group's market risks would be higher.

Based on regulations issued by regulatory authorities for financial institutions, the Group has established guidelines for risk controlling procedures and for the use of financial instruments, including a clear segregation of duties with regard to operating financial activities, settlement, accounting and controlling.

Market risks are quantified according to the "value-at-risk" method which is commonly used among banks. Using historical variability of market data, potential changes in value resulting from changes of market prices are calculated on the basis of statistical methods.

b) Fair Value of Financial Instruments

The fair value of a financial instrument is the price at which one party would assume the rights and/or duties of another party. Fair values of financial instruments have been determined with reference to available market information at the balance sheet date and the valuation methodologies discussed below. Considering the variability of their value-determining factors, the fair values presented herein are only an estimation of the amounts that the Group could realize under current market conditions.

The carrying amounts and fair values of the Group's financial instruments are as follows:

(in millions of €)	At December 31, 2001 Carrying amount	At December 31, 2001 Fair value	At December 31, 2000 Carrying amount	At December 31, 2000 Fair value
Financial instruments (other than derivative instruments):				
Assets:				
Financial assets	**1,209**	**1,209**	1,930	1,930
Receivables from financial services	**49,512**	**49,678**	48,673	49,377
Securities	**3,007**	**3,007**	5,378	5,378
Cash and cash equivalents	**11,428**	**11,428**	7,127	7,127
Other	**20**	**20**	5	5
Liabilities:				
Financial liabilities	**90,908**	**94,513**	84,783	86,265
Derivative instruments:				
Assets:				
Currency contracts	**477**	**477**	306	306
Interest rate contracts	**1,011**	**1,011**	556	556
Equity contracts	**4**	**4**	3	3
Liabilities:				
Currency contracts	**806**	**806**	1,257	1,257
Interest rate contracts	**1,434**	**1,434**	1,004	1,004
Equity contracts	**4**	**4**	1	1

The carrying amounts of cash and other receivables approximate fair values due to the short-term maturities of these instruments.

The methods and assumptions used to determine the fair values of other financial instruments are summarized below:

Financial Assets and Securities — The fair values of securities were estimated using quoted market prices. The Group has certain equity investments in related and affiliated companies not presented in the table, as these investments are not publicly traded and determination of fair values is impracticable.

Receivables from Financial Services — The carrying amounts of variable rate finance receivables were estimated to approximate their fair values since the contract rates of those receivables approximate current market rates. The fair values of fixed rate finance receivables were estimated by discounting expected cash flows using the current interest rates at which comparable loans with identical maturity would be made as of December 31, 2001 and 2000.

The fair values of residual cash flows and other subordinated amounts arising from receivable sale transactions were estimated by discounting expected cash flows at current interest rates.

Financial Liabilities — The fair value of publicly traded debt was estimated using quoted market prices. The fair values of other long-term notes and bonds were estimated by discounting future cash flows using market interest rates. The carrying amounts of commercial paper and borrowings under revolving credit facilities were assumed to approximate fair value due to their short maturities.

Interest Rate Contracts — The fair values of existing instruments to hedge interest rate risks (e. g. interest rate swap agreements) were estimated by discounting expected cash flows using market interest rates over the remaining term of the instrument. Interest rate options are valued on the basis of quoted market prices or on estimates based on option pricing models.

Currency Contracts — The fair values of forward foreign exchange contracts were based on European Central Bank reference exchange rates adjusted for the respective interest rate differentials (premiums or discounts). Currency options were valued on the basis of quoted market prices or on estimates based on option pricing models.

Equity Contracts — The fair values of existing instruments to hedge equity price risk (e. g. futures or options) were determined on the basis of quoted market prices or on estimates based on option pricing models.

c) Credit Risk

The Group is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. Counterparties to the Group's financial instruments represent, in general, international financial institutions. DaimlerChrysler does not have a significant exposure to any individual counterparty, based on the rating of the counterparties performed by established rating agencies. The Group believes the overall credit risk related to utilized derivatives is insignificant.

d) Accounting for and Reporting of Financial Instruments (Other than Derivative Instruments)

The income or expense of the Group's financial instruments (other than derivative instruments), with the exception of receivables from financial services and financial liabilities related to leasing and sales financing activities, is recognized in financial income, net. Interest income on receivables from financial services and gains and losses from sales of receivables are recognized as revenues. Interest expense on financial liabilities related to leasing and sales financing activities are recognized as cost of sales. The carrying amounts of the financial instruments (other than derivative instruments) are included in the consolidated balance sheets under their related captions.

e) Accounting for and Reporting of Derivative Instruments and Hedging Activities

Foreign Currency Risk Management

As a consequence of the global nature of DaimlerChrysler's businesses, its operations and its reported financial results and cash flows are exposed to the risks associated with fluctuations in the exchange rates of the U.S. dollar, the euro and other world currencies. The Group's businesses are exposed to transaction risk whenever revenues of a business are denominated in a currency other than the currency in which the business incurs the costs relating to those revenues. This risk exposure primarily affects the Mercedes-Benz Passenger Cars & smart segment. The Mercedes-Benz Passenger Cars & smart segment generates its revenues mainly in the currencies of the countries in which cars are sold, but it incurs manufacturing costs primarily in euros.

In order to mitigate the impact of currency exchange rate fluctuations, DaimlerChrysler continually assesses its exposure to currency risks and hedges a portion of those risks through the use of derivative financial instruments. Responsibility for managing DaimlerChrysler's currency exposures and use of currency derivatives is centralized within the Group's Currency Committee. The Currency Committee, which consists of two separate subgroups, one for the Group's vehicle businesses and one for MTU Aero Engines, is comprised of members of senior management from each of the respective businesses as well as from Corporate Treasury and Risk

Controlling. Corporate Treasury implements decisions concerning foreign currency hedging taken by the Currency Committee. Risk Controlling regularly informs the Board of Management of the actions of Corporate Treasury based on the decisions of the Currency Committee.

Interest Rate and Equity Price Risk Management

DaimlerChrysler holds a variety of interest rate sensitive assets and liabilities to manage the liquidity and cash needs of its day-to-day operations. In addition a substantial volume of interest rate sensitive assets and liabilities is related to the leasing and sales financing business which is operated by DaimlerChrysler Services. In particular, the Group's leasing and sales financing business enters into transactions with customers, primarily resulting in fixed rate receivables. DaimlerChrysler's general policy is to match funding in terms of maturities and interest rates. However, for a limited portion of the receivables portfolio funding does not match in terms of maturities and interest rates. As a result, DaimlerChrysler is exposed to risks due to changes in interest rates. DaimlerChrysler coordinates funding activities of the industrial business and financial services on the group level. The Group uses interest rate derivative instruments such as interest rate swaps, forward rate agreements, swaptions, caps and floors to achieve the desired interest rate maturities and asset/liability structures.

DaimlerChrysler does not enter into these types of derivative financial instruments for purposes other than risk management.

The Group assesses interest rate risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities.

The Group maintains risk management control systems independent of Corporate Treasury to monitor interest rate risk attributable to both DaimlerChrysler's outstanding or forecasted interest rate exposures as well as its offsetting hedge positions. The risk management control systems involve the use of analytical techniques, including value-at-risk analyses, to estimate the expected impact of changes in interest rates on the Group's future cash flows.

DaimlerChrysler also holds investments in equity securities. These securities subject DaimlerChrysler to risks due to changes in quoted market prices. DaimlerChrysler uses derivative financial instruments including futures and options to manage the risks arising from changes in equity prices.

The Group assesses equity price risk by continually monitoring changes in key economic, industry and market information and maintains risk management control systems independent of Corporate Treasury to monitor risks attributable to both DaimlerChrysler's investments as well as its offsetting hedge positions. The risk management control systems involve the use of analytical techniques, including value-at-risk analyses, to estimate the potential loss and manage the risks of the Group's investments.

Information with Respect to Fair Value Hedges

Gains and losses in fair value of recognized assets and liabilities and firm commitments of operating transactions as well as gains and losses on derivative financial instruments designated as fair value hedges of these recognized assets and liabilities and firm commitments are principally recognized currently in revenues, as the principal transactions being hedged involve sales of the Group's products. Net gains and losses in fair value of both recognized financial assets and liabilities and derivative financial instruments designated as fair value hedges of these financial assets and liabilities are recognized currently in financial income, net.

For the year ended December 31, 2001, net losses of €17 million (2000: net gains of €15 million) were recognized in revenues and financial income, net, representing principally the component of the derivative instruments' gain or loss excluded from the assessment of hedge effectiveness and the amount of hedging ineffectiveness.

Information with Respect to Cash Flow Hedges

Changes in the value of forward foreign currency exchange contracts and currency options designated and qualifying as cash flow hedges of forecasted transactions are reported in accumulated other comprehensive income. These amounts are subsequently reclassified into earnings, as a component of the value of the forecasted transaction, in the same period as the forecasted transaction affects earnings. Changes in the fair value of interest rate swaps designated as hedging instruments of variability of cash flows associated with variable-rate long-term debt are also reported in accumulated other comprehensive income. These amounts are subsequently reclassified into financial income, net, as a yield adjustment in the same period in which the related interest on the floating-rate debt obligations affect earnings.

For the year ended December 31, 2001, net losses of €12 million (2000: net losses of €3 million), representing principally the component of the derivative instruments' gain/loss excluded from the assessment of the hedge effectiveness and the amount of hedge ineffectiveness, were recognized in revenues and financial income, net.

Also included in earnings are gains of €1 million for the year ended December 31, 2001 (2000: gains of €2 million), reclassified from accumulated other comprehensive income as a result of the discontinuance of foreign currency cash flow hedges because it was probable that the original forecasted transaction would not occur.

It is anticipated that €101 million of net losses included in accumulated other comprehensive income at December 31, 2001, will be reclassified into earnings during the next year.

As of December 31, 2001, DaimlerChrysler held derivative financial instruments with a maximum maturity of 44 months to hedge its exposure to the variability in future cash flows from foreign currency forecasted transactions.

Information with Respect to Hedges of the Net Investment in a Foreign Operation

In specific circumstances, DaimlerChrysler seeks to hedge the currency risk inherent in certain of its long-term investments, where the functional currency is other than the euro, through the use of derivative and non-derivative financial instruments. For the year ended December 31, 2001, net gains of €53 million (2000: net gains of €104 million) hedging the Group's net investments in certain foreign operations were included in the cumulative translation adjustment.

f) Accounting for and Reporting of Financial Instruments (Prior to Adoption of SFAS 133)

For periods prior to January 1, 2000, financial instruments, including derivatives, purchased to offset the Group's exposure to identifiable and committed transactions with price, interest or currency risks were accounted for together with the underlying business transactions (''hedge accounting''). Gains and losses on forward contracts and options hedging firm foreign currency commitments were deferred off-balance sheet and were recognized as a component of the related transactions, when recorded (the ''deferral method''). However, a loss was not deferred if deferral would have lead to the recognition of a loss in future periods.

In the event of an early termination of a currency exchange agreement designated as a hedge, the gain or loss continued to be deferred and was included in the settlement of the underlying transaction.

Interest differentials paid or received under interest rate swaps purchased to hedge interest risks on debt were recorded as adjustments to the effective yields of the underlying debt (''accrual method'').

In the event of an early termination of an interest rate related derivative designated as a hedge, the gain or loss was deferred and recorded as an adjustment to interest income, net over the remaining term of the underlying financial instrument.

All other financial instruments, including derivatives, purchased to offset the Group's net exposure to price, interest or currency risks, but which were not designated as hedges of specific assets, liabilities or firm commitments were marked to market and any resulting unrealized gains and losses were recognized currently in financial income, net. The carrying amounts of derivative instruments were included under other assets and accrued liabilities.

Derivatives purchased by the Group under macro-hedging techniques, as well as those purchased to offset the Group's exposure to anticipated cash flows, did not generally meet the requirements for applying hedge accounting and were, accordingly marked to market at each reporting period with unrealized gains and losses recognized in financial income, net. When the Group met the requirements for hedge accounting and designated the derivative financial instrument as a hedge of a committed transaction, subsequent unrealized gains and losses were deferred and recognized along with the effects of the underlying transaction.

31. Retained Interests in Sold Receivables and Sales of Finance Receivables

The fair value of retained interests in sold receivables was as follows:

(in millions of €)	At December 31, 2001	2000
Fair value of estimated residual cash flows, net of prepayments, from sold receivables, before expected future net credit losses	**5,311**	4,319
Expected future net credit losses on sold receivables	**(787)**	(389)
Fair value of net residual cash flows from sold receivables	**4,524**	3,930
Restricted cash accounts	**2**	202
Retained subordinated securities	**956**	684
Retained interests in sold receivables, at fair value	**5,482**	4,816

At December 31, 2001, the significant assumptions used in estimating the residual cash flows from sold receivables and the sensitivity of the current fair value to immediate 10% and 20% adverse changes are as follows:

		Impact on fair value based on adverse	
(in millions of €)	Assumption percentage	10% change	20% change
Prepayment speed, monthly	1.5%	(8)	(14)
Estimated net credit losses as a percentage of receivables sold	1.3%	(66)	(132)
Residual cash flow discount rate, annualized	12.0%	(65)	(127)

These sensitivities are hypothetical and should be used with caution. The effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption; in reality, changes in one assumption may result in changes in another, which might magnify or counteract the sensitivities.

Actual and projected credit losses for receivables securitized were as follows:

Actual and projected credit losses percentages as of:	Receivables securitized in 1998	1999	2000	2001
December 31, 2001	**2.8%**	**2.2%**	**1.7%**	**2.4%**
December 31, 2000	2.1%	1.1%	1.2%	
December 31, 1999	1.6%	1.0%		

Static pool losses are calculated by summing the actual and projected future credit losses and dividing them by the original balance of each pool of assets. The amount shown above for each year is a weighted average for all securitizations during that year and outstanding at December 31, 2001.

Certain cash flows received and paid to securitization trusts were as follows:

(in millions of €)	2001	2000
Proceeds from new securitizations	**18,219**	15,883
Proceeds from collections reinvested in previous wholesale securitizations	**56,040**	46,285
Amounts reinvested in previous wholesale securitizations	**(56,040)**	(46,122)
Servicing fees received	**353**	283
Receipt of cash flows on retained interest in securitized receivables	**580**	435

The outstanding balance, delinquencies and net credit losses of sold receivables and other receivables, of those financial services businesses that sell receivables, as of and for the years ended December 31, 2001 and 2000, respectively, were as follows:

(in millions of €)	Outstanding balance at		Delinquencies > 60 days at		Net credit losses for the year ended	
	2001	2000	2001	2000	2001	2000
Retail receivables	58,224	46,377	584	232	691	576
Wholesale receivables	17,448	17,747	24	19	18	2
Total receivables managed	75,672	64,124	608	251	709	578
Less: receivables sold	(42,763)	(37,904)	(182)	(117)	(310)	(251)
Receivables held in portfolio	32,909	26,220	426	134	399	327

During the year ended December 31, 2001, DaimlerChrysler sold €19,290 million (2000: €17,122 million) and €57,372 million (2000: €38,778 million) retail and wholesale receivables, respectively. From these transactions, the Group recognized gains of €414 million (2000: €181 million) and €182 million (2000: €156 million) on sales of retail and wholesale receivables, respectively.

Significant assumptions used in measuring the residual interest resulting from the sale of retail and wholesale receivables, were as follows (weighted average rates for securitizations completed during the year) at December 31, 2001 and 2000:

	Retail		Wholesale	
	2001	2000	2001	2000
Prepayment speed assumption (monthly)	1.0-1.5%	1.0-1.5%	*	*
Estimated remaining lifetime net credit losses (an average percentage of sold receivables)	2.4%	1.2%	0.0%	0.0%
Residual cash flows discount rate (annual rate)	12.0%	12.0%	10.0%	10.0%

* For the calculation of wholesale gains, the Group estimated the average wholesale loan liquidated in 210 days.

32. Segment Reporting

In 2001, DaimlerChrysler reorganized some of its business segments resulting in changes in the composition of its reportable segments. Following the exchange in July 2000 of the Group's controlling interest in DaimlerChrysler Aerospace for a non-controlling equity method interest in EADS, DaimlerChrysler transferred the remaining businesses of the former Aerospace segment and the investment in EADS to the Other Activities segment. In January 2001, DaimlerChrysler combined the operations of MTU/Diesel Engines, which was previously part of the Other Activities segment, with the Mercedes-Benz powertrain business in a new Powersystems business unit within Commercial Vehicles segment. DaimlerChrysler has reclassified prior period amounts to conform its segment presentation to the new structure. Information with respect to the Group's industry segments follows:

Mercedes-Benz Passenger Cars & smart. This segment includes activities related mainly to the development, manufacture and sale of passenger cars and off-road vehicles under the brand names Mercedes-Benz and smart as well as related parts and accessories.

Chrysler Group. This segment includes the research, design, manufacture, assembly and sale of cars and trucks under the brand names Chrysler, Jeep® and Dodge and related automotive parts and accessories.

Commercial Vehicles. This segment is involved in the development, manufacture and sale of vans, trucks, buses and Unimogs as well as related parts and accessories. The products are sold mainly under the brand names Mercedes-Benz and Freightliner.

Services. The activities in this segment extend to the marketing of services related to financial services (principally retail and lease financing for vehicles and dealer financing), insurance brokerage, trading and information technology. In October 2000, the information technology activities were contributed into a joint venture. The Group's 49.9% interest in T-Systems ITS is included at equity subsequent to that date. For the exercise in January 2002 of DaimlerChrysler's option to sell its interest, see Note 34.

Other Activities. Represents principally the industrial businesses including MTU Aero Engines and the Group's equity method investments in MMC, EADS and Automotive Electronics. Other Activities also contains corporate research, real estate activities and holding and financing companies.

The Group's management reporting and controlling systems are substantially the same as those described in Note 1 in the summary of significant accounting policies (U.S. GAAP). The Group measures the performance of its operating segments through "Operating Profit." Segment Operating Profit is defined as income (loss) before financial income included in the consolidated statement of income (loss), modified to exclude pension and postretirement benefit expenses other than service costs, to include pretax operating income (loss) from affiliated and associated companies, to include financial income (loss) from related companies, and to include or exclude certain miscellaneous items.

Sales and revenues related to transactions between segments are generally recorded at values that approximate third-party selling prices.

Revenues are allocated to countries based on the location of the customer; long-term assets are allocated according to the location of the respective units.

Capital expenditures represent the purchase of property, plant and equipment.

Segment information as of and for the years ended December 31, 2001, 2000 and 1999 follows:

(in millions of €)	Mercedes Benz Passenger Cars & smart	Chrysler Group	Commercial Vehicles	Services	Other Activities	Eliminations	Consolidated
2001							
Revenues	**44,002**	**62,676**	**27,084**	**14,975**	**4,136**	**–**	**152,873**
Intersegment sales	**3,703**	**807**	**1,488**	**1,876**	**371**	**(8,245)**	**–**
Total revenues	**47,705**	**63,483**	**28,572**	**16,851**	**4,507**	**(8,245)**	**152,873**
Operating Profit (Loss)	**2,951**	**(5,281)**	**(514)**	**612**	**1,181**	**(267)**	**(1,318)**
Identifiable segment assets	**20,558**	**63,325**	**16,232**	**100,570**	**31,200**	**(24,475)**	**207,410**
Capital expenditures	**2,061**	**5,083**	**1,484**	**112**	**168**	**(12)**	**8,896**
Depreciation and amortization	**1,853**	**5,364**	**922**	**7,071**	**197**	**(217)**	**15,190**
2000							
Revenues	40,822	67,405	28,521	15,322	10,314	–	162,384
Intersegment sales	2,878	967	1,283	2,204	301	(7,633)	–
Total revenues	43,700	68,372	29,804	17,526	10,615	(7,633)	162,384
Operating Profit (Loss)	2,145	501	1,212	2,457	3,590	(153)	9,752
Identifiable segment assets	19,355	53,660	15,879	94,369	34,298	(18,287)	199,274
Capital expenditures	2,096	6,339	1,128	282	547	–	10,392
Depreciation and amortization	2,038	3,878	847	6,603	425	(204)	13,587
1999							
Revenues	35,592	63,666	26,328	10,662	13,737	–	149,985
Intersegment sales	2,508	419	1,281	2,270	347	(6,825)	–
Total revenues	38,100	64,085	27,609	12,932	14,084	(6,825)	149,985
Operating Profit (Loss)	2,703	5,051	1,157	2,039	241	(179)	11,012
Identifiable segment assets	17,611	49,825	12,498	77,266	37,955	(20,488)	174,667
Capital expenditures	2,228	5,224	809	324	886	(1)	9,470
Depreciation and amortization	1,580	3,346	715	3,348	527	(187)	9,329

Capital expenditures for equipment on operating leases for 2001, 2000 and 1999 for the Services segment amounted to €14,334 million, €15,551 million and €16,401 million, respectively.

The Operating Profit of the Mercedes-Benz Passenger Cars & smart segment for the year ended December 31, 2000, includes €470 million of non-cash charges related to the adoption of the European Union's directive regarding end-of-life vehicles and related to fixed cost reimbursement agreements with MCC smart suppliers.

For the year ended December 31, 2001, Operating Loss of the Chrysler Group segment includes €1,715 million of non-cash turnaround plan charges, other than depreciation and amortization.

The Operating Loss of the Commercial Vehicles segment for the year ended December 31, 2001, includes €353 million of non-cash turnaround plan and other charges, other than depreciation and amortization.

For the years ended December 31, 2001 and 2000, Operating Profit of the Services segment includes €41 million and €1 million, respectively, from the equity investment in T-Systems ITS, representing the Group's percentage share of the Operating Profit of T-Systems ITS. In addition, Operating Profit of the Services segment for the year ended December 31, 2000, includes a €2,315 million gain on the transaction involving T-Systems ITS (see Note 11). For the year ended December 31, 1999, Operating Profit of the Services segment includes pretax gains on the sales of shares in debitel of €1,140 million (see Note 11). At December 31, 2001 and 2000, the identifiable assets of the Services segment includes €2,193 million and €2,152 million, respectively, of the investment in T-Systems ITS.

For the year ended December 31, 2001, Operating Profit of the Other Activities segment includes €694 million from EADS and MMC, the significant companies accounted for using the equity method, including a €876 million gain from the formation of Airbus SAS. For the year ended December 31, 2000, Operating Profit of the Other Activities segment includes €3,259 million from EADS and MMC, including a €3,303 million gain in connection with the exchange of the Group's controlling interest in DaimlerChrysler Aerospace for shares in EADS (see Note 11). At December 31, 2001 and 2000, the identifiable assets of the Other Activities segment includes €5,393 million and €5,143 million, respectively, of investments in these equity method investees.

A reconciliation to Operating Profit (Loss) follows:

(in millions of €)	2001	2000	1999
Income (loss) before financial income	**(1,637)**	4,320	9,324
Pension and postretirement benefit expenses other than service costs	**(450)**	(228)	379
Operating income (loss) from affiliated, associated and related companies	**516**	(35)	17
Gains on disposals of businesses	**292**	5,832	1,140
Miscellaneous	**(39)**	(137)	152
Consolidated Operating Profit (Loss)	**(1,318)**	9,752	11,012

Revenues from external customers presented by geographic region are as follows:

(in millions of €)	Germany	European Union*	United States	Other American countries	Asia	Other countries	Consoli-dated
2001	**23,157**	**22,483**	**81,132**	**13,585**	**6,208**	**6,308**	**152,873**
2000	25,988	24,360	84,503	14,762	5,892	6,879	162,384
1999	28,393	21,567	78,104	11,727	4,796	5,398	149,985

* Excluding Germany.

Germany accounts for €20,584 million of long-term assets (2000: €17,450 million; 1999: €14,711 million), the United States for €58,850 million (2000: €51,996 million; 1999: €43,036 million) and other countries for €12,971 million (2000: €19,633 million; 1999: €12,701 million).

33. Earnings (Loss) per Share

The computation of basic and diluted earnings (loss) per share for ''Income (loss) before extraordinary items and cumulative effects of changes in accounting principles'' is as follows:

(in millions of € or millions of shares, except earnings (loss) per share)	Year ended December 31, 2001	2000	1999
Income (loss) before extraordinary items and cumulative effects of changes in accounting principles — basic	**(662)**	2,465	5,106
Interest expense on convertible bonds and notes (net of tax)	—	18	18
Income (loss) before extraordinary items and cumulative effects of changes in accounting principles — diluted	**(662)**	2,483	5,124
Weighted average number of shares outstanding — basic	**1,003.2**	1,003.2	1,002.9
Dilutive effect of convertible bonds and notes	—	10.7	10.7
Weighted average number of shares outstanding — diluted	**1,003.2**	1,013.9	1,013.6
Earnings (loss) per share before extraordinary items and cumulative effects of changes in accounting principles			
Basic	**(0.66)**	2.46	5.09
Diluted	**(0.66)**	2.45	5.06

Because the Group reported a loss before extraordinary items and cumulative effects of changes in accounting principles for the year ended December 31, 2001, the diluted loss per share does not include the antidilutive effects of convertible bonds and notes. Had the company reported income before extraordinary items and cumulative effects of changes in accounting principles for the year ended December 31, 2001, the weighted average number of shares outstanding would have potentially been diluted by 10.7 million shares resulting from the conversion of bonds and notes.

Stock options issued in 2001 and 2000 were not included in the computation of diluted earnings per share for the years ended December 31, 2001 and 2000, because the options' underlying exercise prices were greater than the average market prices for DaimlerChrysler Ordinary Shares on December 31, 2001 and 2000, respectively.

Income tax charges of €263 million and €812 million relating to changes in German tax laws were included in the consolidated statement of income (loss) for the years ended December 31, 2000 and 1999, respectively, and resulted in a reduction of basic and diluted earnings per share of €0.26 and €0.26 in 2000 and €0.81 and €0.80 in 1999, respectively (see Note 9).

34. Subsequent Events

In January 2002, DaimlerChrysler exercised its option to sell to Deutsche Telekom the Group's 49.9% interest in T-Systems ITS for proceeds of €4.7 billion. The sale is expected to close in March 2002 with the termination of the joint venture.

Following a decision of DaimlerChrysler's Board of Management in 2001, DaimlerChrysler and GE Capital reached an agreement in January 2002 for GE Capital to purchase a portion of the DaimlerChrysler's Capital Services portfolio in the United States. DaimlerChrysler will receive approximately €1.3 billion for the sale. The transaction is expected to be completed in the first quarter of 2002.

35. Condensed Consolidating Financial Information

DaimlerChrysler AG, the parent company of the Group, fully and unconditionally guarantees certain publicly issued debt of its 100% owned subsidiary DaimlerChrysler North America Holding Corporation. The following condensed consolidating financial information for DaimlerChrysler AG, DaimlerChrysler North America Holding Corporation and all other subsidiaries on a combined basis set forth below is intended to provide investors with meaningful and comparable financial information about DaimlerChrysler AG and its subsidiary issuer. Investments and long-term financial assets include the investments in consolidated subsidiaries recorded under the equity method for purposes of the condensed consolidating financial information. Financial income, net includes the income or loss related to such investments.

2001 (in millions of €)	DaimlerChrysler AG (parent company)	DaimlerChrysler North America Holding Corporation	Other subsidiaries (combined)	Consolidating adjustments	DaimlerChrysler AG (consolidated)
Assets					
Intangible assets	84	–	2,779	–	2,863
Property, plant and equipment, net	5,524	–	35,641	–	41,165
Investments and long-term financial assets	38,386	68,287	15,499	(109,797)	12,375
Equipment on operating leases, net	3,234	–	32,836	(68)	36,002
Fixed assets	47,228	68,287	86,755	(109,865)	92,405
Inventories	5,428	–	11,953	(627)	16,754
Trade, finance and other receivables	11,832	3,250	75,866	(18,818)	72,130
Securities	370	–	2,707	–	3,077
Cash and cash equivalents	2,410	5,393	3,625	–	11,428
Non-fixed assets	20,040	8,643	94,151	(19,445)	103,389
Deferred taxes and prepaid expenses	1,979	–	15,093	(5,456)	11,616
Total assets	69,247	76,930	195,999	(134,766)	207,410
Liabilities and stockholders' equity					
Stockholders' equity	39,004	18,556	84,874	(103,430)	39,004
Minority interests	–	–	417	–	417
Accrued liabilities	8,067	1,603	32,306	(406)	41,570
Financial liabilities	14,600	54,417	43,351	(21,460)	90,908
Trade liabilities	3,138	–	11,019	–	14,157
Other liabilities	1,969	2,289	9,930	(3,926)	10,262
Liabilities	19,707	56,706	64,300	(25,386)	115,327
Deferred taxes and deferred income	2,469	65	14,102	(5,544)	11,092
Total liabilities	30,243	58,374	111,125	(31,336)	168,406
Total liabilities and stockholders' equity	69,247	76,930	195,999	(134,766)	207,410
Revenues	54,638	–	136,076	(37,841)	152,873
Cost of sales	(42,464)	–	(123,492)	37,562	(128,394)
Gross margin	12,174	–	12,584	(279)	24,479
Selling, administrative and other expenses	(6,454)	(25)	(12,603)	751	(18,331)
Research and development	(2,821)	–	(3,207)	95	(5,933)
Other income	393	–	1,406	(587)	1,212
Turnaround plan expenses–Chrysler Group	–	–	(3,064)	–	(3,064)
Income (loss) before financial income	3,292	(25)	(4,884)	(20)	(1,637)
Financial income (expense), net	(3,146)	(5,190)	3,095	5,395	154
Income (loss) before income taxes	146	(5,215)	(1,789)	5,375	(1,483)
Income taxes	(808)	1,073	1,227	(715)	777
Minority interests	–	–	44	–	44
Income (loss) before extraordinary items and cumulative effects of changes in accounting principles	(662)	(4,142)	(518)	4,660	(662)
Net income	(662)	(4,142)	(518)	4,660	(662)

2001 (in millions of €)	DaimlerChrysler AG (parent company)	DaimlerChrysler North America Holding Corporation	Other subsidiaries (combined)	Consolidating adjustments	DaimlerChrysler AG (consolidated)
Cash provided by (used for) operating activities	3,892	(1,097)	11,138	2,011	15,944
Increase in equipment on operating leases	(2,496)	–	(15,470)	15	(17,951)
Purchases of property, plant, equipment and other fixed assets	(1,987)	–	(7,619)	55	(9,551)
Proceeds from disposals of equipment on operating leases	1,986	–	9,056	–	11,042
Proceeds from disposals of fixed assets	322	–	776	(55)	1,043
Payments for investments in businesses	(1,473)	–	(141)	793	(821)
Proceeds from disposals of businesses	881	–	1,592	(793)	1,680
(Increase) decrease in receivables from financial services, net	3	–	(1,048)	95	(950)
Disposition of securities (other than trading), net	88	2	1,989	–	2,079
Other	(154)	(1,292)	(5,862)	7,450	142
Cash used for investing activities	(2,830)	(1,290)	(16,727)	7,560	(13,287)
Change in financial liabilities	2,198	5,649	5,968	(10,058)	3,757
Dividends paid	(2,358)	–	(1,967)	1,958	(2,367)
Other	–	–	1,480	(1,471)	9
Cash provided by (used for) financing activities	(160)	5,649	5,481	(9,571)	1,399
Effect of foreign exchange rate changes on cash	–	163	96	–	259
Net increase (decrease) in cash and cash equivalents	902	3,425	(12)	–	4,315
Cash and cash equivalents					
At beginning of period	1,508	1,968	3,606	–	7,082
At end of period	2,410	5,393	3,594	–	11,397

2000 (in millions of €)	DaimlerChrysler AG (parent company)	DaimlerChrysler North America Holding Corporation	Other subsidiaries (combined)	Consolidating adjustments	DaimlerChrysler AG (consolidated)
Assets					
Intangible assets	47	–	3,066	–	3,113
Property, plant and equipment, net	5,504	–	34,641	–	40,145
Investments and long-term financial assets	41,734	66,688	9,205	(105,520)	12,107
Equipment on operating leases, net	2,832	–	30,939	(57)	33,714
Fixed assets	50,117	66,688	77,851	(105,577)	89,079
Inventories	4,859	–	12,052	(628)	16,283
Trade, finance and other receivables	10,059	958	72,199	(12,152)	71,064
Securities	2,014	2	3,362	–	5,378
Cash and cash equivalents	1,508	1,968	3,651	–	7,127
Non-fixed assets	18,440	2,928	91,264	(12,780)	99,852
Deferred taxes and prepaid expenses	2,367	13	12,355	(4,392)	10,343
Total assets	70,924	69,629	181,470	(122,749)	199,274
Liabilities and stockholders' equity					
Stockholders' equity	42,409	21,838	82,886	(104,724)	42,409
Minority interests	–	–	519	–	519
Accrued liabilities	7,368	654	28,663	(244)	36,441
Financial liabilities	12,402	46,534	36,874	(11,027)	84,783
Trade liabilities	4,160	–	11,097	–	15,257
Other liabilities	1,570	603	9,441	(1,993)	9,621
Liabilities	18,132	47,137	57,412	(13,020)	109,661
Deferred taxes and deferred income	3,015	–	11,990	(4,761)	10,244
Total liabilities	28,515	47,791	98,584	(18,025)	156,865
Total liabilities and stockholders' equity	70,924	69,629	181,470	(122,749)	199,274
Revenues	50,946	–	147,457	(36,019)	162,384
Cost of sales	(39,759)	–	(130,010)	35,399	(134,370)
Gross margin	11,187	–	17,447	(620)	28,014
Selling, administrative and other expenses	(6,197)	(12)	(12,794)	700	(18,303)
Research and development	(2,728)	–	(3,753)	144	(6,337)
Other income	404	–	997	(455)	946
Income (loss) before financial income	2,666	(12)	1,897	(231)	4,320
Financial income (expense), net	6,348	(153)	2,950	(8,989)	156
Income (loss) before income taxes	9,014	(165)	4,847	(9,220)	4,476
Income taxes	(1,141)	1,048	(2,000)	94	(1,999)
Minority interests	–	–	(12)	–	(12)
Income before extraordinary items and cumulative effects of changes in accounting principles	7,873	883	2,835	(9,126)	2,465
Extraordinary items	14	–	5,502	–	5,516
Cumulative effects of changes in accounting principles	7	(6)	(88)	–	(87)
Net income	7,894	877	8,249	(9,126)	7,894

2000 (in millions of €)	DaimlerChrysler AG (parent company)	DaimlerChrysler North America Holding Corporation	Other subsidiaries (combined)	Consolidating adjustments	DaimlerChrysler AG (consolidated)
Cash provided by (used for) operating activities	7,370	(1,725)	12,726	(2,354)	16,017
Increase in equipment on operating leases	(2,120)	–	(17,032)	35	(19,117)
Purchases of other fixed assets	(2,267)	–	(8,605)	–	(10,872)
Proceeds from disposals of equipment on operating leases	1,455	–	6,830	–	8,285
Proceeds from disposals of other fixed assets	252	–	610	–	862
Payments for investments in businesses	(3,113)	(3)	(1,854)	87	(4,883)
Proceeds from disposals of businesses	46	12	340	(87)	311
Increase in receivables from financial services, net	(142)	–	(8,447)	7	(8,582)
Dispositions of securities (other than trading), net	519	420	1,499	–	2,438
Other	(336)	(11,367)	(1,633)	12,185	(1,151)
Cash used for investing activities	(5,706)	(10,938)	(28,292)	12,227	(32,709)
Change in financial liabilities	812	14,688	1,568	(201)	16,867
Dividends paid	(2,358)	(390)	(2,968)	3,337	(2,379)
Other	24	–	13,009	(13,009)	24
Cash provided by (used for) financing activities	(1,522)	14,298	11,609	(9,873)	14,512
Effect of foreign exchange rate changes on cash	–	13	488	–	501
Net increase (decrease) in cash and cash equivalents	142	1,648	(3,469)	–	(1,679)
Cash and cash equivalents					
At beginning of period	1,366	320	7,075	–	8,761
At end of period	1,508	1,968	3,606	–	7,082

1999 (in millions of €)	DaimlerChrysler AG (parent company)	DaimlerChrysler North America Holding Corporation	Other subsidiaries (combined)	Consolidating adjustments	DaimlerChrysler AG (consolidated)
Revenues	43,052	–	135,124	(28,191)	149,985
Cost of sales	(34,525)	–	(113,274)	28,111	(119,688)
Gross margin	8,527	–	21,850	(80)	30,297
Selling, administrative and other expenses	(5,787)	(13)	(11,008)	745	(16,063)
Research and development	(2,563)	–	(3,318)	144	(5,737)
Other income	657	–	625	(455)	827
Income (loss) before financial income	834	(13)	8,149	354	9,324
Financial income, net	5,895	3,872	703	(10,137)	333
Income before income taxes	6,729	3,859	8,852	(9,783)	9,657
Income taxes	(983)	328	(3,600)	(278)	(4,533)
Minority interests	–	–	(18)	–	(18)
Income before extraordinary items and cumulative effects of changes in accounting principles	5,746	4,187	5,234	(10,061)	5,106
Extraordinary items	–	–	640	–	640
Cumulative effects of changes in accounting principles	–	–	–	–	–
Net income	5,746	4,187	5,874	(10,061)	5,746
Cash provided by (used for) operating activities	5,327	(152)	19,474	(6,626)	18,023
Increase in equipment on operating leases	(2,219)	–	(17,158)	41	(19,336)
Purchases of other fixed assets	(1,901)	–	(8,214)	–	(10,115)
Proceeds from disposals of equipment on operating leases	1,110	–	5,492	(27)	6,575
Proceeds from disposals of other fixed assets	178	–	329	–	507
Payments for investments in businesses	(548)	–	(800)	59	(1,289)
Proceeds from disposals of businesses	398	–	997	(59)	1,336
Increase in receivables from financial services, net	20	–	(8,396)	7	(8,369)
Dispositions (acquisitions) of securities (other than trading), net	(834)	(67)	225	–	(676)
Other	1,097	(17,811)	(2,885)	18,856	(743)
Cash used for investing activities	(2,699)	(17,878)	(30,410)	18,877	(32,110)
Change in financial liabilities	239	18,350	(3,464)	2,937	18,062
Dividends paid	(2,356)	(94)	(4,185)	4,257	(2,378)
Other	63	–	19,460	(19,445)	78
Cash provided by (used for) financing activities	(2,054)	18,256	11,811	(12,251)	15,762
Effect of foreign exchange rate changes on cash	–	25	780	–	805
Net increase in cash and cash equivalents	574	251	1,655	–	2,480
Cash and cash equivalents					
At beginning of period	792	69	5,420	–	6,281
At end of period	1,366	320	7,075	–	8,761

DAIMLERCHRYSLER AG

Allowance for Doubtful Accounts

(in millions of €)	Balance at beginning of 2001	Charged to costs and expenses	Amounts written off	Balance at end of 2001
Receivables from financial services	**890**	**1,495**	**(783)**	**1,602**
Trade receivables	**711**	**(16)**	**(49)**	**646**
Other receivables	**957**	**132**	**(363)**	**726**
	2,558	**1,611**	**(1,195)**	**2,974**

	Balance at beginning of 2000	Charged to costs and expenses	Amounts written off	Balance at end of 2000
Receivables from financial services	599	746	(455)	890
Trade receivables	798	(50)	(37)	711
Other receivables	1,127	169	(339)	957
	2,524	865	(831)	2,558

	Balance at beginning of 1999	Charged to costs and expenses	Amounts written off	Balance at end of 1999
Receivables from financial services	364	510	(275)	599
Trade receivables	857	49	(108)	798
Other receivables	1,249	125	(247)	1,127
	2,470	684	(630)	2,524